

VERY IMPORTANT DOCUMENT — ANZ'S ADVICE TO INDEPENDENT DIRECTORS' AND INDEPENDENT DIRECTORS RECOMMENDATION TO SHAREHOLDERS IN RELATION TO THE PROPOSED SALE

EGM CIRCULAR DATED 6 NOVEMBER 2002

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Singapore Exchange Securities Trading Limited ("SGX-ST") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

If you have sold all your shares (the "Shares") in the capital of NatSteel Ltd (the "Company"), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for onward transmission to the purchaser or transferee.

A notice of extraordinary general meeting (the "EGM") is set out on pages 70 and 71 of this Circular.

The ordinary resolution and the special resolution to be tabled at the EGM in respect of, *inter alia*, the Proposed Sale and the Voluntary Liquidation (both as defined on pages v and vii of this Circular) are inter-conditional. Accordingly, Shareholders (as defined on page vi of this Circular) who intend to approve the Proposed Sale by voting in favour of the ordinary resolution relating to, *inter alia*, the Proposed Sale should also vote in favour of the special resolution relating to, *inter alia*, the Voluntary Liquidation at the EGM. If the aforesaid special resolution is not approved at the EGM, then the aforesaid ordinary resolution relating to, *inter alia*, the Proposed Sale will also fail and accordingly, the Proposed Sale will not be approved at the EGM.

The special resolution relating to, *inter alia*, the Voluntary Liquidation requires approval by **75%** or more in nominal value of the Shares held by Shareholders **present and voting**, on a poll, either in person or by proxy at the EGM.

YOUR VOTE IS IMPORTANT. YOU ARE URGED TO ATTEND AND VOTE AT THE EGM.



NATSTEEL LTD

(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to

- (1) THE PROPOSED SALE BY THE COMPANY OF THE TARGET ASSETS AND THE LIABILITIES (BOTH AS DEFINED HEREIN) TO CROWN CENTRAL ASSETS LIMITED, BEING AN "INTERESTED PERSON TRANSACTION" AND A "MAJOR TRANSACTION" (AS DEFINED IN CHAPTER 9 AND CHAPTER 10 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED LISTING MANUAL RESPECTIVELY);
- (2) THE PROPOSED CHANGE OF NAME OF THE COMPANY TO "NATIONAL IRON AND STEEL LTD." AND THE CONSEQUENT AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY; AND
- (3) THE PROPOSED VOLUNTARY LIQUIDATION OF THE COMPANY AND THE DISTRIBUTION OF CASH TO SHAREHOLDERS OF THE COMPANY.

Financial Adviser
to NatSteel Ltd

SALOMON SMITH BARNEY
A member of citigroup

Independent Financial Adviser
to the Independent Directors of NatSteel Ltd

ANZ Investment Bank

IMPORTANT DATES AND TIMES:-

Latest date and time for lodgment of Proxy Form	:	2 December 2002 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	4 December 2002 at 10.00 a.m.
Place of Extraordinary General Meeting	:	Mandarin Court Mandarin Singapore Level 4, Main Tower 333 Orchard Road Singapore 238867

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DEFINITIONS

For the purpose of this Circular, the following definitions apply throughout, unless the context otherwise requires:–

“Act”	:	Companies Act, Chapter 50 of Singapore
“ANZ”	:	ANZ Singapore Limited
“Assets”	:	The assets of the Company proposed to be acquired by CCL pursuant to the Sale and Purchase Agreement, the details of which are more particularly set out in Section 3.2 “Information on the Target Assets” of this Circular
“Assumed Employees”	:	The employees or independent agents employed or engaged by the Company in or for the purposes of the Business as at Completion (excluding the Transferred Employees), including those set out in Schedule 3 of the Sale and Purchase Agreement
“Board”	:	The board of directors of the Company
“Books Closure Date”	:	A date, falling after the EGM, to be announced on which the Transfer Books and Register of Members of the Company will be closed in order to determine the entitlements of Shareholders to the Interim Distribution or as the case may be, the Final Distribution
“Brasil and Broadway Liabilities”	:	Any and all liabilities, indebtedness and obligations of the Company in connection or relating to NatSteel Brasil and/or NatSteel Broadway howsoever whatsoever arising under any warranties, conditions, guarantees, indemnities, insurance policies, contracts or agreements
“Brasil Equity-Related Costs”	:	All equity-related costs and expenses incurred by NatSteel Brasil solely in connection with the previous acquisitions by NatSteel Brasil of shares in Acominas Gerais S.A. which form part of the Company’s disposal of its investment in NatSteel Brasil
“Brasil Proceeds”	:	The sale proceeds (net of the Brasil Equity-Related Costs) received by the Company from the disposal of the Company’s investment in NatSteel Brasil (after deducting all costs and expenses incurred solely in connection with such disposal)
“Broadway Proceeds”	:	The sale proceeds received by the Company from the disposal of the Company’s investment in NatSteel Broadway (after deducting all costs and expenses incurred solely in connection with such disposal)
“Business”	:	The businesses, operations and undertakings of the Company in the steel and industrial (comprising construction, chemicals and engineering) industries and property and investments, as more particularly described in the annual report of the Company for the financial year ended 31 December 2001 but excluding the businesses, operations and undertakings relating to NatSteel Broadway and NatSteel Brasil

“Cash Amount”	:	The amount equivalent to (a) the Brasil Proceeds, (b) the Broadway Proceeds, (c) the proceeds from the exercise of any options which were granted by the Company and exercised on or after 1 January 2002 and (d) any interest accrued or accruing thereon
“CCL”	:	Crown Central Assets Limited, an investment holding company limited by shares and incorporated in the British Virgin Islands
“CDP”	:	The Central Depository (Pte) Limited
“Claims”	:	All rights and claims of the Company accruing or accrued at 31 December 2001 against any person arising out of or in connection with the Business (whether arising under any warranties, conditions, guarantees, indemnities, insurance policies, contracts, agreements (in each case whether express or implied) or otherwise howsoever) in so far as they relate to any of the Assets
“Company’s Intellectual Property”	:	To the extent assignable or transferable, the Intellectual Property owned by the Company (including Company’s Know-how) which at or before Completion is used or enjoyed or capable of being used or enjoyed in connection with the Business
“Company’s Know-how”	:	To the extent assignable or transferable, all rights and interest owned by the Company in Know-how which at or before Completion is used or enjoyed or capable of being used or enjoyed in connection with the Business
“Completion”	:	The completion of the sale and purchase of the Target Assets in accordance with terms and subject to the conditions of the Sale and Purchase Agreement
“Completion Date”	:	The date falling no later than three (3) calendar months after 4 September 2002, provided that where the EGM is held less than one calendar month prior to the Completion Date scheduled as aforesaid, CCL may by notice in writing to the Company extend the Completion Date to the first Business Day following after the period of one calendar month from the date of the EGM, subject to the approval of the Company (such approval not to be unreasonably withheld) (or such other date as may be agreed by the Company and CCL in writing)
“Consolidated Net Bank Borrowings”	:	The aggregate of the NSL Net Bank Borrowings and Subsidiaries’ Net Bank Borrowings, such aggregate amount being S\$210,609,000
“Contracts”	:	The contracts set out in Schedule 2 of the Sale and Purchase Agreement
“DBS”	:	The Development Bank of Singapore Ltd
“Directors”	:	The directors of the Company as at the date hereof
“Distributions”	:	The Interim Distribution and/or the Final Distribution
“EGM” or “Extraordinary General Meeting”	:	The extraordinary general meeting of the Company to be held on 4 December 2002 (or at any adjournment thereof)

“Employment Act”	:	The Employment Act, Chapter 91 of Singapore
“Entitled Shareholders”	:	Persons who are registered as holders of Shares in the Register of Members of the Company and Depositors who have Shares entered against their names in the Depository Register as at the close of business on the Books Closure Date
“Excluded Costs and Expenses”	:	All costs and expenses incurred by the Company (a) in connection with soliciting, evaluating and/or processing the various bids submitted by various potential purchasers (including CCL) for the Target Assets and (b) (save as otherwise provided for in the Sale and Purchase Agreement) in respect of the Rejecting Employees pursuant and subsequent to Completion
“Excluded Taxation Liabilities”	:	All Taxation liabilities of the Company in respect of the Brasil Proceeds and the Broadway Proceeds
“Foreign Employees”	:	The foreign employees employed by the Company, including those set out in Schedule 5 of the Sale and Purchase Agreement
“Final Distribution”	:	The final distribution to Shareholders to be made in cash upon the completion of the Voluntary Liquidation
“Goodwill”	:	The goodwill relating to the Business together with the exclusive right for CCL to represent itself as carrying on the Business as successor to the Company
“Group”	:	The Company and its subsidiaries
“Group Companies”	:	The companies or corporations which are directly held by the Company, being:– <ul style="list-style-type: none"> (a) all the companies or corporations which names are set out in Schedule 1 of the Sale and Purchase Agreement, together with the number of shares or (in the case of companies or corporations not incorporated in Singapore) registered capital or registered interests therein which are held by the Company; or (b) if such shares, capital or interests have been transferred to wholly-owned subsidiaries of the Company prior to Completion, all such subsidiaries
“Independent Directors”	:	The independent directors of the Company as at the date of this Circular, being Dr Cham Tao Soon, Mr Lim Chee Onn, Mr Tan I Tong, Dr Tan Tat Wai, Mr Thai Chee Ken and Mr Oliver Tan Kok Kheng
“Intellectual Property”	:	Trade marks, service marks, trade names, logos, get-up, patents, inventions, registered and unregistered design rights, copyrights, semi-conductor topography rights, database and all other similar proprietary rights which may subsist in any part of the world (including Know-how) including, where such rights are obtained or enhanced by registration, any registration of such rights and applications and rights to apply for such registrations
“Interim Distribution”	:	The interim distribution of cash to be made to Shareholders after the EGM and prior to the completion of the Voluntary Liquidation

“JV Company”	:	Any Group Company that is not a wholly-owned subsidiary of the Company and for which a transfer of shares of such Group Company is subject to Pre-Emption Rights
“Know-how”	:	Confidential industrial and commercial information and techniques in any form (including paper, electronically stored data, magnetic media, film and microfilm) including (without limitation) drawings, formulae, test results, reports, project reports and testing procedures, instruction and training manuals, tables of operating conditions, market forecasts, lists of particulars of customers and suppliers
“Latest Practicable Date”	:	31 October 2002, being the latest practicable date prior to the printing of this Circular
“Liabilities”	:	Any and all liabilities (contingent or otherwise), indebtedness and obligations of the Company (save for the (a) Brasil and Broadway Liabilities and (b) Excluded Costs and Expenses) (including without limitation, any and all business liabilities, Taxation (save for the Excluded Taxation Liabilities) and liabilities and indebtedness arising under the NSL Bank Borrowings, the 2002 NSL Bank Borrowings, the Subsidiaries’ Bank Borrowings and the 2002 Subsidiaries’ Bank Borrowings) howsoever whatsoever arising, whether arising under any warranties, conditions, guarantees, indemnities, insurance policies, contracts, agreements (in each case, whether express or implied) or otherwise
“Liquidators”	:	The liquidators proposed to be appointed at the EGM
“Listing Manual”	:	The SGX-ST Listing Manual
“Market Day”	:	A day on which the SGX-ST is open for trading in securities
“NatSteel”, “NSL” or the “Company”	:	NatSteel Ltd
“NatSteel Brasil”	:	NatSteel Brasil Ltda
“NatSteel Broadway”	:	NatSteel Broadway Ltd
“Net Proceeds”	:	The Proceeds less the Excluded Costs and Expenses
“NSL Accounts Receivable”	:	The book and other debts receivable by or owing to the Company (including, without limitation, trade debts, deposits, prepayments, retrospective rebates and overpayments) in respect of and limited to the Business, as at 31 December 2001
“NSL Bank Borrowings”	:	The borrowings and other indebtedness (including interest and fees) owed by the Company to banks and other financial institutions as at 31 December 2001 and as determined from the Company’s audited accounts for the financial year ended 31 December 2001 (under the captions “Amounts due to bankers” and “Long term loans”)
“NSL Cash”	:	The cash balance of the Company as at 31 December 2001, as determined from the Company’s audited accounts for the financial year ended 31 December 2001 (under the caption “Cash and bank balances”)

“NSL Net Bank Borrowings”	:	The amount equivalent to the NSL Bank Borrowings less the NSL Cash, such amount being S\$93,580,000
“NTA”	:	Net tangible assets
“Pre-Emption Rights”	:	In relation to any JV Company, all pre-emption or similar rights or restrictions over any of the shares or as the case may be, registered capital or registered interests of that JV Company conferred by the articles of association or equivalent constitutional documents of that JV Company, Shareholders’ Agreement in relation to that JV Company or in any other way
“Proceeds”	:	The cash amount received or to be received by the Company, comprising:– (a) the proceeds from the Proposed Sale; and (b) the Cash Amount
“Proposed Sale”	:	The proposed sale by the Company to CCL of the Target Assets and the Liabilities pursuant to the terms and subject to the conditions of the Sale and Purchase Agreement
“Rejecting Employees”	:	Those Assumed Employees who do not accept employment with CCL or its nominee(s) on the Completion Date and who accordingly remain employees of the Company on or after Completion
“Relevant Group Company”	:	Any Group Company in respect of which the Regulatory Approvals have not been obtained
“Relevant JV Company”	:	Any JV Company in respect of which a waiver of the Pre-Emption Rights has not been obtained or as the case may be, an exhaustion of the Pre-Emption Rights has not occurred
“Regulatory Approvals”	:	The regulatory and other applicable authorisations, consents and approvals (if any) required to effect a transfer of the Sale Shares of any Group Company or the businesses, undertaking and operations of any Group Company
“Revised CCL Offer”	:	The revised offer by CCL to the Company to acquire the Target Assets for an aggregate cash consideration of S\$350,000,000, on the terms and subject to the conditions set out in the revised offer letter dated 16 August 2002 by CCL to the Company
“Sale and Purchase Agreement”	:	The sale and purchase agreement dated 4 September 2002 between CCL and the Company pursuant to which, <i>inter alia</i> , the Company has agreed to sell, and CCL has agreed to assume the Liabilities and to purchase, the Target Assets, for the consideration and on terms and subject to the conditions therein
“Sale Shares”	:	(a) The shares or (in the case of companies or corporations not registered in Singapore) registered capital or registered interests in the Group Companies, including those set out in Schedule 1 of the Sale and Purchase Agreement; or (b) if such shares, capital or interests have been transferred to wholly-owned subsidiaries of the Company prior to Completion, the shares in all such subsidiaries

“Securities Account”	:	Securities account maintained by a Depositor with CDP
“SGX-ST” or “Singapore Exchange”	:	Singapore Exchange Securities Trading Limited
“Shares”	:	Ordinary shares of par value S\$0.50 each in the capital of the Company
“Shareholders”	:	Persons who are for the time being registered as holders of the Shares in the Register of Members maintained by the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
“Shareholders’ Agreement”	:	In relation to any JV Company, the joint venture, shareholders’ or other similar agreement in respect of that JV Company
“SSB”	:	Salomon Smith Barney Singapore Pte Ltd
“Stamford Law”	:	Stamford Law Corporation
“Subsidiaries’ Bank Borrowings”	:	The borrowings and other indebtedness (including interest and fees) owed by the subsidiaries (excluding NatSteel Broadway and NatSteel Brasil) of the Company to banks and other financial institutions as at 31 December 2001 and as determined from the Company’s audited consolidated accounts for the financial year ended 31 December 2001 (under the captions “Amounts due to bankers” and “Long term loans”)
“Subsidiaries’ Cash”	:	The aggregate cash balance of the Company’s subsidiaries (excluding NatSteel Broadway and NatSteel Brasil) as at 31 December 2001 as determined from the Company’s audited consolidated accounts for the financial year ended 31 December 2001 (under the caption “Cash and bank balance”)
“Subsidiaries’ Net Bank Borrowings”	:	The amount equivalent to the Subsidiaries’ Bank Borrowings less the Subsidiaries’ Cash, such amount being S\$117,029,000
“Target Assets”	:	The Assets and the Business
“Taxation”	:	In relation to a person, any tax and any duty, impost, levy or governmental charge in the nature of tax whether domestic or foreign and any fine, penalty or interest connected therewith, including (without prejudice to the generality of the foregoing) corporation tax, advance corporation tax, income tax, national insurance and social security contributions, capital gains tax, inheritance tax, capital transfer tax, development land tax, goods and services tax, customs, excise and import duties, any deferred taxation and any other payment whatsoever which that person is or may be or become bound to make to any person as a result of any enactment relating to any of the foregoing
“Threshold 2”	:	In relation to the Company, 5% of its latest audited NTA
“Transferred Employees”	:	Those employees employed or engaged by the Company in the Business as at the close of business on the date immediately preceding the Completion Date and to whom the provisions of the Employment Act applies, including those set out in Schedule 5 of the Sale and Purchase Agreement

“Voluntary Liquidation”	:	The members’ voluntary liquidation of the Company to be proposed at the EGM
“2002 NSL Bank Borrowings”	:	The borrowings and other indebtedness (including interest and fees) owed by the Company to banks and other financial institutions as at the date immediately preceding the Completion Date
“2002 Subsidiaries’ Bank Borrowings”	:	The borrowings and other indebtedness (including interest and fees) owed by the subsidiaries (excluding NatSteel Broadway and NatSteel Brasil) of the Company to banks and other financial institutions as at the date immediately preceding the Completion Date
“S\$” or “\$”	:	The lawful currency for the time being of the Republic of Singapore
“US\$”	:	United States dollars
“%”	:	Per centum or percentage

The terms “Depositors”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 130A of the Act.

For the purpose of this Circular, words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any statute or enactment is a reference to the statute or enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Act or such statutory modification, as the case may be.

Any reference to a time of day and dates in this Circular shall be a reference to Singapore time and dates respectively, unless otherwise stated.

Any discrepancies in tables included herein between the amounts listed and the totals thereof are due to rounding.

NATSTEEL LTD

(Incorporated in the Republic of Singapore)

LETTER TO SHAREHOLDERS

6 November 2002

Directors:

Dr Cham Tao Soon (Chairman)
Mr Ang Kong Hua (President)
Mr Eric Ang Teik Lim
Mr Lim Chee Onn
Mr Tan I Tong
Dr Tan Tat Wai
Mr Thai Chee Ken
Mr Oliver Tan Kok Kheng

Registered Office:

22 Tanjong Kling Road,
Singapore 628048

To: The Shareholders of the Company

- (1) **THE PROPOSED SALE BY THE COMPANY OF THE TARGET ASSETS AND THE LIABILITIES (BOTH AS DEFINED HEREIN) TO CROWN CENTRAL ASSETS LIMITED, BEING AN “INTERESTED PERSON TRANSACTION” AND A “MAJOR TRANSACTION” (AS DEFINED IN CHAPTER 9 AND CHAPTER 10 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED LISTING MANUAL RESPECTIVELY);**
- (2) **THE PROPOSED CHANGE OF NAME OF THE COMPANY TO “NATIONAL IRON AND STEEL LTD.” AND THE CONSEQUENT AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY; AND**
- (3) **THE PROPOSED VOLUNTARY LIQUIDATION OF THE COMPANY AND THE DISTRIBUTION OF CASH TO SHAREHOLDERS OF THE COMPANY.**

Dear Sir/Madam,

1. INTRODUCTION

1.1 Receipt of Original Offer from CCL

On 3 June 2002, the Company announced that, *inter alia*, it has received an offer from CCL to acquire all its businesses, undertakings and assets together with its investments in subsidiaries and associated companies (other than its investments in NatSteel Broadway and NatSteel Brasil) free from all bank borrowings of the Company and its subsidiaries, as at 31 December 2001 for an aggregate purchase cash consideration of S\$294,000,000 (the “**CCL Offer**”).

1.2 Appointment of the Special Committee and Advisers

Further to the receipt of the CCL Offer on 3 June 2002, the Board established, on 3 June 2002, a special committee of the Board (the “**Special Committee**”) for the purposes of, *inter alia*, evaluating the CCL Offer and any other offers which may be received by the Company in connection with a possible disposal by the Company of the Target Assets, establishing arm’s length discussions with CCL as well as to review and consider alternative strategic options for the Company.

The Special Committee initially comprised the following Independent Directors, Dr. Cham Tao Soon, Mr. Lim Chee Onn, Mr. Oliver Tan Kok Kheng and Mr. Thai Chee Ken. In view of his considerable knowledge and experience with the steel industry, Dr. Tan Tat Wai was subsequently on 17 June 2002 appointed to the Special Committee to assist the Special Committee in its deliberations.

The Company appointed SSB as its financial adviser, to, *inter alia*, solicit, evaluate, consider and advise the Company on the CCL Offer, alternative options and any other competing bids for the Target Assets. In connection therewith, Stamford Law was appointed as the legal adviser to the Company and ANZ as the independent financial adviser to the Independent Directors.

1.3 Extension of CCL Offer

The CCL Offer, stated by CCL to expire on 17 June 2002, was subsequently extended (as reflected in the announcements made by the Company on 14 June 2002 and 11 July 2002) by the consent of both the Company and CCL to 16 August 2002. The extension was to provide the Company and its financial adviser, SSB, an opportunity to, *inter alia*, evaluate the CCL Offer and to conduct a competitive sale process.

The Company, through SSB, contacted over 40 parties and eventually invited a shortlist of five prospective purchasers (including CCL) to conduct due diligence on the Target Assets which included access to data rooms, management presentations and site visits and negotiated actively with such prospective purchasers.

Please see Appendix III for more details on the competitive sale process conducted by SSB, for and on behalf of the Company.

1.4 Acceptance of the Revised CCL Offer, subject to Shareholders' Approval

On 16 August 2002, the Board received the Revised CCL Offer.

In a letter dated 16 August 2002, CCL's financial adviser, J.P. Morgan (S.E.A.) Limited, stated that, *inter alia*, it had received from CCL certain documentation evidencing the availability of third party financing and certain existing cash funds (together the "**Financial Resources**") and confirmed that, upon utilisation of the Financial Resources, the aggregate amount of the Financial Resources would be sufficient to satisfy an aggregate purchase consideration of S\$350,000,000.

On 17 August 2002, the Board announced that having solicited, received and evaluated various offers for the Target Assets, including the Revised CCL Offer, it had accepted, subject to the approval of Shareholders, the Revised CCL Offer.

The Revised CCL Offer was subject to various conditions including:–

- (a) the Company undertaking to CCL that it will at the extraordinary general meeting of the Company (or at any adjournment thereof), to be convened for the purpose of approving the sale of the Target Assets to CCL, table a resolution to obtain the approval of Shareholders for a members' voluntary winding up or dissolution of the Company;
- (b) negotiation and execution of any necessary legal documentation satisfactory to both parties; and
- (c) receipt of all regulatory and other applicable authorisations, consents or approvals, as appropriate.

Under the Revised CCL Offer, CCL would acquire the Target Assets and assume the Liabilities for a revised aggregate consideration of S\$350,000,000 less consolidated net bank borrowings (excluding NatSteel Brasil and NatSteel Broadway) as stated in the Company's audited consolidated financial statements as at 31 December 2001 (the "**Purchase Consideration**").

Based on the Purchase Consideration and the Company's audited consolidated financial statements as at 31 December 2001, the value of the Target Assets ascribed by the Purchase Consideration is 7.9 times earnings before interest, tax, depreciation and amortisation (EBITDA) of the Group (excluding NatSteel Brasil and NatSteel Broadway and including the Group's share of profits or losses from the Company's associated companies).

1.5 Execution of Sale and Purchase Agreement

The Company has, on 4 September 2002, entered into the Sale and Purchase Agreement with CCL for, *inter alia*, the sale of the Target Assets and the Liabilities to CCL, on the terms and subject to the conditions therein.

The Proposed Sale would constitute:–

- (a) a disposal falling within Section 160 of the Act;
 - (b) an “interested person transaction” within the meaning of Chapter 9 of the Listing Manual; and
 - (c) a “major transaction” by NatSteel under Chapter 10 of the Listing Manual,
- and accordingly, is subject to Shareholders’ approval.

Pursuant to the Sale and Purchase Agreement, the Company is required to transfer to CCL and/or its nominee(s) all the rights, full title, ownership and interest in the Company’s Intellectual Property including, without limitation, all rights, full title, ownership and interest to the names containing the word “NatSteel”, including “NatSteel Ltd” as from the Completion Date. Accordingly, the Company proposes to change the name of the Company to “National Iron and Steel Ltd.” (the “**Proposed Change of Name**”) upon Completion. The Registrar of Companies and Businesses in Singapore has, with effect from 22 October 2002, given its approval for the Proposed Change of Name.

Upon completion of the Proposed Sale on the terms and subject to the conditions of the Sale and Purchase Agreement, it is expected that the Company will cease to have an interest in the Target Assets and will become a predominantly cash holding company. The Net Proceeds are proposed to be distributed to Shareholders in proportion to their respective shareholdings in the Company pursuant to the Voluntary Liquidation, which would require Shareholders’ approval by way of special resolution at the EGM.

1.6 Receipt of Voluntary Conditional Cash Offer by 98 Holdings Pte. Ltd.

On 3 October 2002, Standard Chartered Bank, for and on behalf of 98 Holdings Pte. Ltd. (“**98 Holdings**”), announced that 98 Holdings intends to make a voluntary conditional cash offer (the “**98 Holdings Offer**”) to acquire all the issued Shares.

As announced by the Company on 18 October 2002, ANZ has been appointed as the independent financial adviser to the independent directors of the Company, to advise on the 98 Holdings Offer.

Details on the 98 Holdings Offer can be found in announcements made by or on behalf of each of the Company and 98 Holdings (copies of which are available on the website of the SGX-ST). Further details on the 98 Holdings Offer are also available in the offer document dated 21 October 2002 (the “**98 Holdings Offer Document**”) and the offeree board circular dated 6 November 2002 (the “**NatSteel Offeree Board Circular**”) despatched by or on behalf of 98 Holdings and the Company respectively (a soft copy of which is available on the website of SGX-ST).

1.7 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with relevant information relating to:–

- (a) the Proposed Sale, including its rationale and its financial effects on the Company;
- (b) the Proposed Change of Name and the consequent amendments to the Memorandum and Articles of Association of the Company to reflect the Proposed Change of Name; and
- (c) the Voluntary Liquidation and the Distributions,

and to seek the approval of Shareholders for:–

- (i) the ordinary resolution relating to, *inter alia*, the Proposed Sale, the appointment of the Liquidators in connection with the proposed Voluntary Liquidation and the Distributions; and
- (ii) the special resolution relating to, *inter alia*, the Proposed Change of Name and the proposed Voluntary Liquidation,

to be proposed at the EGM, notice of which is set out on pages 70 and 71 of this Circular.

1.8 Extraordinary General Meeting

The ordinary resolution and the special resolution to be tabled at the EGM in respect of, *inter alia*, the Proposed Sale and the Voluntary Liquidation are inter-conditional. Accordingly, Shareholders who intend to approve the Proposed Sale by voting in favour of the ordinary resolution relating to, *inter alia*, the Proposed Sale should also vote in favour of the special resolution relating to, *inter alia*, the Voluntary Liquidation at the EGM. If the aforesaid special resolution is not approved at the EGM, then the aforesaid ordinary resolution relating to, *inter alia*, the Proposed Sale will also fail and accordingly, the Proposed Sale will not be approved at the EGM.

The special resolution relating to, *inter alia*, the Voluntary Liquidation requires approval by 75% or more in nominal value of the Shares held by Shareholders **present and voting**, on a poll, either in person or by proxy at the EGM.

If approval for, *inter alia*, the Proposed Sale and the Voluntary Liquidation is obtained at the EGM, Shareholders should note that Condition (e)(ii) of the 98 Holdings Offer (as set out in section 2.3 of the 98 Holdings Offer Document) will not be satisfied and accordingly, the 98 Holdings Offer will lapse (unless the said Condition (e)(ii) of the 98 Holdings Offer is waived by 98 Holdings).

Condition (e)(ii) of the 98 Holdings Offer provides that the 98 Holdings Offer is conditional upon, *inter alia*, the Shareholders having voted against the Proposed Sale at the EGM.

Shareholders should therefore note that in the absence of any other competing offer by the date of the EGM, they can choose between the Proposed Sale and the 98 Holdings Offer:

- (a) If Shareholders wish to approve the Proposed Sale, they:–
 - (i) should vote in favour of the ordinary resolution relating to, *inter alia*, the Proposed Sale and the special resolution relating to, *inter alia*, the Voluntary Liquidation at the EGM (the details of such resolutions being set out in the Notice of EGM on pages 70 and 71 of this Circular); and
 - (ii) not tender their acceptances of the 98 Holdings Offer.
- (b) If Shareholders wish to accept the 98 Holdings Offer, they should:
 - (i) vote against the ordinary resolution relating to, *inter alia*, the Proposed Sale and against the special resolution relating to, *inter alia*, the Voluntary Liquidation at the EGM; **AND**
 - (ii) tender their acceptances of the 98 Holdings Offer in accordance with the procedures set out in the 98 Holdings Offer Document.

The votes of Shareholders at the EGM are important. Whether or not Shareholders wish to approve the Proposed Sale at the EGM or to accept the 98 Holdings Offer, they are urged to attend and vote at the EGM.

The Company has, based on current indicative timetable, scheduled the EGM to be held on 4 December 2002 at 10 a.m. (being a date after the despatch of the 98 Holdings Offer Document and the NatSteel Offeree Board Circular). The Company's intention is to enable Shareholders to be provided with information on both the Proposed Sale and the 98 Holdings Offer (including the advice and recommendation of ANZ to the independent directors of the Company thereon) before the EGM so that Shareholders may make an informed decision at the EGM.

Accordingly, Shareholders are urged to read this Circular, the 98 Holdings Offer Document and the NatSteel Offeree Board Circular (including the advice and opinion of ANZ contained in the NatSteel Offeree Board Circular) carefully.

In addition, Shareholders should note that in the event of a competing bid before the EGM for:–

- (i) all or part of the Shares (whether by way of a general offer, a scheme of arrangement or otherwise), Shareholders are not precluded from accepting, rejecting or voting on any such competing bid; or
- (ii) all or part of the assets, undertakings and/or businesses of the Company or the Group, Shareholders are not precluded from voting on any such competing bid which the Board may accept, subject to the requisite Shareholders' approval.

In the event of any such competing bids, the Company will notify Shareholders accordingly.

Shareholders are advised to seek their own professional independent advice if they are in any doubt as to the consequences and implications of the matters referred to or contemplated in this Circular (including the Voluntary Liquidation and/or the Distributions) or otherwise in relation to their respective holdings of Shares.

2. REQUIREMENTS UNDER THE ACT AND THE LISTING MANUAL

2.1 Section 160 of the Act

Section 160 of the Act provides that, *inter alia*, the directors of a company shall not carry into effect any proposals for disposing of the whole or substantially the whole of the company's undertaking or property unless those proposals have been approved by Shareholders in general meeting.

The net book value of the Target Assets amounts to approximately S\$837,304,000 which represents substantially the whole of the Company's undertakings and properties.

2.2 "Interested Person Transaction" under Chapter 9 of the Listing Manual

Under Chapter 9 of the Listing Manual, where a listed company proposes to enter into a transaction with an "interested person", shareholders' approval and/or an immediate announcement is required in respect of that transaction if the value of that transaction is equal to or exceeds certain financial thresholds. In particular, shareholders' approval is required where the value of a transaction with an interested person is equal to or above Threshold 2.

Under the Listing Manual:–

- (a) an "interested person" means, *inter alia*:–
 - (i) a director, chief executive officer, or controlling shareholder of the listed company; or
 - (ii) an associate of any such director, chief executive officer or controlling shareholder;and

- (b) an “associate”, in relation to any director, chief executive officer or controlling shareholder (being individual) includes, *inter alia*, any company in which he (directly or indirectly) has an interest of 25% or more.

Mr Ang Kong Hua is a director of the Company and presently holds fifty per cent. of the issued share capital of CCL. CCL is therefore an associate of a director of NatSteel and qualifies as an “interested person” within the meaning of Chapter 9 of the Listing Manual.

Based on the Group’s audited accounts for the financial year ended 31 December 2001, the Group’s NTA⁽¹⁾ was S\$1,071,059,000. Therefore Threshold 2 would be an amount equal to S\$53,552,950.

Based on the value ascribed to the Target Assets by the Purchase Consideration, the value of the Proposed Sale exceeds Threshold 2 for the purposes of Chapter 9 of the Listing Manual.

Accordingly, the Proposed Sale requires Shareholders’ approval in accordance with the requirements of Chapter 9 of the Listing Manual.

Note:–

- (1) For the purposes of computing Threshold 2, NTA comprises net assets (after adding back deferred income and minority interests) less intangible assets.

2.3 “Major Transaction” under Chapter 10 of the Listing Manual

Chapter 10 of the Listing Manual provides that, *inter alia*, where:–

- (a) the net asset value of the assets of a listed company disposed of exceeds 20% of the net asset value of the listed company and its subsidiaries; or
- (b) the aggregate value of the consideration received exceeds 20% of the market capitalisation of the listed company and its subsidiaries,

such transaction is classified as a “major transaction” and must be made conditional upon approval by shareholders in general meeting.

Based on the Group’s audited accounts for the financial year ended 31 December 2001, the Company’s consolidated net asset value⁽¹⁾ was S\$1,073,188,000. Therefore, in relation to the Company, 20% of its consolidated net asset value as at 31 December 2001 would be approximately S\$214,637,600.

The net book value of the Target Assets as at 31 December 2001 (being S\$837,304,000 net of Liabilities) exceeds 20% of the Group’s net asset value as at 31 December 2001.

As at the close of business on the Latest Practicable Date, the market capitalisation of the Company was S\$746,164,000. 20% of its market capitalisation would be S\$149,233,000.

The Purchase Consideration therefore represents 52.3% of the market capitalisation of the Company as at the close of business on the Latest Practicable Date.

Accordingly, the Proposed Sale requires Shareholders’ approval in accordance with the requirements of Chapter 10 of the Listing Manual.

Note:–

- (1) After adding back minority interests and deferred income.

3. THE REVISED CCL OFFER

3.1 Principal Terms Of the Sale And Purchase Agreement

3.1.1 Proposed Sale of the Target Assets and the Liabilities to CCL

Pursuant to the Sale and Purchase Agreement, CCL will acquire the Target Assets and assume the Liabilities on Completion.

3.1.2 Conditions Precedent

Completion of the Proposed Sale of the Target Assets under the Sale and Purchase Agreement is conditional upon, *inter alia*:—

- (a) the approval of Shareholders for the transactions contemplated under the Sale and Purchase Agreement being obtained at the EGM (including without limitation, the Proposed Sale on the terms and subject to the conditions of the Sale and Purchase Agreement and the Voluntary Liquidation) and such approval not being varied or revoked on or before Completion; and
- (b) the completion of the disposal of the Company's investment in NatSteel Brasil.

If the conditions precedent referred to in items (a) and (b) in section 3.1.2 above are satisfied, completion of the Proposed Sale under the Sale and Purchase Agreement is scheduled to take place on the Completion Date.

As announced by the Board on 21 October 2002, the Company had, on 18 October 2002 (Brazil time), received gross proceeds of S\$253,633,687.90 from the sale of its entire interest in NatSteel Brasil. Such receipt marked the completion of the sale of the Company's investment in NatSteel Brasil and accordingly, satisfied the condition precedent referred to in item (b) in section 3.1.2 above.

3.1.3 Consideration to be received by NatSteel

Under the terms of the Sale and Purchase Agreement, CCL will acquire the Target Assets and assume the Liabilities for an aggregate purchase consideration of S\$350,000,000, subject to a downward adjustment by an amount equal to the Consolidated Net Bank Borrowings.

CCL has, under the Sale and Purchase Agreement, irrevocably and unconditionally undertaken that it shall, *inter alia*, pay or procure the payment of the Purchase Consideration in cash on Completion in such manner as may be notified by the Company to CCL in writing at least forty-eight (48) hours prior to Completion.

Pursuant to Clause 7.2(c) of the Sale & Purchase Agreement, CCL has, *inter alia*, undertaken that it shall, upon request by the Company, promptly provide confirmation of financial resources (in form and substance satisfactory to the Company) by a duly licensed bank or financial institution in Singapore. The abovementioned Clause 7.2(c) is not a condition precedent to the Completion of the Proposed Sale.

On 16 August 2002, the Company received a letter from CCL's financial adviser, J.P. Morgan (S.E.A.) Limited (as described in section 1.4 above). Further, DBS issued a letter to the Board dated 30 August 2002 stating that it confirms that, *inter alia*, together with the full utilisation of the banking facilities offered by DBS to CCL and banking facilities offered by DBS to certain individuals, in relation to the Proposed Sale, CCL will have adequate financial resources to satisfy the aggregate purchase consideration for the Proposed Sale.

In the interest of Shareholders, the Company's intention has been to seek an unconditional confirmation that CCL has sufficient financial resources available to pay the Purchase Consideration in full, similar to that which would have been required of an offeror in connection with any offer under the Singapore Code on Takeovers & Mergers.

Accordingly, on 14 October 2002 the Company requested CCL to provide by 18 October 2002 a confirmation (in form and substance satisfactory to the Company) by a duly licensed bank or financial institution in Singapore that CCL has sufficient financial resources to make payment in full of the Purchase Consideration to the Company or to the order of the Company. To date, the Company has not received confirmation in a form and substance satisfactory to the Company.

3.1.4 Termination Fee

In the event that there is a successful competing offer (other than by or on behalf of CCL) for:-

- (a) more than 50 per cent. of the shares in the Company; or
- (b) all or substantially all of the assets of the Company and its subsidiaries and associated companies (whether by way of merger, purchase of shares, purchase of assets or otherwise),

the Company shall:-

- (i) pay an amount equal to three per cent. of S\$350,000,000 (the "**Termination Fee**") to CCL; and
- (ii) pay or procure the payment of the Termination Fee by a banker's draft, cashier's order or cheque drawn on a licensed bank in Singapore and made out in favour of CCL or in such manner as may be agreed between the Company and CCL,

Provided always that the Termination Fee shall not be payable should Completion occur.

It is not an uncommon practice for a potential acquirer and the target company to enter into arrangements pursuant to which a cash amount would be payable by the target company to the potential acquirer if specified events should occur which have the effect of preventing the offer from proceeding or causing it to fail. Accordingly, the Termination Fee reflects such a commercial agreement between the parties to the Sale and Purchase Agreement.

3.1.5 Representations, Warranties and Undertakings by CCL

Under the Sale and Purchase Agreement, the representations, warranties and undertakings provided by CCL to the Company include, *inter alia*:-

- (a) that CCL has, and will have on Completion, sufficient financial resources to make payment in full of the Purchase Consideration to the Company or to the order of the Company;
- (b) that the Revised CCL Offer is true, accurate and complete and not misleading and that it will implement such strategies, business plans and proposals as are set out therein and as agreed by the Company. Without prejudice to the generality of the provisions contained therein, CCL and its nominee(s) warrants to and undertakes with the Company that on and subject to Completion taking place it shall continue the Business as a going concern, and in particular to operate the core businesses of the Company in substantially the same manner as they are currently being operated and to strengthen and grow the Asian steel franchise of the Business and to expand in growth markets such as China; and
- (c) that CCL shall provide, as soon as practicable following receipt of a written demand from the liquidator to be appointed by the Company in connection with the Voluntary Liquidation, an on-demand bank guarantee (in form and substance satisfactory to the said liquidator) equivalent to the estimated tax and other liabilities and an indemnity (in form and substance satisfactory to the liquidator) of such amount as may be requested by the liquidator in connection with the Voluntary Liquidation.

3.1.6 Employees

Assumed Employees

Under the Sale and Purchase Agreement, CCL has undertaken that it (or as the case may be, its nominee(s)) shall (at least three business days prior to the Completion Date) make a written offer of employment to each of the Assumed Employees:–

- (a) which offer shall be conditional upon Completion taking place; and
- (b) such employment to take effect on the Completion Date.

Such employment shall also be on such terms and conditions (including equivalent job scope and responsibilities) as are no less favourable than the terms of employment for that Assumed Employee as at 1 January 2002, save that:–

- (i) the amount or quantum of the gross salary or remuneration (including any variable component) of that Assumed Employee shall be no less than such amount or quantum as at 1 August 2002; and
- (ii) CCL and its nominee(s) also undertake in the Sale and Purchase Agreement not to make any reductions to such amount or quantum for a period of 12 months from the Completion Date and any payout arising from, relating to or in connection with the termination, retrenchment or redundancy of such Assumed Employee (whether arising from, relating to or in connection with the rationalisation or streamlining of any part of the Business by CCL and/or its nominee(s) or otherwise) shall be on a constructive obligation (as defined in the Singapore Statement of Accounting Standard 31⁽¹⁾) basis, unless mutually agreed by the Company and CCL.

Note:–

- (1) The term “constructive obligation”, as defined in the Singapore Statement of Accounting Standard 31, means, *inter alia*, an obligation that derives from an enterprise’s actions where:–
 - (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the enterprise has indicated to other parties that it will accept certain responsibilities, and
 - (b) as a result, the enterprise has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Transferred Employees

CCL has also acknowledged that the transactions contemplated in the Sale and Purchase Agreement operate as a “transfer of an undertaking” as defined in section 18A of the Employment Act and that the contracts of employment of the Transferred Employees⁽¹⁾ shall be transferred pursuant to the said section and CCL or as the case may be, its nominee(s) shall comply with its obligations under the said contracts of employment and under statute.

In addition, in the case of those Transferred Employees who are Foreign Employees, CCL or as the case may be, its nominee(s) shall apply (subject to Completion taking place) for new work permits or employment passes (as the case may be) for such Transferred Employees in accordance with applicable laws.

Note:–

- (1) For the purposes of the Employment Act, the term “employee” means, *inter alia*, a person who has entered into or works under a contract of service with an employer but does not include any person employed in a managerial, executive or confidential position or any person belonging to any other class of persons whom the Minister may, from time to time by notification in the Gazette, declare not to be employees for the purposes of the Employment Act.

Non-Retrenchment

Each of CCL and its nominee(s) have also undertaken that for a period of 12 months commencing from the Completion Date, it shall not terminate without cause or retrench or unduly cause or induce (whether as a result of any disposal of the Assets, the Business or part thereof or otherwise) any of the Assumed Employees, the Transferred Employees, the Foreign Employees and/or any employees of the Company's subsidiaries (save for NatSteel Broadway and NatSteel Brasil) to leave the employ of CCL, its nominee(s) or as the case may be, such subsidiaries for any reason whatsoever and in the event that the business conditions of CCL or its nominee(s) necessitates rationalisation or streamlining of any part of the Business, CCL and/or its nominee(s), as the case may be, shall use its reasonable efforts to redeploy these employees in similar businesses with the same or substantially the same job responsibilities with not dissimilar compensation package.

3.1.7 Liabilities

CCL shall, on Completion, assume the Liabilities. However, as CCL will not acquire interests in NatSteel Brasil and NatSteel Broadway pursuant to the Sale and Purchase Agreement, the Company (and not CCL) will assume the Brasil and Broadway Liabilities.

3.1.8 Indemnity

CCL has also undertaken that it shall indemnify and hold harmless the Company and its directors, officers, employees, agents and representatives against any and all claims, actions, suits, proceedings, damages, losses, costs and expenses (including without limitation, legal costs and expenses on a full indemnity basis) arising from or in connection with, directly or indirectly, any breach, actual or alleged, by CCL of its representations, warranties, undertakings and agreement contained in the Sale and Purchase Agreement or any failure, actual or alleged, by CCL to comply with its obligations thereunder.

3.2 Information On the Target Assets and the Liabilities

Pursuant to the Sale and Purchase Agreement, CCL shall acquire the Target Assets (namely, the Assets and the Business) and assume the Liabilities on Completion.

3.2.1 Description of the Target Assets

The Assets means, *inter alia*:-

- (a) (except as provided otherwise in the Sale and Purchase Agreement) all assets (including without limitation, the real property leases from the Jurong Town Corporation and issued in favour of the Company, if any, the NSL Accounts Receivable, the Company's Intellectual Property, the Sale Shares and the fixed assets specified in the Register of Fixed Assets maintained by the Company) owned by the Company and used in the Business and investments owned by the Company;
- (b) the benefit of the Contracts;
- (c) the Goodwill;
- (d) the benefit of all Claims relating to the Business;
- (e) the benefit of all licenses and permits (to the extent assignable or transferable) relating to the Business;
- (f) the Company's rights (if any) against suppliers and third parties in connection with the Business insofar as they relate to any of the Assets; and
- (g) all cash in hand or at any bank or other financial institution held by or for the Company in connection with the Business after 31 December 2001,

all as at Completion Date but excluding the Company's investments in NatSteel Broadway, NatSteel Brasil and the Cash Amount.

All capitalised terms used in this Section 3.2 shall have the same meaning as those defined in the Sale and Purchase Agreement, unless otherwise defined herein.

The Business is principally organised into four business divisions comprising the Steel, Industrial, Electronics and Property and Investments divisions.

Steel Division

The Steel Division comprises a regional grouping of steel mini-mills in Singapore, Malaysia, China, the Philippines and Vietnam. Together with its downstream services capability, the steel operations of these mini-mills span 13 countries. These mini-mills have an aggregate annual production capacity of three million tonnes and are focused on long steel products such as reinforcement bars and wire rods principally for the building and construction sectors with downstream services and products such as cut-and-bend services, wire mesh and prestressed concrete wire.

Industrial Division

The Industrial Division comprises three groups of businesses – construction products, chemicals and engineering. The construction products group is principally involved in the manufacture of building materials and related products and the provision of related services. The chemicals group is focused on the environmental chemical and services sector with operations in the manufacture of lime, the provision of solutions for the treatment of land and marine waste as well as the recycling of steel slag into road stones and related services. The engineering group is involved in the manufacture of container spreaders and the sale, service and rental of construction and related equipment.

Electronics Division

The Electronics Division essentially comprises B.J. Industries Pte Ltd which is involved in the manufacture of high quality precision metal and plastic moulding components (in particular the disk drive actuator arms) for the computer disk drive industry as well as Engineering Computer Services (S) Pte Ltd which provides total information technology solutions and value-added distribution services as well as software/systems integration services.

Property and Investments Division

The Property and Investments Division comprises a number of property and non-core investments including interests in Raffles Marina Ltd and Intraco Ltd.

3.2.2 Valuation of the Target Assets

The Target Assets less assumed Liabilities have a total net book value of S\$837,304,000 and a total net tangible asset value of S\$835,175,000 as at 31 December 2001. The Target Assets also made a loss before tax of S\$159,386,000 for the financial year ended 31 December 2001 and a profit before tax of S\$12,995,000 for the six months ended 30 June 2002.

The Company commissioned valuations of the property, plant and equipment (the "**Selected Assets**") of certain of its subsidiaries⁽¹⁾ in the Steel, Industrial, Electronics and Property and Investments divisions together with the plant and machinery of Southern NatSteel (Xiamen) Ltd.

Note:–

- (1) Subsidiaries with fixed assets with an aggregate net book value in excess of S\$20 million in the Group's audited accounts as at 31 December 2001 were selected.

Steel Division

Hatch Consulting was appointed to value Selected Assets in the Steel Division. Their report dated 25 September 2002 sets out the valuation of the Steel Division on two bases, namely, (a) the orderly liquidation method and (b) the ongoing business valuation using the cash flow and sales multiple methods.

The orderly liquidation basis represented a valuation of the Group's effective interest in the individual assets assuming an open market sale within a reasonable timeframe with a willing buyer and in a scenario where the seller was compelled to sell the assets. The corresponding book value column represented the Group's effective interest in the net book value of the individual assets.

Valuation Basis	Valuation range (S\$'000,000)	Book Value as at 30 June 2002 (S\$'000,000)	Surplus/(Deficit) (S\$'000,000)
Orderly Liquidation	61.04	106.13	(45.09)

In addition, Hatch Consulting also considered a valuation of the businesses of the selected subsidiaries on an ongoing business basis using the following methods:–

- (i) the cash flow multiple basis – calculated using multiples of 6, 8 and 12 times 2001 cash flows. The business valuation based on the 8 times multiple was S\$142,928,000; and
- (ii) the sales multiple basis – calculated on a low, median and high basis. The business valuation based on the median sales revenue ratio basis was S\$216,179,000.

Industrial Division

Sallmanns (Singapore) Pte Ltd was appointed to value Selected Assets in the Industrial Division. In its valuation report dated 1 October 2002, the assets in the Industrial Division were valued based on (a) a market value basis and (b) an orderly liquidation basis. The market value was derived from a valuation of the individual assets assuming an open market sale with a willing buyer and a willing seller acting knowledgeably, prudently and without compulsion. The orderly liquidation value represented the Group's effective interest in the value realised given a reasonable timeframe with a willing buyer and in a scenario where the seller was compelled to sell the assets on an "as is, where is" basis.

The book value column represents the Group's effective interest in the net book values of the individual assets.

Valuation Basis	Valuation range (S\$'000,000)	Book Value as at 30 June 2002 (S\$'000,000)	Surplus/(Deficit) (S\$'000,000)
Orderly liquidation	41.85	51.73	(9.88)
Market	54.75	51.73	3.02

Electronics Division

Sallmanns (Singapore) Pte Ltd was appointed to value Selected Assets in the Electronics Division. In its valuation report dated 1 October 2002, the assets in the Electronics Division were valued based on (a) the market value basis and (b) the orderly liquidation basis. The market value was derived from a valuation of the individual assets assuming an open market sale with a willing buyer and a willing seller acting knowledgeably, prudently and without compulsion. The orderly liquidation value represented the Group's effective interest in the value realised given a reasonable timeframe with a willing buyer and in a scenario where a seller was compelled to sell the assets on an "as is, where is" basis.

The book value column represents the Group's effective interest in the net book values of the individual assets.

Valuation Basis	Valuation range (S\$'000,000)	Book Value as at 30 June 2002 (S\$'000,000)	Surplus/(Deficit) (S\$ '000,000)
Orderly liquidation	10.52	16.26	(5.74)
Market	13.98	16.26	(2.28)

Properties and Investments Division

Chesterton International Property Consultants Pte Ltd was appointed to value Selected Assets in the Properties and Investments Division. In its valuation reports dated 22 July 2002 and 29 July 2002, the open market value of the assets in the Properties and Investment Division were valued on (a) an 'as is where is' basis and (b) an depreciated replacement cost basis.

In connection with the Group's effective interest in Raffles Marina Ltd, the 'as is where is' valuation (a) was based on the existing number of members and term membership sales, and (b) assumes the success of the proposed marketing drive by Raffles Marina Ltd to recruit new members and that a further 2,200 new members are recruited, in addition to term membership sales. The depreciated replacement cost basis represented a valuation based on the estimated value of the land and adding the depreciated replacement cost of the buildings.

The book value column represents the Group's effective interest in the net book value of the assets:-

Valuation Basis	Valuation range (S\$'000,000)	Book Value as at 30 June 2002 (S\$'000,000)	Surplus/(Deficit) (S\$'000,000)
As is where is			
— based on existing members (taking into consideration term membership sales)	25.50	69.74	(44.24)
— based on 2,200 additional members and term membership sales	68.00	69.74	(1.74)
Depreciated replacement cost	76.50	69.74	6.76

ANZ, the independent financial adviser to the Independent Directors has undertaken an analysis of the valuations in section 6(B) of the letter from IFA.

3.2.3 Description of the Liabilities

On Completion, CCL will assume the Liabilities pursuant to the Sale and Purchase Agreement.

The Liabilities comprise:-

- (a) liabilities of S\$298,338,000 as at 31 December 2001 in respect of the Target Assets (excluding bank borrowings which are part of the adjustment to the consideration);
- (b) all liabilities arising on and after 1 January 2002 excluding those relating to NatSteel Brasil and NatSteel Broadway; and
- (c) all contingent liabilities and obligations excluding those relating to NatSteel Brasil and NatSteel Broadway.

3.3 Information on CCL

CCL is an investment holding company limited by shares and incorporated in the British Virgin Islands on 30 April 2002. It was acquired by Messrs Ang Kong Hua and Gan Kim Yong on 3 June 2002.

As at 19 September 2002, CCL has an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and an issued and paid-up capital of US\$2.00 divided into 2 shares of US\$1.00 each. The shareholders and directors of CCL are Messrs Ang Kong Hua and Gan Kim Yong.

3.4 Rationale for the Proposed Sale

Since the divestment of the Group's electronics businesses via the sale of the Company's interests in NatSteel Electronics Ltd in 2000 and NatSteel Broadway in July 2002, the Group has significantly diminished in size and has become more focused on the steel and industrial sectors. Both sectors are capital intensive, cyclical in nature and are experiencing capacity gluts and uncertain medium-term prospects given the current economic outlook. This has resulted in reduced interest from the investor community in the Company. For example, the number of research reports covering the Company⁽¹⁾ has reduced from an average of 4.7 reports per month in the year preceding the announcement of the sale of NatSteel Electronics Ltd to an average of 2.5 reports per month during the period from the announcement of the sale of NatSteel Broadway to 30 September 2002.

A disposal of the Target Assets facilitates the return and distribution of the Company's capital to Shareholders and represents a step towards maximising shareholder value *via* the monetisation of all the remaining assets of the Company.

In its deliberations on the strategic alternatives available to the Company, the Board evaluated the following options:–

- (a) the organisation of a competitive sale process for the disposal of the Target Assets;
- (b) an orderly disposal of the assets, undertakings and businesses of the Company;
- (c) a cash distribution to Shareholders of the proceeds from the sale of NatSteel Brasil and NatSteel Broadway, without a disposal of the Target Assets to CCL; and
- (d) continuation with the status quo.

Note:–

(1) Source: Investext

3.4.1 Organising a competitive sale process for the disposal of the Target Assets

Further to the receipt of an offer from CCL to acquire the Target Assets on 3 June 2002, the Board appointed SSB as its financial adviser. SSB, for and on behalf of the Board, solicited, received and evaluated various offers for the Target Assets, including the Revised CCL Offer from CCL. The offers received were evaluated by the Board and its advisers in terms of overall value, structure, timing, financial capability of the potential bidders, terms and conditions, and certainty of completion.

More information on the competitive sale process undertaken by SSB is set out in Appendix III of this Circular.

3.4.2 Orderly Disposal of Assets

One of the alternatives considered by the Board was an orderly disposal of the assets, undertakings and businesses of the Company through the sale of the Target Assets on a piecemeal and "going concern" basis as opposed to a sale of all the assets, undertaking and businesses of the Company as contemplated under the Revised CCL Offer. Such a course of action could take place concurrently with or subsequent to a distribution of the Brasil Proceeds and the Broadway Proceeds to Shareholders. The Board took into account the following factors when considering such a proposed course of action:–

- (a) most of the Target Assets are private businesses which generally attract a discount to publicly traded entities to reflect various issues specific to private businesses, such as higher risks, liquidity and marketability limitations of private corporations;

- (b) the Target Assets comprise a conglomerate of businesses and investments which, due in part to the industries in which they are involved, generally attract a discount to publicly traded non-conglomerate corporations;
- (c) a significant number of the Company's investments represent minority interests in private corporations which would normally attract higher discounts to reflect greater liquidity and marketability constraints;
- (d) the substantial number of private corporations within the Group and the diversity of businesses and shareholding structures in relation to the corporations within each division would render the timing and ultimate proceeds that may be realised from the sale of each of the Steel, Industrial and Properties and Investments divisions as a whole or a piecemeal sale of individual corporations within each division uncertain;
- (e) some of the corporations to be disposed are loss making and therefore it may be difficult to find buyers for these corporations; and
- (f) in the course of such a disposal process, the Company would face an extended period of uncertainty and may lose critical staff, business as well as suppliers. This may also adversely affect the employees of the Group.

3.4.3 Cash distribution of the proceeds from the sale of NatSteel Brasil and NatSteel Broadway

In considering the alternative of a cash distribution to Shareholders of the proceeds of NatSteel Brasil and NatSteel Broadway without a sale of the Target Assets, the Board took into account the following factors:-

- (a) as a matter of prudence, the Company is unlikely to distribute the entire amount of such proceeds;
- (b) a cash distribution of such a significant quantum could impact upon the future ability of the Company to declare and distribute dividends;
- (c) the gearing of the Company would increase as a result of the proposed cash distribution;
- (d) any investment and capital expenditure cashflows after 30 June 2002 may need to be met from operating cashflows or from new financing which is uncertain. In this respect, the Company has announced during its results briefing on 5 August 2002 that the projected capital expenditure and investments of the Group in the financial year ending 31 December 2002 was expected to total S\$90,000,000 in relation to the Target Assets. This could eventually affect the business of the Company if the period of uncertainty is extended;
- (e) the market capitalisation of the Company would diminish as a result of the proposed cash distribution. This may affect the Company's attractiveness *vis-à-vis* institutional investors and research coverage, which may have a detrimental impact on the liquidity of the Shares and therefore the share price of the Company;
- (f) subsequent to the disposals of NatSteel Brasil and NatSteel Broadway, the remaining businesses comprise a diverse range of businesses and shareholding structures, some of which are loss making and many of which represent minority shareholdings in corporations over which the Company has little or no management control; and
- (g) the Company may lose senior management staff as the businesses and assets of the Company diminish. This may also adversely affect the employees of the Group.

3.4.4 Continuation with the status quo

The Board also considered the option of rejecting the CCL Offer and maintaining the status quo of the Group. In this respect, the Board took into account the following factors:-

- (a) the share price of the Company may retrace down to the levels prior to the CCL Offer or lower, there being indications that the current levels of share price the Company may be supported by the implied total cash distributions to Shareholders of the proceeds of the Revised CCL Offer and the sale of NatSteel Brasil and NatSteel Broadway;

- (b) after the disposals of NatSteel Brasil and NatSteel Broadway, the remaining businesses comprise a diverse range of businesses and shareholding structures, some of which are loss making and many of which represent minority shareholdings in corporations over which the Company has little or no management control;
- (c) the steel and industrial sectors, which comprise the main businesses of the Group, are capital intensive, cyclical in nature and are experiencing capacity gluts. These industries face uncertain medium-term prospects given the current economic outlook; and
- (d) such uncertain prospects for the businesses may result in the Group losing critical staff and adversely affect the employees of the Group.

3.4.5 Decision by the Board

After consideration and evaluation of the different alternatives available and taking into account the preliminary advice and recommendation of ANZ to the Independent Directors and the advice and recommendation of SSB to the Board as financial adviser to the Company, the Board announced, on 17 August 2002, the acceptance of the Revised CCL Offer, subject to the approval of Shareholders. The terms of the Revised CCL Offer are more attractive than those of the other offers received by the Board and other alternatives considered and is anticipated to result in Shareholders receiving cash distributions from the Proposed Sale within a reasonable time frame. Under the Sale and Purchase Agreement, CCL agrees to offer employment to all employees of the Company on terms and conditions no less favourable than existing terms and conditions and undertakes to operate the core businesses in substantially the same manner as they are currently operated with plans to grow the Asian steel franchise in key growth markets such as China.

In making its decision, the Board's objectives are to act in the interests of Shareholders and the employees of the Company as a whole, and to maximise shareholder value.

3.5 Financial Effects Of The Proposed Sale

The Purchase Consideration represents a loss on disposal of S\$654,926,000, based on (a) the assumption that the Proposed Sale was completed on 31 December 2001, (b) the book value of the Target Assets less assumed Liabilities as at 31 December 2001 and (c) after release of goodwill, and exchange differences upon disposal of S\$153,427,000.

The proforma effects of the Proposed Sale on the issued and paid-up share capital, earnings and the net tangible assets of the Group for the financial year ended 31 December 2001 are set out below. The Proposed Sale has no effect on the issued and paid-up share capital of NatSteel. Proforma effects of the Proposed Sale on the earnings and the net tangible assets for the six months ended 30 June 2002 have not been included as the profit or loss of the Business and the Assets from (and including) 1 January 2002 and all Liabilities free from consolidated net bank borrowings would, pursuant to the terms of the Sale and Purchase Agreement, *inter alia*, be for the account of CCL (or as the case may be, its nominee(s)).

In March 2002, the Company obtained Shareholders' approval for the sale of NatSteel Brasil and on 6 September 2002, Gerdau Participacoes Ltda (together with another wholly-owned subsidiary within the Gerdau Group) exercised the call option granted to it under the terms of the sale by the Company of its interests in NatSteel Brasil. In July 2002, the Company also completed the sale of NatSteel Broadway (together with the sale of NatSteel Brasil the "Sales"). The proforma financial effects as set out below have been prepared after taking into consideration the financial effects of the Sales.

For illustrative purposes, the proforma effects of the income earned on the proceeds arising from the Sales and the Proposed Sale have not been included in the calculations below.

(a) Issued and Paid-Up Share Capital

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

(b) Earnings

Assuming the Proposed Sale and the Sales had been completed on 1 January 2001 and based on the Group's audited consolidated financial statements for the year ended 31 December 2001 (FY 2001), the proforma effects on the earnings of the Group are as follows:—

(\$'000)	Before the completion of the Proposed Sale and the Sales	Before the completion of the Proposed Sale but after the Sales	After the completion of the Proposed Sale and the Sales
The Group's consolidated net profit/(loss) for FY 2001	(129,633)	(129,633)	(129,633)
Sales			
Gain on disposal of shareholding interest in NatSteel Brasil	—	57,014	57,014
Gain on disposal of shareholding interest in NatSteel Broadway	—	258,678	258,678
Reverse NatSteel Brasil's profit after tax and minority interests for FY 2001 attributable to the Company	—	(3,212)	(3,212)
Reverse NatSteel Broadway's profit after tax and minority interests for FY 2001 attributable to the Company	—	(17,623)	(17,623)
Proposed Sale			
Reverse Target Asset's loss after tax and minority interests for FY 2001	—	—	150,468
Loss from disposal of Target Assets ⁽¹⁾	—	—	(623,796)
Release of goodwill and exchange differences upon disposal ⁽²⁾	—	—	(145,090)
Proforma consolidated profit/ (loss) after tax and MI	(129,633)	165,224	(453,194)
Number of Shares outstanding⁽³⁾	362,747,737	362,747,737	362,747,737
Earnings per Share	(S\$0.36)	S\$0.46	(S\$1.25)

Notes:—

- (1) Computed based on the net asset values as at 31 December 2000 on the assumption that the Proposed Sale had been completed on 1 January 2001.
- (2) Computed based on the reserves balances as at 31 December 2000 on the assumption that the Proposed Sale had been completed on 1 January 2001.
- (3) Based on weighted number of issued Shares for year ended 31 December 2001.

(c) NTA

Assuming the Proposed Sale and the Sales had been completed on 31 December 2001 and based on the Group's audited consolidated financial statements as at 31 December 2001, the proforma effects on NTA of the Group are as follows:–

(\$'000)	Before the completion of the Proposed Sale and the Sales	Before the completion of the Proposed Sale but after the Sales	After the completion of the Proposed Sale and the Sales
The Group's NTA as at 31 December 2001	919,875	919,875	919,875
Sales			
Add: Brasil Net Proceeds	—	251,176	251,176
Broadway Net Proceeds	—	335,478	335,478
Less: NatSteel Brasil's NTA as at 31 December 2001 attributable to the Company	—	(197,374)	(197,374)
NBL's consolidated NTA as at 31 December 2001 attributable to the Company	—	(97,936)	(97,936)
Proposed Disposal			
Add: Proceeds on disposal of Target Assets	—	—	350,000
Less: Target Assets' NTA as at 31 December 2001	—	—	(835,174)
Add: Others ⁽¹⁾	—	—	11,955
Group's proforma NTA	919,875	1,211,219	738,000
Number of Shares outstanding	362,882,737⁽²⁾	362,882,737⁽²⁾	386,308,237⁽³⁾
NTA per Share	S\$2.53	S\$3.34	S\$1.91

Notes:–

- (1) Comprise estimates of proceeds to be received from the exercise of options, and interest income from the Brasil Proceeds and the Broadway Proceeds less estimated costs and expenses such as liquidation costs, advisers' costs, directors' fees and incidental expenses relating to the Proposed Sale and 98 Holdings Offer.
- (2) Based on Shares outstanding as at 31 December 2001.
- (3) Based on fully diluted number of issued Shares as at the Latest Practicable Date.

3.6 ANZ's Advice to the Independent Directors

3.6.1 Pursuant to Chapter 9 of the Listing Manual, ANZ has been appointed as an independent financial adviser to the Independent Directors to advise them on whether the Proposed Sale is on normal commercial terms and whether the Proposed Sale is prejudicial to the interests of the Company and its minority Shareholders.

3.6.2 In its review and evaluation of relevant factors and information provided by the Company and in assessing whether at the date hereof the financial terms of the Revised CCL Offer, in isolation and barring analysis and comparison with the 98 Holdings Offer, are on normal commercial terms and are not prejudicial to the interests of the minority Shareholders, ANZ has observed, *inter alia*, the following:–

- (a) the Revised CCL Offer falls within the range of ANZ's indicative valuation range after application of the private company and conglomerate discount;
- (b) the Revised CCL Offer is at a discount to the adjusted NTA of the Target Assets. However, ANZ has noted that it may be inappropriate in this instance to use NTA or adjusted NTA as a benchmark for evaluation of the fairness of the Revised CCL Offer;

- (c) the Shares have always traded at a discount of more than 18.7 per cent. to the Group's historical book NTA per Share since 1 January 1997 to the Latest Practicable Date and averaged a discount of 57.1 per cent. during this period;
- (d) it would appear since 3 June 2002 each of the following:
 - (i) CCL Announcement;
 - (ii) announcement of the Revised CCL Offer;
 - (iii) the 98 Holdings Offer announcement on 3 October 2002;
 - (iv) the announcement on 11 October 2002 that Sanion Enterprises Ltd ("Sanion") and Oei Hong Leong had become a substantial shareholder with the acquisition of an 11.12 per cent interest in the issued share capital of the Company and an additional announcement on 29 October 2002 of a further acquisition of 1.46 per cent. interest.; and
 - (v) announcement that the 98 Holdings Offer Price would be revised to \$2.00 in cash for each Offer Share

has supported the appreciation of the market price of the Shares to the Latest Practicable Date. Subsequent to the Latest Practicable Date, Sanion and Oei Hong Leong had on 1 November 2002, acquired a further 2.17 per cent. of the issued capital of NatSteel, thereby increasing its total share of NatSteel's issued capital to 14.7 per cent. and made an offer to DBS Bank to purchase all of DBS Bank's shares in NatSteel representing about 14.67 per cent. of NatSteel's issued share capital at a price of \$2.03 per share. Should the Revised CCL Offer be unsuccessful and in the event the 98 Holdings Offer be unsuccessful or withdrawn and in the event that a higher competing bid fails to materialise, there is no assurance that the Share price of NatSteel as at the Latest Practicable Date will be maintained;

- (e) distribution of the cash proceeds arising from the sale of NatSteel Brasil and NatSteel Broadway without the Proposed Sale may create additional business risks for the Company and impact future share price performance following such a cash distribution; and
- (f) the Revised CCL Offer exceeds the proposed purchase consideration for each of the four Preliminary Investment Proposals (as defined in Appendix III of this Circular) and the Alternative Proposal (as defined in Appendix III of this Circular) which did not have confirmation of financing. The Alternative Proposal also contained numerous conditions precedent which included obtaining regulatory approvals and which as a result thereof may have created greater uncertainty as to completion and/or a longer timeframe for the completion of the Alternative Proposal.

Having regard to the foregoing, in particular, the comparison of the estimated cash distribution per Share implied by the Revised CCL Offer with historical market quotations up to the date of the announcement of the 98 Holdings Offer, and on the basis of the observations in the letter dated 6 November 2002 and issued by ANZ to the Independent Directors, ANZ is of the view that the Revised CCL Offer, **if considered in isolation and barring analysis and comparison with 98 Holdings Offer**, appears to be on normal commercial terms and not prejudicial to the interests of the minority Shareholders from a market quotations perspective. ANZ has further opined that the CCL Offer announced on 3 June 2002 and its revision on 17 August 2002, was supporting the share price of the Company up to the date of the 98 Holdings Offer.

ANZ noted that the Revised CCL Offer falls within its Indicative Valuation range when the valuation of Raffles Marina Ltd on the basis of existing membership valuation is considered after application of the private company and conglomerate discount.

ANZ noted that on 3 October 2002, Standard Chartered Bank, for and on behalf of 98 Holdings, announced the 98 Holdings Offer to acquire all the issued Shares and that on 20 October 2002, Standard Chartered Bank announced, for and on behalf of the Offeror, that the Offeror had revised the 98 Holdings Offer by increasing the Offer Price to S\$2.00 per Offer Share. ANZ further noted that the closing price of the Shares on 31 October 2002 was \$2.03.

The 98 Holdings Offer Document setting out further details of the 98 Holdings Offer and the NatSteel Offeree Board Circular in response thereto have been despatched by or on behalf of 98 Holdings and the Company respectively. ANZ's analysis on the comparison between the Proposed Sale and the 98 Holdings Offer and its advice and recommendation to the independent directors relating thereto are set out in the NatSteel Offeree Board Circular despatched by or on behalf of the Company contemporaneously with this Circular on 7 November 2002.

- 3.6.3 A copy of the letter of advice dated 6 November 2002 and issued by ANZ to the Independent Directors is set out in Appendix I of this Circular and Shareholders' attention is drawn to it.
- 3.6.4 As announced by the Company on 18 October 2002, ANZ has been appointed as the independent financial adviser to advise the independent directors of the Company in connection with the 98 Holdings Offer.

In connection therewith, ANZ has issued a separate letter of advice in relation to its analysis of the comparison between the Proposed Sale and the 98 Holdings Offer. **The advice and recommendation of ANZ to the independent directors of the Company and the recommendation of the independent directors of the Company are set out in the NatSteel Offeree Board Circular despatched by or on behalf of the Company contemporaneously with this Circular on 7 November 2002.**

Shareholders should read and consider carefully ANZ's advice and recommendation to the Independent Directors contained in Appendix I of this Circular and its advice and recommendation contained in the NatSteel Offeree Board Circular despatched by or on behalf of the Company contemporaneously with this Circular on 7 November 2002.

4. THE PROPOSED CHANGE OF NAME

In connection with the Proposed Sale, the Company will also transfer, *inter alia*, all rights, full title, ownership and interest (as may be necessary) to the names containing the word "NatSteel", including "NatSteel Ltd", as from the Completion Date. As such, the Company proposes to change its name to "National Iron and Steel Ltd." upon Completion. The Registrar of Companies and Businesses in Singapore has, with effect from 22 October 2002, given its approval for the Proposed Change of Name. In connection with the Proposed Change of Name, the Company proposes to make consequent amendments to its Memorandum and Articles of Association to, *inter alia*, substitute the name "National Iron and Steel Ltd" for "NatSteel Ltd" wherever the later name appears in the Memorandum and Articles of Association of the Company.

Notwithstanding the Proposed Change of Name, Shareholders should note that the existing share certificates of the Company will continue to be good evidence of title prior to the completion of the Voluntary Liquidation, and be valid for trading on the SGX-ST prior to the de-listing and withdrawal of the Shares from the Official List of the SGX-ST. The Company will not undertake a recall of the existing share certificates from Shareholders.

5. THE PROPOSED VOLUNTARY LIQUIDATION

5.1 Net Proceeds

Following Completion, it is expected that the Company will hold only cash comprising the Net Proceeds.

It is envisaged that the distribution of the Net Proceeds to Shareholders would involve, *inter alia*:—

- (a) the Voluntary Liquidation of the Company, which requires Shareholders' approval by way of special resolution at the EGM; and
- (b) subject to the said special resolution being passed, the distributions of the Net Proceeds, by way of the Interim Distribution and the Final Distribution, to Shareholders in cash in proportion to their respective shareholdings in the Company at the relevant Book Closure Dates.

5.2 Distribution of Cash

If Shareholders approve the Voluntary Liquidation at the EGM, the Liquidators will then distribute the Net Proceeds (net of the costs and expenses for the Voluntary Liquidation) to Shareholders, in proportion to their respective shareholdings in the Company at the relevant Book Closure Dates.

The Company estimates that the Distributions made to Shareholders will amount to approximately of S\$1.91 per Share.

Shareholders should note that the aggregate amount of Distributions available for distribution to Shareholders is subject to (a) the amount of the Net Proceeds received by the Company, where a decrease in such amount may result from, *inter alia*, an increase in Excluded Costs and Expenses, (b) the costs and expenses incurred and to be incurred by the Company in connection with evaluating and/or processing the 98 Holdings Offer and any other competing offers, (c) the costs and expenses incurred and to be incurred by the Company for the Voluntary Liquidation and (d) any other claims, costs and expenses suffered or incurred by the Company prior to the final dissolution (including Excluded Taxation Liabilities) or any other unforeseen circumstances:—

	S\$ million
Purchase Consideration	350.0
Broadway Proceeds ^{(1), (2)}	335.5
Brasil Proceeds ^{(2), (3)}	251.1
Others ⁽⁴⁾	12.0
Less: Consolidated Net Debt as at 31 December 2001	<u>(210.6)</u>
Estimated distributable cash	<u>738.0</u>
Fully diluted number of Shares (millions)	386.3
Estimated Distribution per Share (S\$)	<u><u>1.91</u></u>

Notes:—

- (1) Based on actual proceeds received to date.
- (2) Pursuant to applications made by the Company to the Inland Revenue Authority of Singapore, the Company has received favourable rulings that based on representations made by the Company, Brasil Proceeds and Broadway Proceeds would be treated as gains of capital nature and accordingly, expects that the Brasil Proceeds and the Broadway Proceeds are not subject to taxation in Singapore.
- (3) The Company has entered into arrangements for purposes of, *inter alia*, hedging its foreign exchange exposure in respect of the Brasil Proceeds.
- (4) Based on estimates of proceeds to be received from the exercise of options, and interest income from the Brasil Proceeds and the Broadway Proceeds less estimated costs and expenses such as liquidation costs, and advisers' costs, directors' fees and incidental expenses relating to the Proposed Sale and 98 Holdings Offer.

It is expected that the Liquidators will make an Interim Distribution and a Final Distribution. The Liquidators may, subject to tax clearance, make the Interim Distribution at such time and in such amount as they may consider appropriate, after setting aside such amounts as they shall consider prudent and appropriate to meet the liabilities (including potential tax liabilities) and the expenses of the Voluntary Liquidation and having regard to the assets and liabilities of the Company at the relevant time. The Interim Distribution and the Final Distribution are expected to be made in cash.

Based on the Company's estimates of the Net Proceeds and subject to any other costs, expenses and claims incurred or suffered (or to be incurred or suffered) by the Company and barring any unforeseen circumstances, the Company expects to make an Interim Distribution of S\$1.91 per Share on or around 31 January 2003, subject to the following assumptions:-

- (a) that the Company receives payment of the Proceeds;
- (b) that CCL assumes all Liabilities;
- (c) that there are no Brasil and Broadway Liabilities (including Excluded Taxation Liabilities);
- (d) that the Company does not hold (whether directly or indirectly) any of the Target Assets post-Completion of the Proposed Sale; and
- (e) an amount of S\$2,000,000 will be set aside to account for contingent liabilities, fees, costs and expenses arising from, relating to or in connection with the Voluntary Liquidation, howsoever and whatsoever arising.

If there is any cash left over in the Company at the end of the Voluntary Liquidation arising from, *inter alia*, the overprovision for liquidation or other costs, such cash would also be distributed to Shareholders in a Final Distribution at the end of the Voluntary Liquidation. On the basis of the abovementioned and barring any unforeseen circumstances, the Company presently expects that the Final Distribution, if any, will be made by the end of 2003.

Disposal of the Company's interests in the Relevant JV Companies and/or the Relevant Group Companies

It is possible that on Completion, CCL and/or its nominee(s) may not be able to acquire the Company's interests in the Relevant JV Company and/or the Relevant Group Company, due to waivers of the relevant Pre-Emption Rights not having been obtained or exhausted or the Regulatory Approvals not having been obtained.

In such an event and subject to the relevant Pre-Emption Rights having been obtained or exhausted or the Regulatory Approvals having been obtained after Completion, CCL and its nominee(s) are entitled, under the Sale and Purchase Agreement, to purchase the aforesaid interests of the Company at the consideration of S\$1.00 per Relevant JV Company or Relevant Group Company.

If for any reason whatsoever (including where waivers of the relevant Pre-Emption Rights have not been obtained or exhausted or where the Regulatory Approvals have not been obtained), CCL is not able to, after the Completion Date, acquire the Company's interests in the Relevant JV Company and/or the Relevant Group Company, the completion of the Voluntary Liquidation and the making of the Final Distribution and the timing thereof would be dependent on whether and when the Liquidators are able to successfully dispose of the aforesaid interests of the Company in the Relevant JV Company and/or the Relevant Group Company.

Brasil Proceeds and Broadway Proceeds

Pursuant to applications made on behalf of the Company to the Inland Revenue Authority of Singapore (the “IRAS”), the Company has received favourable rulings that based on representations made by the Company, the Brasil and Broadway Proceeds would be treated as gains of a capital nature and accordingly, expects that the Brasil and Broadway Proceeds are not subject to taxation in Singapore.

Brasil and Broadway Liabilities

Under the Sale and Purchase Agreement, as CCL will not be acquiring any interests in NatSteel Brasil and NatSteel Broadway, the Company has agreed to bear the Brasil and Broadway Liabilities (if any).

The completion of the Voluntary Liquidation and the making of the Final Distribution and the timing thereof may be dependent on whether the Liquidators are able to discharge in full the Brasil and Broadway Liabilities.

Taxation

Distributions made to Shareholders who are tax resident in Singapore should not be subject to any Singapore income tax. Distributions made to Shareholders who are non-Singapore tax residents will not be subject to withholding tax in Singapore. Instead the taxability of Distributions made to non-Singapore tax resident Shareholders would depend upon the tax laws of their home country.

The above statements are general in nature and are based on certain aspects of current tax laws in Singapore which are in force as of the date of this Circular and are subject to any changes in such laws, or in the interpretation of these laws occurring after the date of this Circular, which changes could be made on a retroactive basis. These statements should not be regarded as a comprehensive description of all the tax considerations that may be relevant to a decision to vote in favour of or against the Proposed Sale. Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

More details on the process of the Voluntary Liquidation and the distribution of cash to Shareholders, including steps to be taken by the Liquidators to be appointed, are set out in Appendix IV of this Circular. Shareholders are advised that the information set out in Appendix IV of this Circular is meant only to serve as a general guideline and is not intended to be comprehensive nor exhaustive. Such information are based on the laws in force as at the Latest Practicable Date and are subject to, *inter alia*, any changes in such laws, or in the interpretation of these laws, occurring after such date, which changes could be made on a retroactive basis.

5.3 Financial Effects of the Voluntary Liquidation

The Voluntary Liquidation, if implemented, will result in the Company being liquidated in accordance with the Act and ceasing operation as a going concern. There will not be any operating profit or loss going forward. All assets, after deducting liabilities and liquidation expenses, will be distributed to Shareholders. Accordingly, the comparative financial effects before and after the Voluntary Liquidation are not meaningful.

5.4 Expenses of the Voluntary Liquidation

An amount of S\$2,000,000 will be set aside to account for contingent liabilities, fees, costs and expenses arising from, relating to or in connection with the Voluntary Liquidation howsoever whatsoever arising.

5.5 Settlement and Registration Procedures

If Shareholders approve the Voluntary Liquidation, an announcement will be made in due course as to the relevant Books Closure Date for the purpose of determining Shareholders' entitlements to the relevant Distributions.

The following settlement and registration procedures will apply:–

5.5.1 Entitled Shareholders whose Shares are deposited with CDP

Entitlements to the Interim Distribution will be determined on the basis of (in the case of Shareholders who are Depositors) the number of Shares standing to the credit of the Securities Accounts of such Shareholders on the relevant Books Closure Date (being the Books Closure Date relating to the Interim Distribution).

Shareholders whose Securities Accounts are credited with their Shares as at 5.00 p.m. on such relevant Books Closure Date need not take any action in respect of their holdings of their Shares for the purposes of the Interim Distribution.

Following the Books Closure Date in relation to the Interim Distribution, CDP will debit from each relevant Securities Account, the relevant Depositor's holding of Shares. Subsequently, CDP will send a notification letter to them confirming the number of the Shares debited from their Securities Account.

After such debit, the relevant Depositor's holding of Shares will be reflected in the Register of Members and entitlement to the other Interim Distributions, if any, and the Final Distribution will be on such basis as is similar to that in paragraph 5.5.2.

5.5.2 Entitled Shareholders whose Shares are not deposited with CDP

Entitlements to the Distributions will be determined on the basis of (in the case of Shareholders who are not Depositors) the holdings of such Shareholders of Shares appearing in the Register of Members of the Company on the relevant Books Closure Date. Such Shareholders who have not already done so are requested to take the necessary action to ensure that the Shares owned by them are registered in their names as at the relevant Books Closure Date.

Shareholders whose physical share certificates in respect of their Shares are not in their names must lodge all duly completed and stamped transfer forms, together with their physical share certificates in respect of their Shares and registration fees, with the Share Registrar, Macronet Information Pte Ltd, situated at 4 Shenton Way #03-01 SGX Centre Tower 2, Singapore 068807, before 5.00 p.m. on the relevant Books Closure Date.

If Shareholders (not being Depositors) wish to trade their Shares on the SGX-ST prior to the last day of trading of Shares, they must deposit with CDP their physical share certificates in respect of the Shares, together with the duly executed instruments of transfer in favour of CDP, at least eight (8) Market Days prior to the last day for trading of Shares.

5.5.3 Interim and Final Distributions

In respect of the Interim Distribution, the Liquidators may at their absolute discretion, after setting aside such amounts as they consider prudent to meet the liabilities (including potential tax liabilities) and expenses of the Voluntary Liquidation, pay the relevant amount in cash by way of cheque(s) for the appropriate amount to:–

- (a) the Entitled Shareholders (not being Depositors) by ordinary post at their respective addresses appearing in the Register of Members at the close of business on the relevant Books Closure Date or, in the case of joint holders, to the address of the first-named holder at the sole risk of such holders; and

- (b) the Entitled Shareholders (being Depositors) by sending the same to CDP. CDP will send the same to such Shareholders, by ordinary post and at the risk of such Shareholders.

In respect of the Final Distribution, the Liquidators may at their absolute discretion, after setting aside such amounts as they consider prudent to meet the liabilities (including potential tax liabilities) and expenses of the Voluntary Liquidation, pay the relevant amount in cash by way of cheque(s) for the appropriate amount to the Entitled Shareholders by ordinary post at their respective addresses appearing in the Register of Members on the relevant Books Closure Date or, in the case of joint holders, to the address of the first-named at the sole risk of such holders.

5.6 Suspension and Delisting

Shareholders should note that subject to Shareholders' approval being obtained in respect of the Voluntary Liquidation, the last day for trading of the Shares is expected to be 19th December 2002. Subsequently the listing of the Shares is expected to be withdrawn from the Official List of the SGX-ST. In this respect, shareholders should note that the Company has received from the SGX-ST approvals for, *inter alia* (a) the retention of the listed status of the Shares upon completion and (b) the Shares to continue trading for 10 market days after the commencement of the Voluntary Liquidation.

Shareholders should note that the Voluntary Liquidation will lead to the de-listing and withdrawal of the Shares from the Official List of the SGX-ST.

Under the Act, any transfer of Shares made after the commencement of the Voluntary Liquidation (that is, after the passing of the special resolution for the Voluntary Liquidation) is void, unless the transfer is made with the sanction of the Liquidators.

If Shareholders approve the special resolution for the Voluntary Liquidation at the EGM, the Liquidators will sanction the transfer of Shares made on or after the EGM up to the date on which the Shares shall cease to be officially traded on the SGX-ST or such other date as the Liquidators may deem fit.

6. AUDIT COMMITTEE'S STATEMENT

The members of the Audit Committee, comprising Mr Thai Chee Ken, Dr Cham Tao Soon and Mr Oliver Tan Kok Kheng, have reviewed the terms of the Proposed Sale and based on the advice and opinion of ANZ (as set out in Appendix I to this Circular), are of the view that the terms and conditions of the Proposed Sale, if considered in isolation and barring analysis and comparison with the 98 Holdings Offer, appears to be on normal commercial terms and are not prejudicial to the interests of the Company and minority Shareholders. However, based on the advice and opinion of ANZ (as set out in the NatSteel Offeree Board Circular), the members of the Audit Committee are of the view that the 98 Holdings Offer is superior in all material respects to the Proposed Sale based on the conditions prevailing as of the Latest Practicable Date.

7. RECOMMENDATIONS BY DIRECTORS

- 7.1 As announced by the Company on 10 June 2002, Mr Ang Kong Hua has, pursuant to a letter dated 5 June 2002 to the Board, confirmed that in view of the potential conflict of interests arising from his position as director and shareholder of CCL and as executive director of the Company, he shall, *inter alia*: (a) not participate in any discussions or decisions by the Board having any connection whatsoever with the CCL Offer, (b) not have any right to information relating to or arising out of any advice rendered to the Board in connection with the CCL Offer, or discussions or decisions relating to the CCL Offer, (c) not attend any Board meetings at which any matter relating to the CCL Offer may be discussed or decided upon and (d) abstain from voting on any resolution of the Board relating to any matter in connection with the CCL Offer. Accordingly, he abstains from making a recommendation.

- 7.2 Mr Eric Ang Teik Lim is an officer of DBS (which is providing financing to CCL in connection with the Proposed Sale) and accordingly, he abstains from making a recommendation.
- 7.3 The 98 Holdings Offer Document was despatched on 24 October 2002. **As recommended by ANZ in the Offeree Board Circular despatched contemporaneously with this Circular on 7 November 2002, ANZ is of the opinion that the 98 Holdings Offer is superior in all material respects to the Proposed Sale based on conditions prevailing as at the Latest Practicable Date. Accordingly, ANZ is of the opinion that the Independent Directors should recommend NatSteel Shareholders to accept the 98 Holdings Offer and vote against the Proposed Sale at the EGM.**

The Independent Directors, having carefully considered the terms of the 98 Holdings Offer and the Proposed Sale and the advice and recommendation provided by ANZ in its letter dated 6 November 2002 contained in the Offeree Board Circular and as set out on pages 30 to 60 of this Circular, concur with the recommendation of ANZ in respect of the 98 Holdings Offer and the Proposed Sale.

Accordingly, the Independent Directors recommend NatSteel Shareholders accept the 98 Holdings Offer and vote against the Proposed Sale at the EGM.

8. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and the substantial shareholders of the Company in the Shares as recorded in the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company respectively on the Latest Practicable Date are set out in Appendix II of this Circular.

9. SHAREHOLDERS WHO WILL ABSTAIN FROM VOTING

As DBS is proposing to finance CCL in connection with the Proposed Sale, DBS has undertaken that it and its associates shall abstain from voting at the EGM.

Mr Ang Kong Hua has undertaken that he and his respective associates (as defined in the Listing Manual) shall also abstain from voting at the EGM.

10. EXTRAORDINARY GENERAL MEETING

You will find enclosed within this Circular the Notice and a Proxy Form.

The EGM, notice of which is set out on pages 70 and 71 of this Circular, will be held at Mandarin Court, Mandarin Singapore, Level 4 Main Tower, 333 Orchard Road, Singapore 238867 on 4 December 2002 at 10 a.m. for the purpose of considering and, if thought fit, passing the Resolutions set out in the Notice of the EGM.

11. ACTION TO BE TAKEN BY SHAREHOLDERS

The ordinary resolution and the special resolution to be tabled at the EGM in respect of, *inter alia*, the Proposed Sale and the Voluntary Liquidation are inter-conditional. Accordingly, Shareholders who intend to approve the Proposed Sale by voting in favour of the ordinary resolution relating to, *inter alia*, the Proposed Sale should also vote in favour of the special resolution relating to, *inter alia*, the Voluntary Liquidation at the EGM. If the aforesaid special resolution is not approved at the EGM, then the aforesaid ordinary resolution relating to, *inter alia*, the Proposed Sale will also fail and accordingly, the Proposed Sale will not be approved at the EGM.

The special resolution relating to, *inter alia*, the Voluntary Liquidation requires approval by 75% or more in nominal value of the Shares held by Shareholders **present and voting**, on a poll, either in person or by proxy at the EGM.

If approval for, *inter alia*, the Proposed Sale and the Voluntary Liquidation is obtained at the EGM, Shareholders should note that Condition (e)(ii) of the 98 Holdings Offer (as set out in section 2.3 of the 98 Holdings Offer Document) will not be satisfied and accordingly, the 98 Holdings Offer will lapse (unless the said Condition (e)(ii) of the 98 Holdings Offer is waived by 98 Holdings).

Condition (e)(ii) of the 98 Holdings Offer provides that the 98 Holdings Offer is conditional upon, *inter alia*, the Shareholders having voted against the Proposed Sale at the EGM.

Shareholders should therefore note that in the absence of any other competing offer by the date of the EGM, they can choose between the Proposed Sale and the 98 Holdings Offer:–

- (a) If Shareholders wish to approve the Proposed Sale, they:–
 - (i) should vote in favour of the ordinary resolution relating to, *inter alia*, the Proposed Sale and the special resolution relating to, *inter alia*, the Voluntary Liquidation at the EGM (the details of such resolutions being set out in the Notice of EGM on pages 70 and 71 of this Circular); and
 - (ii) not tender their acceptances of the 98 Holdings Offer.
- (b) If Shareholders wish to accept the 98 Holdings Offer, they should:–
 - (i) vote against the ordinary resolution relating to, *inter alia*, the Proposed Sale and the special resolution relating to, *inter alia*, the Voluntary Liquidation at the EGM; **AND**
 - (ii) tender their acceptances of the 98 Holdings Offer in accordance with the procedures set out in the 98 Holdings Offer Document.

The votes of Shareholders at the EGM are important. Whether or not Shareholders wish to approve the Proposed Sale at the EGM or to accept the 98 Holdings Offer, they are urged to attend and vote at the EGM.

The Company has, based on current indicative timetable, scheduled the EGM to be held on 4 December 2002 at 10 a.m. (being a date after the despatch of the 98 Holdings Offer Document and the NatSteel Offeree Board Circular).

Accordingly, Shareholders are urged to read this Circular, the 98 Holdings Offer Document and the NatSteel Offeree Board Circular (including the advice and opinion of ANZ contained in the NatSteel Offeree Board Circular) carefully.

The Company's intention is to enable Shareholders to be provided with information on both the Proposed Sale and the 98 Holdings Offer (including the advice and recommendation of ANZ to the independent directors of the Company thereon) before the EGM so that Shareholders may make an informed decision at the EGM.

In addition, Shareholders should note that in the event of a competing bid before the EGM for:–

- (a) all or part of the Shares (whether by way of a general offer, a scheme of arrangement or otherwise), Shareholders are not precluded from accepting, rejecting or voting on any such competing bid; or
- (b) all or part of the assets, undertakings and/or businesses of the Company or the Group, Shareholders are not precluded from voting on any such competing bid which the Board may accept, subject to the requisite Shareholders' approval.

In the event of any such competing bids, the Company will evaluate and notify Shareholders accordingly.

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 22 Tanjong Kling Road, Singapore 628048, not later than 48 hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder will not prevent that Shareholder from attending and voting in person at the EGM if he/she so wishes.

12. CONSENTS

ANZ has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of and references to its name and its letter dated 5 November 2002 in the form and context in which they appear in this Circular.

Each of PricewaterhouseCoopers, SSB, Stamford Law and Hatch Consulting, Sallmanns (Singapore) Pte Ltd, Chesterton International Property Consultants Pte Ltd and DBS has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of and references to its name in the form and context in which they appear in this Circular.

13. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Directors (including those who have delegated detailed supervision of this Circular) who collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate and that there are no material facts the omission of which would make any statement in this Circular misleading in any material aspect.

Where information has been extracted from published or otherwise publicly available sources or is otherwise provided to the Company by or on behalf of CCL, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources or as the case may be, accurately reflected or reproduced in this Circular.

14. FINANCIAL ADVISER'S RESPONSIBILITY STATEMENT

SSB, as financial adviser to the Company, acknowledges, having made all reasonable enquiries, that to the best of its knowledge and belief, based on information provided by or on behalf of the Company, the facts stated in this Circular are true and accurate in all material respects and that there are no material facts the omission of which would make any statement in this Circular misleading in any material respect.

Where information has been extracted from published or otherwise publicly available sources, the sole responsibility of SSB has been to ensure that such information has been accurately and correctly extracted from these sources.

15. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 22 Tanjong Kling Road, Singapore 628048 during normal office hours from the date of this Circular up to and including 6 December 2002:—

- (a) the Memorandum and Articles of Association of the Company;
- (b) the annual report of the Company for the financial year ended 31 December 2001;
- (c) the announcement dated 5 August 2002 on the interim results of the Group for the six months ended 30 June 2002;
- (d) the Sale and Purchase Agreement;

- (e) the valuation report dated 25 September 2002 by Hatch Consulting in respect of its valuation of the Steel Division, the valuation reports dated 1 October 2002 by Sallmanns (Singapore) Pte Ltd in respect of its valuation of the assets in the Industrial and Electronic Divisions and the valuation reports dated 22 July 2002 and 29 July 2002 by Chesterton International Property Consultants Pte Ltd in respect of its valuation of the assets in the Property and Investments Division (as referred to in paragraph 3.2.2 above);
- (f) the letter dated 16 August from J.P. Morgan (S.E.A.) Limited to the Board of Directors of the Company, relating to, *inter alia*, CCL's confirmation of financial resources;
- (g) the letter dated 30 August from DBS to the Board of Directors of the Company, relating to, *inter alia*, CCL's confirmation of financial resources; and
- (h) the letters of consent referred to in paragraph 12 above.

Yours faithfully,
for and on behalf of
the Board of Directors of
NatSteel Ltd

Dr Cham Tao Soo
6 November 2002

6 November 2002

To: The Independent Directors of
NatSteel Ltd
 22 Tanjong Kling Road
 Singapore 628048

Dear Sirs

- (1) **THE PROPOSED SALE BY THE COMPANY OF THE TARGET ASSETS AND THE LIABILITIES (BOTH AS DEFINED HEREIN) TO CROWN CENTRAL ASSETS LIMITED, BEING AN “INTERESTED PERSON TRANSACTION” AND A “MAJOR TRANSACTION” (AS DEFINED IN CHAPTER 9 AND CHAPTER 10 OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED LISTING MANUAL RESPECTIVELY);**
- (2) **THE PROPOSED CHANGE OF NAME OF THE COMPANY TO “NATIONAL IRON AND STEEL LTD.” AND THE CONSEQUENT AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY; AND**
- (3) **THE PROPOSED VOLUNTARY LIQUIDATION OF THE COMPANY AND THE DISTRIBUTION OF CASH TO SHAREHOLDERS OF THE COMPANY.**

1. INTRODUCTION

This letter has been prepared for inclusion in the Circular to be issued by NatSteel Ltd (“**NatSteel**” or the “**Company**”) to its Shareholders to be dated 6 November, 2002 (the “**Circular**”).

The definitions used in the Circular shall apply throughout this letter except where the context otherwise requires.

On 3 June 2002 (the “**Announcement Date**”), Crown Central Assets Limited (“**CCL**”), an investment holding company established by certain senior executives of NatSteel announced its intention to acquire all the businesses, undertakings and assets of NatSteel, together with its investments in all the subsidiaries and associated companies of NatSteel other than the investments of NatSteel in NatSteel Broadway Ltd (“**NatSteel Broadway**”) and NatSteel Brasil Ltda (“**NatSteel Brasil**”), free from all bank borrowings as at 31 December 2001 for an aggregate cash consideration of \$294 million (the “**CCL Offer**”). CCL revised its offer for the Target Assets (as defined in section 3.2 of the Circular) to \$350 million (the “**Revised CCL Offer**”) and the Board announced on 17 August 2002, the acceptance of the Revised CCL Offer subject to shareholders’ approval.

The Company has, on 4 September 2002, entered into the Sale and Purchase Agreement with CCL for, *inter alia*, the sale of the Target Assets and the Liabilities to CCL (the “**Proposed Sale**”), on the terms and subject to the conditions therein.

The Proposed Sale would constitute:–

- (a) a disposal falling within Section 160 of the Act;
- (b) an “interested party transaction” within the meaning of Chapter 9 of the Listing Manual; and
- (c) a “major transaction” by NatSteel under Chapter 10 of the Listing Manual,

and accordingly, is subject to Shareholders’ approval.

Upon completion of the Proposed Sale on the terms and subject to the conditions of the Sale and Purchase Agreement, it is expected that the Company will cease to have an interest in the Target Assets and will become a predominantly cash holding company. The Net Proceeds are proposed to be distributed to Shareholders in proportion to their respective shareholdings in the Company pursuant to the Voluntary Liquidation, which would require Shareholders' approval by way of special resolution at the EGM. As set out in Section 5.2 of the Circular, the distribution per Share to shareholders shall be approximately \$1.91.

On 3 October 2002, Standard Chartered Bank, for and on behalf of 98 Holdings Pte. Ltd. ("98 Holdings"), announced that 98 Holdings intends to make a voluntary conditional cash offer (the "98 Holdings Offer") to acquire all the issued Shares.

ANZ Singapore Limited ("ANZ") has been appointed as the Independent Financial Adviser to the Independent Directors pursuant to Chapter 9 of the Listing Manual to issue an opinion on whether the Proposed Sale is on normal commercial terms and is not prejudicial to the interests of NatSteel and its minority Shareholders.

Details on the 98 Holdings Offer can be found in announcements made by or on behalf of each of the Company and 98 Holdings (copies of which are available on the website of the SGX-ST). Further details on the 98 Holdings Offer are also available in the offer document dated 21 October 2002 (the "98 Holdings Offer Document") and the offeree board circular dated 6 November 2002 (the "NatSteel Offeree Board Circular") despatched by or on behalf of 98 Holdings and the Company respectively (a soft copy of which are available on the website of SGX-ST). **Shareholders are urged to read this Circular, the 98 Holdings Offer Document and the NatSteel Offeree Board Circular (which includes a detailed analysis on the comparison between the Proposed Sale and the 98 Holdings Offer).**

2. TERMS OF REFERENCE

We do not warrant the merits of the Proposed Sale other than to form an opinion as to whether the Proposed Sale is on normal commercial terms and not prejudicial to the interests of NatSteel and its minority Shareholders. We were not a party to the negotiations involving the Company in relation to the Proposed Sale. Our terms of reference do not require us to evaluate or comment on the strategic or long-term commercial merits of the Proposed Sale or on the prospects of the Company or of the Target Assets. We were also not requested or authorised to solicit, and we have not solicited, any indications of interest from any third party with respect to the Proposed Sale. Such evaluations or comments remain the responsibility of the Directors and the management of the Company. However, we may draw upon the views of the Directors and management of the Company in arriving at our views. We are not addressing the relative merits of the Proposed Sale as compared to any alternative transaction that otherwise may become available to the Company in the future.

We have held discussions with certain Directors and management of the Company and have examined information provided by the Directors and management of the Company and other publicly available information collated by us. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information. We have nevertheless made enquiries and used our judgement as we deemed necessary in assessing such information and have found no reason to doubt the reliability of the information.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Target Assets and we have not been furnished with any such evaluation or appraisal, except for certain valuation reports and valuation certificates in respect of certain property, plant and equipment held by the NatSteel Group. With respect to such valuation reports, we are not experts in the evaluation of the properties, plant and equipment and, with your consent, have relied solely upon the valuation reports prepared by the independent valuers.

Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of all such information, provided or otherwise made available to us or relied on by us as described above.

Furthermore, our terms of reference do not require us to express, and we do not express, an opinion on the future growth prospects of NatSteel or the Target Assets. We are therefore not expressing any opinion herein as to the price at which the Shares may trade upon completion or rejection of the Proposed Sale or on the future financial performance of the Company.

Our opinion is based upon market, economic, industry, monetary and other conditions in effect on, and the information made available to us as at the Latest Practicable Date. Shareholders should however note that details on the 98 Holdings Offer can be found in announcements made by or on behalf of each of the Company and 98 Holdings (copies of which are available on the website of the SGX-ST). Further details on the 98 Holdings Offer are also available in the 98 Holdings Offer Document and the NatSteel Offeree Board Circular despatched by or on behalf of 98 Holdings and the Company respectively (a soft copy of which is available on the website of SGX-ST). Such information may be material to the Shareholders on their decision whether or not to vote in favour of the CCL Offer. As stated above, our opinion in this Circular will not include the analysis on the comparison between the Proposed Sale and the 98 Holdings Offer.

In rendering our advice and giving our recommendation, we have not had regard to the specific investment objectives, financial situation or individual circumstances of any shareholder. **As different Shareholders would have different investment objectives and profiles we would advise the Independent Directors to recommend that any individual shareholder who may require specific advice in relation to their investment portfolio should consult their stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.**

3. TERMS OF THE PROPOSED SALE

3.1 Conditions Precedent

Completion of the Proposed Sale of the Target Assets under the Sale and Purchase Agreement is conditional upon, *inter alia*:-

- (a) the approval of Shareholders for the transactions contemplated under the Sale and Purchase Agreement being obtained at the EGM (including without limitation, the Proposed Sale on the terms and subject to the conditions of the Sale and Purchase Agreement and Voluntary Liquidation) and such approval not being varied or revoked on or before Completion; and
- (b) the completion of the disposal of the Company's investment in NatSteel Brasil.

If the conditions precedent referred to in items (a) and (b) above are satisfied, completion of the Proposed Sale under the Sale and Purchase Agreement is scheduled to take place on the Completion Date.

As announced by the Board on 21 October 2002, the Company had, on 18 October 2002 (Brazil time), received gross proceeds of S\$253,633,687.90 from the sale of its entire interest in NatSteel Brasil. Such receipt marked the completion of the sale of the Company's investment in NatSteel Brasil and accordingly, satisfied the condition precedent referred to in item (b) above.

3.2 Consideration to be received by NatSteel

Under the terms of the Sale and Purchase Agreement, CCL will acquire the Target Assets and assume the Liabilities for an aggregate purchase consideration of S\$350,000,000, subject to a downward adjustment by an amount equal to the Consolidated Net Bank Borrowings.

CCL has, under the Sale and Purchase Agreement, irrevocably and unconditionally undertaken that it shall, *inter alia*, pay or procure the payment of the Purchase Consideration in cash on Completion in such manner as may be notified by the Company to CCL in writing at least forty-eight (48) hours prior to Completion.

Pursuant to Clause 7.2(c) of the Sale & Purchase Agreement, CCL has, *inter alia*, undertaken that it shall, upon request by the Company, promptly provide confirmation of financial resources (in form and substance satisfactory to the Company) by a duly licensed bank or financial institution in Singapore. The abovementioned Clause 7.2(c) is not a condition precedent to the Completion of the Proposed Sale.

On 16 August 2002, the Company received a letter from CCL's financial adviser, J.P. Morgan (S.E.A.) Limited (as described in section 1.4 above). Further, DBS issued a letter to the Board dated 30 August 2002 stating that it confirms that, *inter alia*, together with the full utilisation of the banking facilities offered by DBS to CCL and banking facilities offered by DBS to certain individuals, in relation to the Proposed Sale, CCL will have adequate financial resources to satisfy the aggregate purchase consideration for the Proposed Sale.

In the interest of Shareholders, the Company's intention has been to seek an unconditional confirmation that CCL has sufficient financial resources available to pay the Purchase Consideration in full, similar to that which would have been required of an offeror in connection with any offer under the Singapore Code on Takeovers & Mergers.

Accordingly, on 14 October 2002 the Company requested CCL to provide by 18 October 2002 a confirmation (in form and substance satisfactory to the Company) by a duly licensed bank or financial institution in Singapore that CCL has sufficient financial resources to make payment in full of the Purchase Consideration to the Company or to the order of the Company. To date, the Company has not received confirmation in a form and substance satisfactory to the Company.

3.3 Termination Fee

In the event that there is a successful competing offer (other than by or on behalf of CCL), for:—

- (a) more than 50 per cent. of the shares in the Company; or
- (b) all or substantially all of the assets of the Company and its subsidiaries and associated companies (whether by way of merger, purchase of shares, purchase of assets or otherwise),

the Company shall:—

- (i) pay an amount equal to three per cent. of S\$350,000,000 (the "**Termination Fee**") to CCL; and
- (ii) pay or procure the payment of the Termination Fee by a banker's draft, cashier's order or cheque drawn on a licensed bank in Singapore and made out in favour of CCL or in such other manner as may be agreed between the Company and CCL,

Provided always that the Termination Fee shall not be payable should Completion occur.

Section 3.1.4 of the Circular states that it is not an uncommon practice for a potential acquirer and the target company to enter into arrangements pursuant to which a cash amount would be payable by the target company to the potential acquirer if specified events should occur which have the effect of preventing the offer from proceeding or causing it to fail. Accordingly, the Termination Fee reflects such a commercial agreement between the parties to the Sale and Purchase Agreement.

3.4 Representations, Warranties and Undertakings by CCL

Under the Sale and Purchase Agreement, the representations, warranties and undertakings provided by CCL to the Company include, *inter alia*:–

- (a) that CCL has, and will have on Completion, sufficient financial resources to make payment in full of the Purchase Consideration to the Company or to the order of the Company;
- (b) that the Revised CCL Offer is true, accurate and complete and not misleading and that it will implement such strategies, business plans and proposals as are set out therein and as agreed by the Company. Without prejudice to the generality of the provisions contained therein, CCL and its nominee(s) warrants to and undertakes with the Company that on and subject to Completion taking place it shall continue the Business as a going concern, and in particular to operate the core businesses of the Company in substantially the same manner as they are currently being operated and to strengthen and grow the Asian steel franchise of the Business and to expand in growth markets such as China; and
- (c) that CCL shall provide, as soon as practicable following receipt of a written demand from the liquidator to be appointed by the Company in connection with the Voluntary Liquidation, an on-demand bank guarantee (in form and substance satisfactory to the said liquidator) equivalent to the estimated tax and other liabilities and an indemnity (in form and substance satisfactory to the liquidator) of such amount as may be requested by the liquidator in connection with the Voluntary Liquidation.

3.5 Employees

Assumed Employees

Under the Sale and Purchase Agreement, CCL has undertaken that it (or as the case may be, its nominee(s)) shall (at least three business days prior to the Completion Date) make a written offer of employment to each of the Assumed Employees:–

- (a) which offer shall be conditional upon Completion taking place; and
- (b) such employment to take effect on the Completion Date.

Such employment shall also be on such terms and conditions (including equivalent job scope and responsibilities) as are no less favourable than the terms of employment for that Assumed Employee as at 1 January 2002, save that:–

- (i) the amount or quantum of the gross salary or remuneration (including any variable component) of that Assumed Employee shall be no less than such amount or quantum as at 1 August 2002; and
- (ii) CCL and its nominee(s) also undertake in the Sale and Purchase Agreement not to make any reductions to such amount or quantum for a period of 12 months from the Completion Date and any payout arising from, relating to or in connection with the termination, retrenchment or redundancy of such Assumed Employee (whether arising from, relating to or in connection with the rationalisation or streamlining of any part of the Business by CCL and/or its nominee(s) or otherwise) shall be on a constructive obligation (as defined in the Singapore Statement of Accounting Standard 3⁽¹⁾) basis unless mutually agreed by the Company and CCL.

Note:–

- (1) The term “constructive obligation”, as defined in the Singapore Statement of Accounting Standard 31 means, *inter alia*, an obligation that derives from an enterprise’s actions where:–
 - (a) by an established pattern of past practice, published policies or a sufficiently specific current statement, the enterprise has indicated to other parties that it will accept certain responsibilities, and
 - (b) as a result, the enterprise has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Transferred Employees

CCL has also acknowledged that the transactions contemplated in the Sale and Purchase Agreement operate as a “transfer of an undertaking” as defined in section 18A of the Employment Act and that the contracts of employment of the Transferred Employees⁽¹⁾ shall be transferred pursuant to the said section and CCL or as the case may be, its nominee(s) shall comply with its obligations under the said contracts of employment and under statute.

In addition, in the case of those Transferred Employees who are Foreign Employees, CCL or as the case may be, its nominee(s) shall apply (subject to Completion taking place) for new work permits or employment passes (as the case may be) for such Transferred Employees in accordance with applicable laws.

Note:-

- (1) For the purposes of the Employment Act, the term “employee” means, *inter alia*, a person who has entered into or works under a contract of service with an employer but does not include any person employed in a managerial, executive or confidential position or any person belonging to any other class of persons whom the Minister may, from time to time by notification in the Gazette, declare not to be employees for the purposes of the Employment Act.

Non-Retrenchment

Each of CCL and its nominee(s) have also undertaken that for a period of 12 months commencing from the Completion Date, it shall not terminate without cause or retrench or unduly cause or induce (whether as a result of any disposal of the Assets, the Business or part thereof or otherwise) any of the Assumed Employees, the Transferred Employees, the Foreign Employees and/or any employees of the Company’s subsidiaries (save for NatSteel Broadway and NatSteel Brasil) to leave the employ of CCL, its nominee(s) or as the case may be, such subsidiaries for any reason whatsoever and in the event that the business conditions of CCL or its nominee(s) necessitates rationalisation or streamlining of any part of the Business, CCL and/or its nominee(s), as the case may be, shall use its reasonable efforts to redeploy these employees in similar businesses with the same or substantially the same job responsibilities with not dissimilar compensation package.

3.6 Liabilities

CCL shall, on Completion, assume the Liabilities. However, as CCL will not acquire interests in NatSteel Brasil and NatSteel Broadway pursuant to the Sale and Purchase Agreement, the Company (and not CCL) will assume the Brasil and Broadway Liabilities.

3.7 Indemnity

CCL has also undertaken that it shall indemnify and hold harmless the Company and its directors, officers, employees, agents and representatives against any and all claims, actions, suits, proceedings, damages, losses, costs and expenses (including without limitation, legal costs and expenses on a full indemnity basis) arising from or in connection with, directly or indirectly, any breach, actual or alleged, by CCL of its representations, warranties, undertakings and agreement contained in the Sale and Purchase Agreement or any failure, actual or alleged, by CCL to comply with its obligations thereunder.

4. INFORMATION ON THE TARGET ASSETS AND THE LIABILITIES

Information on the Target Assets is set out in Section 3.2 of the Circular.

5. RATIONALE FOR THE PROPOSED SALE

The full text of the rationale for the Proposed Sale can be found in Section 3.4 of the Circular. **We recommend that you advise Shareholders of NatSteel to read this section carefully.**

6. FINANCIAL ASSESSMENT OF THE REVISED OFFER

In our assessment of the financial terms of the Proposed Sale as at the Latest Practicable Date, we have considered the following:–

- (A) Indicative Valuation for the Target Assets;
- (B) Net Tangible Assets (“NTA”) and adjusted NTA of the Target Assets;
- (C) Recently completed Take-over Transactions in Singapore;
- (D) Analysis of potential cash distribution to shareholders; and
- (E) Market Quotations

As highlighted in section 5.2 of the Circular, the Company estimates that the Distributions made to Shareholders will amount to a maximum of approximately S\$1.91 per Share. Based on the Company’s estimates of the Net Proceeds and subject to any other costs, expenses and claims incurred or suffered (or to be incurred or suffered) by the Company and barring any unforeseen circumstances, the Company expects to make an Interim Distribution of S\$1.91 per Share on or around 31 January 2003, subject to certain assumptions as outlined in section 5.2 of the Circular.

If there is any cash left over in the Company at the end of the Voluntary Liquidation arising from, *inter alia*, the overprovision for liquidation or other costs, such cash would also be distributed to Shareholders in a final distribution at the end of the Voluntary Liquidation. On the basis of the above-mentioned and barring any unforeseen circumstances, the Company presently expects that the Final Distribution will be made by the end of 2003.

(A) Indicative Valuation for the Target Assets

NatSteel’s businesses are grouped into four divisions which forms the Target Assets, namely:–

- (i) Steel Division;
- (ii) Industrial Division;
- (iii) Electronics Division; and
- (iv) Properties and Investments Division.

Given the diversity of the businesses, an aggregation of the indicative value on a sum of parts basis (“**Indicative Valuation**”) of each of the four businesses has been considered.

In arriving at the Indicative Valuation, the following methodology has been adopted:–

Steel and Industrial Businesses

In considering what may be regarded as a reasonable valuation range for the purposes of assessing the Indicative Valuation of the Steel Division, it would be an acceptable market practice to make reference to the range of Price to Earnings before interest, tax, depreciation and amortisation (“**EBITDA**”) and Price to Book NTA (“**Price to Book**”) multiples based on the terms of recent take-over transactions (“**Precedent Transactions**”) of companies with significant operations in the long product segment of the steel sector. Long products are rolled from billets and blooms and include reinforcement bars, wire rods and structural shapes.

We have adopted the same approach for NatSteel's Industrial Division which comprises three groups of businesses — construction products, chemicals and engineering. The construction products group is principally involved in the manufacture of building materials and related products such as pre-cast concrete, cement, ready-mix concrete and the provision of related services. The chemicals group is focused on the environmental chemical and services sector with operations in the manufacture of lime, the provision of solutions for the treatment of land and marine waste as well as the recycling of steel slag into road stones and related services. The engineering group is involved in the manufacture of container spreaders and the sale, service and rental of construction and related equipment. It has a predominantly Singapore and Malaysian geographical presence with operations also in Hong Kong and China.

Reference can also be made to selected comparable companies listed and traded on the SGX-ST or, if there is none listed and traded on the SGX-ST, on other relevant stock exchanges, to give an indication of the current market expectations with regard to the valuation of these businesses on those exchanges. Accordingly, for the purposes of our Indicative Valuation, we have also considered the historical Price to EBITDA and Price to Book multiples of selected companies whose activities, in our view, are broadly comparable to the business activities of NatSteel's Steel Division and Industrial Division.

Electronics

For the Electronics Division, the NTA basis of valuation has been adopted. After the divestment of NatSteel Broadway, the remaining electronics business within the Electronics Division essentially comprises of B.J. Industries Pte Ltd, an electronic contract manufacturer which is involved in the manufacture of high quality precision metal and plastic moulding components (in particular the disk drive actuator arms) for the computer disk drive industry as well as Engineering Computer Services (S) Pte Ltd which provides total information technology solutions and value-added distribution services as well as software/systems integration services. B.J. Industries Pte Ltd is reliant on a single customer for approximately 99 per cent. of its revenues. Accordingly, given the substantial business risks afforded by its very high customer concentration, we are of the view that from a valuation perspective a sale of the business would be unlikely to realise a significant premium, if any, over its recorded net tangible asset value as of 30 June 2002. Accordingly, we do not believe that adoption of transaction multiples from precedent merger and transactions in the Singapore electronic contract manufacturing sector is appropriate. Similarly, we do not believe that references to listed comparable companies operating in the same sector would be representative for NatSteel's remaining electronics business as its valuation would warrant a discount to listed comparable companies with a broader customer base.

Properties and Investments

Most of these businesses are loss making with the assets comprising mainly properties, non-core investments, quoted and unquoted securities. Accordingly, the valuation of these businesses will be based on their net tangible asset value adjusted for valuation as provided by independent valuers, where appropriate. NatSteel's quoted investments in this Division, Intraco Limited ("**Intraco**") and Lee Metal Group Limited ("**Lee Metal**") have been mark to market based on their closing share prices as of the Latest Practicable Date resulting in a writedown of S\$8.32 million to the NTA valuation for this Division.

Indicative Valuation of Target Assets

We set out a summary of the Indicative Valuation of the Target Assets:–

S\$ millions Indicative Valuation	Precedent Transactions		Comparable Multiples	
	Min	Max	Min	Max
Steel (excluding NatSteel Brasil)	205.4	237.9	191.2	222.4
Industrial	54.5	86.6	55.7	120.4
Adjusted NTA of Electronics ⁽¹⁾	25.0	25.0	25.0	25.0
Adjusted NTA of Properties and Investments ⁽²⁾	81.9	81.9	81.9	81.9
Add net bank borrowings ⁽³⁾	210.6	210.6	210.6	210.6
Indicative Valuation	577.3	641.9	564.4	660.2
Indicative Valuation after applying Private Company & Conglomerate Discount⁽⁴⁾	375.3	417.2	366.8	429.1
(Discount) of Revised CCL Offer to the Indicative Valuation	(6.7%)	(16.1%)	(4.6%)	(18.4%)

Notes:–

- (1) Based on the unaudited proforma NTA of the Electronics Division (excluding NatSteel Broadway) as at 30 June 2002 adjusted for deficit on valuation as described in the Adjusted NTA table found in section 6 (B) below.
- (2) Based on the unaudited proforma NTA of the Properties and Investments division as at 30 June 2002 adjusted for deficit on valuation as described in the Adjusted NTA table found in section 6 (B) below with NatSteel's 85 per cent. share of the Raffles Marina valuation of \$80 million taken in account based on existing operation and potential 2,200 membership arising from a marketing drive which is not expected to take place until early next year.
- (3) Consolidated Net Bank Borrowings as at 31 December 2001.
- (4) Private company and conglomerate discount totalling 35% applied to the Indicative Valuation of the Target Assets. Please refer to pages 39 and 40 of this circular for an explanation of private company and conglomerate discount.

For illustrative purposes only, by applying the mean of the Precedent Transaction and comparable listed company trading multiples to NatSteel's interest in the Steel and Industrial Divisions and including a private company and conglomerate discount totalling 35 per cent. applied to the Indicative Valuation of the Target Assets, the cash consideration of \$350 million before taking into account any downward adjustments by an amount equal to the Consolidated Net Bank Borrowings of the Revised CCL Offer represents a discount of between 4.6 per cent. and 18.4 per cent. to the Indicative Valuation range after application of the private company and conglomerate discount. In the event that CCL assumes the Consolidated Net Bank Borrowings, the purchase consideration will be deducted by an equal amount, leaving the net cash position constant and discount of Revised CCL Offer to the Indicative Valuation unchanged.

We note that for the Properties and Investments Division there have been wide variations in certain of the valuations received particularly in relation to Raffles Marina. On 22 July 2002 Chesterton International Property Consultants Pte Ltd ("**Chesterton**") submitted a valuation for Raffles Marina based on Open Market Value. The Open Market Value as at 22 July 2002 (taking into consideration term membership sales) totalled \$30 million. A subsequent valuation of \$80 million submitted by Chesterton on 29 July 2002 was prepared on an as is where is basis taking into consideration the existing operation and potential of 2,200 membership sales arising from a marketing drive which is not expected to take place until early next year.

By adopting the valuation of Raffles Marina on the basis of current membership and assuming NatSteel funds any deficit in shareholder equity arising from adoption of this valuation, a further writedown of approximately \$42.5 million with respect to NatSteel's 85 per cent interest in Raffles Marina would be taken into account in relation to the Adjusted NTA of the Properties and Investment Division as at 30 June 2002. **On this basis and after the application of the private company and conglomerate discount of 35 per cent., the Indicative Valuation ranges from \$339.2 million to \$401.5 million as set out below:–**

S\$ millions Indicative Valuation	Precedent Transactions		Comparable Multiples	
	Min	Max	Min	Max
Steel (excluding NatSteel Brasil)	205.4	237.9	191.2	222.4
Industrial	54.5	86.6	55.7	120.4
Adjusted NTA of Electronics ⁽¹⁾	25.0	25.0	25.0	25.0
Adjusted NTA of Properties and Investments ⁽²⁾	39.4	39.4	39.4	39.4
Add net bank borrowings ⁽³⁾	210.6	210.6	210.6	210.6
Indicative Valuation	534.8	599.4	521.9	617.7
Indicative Valuation after applying Private Company & Conglomerate Discount⁽⁴⁾	347.6	389.6	339.2	401.5
Premium/(Discount) of Revised CCL Offer to the Indicative Valuation	0.7%	(10.2)%	3.2%	(12.8)%

Notes:–

- (1) Based on the unaudited proforma NTA of the Electronics Division (excluding NatSteel Broadway) as at 30 June 2002 adjusted for deficit on valuation as described in the Adjusted NTA table found in section 6 (B) below.
- (2) Based on the unaudited proforma NTA of the Properties and Investments division as at 30 June 2002 adjusted for deficit on valuation as described in the Adjusted NTA table found in section 6 (B) below with NatSteel's 85 per cent. share of the Raffles Marina valuation of \$30 million taken into account based on existing membership.
- (3) Consolidated Net Bank Borrowings as at 31 December 2001.
- (4) Private company and conglomerate discount totalling 35% applied to the Indicative Valuation of the Target Assets. Please refer to pages 39 and 40 of this circular for an explanation of private company and conglomerate discount.

Accordingly, on this basis, the cash consideration of \$350 million before taking into account any downward adjustments by an amount equal to the Consolidated Net Bank Borrowings of the Revised CCL Offer falls within the Indicative Valuation range of \$339.2 million to \$401.5 million adjusted for the Raffles Marina valuation based on current membership and after application of the private company and conglomerate discount. In the event that CCL assumes the Consolidated Net Bank Borrowings, the purchase consideration will be deducted by an equal amount, leaving the net cash position constant and discount of Revised CCL Offer to the Indicative Valuation unchanged.

The Independent Directors should further note that most of the Target Assets are private businesses which generally attract a discount to publicly traded entities to reflect various factors including higher risks, liquidity and marketability limitations of private companies. It is an accepted market practice to apply discounts to valuations of private companies that have been derived based on publicly traded company multiples or multiples derived from precedent transactions in relation to publicly traded companies. Empirical studies, undertaken predominantly in the United States and widely referenced in professional valuation literature published globally, on private company discounts have drawn common inferences by reference to certain shares of publicly traded companies that are identical to other shares of the company with the exception that certain of the shares cannot be traded on the open public market for some period of time. The difference in the sale price of the restricted shares can be compared directly to the trading price of unrestricted shares to provide a guide as to the magnitude of liquidity and marketability discounts. Typical discounts are between 25 per cent. to 35 per cent. Empirical studies have also considered the difference between prices of transactions in a company's shares prior to an initial public offering and the public offering price. On this basis discounts generally exceeded 40 per cent. We also note that a significant number of NatSteel's investments in each of the Steel, Industrial and Property and Investments Divisions represent minority interests in private companies which would normally attract higher discounts to reflect lower liquidity and greater marketability limitations.

For the purposes of our Indicative Valuation we have assumed a private company discount of 25 per cent and also applied a holding company discount of 10 per cent that reflect NatSteel's conglomerate structure. Empirical studies have shown that publicly traded conglomerates typically attract valuation discounts of between 10 per cent to 15 per cent to reflect perceived imbalances in capital allocations between each division within a conglomerate.

Accordingly, when considering the Indicative Valuation set out above, we would advise the Independent Directors that given the substantial number of private companies that comprise the Target Assets and the diversity of businesses and shareholding structures in relation to many of the companies within each division, the timing and ultimate proceeds that might be realised from either the sale of each of the divisions as a whole or piecemeal sale of individual companies within each division is uncertain. The Company has advised us that certain of the non-core Target Asset businesses have been considered for sale for over twelve months.

In evaluating the reasonableness of the Proposed Sale, we have also considered the following issues. **We recommend the Independent Directors to advise Shareholders to read the following carefully:-**

- (a) for the purpose of arriving at an Indicative Valuation of the Steel and the Industrial Divisions, we have considered an earnings approach based on the unaudited results for the half-year ended 30 June 2002 to be appropriate in valuing the Steel and the Industrial Divisions on the basis that the businesses are going concerns and that there have been no publicly announced plans to change the nature of the business or convert the uses of the assets employed by the divisions within the foreseeable future. In considering the earnings approach, we have for illustrative purposes only, on the basis of the unaudited EBITDA of the steel and industrial businesses in respect of the half-year ended 30 June 2002 assumed a full year EBITDA including share of associates and adjusted for minority share of subsidiaries (excluding adjustments for taxes, interest expense and depreciation) on an annualised basis ("**Annualised EBITDA**") of approximately \$52.0 million and \$21.9 million for the Steel and Industrial divisions respectively. This basis assumes no seasonality in the businesses and is consistent with the statement by the Directors in the release of the results for the half-year ended 30 June 2002 that the Group expects to maintain its performance in the second half of the year. We have also considered the unaudited NTA as at 30 June 2002 for each of the Steel and Industrial Divisions of approximately \$392.6 million and \$108.2 million respectively. Independent Directors should note that the segmental financial information is not audited and we have not independently verified the information and accordingly cannot and do not warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information;
- (b) the NTA values of the Electronics Division and Properties and Investments Division have been adjusted for orderly sale valuations provided by independent valuers engaged in connection with the CCL Offer, where appropriate; and
- (c) there are no listed companies directly comparable to each of NatSteel's Steel and Industrial Divisions which we may consider to be identical to each of the two divisions in terms of composition of business activities, scale of operations, geographical spread of activities, track record and future prospects. Independent Directors should note that any comparisons made with respect to selected companies comparable to each of NatSteel's steel and industrial businesses serve as an illustrative guide only. The Independent Directors should also note that the trading multiples of the comparable companies were extracted from Bloomberg, annual reports and company announcements. These trading multiples may have been prepared using different accounting standards and have not been harmonised for the differences in accounting standards and are presented for illustration only.

(i) Steel Division

Comparable Transactions

We have reviewed publicly available information from certain mergers and acquisitions that have been completed globally involving steel companies with a significant proportion of their business in the long products segment.

Completed Date	Acquiror/Target	% acquired	Target Country	Implied market cap (US\$ million)	Price/ EBITDA	Price/ Book
23-Oct-02	Gerdau S.A/ Co-Steel Inc ⁽¹⁾	100.0% Reverse Take-over	Canada	376.89	5.99	1.03
23-Oct-00	Broken Hill Proprietary Company ("BHP")/ OneSteel Limited ⁽²⁾	100.0% Spin-off	Australia	186.74	1.22	0.37
14-Jun-00	Grupo IMSA, S.A de C.V/ BHP's West Coast Steel Operations ⁽³⁾	100.0%	United States	234.00	5.44	0.63
12-Apr-00	INI Steel Company/ Kang Won Industrial ⁽⁴⁾	100.0%	Korea	136.29	2.32	0.39
28-Sep-99	ISPAT International N.V/ (Unimetal, Trefileurope and Societe Metallurgique de Revigny) ⁽⁵⁾	100.0%	France	106.90	4.79	Not Available
			High:		5.99	1.03
			Low:		1.22	0.37
			Median:		4.79	0.51
			Mean:		3.95	0.61
Indicative Valuation of NatSteel Steel (excluding Brasil) in S\$ millions⁽⁶⁾					205.4	237.9

Source: Bloomberg, takeover circulars, press releases and annual reports

Notes:–

- (1) On 13 August 2002, Co-Steel Inc ("Co-Steel") announced the execution of a definitive agreement to combine the North American steel operations of Gerdau S.A ("Gerdau") via a reverse take-over. Under the terms of agreement, Co-Steel will issue 146,588,194 common shares based on the closing price of Canadian dollar 4.08 per share to own 26 per cent of Gerdau's affiliated steel holdings including Gerdau Courtice Steel and AmeriSteel. We have annualised the EBITDA of Co-Steel in respect of its half-year ended 30 June 2002 to obtain a Price/EBITDA multiple of 5.99.
- (2) OneSteel Ltd ("OneSteel") is Australia's largest manufacturer and distributor of structural, rail, rod, bar, wire, tube and pipeline steel products. OneSteel is also a significant exporter to Asia. OneSteel was the result of a spinout exercise undertaken by BHP to divest its long products business in October 2000. In the spinout, fully paid shareholders received one OneSteel share for every four BHP shares they owned. OneSteel shares opened and closed at A\$0.79 and A\$0.99 respectively on its debut in October 2000, compared with a book value of A\$2.15 a share ascribed to it.
- (3) On 25 May 2000, Grupo IMSA, S.A de C.V announced that one of its subsidiaries, IMSA Acero, had acquired 100 per cent of BHP Coated Steel Corporation and its two steel processing plants, as well as BHP Steel Building Products USA and its seven processing centers that formerly belonged to BHP. Both companies were acquired without financial debt.
- (4) On 11 March 1999, INI Steel Company (then known as Inchon Iron & Steel) offered Kangwon shareholders 1.9288 of new offeror shares for each share of offeree shares, suggesting a purchase consideration of 162.4 billion won and implying a Price/Book multiple of approximately 0.39x based on its share price as of announcement date. Upon completion of the transaction on 12 April 2000, the value of the shares and hence the purchase consideration declined to 90.3 billion won, implying a Price/Book multiple of approximately 0.22x.
- (5) Consolidated audited net tangible assets for Unimetal, Trefileurope and Societe Metallurgique de Revigny not provided.
- (6) The indicative valuation is calculated by applying NatSteel's Steel (excluding Brasil) share of the unaudited proforma NTA and Annualised EBITDA including share of associates and adjusted for minority share of subsidiaries as at 30 June 2002 of approximately \$392.6 million and \$52.0 million respectively to the mean Price/Book multiple and Price/EBITDA multiple of comparable transactions.

Trading Multiples of Listed Comparable Companies

We noted that the steel businesses of NatSteel mainly comprise of long products for the building and construction industry and that the geographical spread after the disposal of Brasil, is mainly in Asia, namely, Singapore, Malaysia, Thailand, Vietnam, China and the Philippines. For the purposes of our analysis, we have examined steel companies that are listed in Asia (ex-Japan) with a focus on producing long products. Japanese steelmakers have been excluded as these are predominantly integrated steel companies and/or have a combined flat and long product mix.

Accordingly, based on the criteria above, listed companies which we believe are broadly comparable to NatSteel's steel business and the indicative valuation of NatSteel's steel business based on the mean trading multiples as of the Latest Practicable Date are as follows:-

S\$ in millions	Country of listing	Market Cap (S\$ millions)	Price/EBITDA	Price/Book
INI Steel Company	Korea	1,070.4	1.88	0.46
OneSteel Limited	Australia	803.4	5.41	0.75
Dongkuk Steel Mill Co., Ltd	Korea	542.0	1.11	0.31
Tung Ho Steel Enterprise Corporation	Taiwan	294.0	7.42	0.60
Malayawata Steel Berhad	Malaysia	176.4	6.34	0.77
Southern Steel Berhad	Malaysia	148.3	3.37	1.07
Chongqing Iron & Steel Company Limited	China	183.8	2.03	0.43
Lion Land Berhad	Malaysia	44.2	1.86	0.15
	High		7.42	1.07
	Low		1.11	0.15
	Median		2.70	0.53
	Mean		3.68	0.57

Indicative Valuation of NatSteel Steel (excluding Brasil) in S\$ millions⁽¹⁾	191.2	222.4
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Source: Bloomberg and annual reports

Note:-

- (1) The indicative valuation is calculated by applying NatSteel's Steel (excluding NatSteel Brasil) share of the unaudited proforma NTA and Annualised EBITDA including share of associates and adjusted for minority share of subsidiaries as at 30 June 2002 of approximately \$392.6 million and \$52.0 million respectively to the mean Price/Book multiple and Price/EBITDA multiple of comparable listed companies.

Accordingly, the valuation range for NatSteel's Steel Division (excluding NatSteel Brasil) based on Precedent Transactions and comparable multiples is from \$191.2 to \$237.9 million.

(ii) Industrial Division

Comparable Transactions

We have conducted a review of merger and acquisition transactions of companies in Asia Pacific since 1999 that are in similar businesses as NatSteel's Industrial Division.

Completed Date	Acquiror/Target	% acquired	Target Country	Implied market cap (US\$ millions)	Price/EBITDA	Price/Book
16-Oct-01	Tostem Inax Holding Corporation/Inax Corporation	100.0%	Japan	785.71	4.29	0.55
30-Jun-00	Fortune Cement Corporation/Republic Cement Corporation	100.0%	Philippines	35.10	3.61	0.45
22-Feb-00	Union Cement Corporation/Bacnotan Cement Corporation	100.0%	Philippines	29.70	Not Meaningful	0.51
			High:		4.29	0.55
			Low:		3.61	0.45
			Median:		3.95	0.51
			Mean:		3.95	0.50
Indicative Valuation of NatSteel Industrial in S\$ millions⁽¹⁾					86.6	54.5

Source: Bloomberg, takeover circulars, press releases and annual reports

Note:-

- (1) The indicative valuation is calculated by applying NatSteel's Industrial Division share of the unaudited proforma NTA and Annualised EBITDA including share of associates and adjusted for minority share of subsidiaries as at 30 June 2002 of approximately \$108.2 million and \$21.9 million respectively to the mean Price/Book multiple and Price/EBITDA multiple of comparable transactions.

Trading Multiples of Listed Comparable Companies

NatSteel's industrial businesses comprise mainly of downstream activities which involve the production and or distribution of lime products, pre-cast concrete, cement, ready-mix concrete and or container spreaders. NatSteel Industrial Division's geographical spread is mainly Singapore followed by Malaysia with smaller operations in Indonesia, Hongkong and China. Given that the majority of the revenue contribution to the industrial business relates to the lime products, pre-cast concrete, cement and ready-mix concrete, we have, for the purposes of our analysis, considered construction and chemical companies listed in Singapore and Malaysia. Integrated cement companies have been excluded.

Accordingly, based on the criteria above, listed companies which we believe are broadly comparable to NatSteel's industrial businesses and the indicative valuation of NatSteel's industrial businesses based on the mean trading multiples of these comparable listed companies are as follows:-

S\$ in millions	Country of listing	Market Cap (S\$ millions)	Price/ EBITDA	Price/ Book
SsangYong Cement (Singapore) Limited	Singapore	\$77.2	NM	0.35
Jurong Cement Limited	Singapore	\$34.1	5.96	0.32
Golden Plus Holdings Berhad	Malaysia	\$35.5	NM	0.37
Rock Chemical Industries (Malaysia) Berhad ⁽¹⁾	Malaysia	\$32.3	45.74	0.94
San Teh Limited	Singapore	\$74.2	NM	0.25
G&W Group (Holdings) Limited	Singapore	\$32.3	5.01	0.86
	High		5.96	0.94
	Low		5.01	0.25
	Median		5.49	0.36
	Mean		5.49	0.51
Indicative Valuation of NatSteel Industrial in S\$ millions⁽²⁾			120.4	55.7

Source: Bloomberg and annual reports

Notes:-

- (1) Price/ EBITDA multiple of 45.7x is not meaningful for Rock Chemical Industries and we have excluded it in our calculation of the mean for comparable transactions.
- (2) The indicative valuation is calculated by applying NatSteel's Industrial share of the unaudited proforma NTA and Annualised EBITDA including share of associates and adjusted for minority share of subsidiaries as at 30 June 2002 of approximately \$108.2 million and \$21.9 million respectively to the mean Price/Book multiple and Price/EBITDA multiples of comparable listed companies.

Accordingly, the valuation range for NatSteel's Industrial Division based on Precedent Transactions and comparable multiples is from \$54.5 to \$120.4 million. Based on the valuation range derived from comparable transactions and Price to Book multiples of the comparable listed companies, we are of the view that the valuation range of the Industrial Division should be inclined more towards the lower end of the combined range for the purposes of our Indicative Valuation.

(B) The NTA and Adjusted NTA of the Target Assets

Based on the audited consolidated balance sheet of the NatSteel Group as at 31 December 2001, the audited consolidated NTA of NatSteel (excluding NatSteel Broadway and NatSteel Brasil and including net bank borrowings) attributable to NatSteel Shareholders was approximately \$624.6 million calculated in accordance with Singapore GAAP. Based on the unaudited consolidated balance sheet of the NatSteel Group as at 30 June 2002, the consolidated NTA of NatSteel (excluding NatSteel Broadway and NatSteel Brasil and including Consolidated Net Bank Borrowings) attributable to NatSteel Shareholders was approximately \$623.5 million calculated in accordance with Singapore GAAP. For the purposes of comparison with the Revised CCL Offer we have added back Consolidated Net Bank Borrowings of approximately \$210.6 million as at 31 December 2001 to derive unaudited consolidated NTA of NatSteel (excluding NatSteel Broadway and NatSteel Brasil) as at 30 June 2002 of approximately \$834.08 million calculated in accordance with Singapore GAAP.

In connection with the CCL Offer, the Directors have commissioned the valuers to conduct a valuation of the major fixed assets of the major subsidiaries and associated companies of the NatSteel Group with fixed assets with an aggregate value in excess of S\$20 million in the Group's audited accounts as at 31 December 2001 selected. These comprised certain real estate and plant and machinery. A valuation of the plant and machinery of Southern Steel (Xiamen) Ltd was also conducted. The basis of valuation for these fixed assets include the market approach, the cost approach and the income approach, where appropriate. The Independent Directors should note that the fixed assets of certain associated companies and certain other fixed assets in the Group were not subject to independent valuation as these assets are not material in comparison to the total fixed assets of the Group.

For illustrative purposes only, it is assumed that the fixed assets are realisable at their respective valuations as advised by the independent valuers, and in the case of assets that are not valued, their respective net book values. The independent valuers have assessed the valuation based on several bases including an assets basis assuming an orderly sale of the assets valued and a going concern valuation basis assuming the assets at a facility are valued on the basis of continued operation as a business. The realisable NTA of the NatSteel Group as at 30 June 2002, adjusted for the surplus/deficits arising from the independent valuation assuming a hypothetical sale of the assets on an orderly sale basis ("Adjusted NTA") is computed as follows:-

	\$ million
Unaudited consolidated NTA of NatSteel (excluding NatSteel Broadway & NatSteel Brasil, free of Consolidated Net Bank Borrowings as at 31 December 2001) as at 30 June 2002	834.08
Surplus on quoted investments held directly by NatSteel ⁽¹⁾⁽²⁾	20.55
Steel division (excluding NatSteel Brasil)	
Add: Fair Market Value of the assets subject to assets valuation	61.04
Less: Net book value of the assets as at 30 June 2002	106.13
Surplus/(Deficit) on Valuation	(45.09)
Industrial division	
Add: Fair Market Value of the assets subject to assets valuation	41.85
Less: Net book value of the assets as at 30 June 2002	51.73
Surplus/(Deficit) on Valuation	(9.88)
Electronics division (excluding NatSteel Broadway)	
Add: Fair Market Value of the assets subject to assets valuation	10.52
Less: Net book value of the assets as at 30 June 2002	16.26
Surplus/(Deficit) on Valuation	(5.74)
Property and investments division	
Add: Fair Market Value of the assets subject to assets valuation	68.00
Less: Net book value of the assets as at 30 June 2002	69.74
Surplus/(Deficit) on Valuation	(1.74)
Total Surplus/(Deficit) on Valuation	(41.90)
Adjusted Unaudited consolidated NTA of NatSteel (excluding NatSteel Broadway & NatSteel Brasil, free of Consolidated Net Bank Borrowings as at 31 December 2001) as at 30 June 2002	792.18

Source: Company

Note:-

- (1) Quoted investments comprise 21,126,250 shares in Intraco, 60,000,000 in Lee Metal and 76,329,000 shares in Southern Steel Berhad that were valued based on their last transacted prices at the Latest Practicable Date.
- (2) Intraco announced a proposed capital distribution and capital restructuring on 14 June 2002. On 02 July 2002, the nominal amount of all shares in the capital of Intraco, both issued and unissued, was reduced from S\$1.00 to S\$0.50. NatSteel received a capital distribution of S\$10.56 million for its 21.4 per cent share of Intraco.

Given the substantial numbers of businesses in various jurisdictions across Asia, differing tax legislation in these jurisdictions and significant variation in selling commissions that would accrue to the different classes of plant, machinery and property held by the Group, estimated potential selling expenses and tax liabilities are not readily quantifiable assuming a hypothetical sale of the Group's interests in the fixed assets at the present time. Accordingly, for the purposes of calculation of Adjusted NTA, estimated potential selling expenses and estimated potential tax liabilities have not been taken into account.

For illustrative purposes only, it should be noted that the computations above assume the hypothetical sale of the Group's interest in the fixed assets subject to valuation at the present time.

Based on the above computations, the Revised CCL Offer is at a discount of approximately 55.8 per cent to Adjusted NTA.

Although it would appear that the Revised CCL Offer represents a significant discount to the Target Assets NTA as of 30 June 2002 and our estimate of Adjusted NTA as of the same date, in reality, the relative significance and relevance of such values in determining the fairness of the Proposed Sale would ultimately depend on the likelihood of the NTA being realised. Further, there may also be certain costs incurred in realising the Target Assets NTA value which have not been accounted for including selling commissions (for plant and equipment these can range from five to ten per cent of sale proceeds), taxes, discount for asset quality uncertainty, employee redundancy payments, unforeseen sale costs, liquidator's fees, legal fees and other professional fees and the time it would take to liquidate the assets and distribute funds to shareholders. These related costs, if incurred and taken into account in the calculation of NTA and Adjusted NTA, would lower significantly the actual realisation proceeds when and if this took place thus narrowing the premia of these estimated values over the consideration for the Revised CCL Offer.

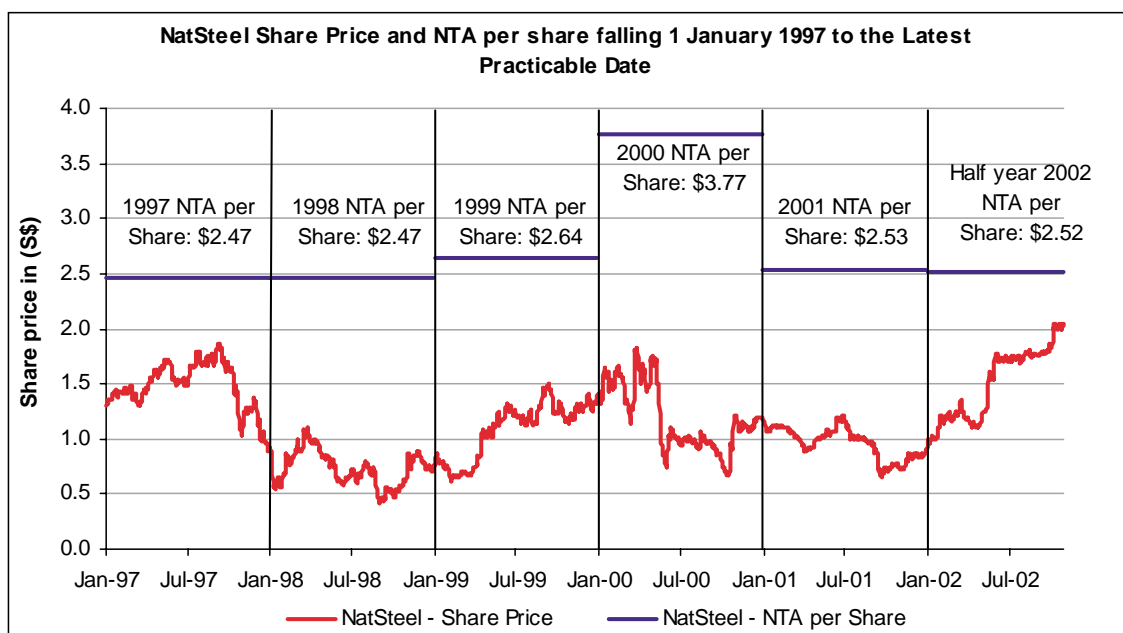
It is our understanding through discussions with the Company that currently no measures are being contemplated to realise the NTA of the Target Assets via a piecemeal sale of each of the assets and businesses. This, together with the foregoing analysis of Indicative Value of the Target Assets together with discussion of the historical market performance of NatSteel shares below, has led us to conclude that under present circumstances, the Target Assets NTA would not be an accurate representation of the realisable value of a NatSteel shareholders investment. We would also draw to your attention the following:-

- In undertaking the valuation of the Steel Division, the valuer did not undertake a valuation of land, buildings and leasehold improvements. As at 31 December 2001, the net book value of these assets was approximately \$65.4 million. The valuer believes these assets to have zero value as they were of the view that under an orderly sale of a steel facility site, cleanup including the removal of foundations, other concrete, surface debris and general leveling of the surface, can be a considerable expense. They added this would be greatly complicated by any environmental cleanup that may be required. This could include such things as possible removal of soil or dealing with water table contamination. Under certain circumstances this can be considerably greater than the valuation. The Adjusted NTA analysis above includes the land, buildings and leasehold improvements at their net book values and furthermore does not take into account the various costs of site clearance as discussed which the valuer advised can be considerable;
- The valuer of the Steel Division also considered the valuations of various undertakings within the division on a business valuation basis by applying median cashflow and sales revenue multiples. On this basis the potential valuation deficit for the Steel Division ranged from approximately \$146.9 million to \$228.2 million. This deficit has not been taken into account for the purposes of the Adjusted NTA analysis set out above;
- As discussed above, various valuations have been received for Raffles Marina which range from \$30 million on the basis of term membership sales to \$80 million on an as is where is basis taking into consideration the existing operation and potential of 2,200 membership sales arising from a marketing drive which is not expected to take place until early next year. The Adjusted NTA analysis above has taken into account the valuation for \$80 million;

- As discussed above, we would advise the Independent Directors that given the substantial number of private companies that comprise the Target Assets and the diversity of businesses and shareholding structures (many of which represent minority shareholdings in companies in which NatSteel has little influence over management and certain of which are loss making) in relation to many of the companies within each division, the timing and ultimate proceeds that might be realised is uncertain. Many of these sales would not realise their recorded NTA value;

We are therefore of the view that it may be inappropriate in this instance to use NTA or Adjusted NTA as a benchmark for evaluation of the fairness of the Proposed Sale. We have nonetheless provided the above analysis for information purposes only based on information provided by the Company and valuations performed on certain of the fixed assets. In our view the timing of realisation would be very uncertain and the actual realisation proceeds would likely be significantly less than the Adjusted NTA analysis set out above.

Furthermore, we refer to the chart below that compares the historical daily market prices of NatSteel Shares against its historical book NTA per Share and observe that NatSteel Shares have never traded above NatSteel Group's historical book NTA per Share since 1 January 1997 to the Latest Practicable Date:–



Sources: Bloomberg and annual reports of NatSteel

From the graph above, we have set out a table below analysing the discount range of historical daily market prices of **NatSteel Shares against its historical book NTA per Share and observe that NatSteel Shares have always traded at a discount of more than 18.7 per cent. to NatSteel Group's historical book NTA per Share since 1 January 1997 to the Latest Practicable Date and averaged 57.1 per cent. during this period:–**

Discount Range to NTA per share

	1997	1998	1999	2000	2001	2002 to Latest Practicable Date
Low	24.7%	55.6%	43.1%	51.5%	52.2%	18.7%
High	63.8%	83.5%	76.5%	82.0%	74.3%	63.7%
Mean	39.8%	70.5%	58.6%	68.5%	62.0%	40.4%

(C) Recently completed Take-over Transactions in Singapore

We have considered the estimated premium implied by the Revised CCL Offer based on the 20-day trading average prior to the announcement date of companies listed on the SGX-ST which were subject to take-over transactions completed in 2001 and 2002:-

Completion Date	Target Name	Average 20-day Premium (%)
29-May-01	OCBC Finance Ltd	35.7
06-June-01	Avimo Group Ltd	8.3
15-June-01	Elec & Eltek International Co Ltd	50.0
27-June-01	Eltech Electronics Ltd	22.9
04-July-01	Pacific Carriers Ltd	55.7
04-July-01	Keppel Tatlee Finance Ltd	20.2
06-July-01	Ming Wah Universal Bermuda	27.5
13-September-01	Vickers Ballas Holdings Ltd	-3.6
26-September-01	Keppel Capital Holdings Ltd	27.1
03-October-01	Wong's Circuits Holdings Ltd	0.0
11-October-01	Omni Industries	49.2
19-October-01	Progen Holdings Ltd	0.0
30-October-01	Overseas Union Bank Ltd	26.8
06-November-01	Keppel Offshore & Marine Ltd	36.5
12-November-01	Vickers Capital Ltd	9.7
28-November-01	Nera Telecommunications Ltd	14.4
11-December-01	Ong Asia Ltd	18.9
12-December-01	TIBS Holdings Ltd	0.3
04-January-02	Mayfran International Ltd	14.7
10-January-02	EasyCall International Ltd	3.4
24-January-02	SPH AsiaOne Ltd	138.1
04-March-02	Times Publishing Ltd	27.1
08-March-02	Centrepoint Properties Ltd	38.5
13-March-02	Keppel Hitachi Zosen Ltd	6.2
20-March-02	CWT Distribution Ltd	15.8
19-April-02	Tong Meng Industries Ltd	100.0
16-May-02	Inchcape Motors Ltd	40.0
17-May-02	Parkway Laboratory Services Ltd	27.1
31-May-02	Medi-Rad Associates Ltd	28.7
03-June-02	Industrial & Commercial Bank	10.8
24-July-02	NatSteel Broadway Ltd	31.3
02-August-02	Republic Hotels & Resorts Ltd	55.4
09-September-02	Hind Hotels International Ltd	24.9
High		138.1
Low		-3.6
Median		26.8
Mean		29.1
Excluding Top 2 Outliers: SPH AsiaOne Ltd and Tong Meng Industries Ltd		
Excluding Bottom 2 Outliers: Vickers Ballas Holdings Ltd and Wong's Circuits Holdings Ltd		
High		55.7
Low		0.0
Median		26.9
Mean		25.1
Premium of the Revised CCL Offer implied by estimated distribution per Share		40.4

Source: Bloomberg

This analysis is provided for illustrative purposes and we note that the Revised CCL Offer is an offer for the Target Assets as opposed to NatSteel Shares. The estimated premium of the Revised CCL Offer implied by the estimated distribution per share of \$1.91 to the 20-day trading average price of the Shares prior to the Announcement of 40.4 per cent. is within the range of and is above the mean and median premia over the 20-day trading average price of the Shares prior to announcements for companies listed on the SGX-ST that were subject to take-over transactions completed in 2001 and 2002 as at the Latest Practicable Date.

Shareholders should note that the level of premium (if any) an acquiror would normally pay for controlling a listed company either through a general offer or by way of a scheme of arrangement varies in circumstances depending, *inter alia*, on the attractiveness of the underlying business to be acquired, the synergies to be gained from integration with an existing business, the possibility of realisation of a significant revaluation of the assets to be acquired, the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence of competing bids for the target company and current market expectations.

As a consequence of undertaking the comparison above in relation to recent take-over transactions in Singapore and the factors stated in the preceding paragraph, we are of the view that the premium of 40.4 per cent. to the 20-day trading average Share price prior to the Announcement appears to adequately compensate Shareholders from the perspective of precedent take-over transactions. We recognise however that under the Revised CCL Offer, the exact quantum and timing of the return to NatSteel shareholder is uncertain.

(D) Analysis of potential cash distribution to shareholders

Should the Revised CCL Offer be successful, NatSteel will be an investment holding company whose sole assets is cash which will be distributed to shareholders via a liquidation of NatSteel with an estimated distribution per Share of \$1.91.

We have also considered the possibility of NatSteel making a cash distribution to Shareholders after the completion of the disposal of NatSteel Broadway and NatSteel Brasil without disposing of the Target Assets to CCL. Details of the proceeds of sale of each of NatSteel Broadway and NatSteel Brasil and other proceeds are set out in section 5.2 of the Circular. We have set out below a table analysing this possibility as follows:—

	\$ million
Broadway Proceeds ^{(1), (2)}	335.5
Brasil Proceeds ^{(2), (3)}	251.1
Others ⁽⁴⁾	12.0
Cash	598.6
Fully diluted number of Shares (million)	386.3
Cash available for distribution per Share	1.55

Notes:—

- (1) Based on actual proceeds received to date.
- (2) Pursuant to applications made by the Company to the Inland Revenue Authority of Singapore, the Company has received favourable rulings that based on representations made by the Company, Brasil Proceeds and Broadway Proceeds would be treated as gains of capital nature and accordingly, expects that the Brasil Proceeds and the Broadway Proceeds are not subject to taxation in Singapore.
- (3) The Company has entered into arrangements for purposes of, *inter alia*, hedging its foreign exchange exposure in respect of the Brasil Proceeds.
- (4) Based on estimates of proceeds to be received from the exercise of options, and interest income from the Brasil Proceeds and the Broadway Proceeds less estimated costs and expenses such as liquidation costs, and advisers' costs, directors' fees and incidental expenses relating to the Proposed Sale and 98 Holdings Offer.

Based on the analysis above, NatSteel Group is able to distribute \$1.55 per Share to shareholders from the cash proceeds arising from the sale of NatSteel Broadway and NatSteel Brasil in addition to cash received from exercise of NatSteel share options less the Proposed Sale estimated transaction costs. Following the distribution, NatSteel Group would be in a net bank borrowings position of \$181.7 million based on the unaudited balance sheet as at 30 June 2002. Under this basis all the bank loans will remain outstanding and NatSteel shareholders will still retain their shares. The implied carrying or residual value of the retained NatSteel shares as represented by the Target Assets would be \$0.36 per Share based on a comparison to the estimated distribution per Share of \$1.91 under the Revised CCL Offer.

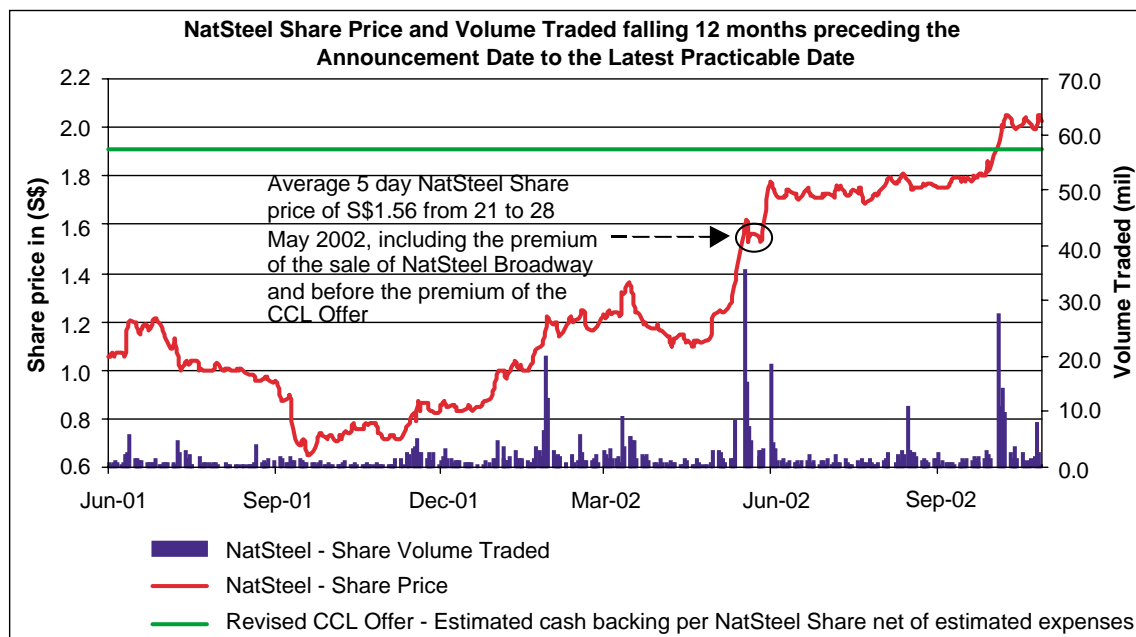
The timing of the cash distribution on this basis would not be dissimilar to the timing contemplated under the Proposed Sale with substantially all the distribution to Shareholders taking place in the first quarter of 2003. However, in relation to the cash distribution without the Proposed Sale we note the following:–

- (a) NatSteel's leverage would increase and it is uncertain whether banks would continue to provide existing facilities to NatSteel on the same terms and conditions given the post cash distribution balance sheet of NatSteel might be perceived to present greater risk to lenders;
- (b) any investing and capital expenditure cashflows after 30 June 2002 would need to be met from operating cashflows or from new financing which is uncertain. NatSteel has announced that projected capital expenditure and investments required in FY2002 will total \$90 million in relation to the Target Assets;
- (c) this alternative assumes that existing management remain with NatSteel which may be uncertain in the event the Revised CCL Offer does not proceed;
- (d) the market capitalisation of NatSteel may diminish significantly after the cash distribution. NatSteel would be unlikely to continue to attract institutional investors or research coverage which will have a detrimental impact on the liquidity of the Shares;
- (e) as stated in the rationale for the Proposed Sale in Section 3.4 of the Circular "Since the divestment of the electronics businesses via the sale of the Company's interests in NatSteel Electronics Ltd in 2000 and NatSteel Broadway in July 2002, the Group has significantly diminished in size and has become more focused on the steel and industrial sectors. Both sectors are capital intensive, cyclical in nature and are experiencing capacity gluts and uncertain medium-term prospects given the current economic outlook."; and
- (f) a substantial number of private companies comprise the Target Assets and the diversity of businesses and shareholding structures (certain of which are loss making and many represent minority shareholdings in companies in which NatSteel has little influence over management) will make future asset sales uncertain as to quantum and timing.

Accordingly, the above may create additional business risks for NatSteel and impact future share price performance following a cash distribution without the Proposed Sale.

(E) Market Quotations

We set out below a chart on the price movement of NatSteel shares from 3 June 2001, being the date 12 months preceding the Announcement Date to the Latest Practicable Date:-



Source: Bloomberg

In evaluating the reasonableness of the Proposed Sale from a market price expectations perspective, on the basis that the stock market may be considered to provide an efficient mechanism by which such price expectations may be expressed, we have considered whether current and historical share prices of the Company are reasonable indicators for assessing the financial value of the Shares at a given point in time. Under ordinary circumstances, the market valuation of shares traded on a recognised stock exchange may be affected by, *inter alia*, its relative liquidity, the size of its free float, the extent of research coverage and investor interest it attracts and the general market sentiment at a given point in time.

On the basis of the estimated distribution per NatSteel Share (after estimated expenses and potential liquidation costs) for the Revised CCL Offer, we have considered the market quotations of NatSteel shares below.

The estimated distribution per NatSteel share for the Revised CCL Offer represents a premium to the closing price of the Shares prior to the Announcement Date and the volume-weighted average prices for the one, three, six, nine and twelve months preceding the Announcement Date:-

	5-day⁽¹⁾ Average	1 month Average	3 month Average	6 month Average	9 month Average	12 month Average
Volume Weighted Average Price per Share (\$)	1.56	1.37	1.25	1.14	1.01	1.02
Premium of the Revised CCL Offer Implied by estimated Distribution per Share	22.5%	39.4%	53.0%	68.2%	89.3%	86.9%

Source: Bloomberg

Note:-

- (1) For purposes of analysing the share price which has effectively reflected the premium arising from the announcement of the sale of NatSteel Broadway and before attributing any premium related to the announcement of any Offer, we have used the average 5 day NatSteel share price of \$1.56 from 21 May 2002 (announcement date of sale of NatSteel Broadway) to 28 May 2002.

Based on the estimated distribution per NatSteel share (after estimated expenses and liquidation costs) of \$1.91 as at the Latest Practicable Date, the Revised CCL Offer is at a premium to the volume-weighted average price over a five-day, one, three, six, nine and twelve month period prior to the Announcement Date. Accordingly, taking this factor into account, it would appear that the market price of NatSteel shares was being supported by the CCL Offer announced on 3 June 2002 and the Revised Offer announced on 17 August 2002.

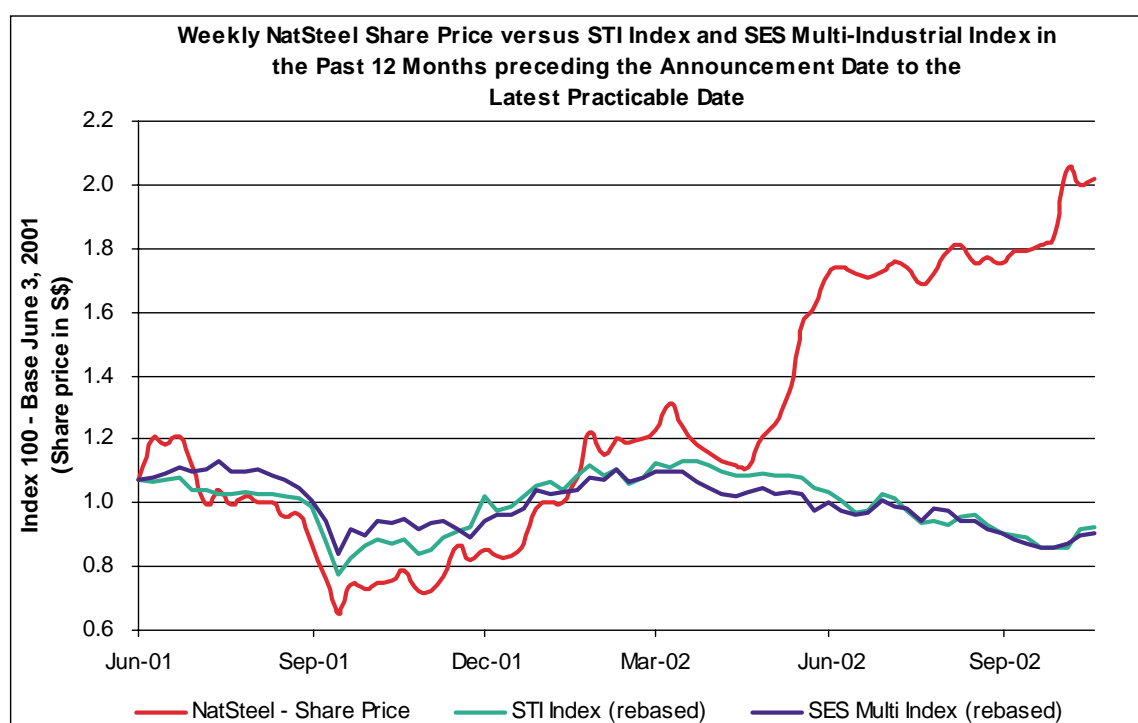
Independent Directors should note that in the fifteen years preceding the Latest Practicable Date, the Share price has closed above the estimated distribution per NatSteel share of \$1.91 from 8 to 31 October 2002. We note, however, that the 98 Holdings offer price is \$2.00 per Share and the highest closing price of the Shares was \$2.05 on 11 and 29 October 2002.

Since the announcement of the proposed CCL Offer on 3 June 2002 the price of NatSteel Shares increased from \$1.62 prior to the Announcement Date to \$2.03 as at the Latest Practicable Date. The appreciation in the market price of the Shares to the Latest Practicable Date appears to have been supported by each of the following:–

- (i) the announcement by NatSteel on 3 June 2002 in relation to the CCL Offer;
- (ii) the announcement by NatSteel on 16 August 2002 in relation to the Revised CCL Offer;
- (iii) the announcement by or on behalf of 98 Holdings on 3 October 2002 in relation to the 98 Holdings Offer;
- (iv) the announcements on 11 October 2002 by Sanion Enterprises Limited (“**Sanion**”) and Oei Hong Leong that they had, *inter alia*, acquired a 11.12 per cent interest in the issued share capital of the Company and the additional announcement by NatSteel on 29 October 2002 of a further acquisition of a 1.46 per cent. interest in the issued share capital of the Company by Sanion; and
- (v) the announcement dated 20 October 2002 by or on behalf of 98 Holdings that the 98 Holdings Offer Price would be revised to \$2.00 in cash for each Offer Share.

As noted above the 98 Holdings offer price is \$2.00 per Share and the closing price of the Shares on 31 October 2002 was \$2.03. Subsequent to the Latest Practicable Date, Sanion and Oei Hong Leong had on 1 November 2002, acquired a further 2.17 per cent. of the issued capital of NatSteel, thereby increasing their total share of NatSteel’s issued capital to 14.7 per cent. and made an offer to Development Bank of Singapore Limited (“DBS Bank”) to purchase all of DBS Bank’s shares in NatSteel representing about 14.67 per cent. of NatSteel’s issued share capital at a price of \$2.03 per share. Accordingly, should the Revised CCL Offer be unsuccessful and in the event the 98 Holdings Offer be unsuccessful or withdrawn and in the event that a higher competing bid fails to materialise, there is no assurance that the Share price of NatSteel as at 31 October 2002 will be maintained.

We have also considered the relative performance of NatSteel shares as compared to the SES Multi-Industrial Index and the Straits Times Index (“**STI Index**”). We set out below a chart on the relative performance of NatSteel share price against the wider SES Multi-Industrial Index and the STI Index from 3 June 2001, being the date 12 months preceding the Announcement Date to the Latest Practicable Date:–



Source: Bloomberg

As noted above, NatSteel shares have generally underperformed the broader SES Multi-Industrial Index and the STI Index from 3 June 2001, being the date 12 months prior to the Announcement Date to the end of January 2002. Beginning the end of January 2002, NatSteel shares have generally out-performed the broader SES Multi-Industrial Index and the STI Index. This is largely attributable to NatSteel’s sale of NatSteel Brasil, which was announced on 30 January 2002, with the Share price increasing 6.1 per cent. on the day following the Announcement, and the sale of NatSteel Broadway, when an expression of interest for NatSteel Broadway was announced on 16 May 2002, with the Share price increasing 19.3 per cent. on the day following the Announcement Date. NatSteel’s share price increased further upon the announcement of the CCL Offer on 3 June 2002 increasing 9.8 per cent., which followed a 5.2 per cent. increase on 31 May 2002.

After the announcement of the 98 Holdings Offer on 3 October 2002, the share price increased 6.0 per cent. to S\$1.94 on 8 October 2002. NatSteel Share price increased further to reach a high of \$2.05 on 11 October 2002. On 20 October 2002, the 98 Holdings Offer Price was revised to S\$2.00 with the Share price closing at S\$2.02 the same day.

Based on the last transacted prices as at the close of each Market Day, the movements of the NatSteel Share price, the STI Index and STI Multi-Industrial Index from 31 May 2002, being the last trading day for NatSteel Shares prior to the Announcement Date, to the Latest Practicable Date were as follows:–

	As at 31 May 02	As at 31 October 02	Increase/(Decrease)
NatSteel Share Price	1.62	2.03	25.3%
STI Index	1671.84	1463.37	(12.5)%
STI Multi-Industrial Index	805.64	748.49	(7.1)%

Based on the movement of the NatSteel Share price, the STI Index and STI Multi-Industrial Index over the aforesaid period, the NatSteel Share price has outperformed the overall applicable markets (as reflected by both the STI Index and STI Multi-Industrial Index).

Accordingly, taking these factors into account, it would appear that the CCL Offer announced on 3 June 2002 and the Revised CCL Offer announced on 17 August 2002 has supported the market price of NatSteel Shares since the Announcement Date to the Latest Practicable Date.

7. OTHER CONSIDERATIONS

Alternative Offers from Third Parties

As stated in the Appendix III of the Circular, further to the receipt of the CCL Offer on 3 June 2002, a special committee of the Board (the “**Special Committee**”) initially comprising the following Independent Directors, Dr. Cham Tao Soon, Mr. Lim Chee Onn, Mr. Oliver Tan Kok Kheng and Mr. Thai Chee Ken, was established on 3 June 2002. In view of his considerable knowledge and experience with the steel industry, Dr. Tan Tat Wai was subsequently appointed to the Special Committee on 17 June 2002 to assist the Special Committee in its deliberations.

The Company appointed SSB, as its financial adviser, to, *inter alia*, solicit, evaluate and consider the CCL Offer, alternative options and any other competing bids for the Target Assets. In connection therewith, SSB was requested to conduct a competitive sales process in respect of the possible disposal of the Target Assets and assist in negotiations on the financial terms relating to any offer received by the Company (including the CCL Offer). In the conduct of the competitive sale process, the Company endeavoured to strike a balance between a reasonable timetable for the abovesaid sale process and minimising the period of uncertainty for Shareholders and the management and employees of the Company.

Four parties (other than CCL) submitted Preliminary Investment Proposals between 26 July 2002 to 29 July 2002. Two of these Preliminary Investment Proposals related to bids for parts of the Target Assets only while the other two were in respect of bids for all of the Target Assets.

The proposed consideration in respect of bids received for all of the Target Assets (excluding CCL) ranged from S\$320,000,000 to S\$350,000,000. The Special Committee reviewed and considered these Preliminary Investment Proposals, taking into account various factors such as overall value, structure, timing, financial capability of the potential bidders and indicative price for all or as the case may be, part of the Target Assets and approved the participation of these four parties in the due diligence process.

The Board received two final bid proposals for all of the Target Assets on 9 August 2002 (including a proposal from CCL). The Board and its advisers then met on 11 August 2002 to evaluate the revised proposals received in terms of overall value, structure, timing, financial capability of the potential bidders, terms and conditions, and certainty of completion.

On 16 August 2002, the Board received the Revised CCL Offer from CCL and a proposal involving a scheme of arrangement in respect of the shares in NatSteel from another party (the “**Alternative Proposal**”). This Alternative Proposal superseded the other final bid proposal received by the Company on 9 August 2002. As the Alternative Proposal was in connection with the Shares, the Company decided to suspend the trading of the Company’s shares on the SGX-ST.

On the same day, the Special Committee met with its advisers to review and discuss the Revised CCL Offer as well as the Alternative Proposal and noted that:–

- (a) the purchase consideration offered under the Revised CCL Offer represented a substantial increase over CCL’s original offer and was higher than that offered under the Alternative Proposal;

- (b) CCL's financial adviser, J.P. Morgan (S.E.A.) Limited, had noted in its letter dated 16 August 2002 to the Board that, inter alia, it had been provided by CCL with certain documentation evidencing the availability of Financial Resources and confirmed that upon utilisation of the Financial Resources, the aggregate amount of the Financial Resources would be sufficient to satisfy an aggregate purchase consideration of S\$350,000,000. The Alternative Proposal in contrast did not provide any confirmation of financial resources;
- (c) CCL had also agreed to offer employment to all employees of the Company on terms and conditions no less favourable than existing terms and conditions and undertaken to operate the core businesses in substantially the same manner as they are currently operated with plans to grow the Asian steel franchise in key growth markets such as China under its mark-up of the draft sale and purchase agreement. The Alternative Proposal, in contrast, did not address this issue; and
- (d) there were numerous conditions precedent attached to the Alternative Proposal, which included obtaining various regulatory and other approvals and which as a result thereof may have created greater uncertainty as to completion and/or a longer timeframe for the completion of the Alternative Proposal.

At the same time, ANZ, having reviewed the Revised CCL Offer and the other offers received by the Company, provided (subject to legal documentation) a preliminary recommendation to the Independent Directors to accept the Revised CCL Offer.

Accordingly, as announced on 17 August 2002, the Special Committee, having reviewed the terms of the Revised CCL Offer and based on the preliminary views of SSB and ANZ, was of the preliminary view that the Proposed Sale to CCL was on normal commercial terms and that the terms of such sale are not prejudicial to the interests of NatSteel and minority Shareholders.

In light of the terms of the Revised CCL Offer vis-à-vis the terms of the Alternative Proposal, the Board announced, on 17 August 2002, the acceptance of the Revised CCL Offer, subject to the approval of Shareholders.

On 3 October 2002, Standard Chartered Bank, for and on behalf of 98 Holdings, announced that 98 Holdings intends to make the 98 Holdings Offer to acquire all the issued Shares.

As announced by the Company on 18 October 2002 ANZ has been appointed as the independent financial adviser to the Independent Directors of the Company, to advise on the 98 Holdings Offer.

The 98 Holdings Offer Document was despatched on 24 October 2002. ANZ has not issued a detailed analysis of the comparison between the Proposed Sale and the 98 Holdings Offer in this letter.

Accordingly, a detailed analysis of the comparison between the Proposed Sale and the 98 Holdings Offer and the advice and recommendation of ANZ to the Independent Directors on the Revised Offer by CCL and cash offer by 98 Holdings and the recommendation of the Independent Directors of the Company is set out in the NatSteel Offeree Board Circular despatched by or on behalf of the Company contemporaneously with this Circular on 7 November 2002.

We note that subsequent to the Latest Practicable Date, Sanion announced on 4 November 2002 that it:-

- (1) held shares in NatSteel representing about 14.7% of NatSteel's issued capital. These shares were purchased at prices ranging from S\$1.93 to S\$2.05 (both inclusive).

- (2) has made an offer to DBS Bank to purchase all of DBS Bank's shares in NatSteel, amounting to 53,905,915 shares and representing about 14.67% of NatSteel's issued capital, at a price of S\$2.03 per share. According to Sanion's announcement, DBS Bank has yet to accept the offer by Sanion.
- (3) has not made any approach to NatSteel and it has not appointed a financial adviser or financier on this matter. The announcement further stated that Sanion and Mr. Oei are not presently engaged in discussions with any financial adviser or financier, with respect to a general offer for NatSteel.

8. FINANCIAL EFFECTS

For the purpose of illustration, the proforma financial effects of the Proposed Sale are set out in Section 3.5 of the Circular.

The proforma effects of the Proposed Sale on the issued and paid up share capital, earnings and the net tangible assets of the Group for the financial year ended 31 December 2001 are set out below. The Proposed Sale has no effect on the issued and paid up share capital of NatSteel. Proforma effects of the Proposed Sale on the earnings and the net tangible assets for the six months ended 30 June 2002 have not been included as the profit or loss of the Business and the Assets from (and including) 1 January 2002 and all Liabilities would, pursuant to the terms of the Sale and Purchase Agreement, *inter alia*, be for the account of CCL (or as the case may be, its nominee(s)).

In March 2002, the Company obtained Shareholders' approval for the sale of NatSteel Brasil and on 6 September 2002, Gerdau Participacoes Ltda (together with another wholly-owned subsidiary within the Gerdau Group) exercised the call option granted to it under the terms of the sale by the Company of its interests in NatSteel Brasil. In July 2002, the Company also completed the sale of NatSteel Broadway (together with the sale of NatSteel Brasil the "Sales"). The proforma financial effects as set out below have been prepared after taking into consideration the financial effects of the Sales.

For illustrative purposes, the proforma effects of the income earned on the proceeds arising from the Sales and the Proposed Sale have not been included in the calculations below.

(a) Issued and Paid Up Share Capital

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

(b) Earnings

Assuming the Proposed Sale and the Sales had been completed on 1 January 2001 and based on the Group's audited consolidated financial statements for the year ended 31 December 2001 (FY 2001), the proforma effects on the earnings of the Group are as follows:—

(\$'000)	Before the completion of the Proposed Sale and the Sales	Before the completion of the Proposed Sale but after the Sales	After the completion of the Proposed Sale and the Sales
The Group's consolidated net profit/(loss) for FY 2001	(129,633)	(129,633)	(129,633)
Sales			
Gain on disposal of shareholding interest in NatSteel Brasil ⁽¹⁾	—	57,014	57,014
Gain on disposal of shareholding interest in NatSteel Broadway	—	258,678	258,678

(S\$'000)	Before the completion of the Proposed Sale and the Sales	Before the completion of the Proposed Sale but after the Sales	After the completion of the Proposed Sale and the Sales
Reverse NatSteel Brasil's profit after tax and minority interests for FY 2001 attributable to the Company	—	(3,212)	(3,212)
Reverse NatSteel Broadway's profit after tax and minority interests for FY 2001 attributable to the Company	—	(17,623)	(17,623)
Proposed Sale			
Reverse Target Asset's loss after tax and minority interests for FY 2001	—	—	150,468
Less: Loss from disposal of Target Assets ⁽¹⁾	—	—	(623,796)
Release of goodwill, exchange differences and revaluation surplus upon disposal ⁽²⁾	—	—	(145,090)
Proforma consolidated profit/ (loss) after tax and MI	(129,633)	165,224	(453,194)
Number of Shares outstanding⁽³⁾	362,747,737	362,747,737	362,747,737
Earnings per Share	(\$0.36)	\$0.46	(\$1.25)

Notes:—

- (1) Computed based on the net asset values as at 31 December 2000 on the assumption that the Proposed Sale had been completed on 1 January 2001.
- (2) Computed based on the reserves balances as at 31 December 2000 on the assumption that the Proposed Sale had been completed on 1 January 2001.
- (3) Based on weighted number of issued Shares for year ended 31 December 2001.

(c) NTA

Assuming the Proposed Sale and the Sales had been completed on 31 December 2001 and based on the Group's audited consolidated financial statements as at 31 December 2001, the proforma effects on NTA of the Group are as follows:—

(S\$'000)	Before the completion of the Proposed Sale and the Sales	Before the completion of the Proposed Sale but after the Sales	After the completion of the Proposed Sale and the Sales
The Group's NTA as at 31 December 2001	919,875	919,875	919,875
Sales			
Brasil Proceeds	—	251,176	251,176
Broadway Proceeds	—	335,478	335,478
NatSteel Brasil's NTA as at 31 December 2001 attributable to the Company	—	(197,374)	(197,374)
NatSteel Broadway's consolidated NTA as at 31 December 2001 attributable to the Company	—	(97,936)	(97,936)

(\$'000)	Before the completion of the Proposed Sale and the Sales	Before the completion of the Proposed Sale but after the Sales	After the completion of the Proposed Sale and the Sales
Proceeds on disposal of Target Assets	—	—	350,000
Target Assets' NTA as at 31 December 2001	—	—	(835,174)
Others ⁽¹⁾			11,955
Group's proforma NTA	919,875	1,211,219	738,000
Number of Shares outstanding	362,882,737 ⁽²⁾	362,882,737 ⁽²⁾	386,308,237 ⁽³⁾
NTA per Share	\$2.53	\$3.34	\$1.91

Notes:-

- (1) This includes cash received from the exercise of options less costs and expenses such as liquidation costs, provision for contingent liabilities and advisers' costs.
- (2) Based on Shares outstanding as at 31 December 2001.
- (3) Based on fully diluted number of issued Shares as at the Latest Practicable Date.

Based on the above, the proforma financial effects of the Proposed Sale are not favourable to the Group as a result of the loss arising from the sale of the Target Assets at a discount to NTA. We also refer the Independent Directors to pages 45 to 47 and our comments in relation to the Revised CCL Offer being at a discount of approximately 55.8 per cent to Adjusted NTA.

Furthermore, as stated in the rationale for the Proposed Sale in Section 3.4 of the Circular "Since the divestment of the electronics businesses via the sale of the Company's interests in NatSteel Electronics Ltd in 2000 and NatSteel Broadway in July 2002, the Group has significantly diminished in size and has become more focused on the steel and industrial sectors. Both sectors are capital intensive, cyclical in nature and are experiencing capacity gluts and uncertain medium-term prospects given the current economic outlook." The highlighted conditions for the steel and industrial sectors have prevailed in Asia for sometime and as noted in section 6 above the recent precedent transactions tabled for the steel and industrial sectors have returned mean price to book NTA multiples of 0.46 and 0.50 respectively.

9. CONCLUSIONS

Based on the observations set forth in this letter, we are of the opinion that, as at the date of this letter, in assessing whether at the date hereof the financial terms of **the Revised CCL Offer in isolation and barring analysis and comparison with the 98 Holdings Offer** are on normal commercial terms and are not prejudicial to the interests of the minority shareholders of NatSteel, we have observed, *inter alia*, the following:-

- (a) the Revised CCL Offer falls within the Indicative Valuation range after application of the private company and conglomerate discount;
- (b) the Revised CCL Offer is at a discount to the Adjusted NTA of the Target Assets, however, we note that it may be inappropriate in this instance to use NTA or Adjusted NTA as a benchmark for evaluation of the fairness of the Revised CCL Offer;
- (c) NatSteel Shares have always traded at a discount of more than 18.7 per cent. to the Group's historical book NTA per Share since 1 January 1997 to the Latest Practicable Date and averaged a discount of 57.1 per cent. during this period;
- (d) it would appear since the CCL Announcement Date each of the following:-
 - (i) the announcement by NatSteel on 3 June 2002 in relation to the CCL Offer;
 - (ii) the announcement by NatSteel on 16 August 2002 in relation to the Revised CCL Offer;

- (iii) the announcement by or on behalf of 98 Holdings on 3 October 2002 in relation to the 98 Holdings Offer;
- (iv) the announcements on 11 October 2002 by Sanion and Oei Hong Leong that they had, *inter alia*, acquired a 11.12 per cent interest in the issued share capital of the Company and the additional announcement by NatSteel on 29 October 2002 of a further acquisition of a 1.46 per cent. interest in the issued share capital of the Company by Sanion; and
- (v) the announcement dated 20 October 2002 by or on behalf of 98 Holdings that the 98 Holdings Offer Price would be revised to \$2.00 in cash for each Offer Share.

Subsequent to the Latest Practicable Date, Sanion and Oei Hong Leong had on 1 November 2002, acquired a further 2.17 per cent. of the issued capital of NatSteel, thereby increasing their total share of NatSteel's issued capital to 14.7 per cent. and made an offer to DBS Bank to purchase all of DBS Bank's shares in NatSteel representing about 14.67 per cent. of NatSteel's issued share capital at a price of \$2.03 per share. Should the Revised CCL Offer be unsuccessful and in the event the 98 Holdings Offer is unsuccessful or withdrawn and in the event that a higher competing bid fails to materialise, there is no assurance that the Share price of NatSteel as at the Latest Practicable Date will be maintained;

- (e) distribution of the cash proceeds arising from the sale of NatSteel Brasil and NatSteel Broadway without the Proposed Sale may create additional business risks for NatSteel and impact future share price performance following such a cash distribution; and
- (f) the Revised CCL Offer exceeds the purchase consideration for each of the four Preliminary Investment Proposals. The Revised CCL Offer also exceeds the proposed purchase consideration for the Alternative Proposal which did not have confirmation of financing. The Alternative Proposal also contained numerous conditions precedent which included obtaining various regulatory and other approvals and which as a result thereof may have created greater uncertainty as to completion and/or a longer timeframe for the completion of the Alternative Proposal.

Having regard to the foregoing, in particular the comparison of the estimated distribution per Share implied by the Revised CCL Offer compared to historical market quotations up to the date of the announcement of the 98 Holdings Offer, and on the basis of the observations set out in Sections 6 and 7 in this letter, ANZ is of the view that the Revised CCL Offer, **if considered in isolation and barring analysis and comparison with the 98 Holdings Offer**, appears to be on normal commercial terms and not prejudicial to the interests of the minority Shareholders of NatSteel from a market quotations perspective. The CCL Offer announced on 3 June 2002 and its revision on 17 August 2002, was supporting the Share price of NatSteel up to the date of the 98 Holdings Offer.

We also note that the Revised CCL Offer falls within our Indicative Valuation range when the Raffles Marina valuation based on existing memberships is considered and after application of the private company and conglomerate discount.

However, we note that on 3 October 2002, Standard Chartered Bank, for and on behalf of 98 Holdings, announced the 98 Holdings Offer to acquire all the issued Shares. On 20 October 2002, Standard Chartered Bank announced, for and on behalf of the Offeror, that the Offeror had revised the 98 Holdings Offer by increasing the Offer Price to S\$2.00 per Offer Share. We further note that the closing price of the Shares on 31 October 2002 was \$2.03.

The 98 Holdings Offer Document was despatched on 24 October 2002. As recommended in the Offeree Board Circular despatched contemporaneously with this Circular on 7 November 2002, we are of the opinion that the 98 Holdings Offer is superior in all material respects to the Proposed Sale based on conditions prevailing as at the Latest Practicable Date. Accordingly, we are of the opinion that the Independent Directors should recommend NatSteel Shareholders to accept the 98 Holdings Offer and vote against the Proposed Sale at the EGM.

The observations set forth are based solely on publicly available information as at the Latest Practicable Date and information provided to us by the Company and therefore does not reflect any projections or the future financial performance of the Company. Consistent with Section 2.3 of 98 Holdings Offer Document, Shareholders should further note that the Company has been furnishing information pertaining to the Group to 98 Holdings in connection with the due diligence exercise conducted by 98 Holdings and its advisers following announcement of the 98 Holdings Offer. Such information may be material to the Shareholders on their decision whether or not to vote in favour of the CCL Offer. As stated above, our opinion is based on information as at the Latest Practicable Date and does not take into consideration further information that is and will be furnished by the Company to 98 Holdings.

This letter is addressed to the Independent Directors for their benefit in connection with and for the purposes of their consideration of the Proposed Sale and the recommendations made by them shall remain their responsibility.

Yours faithfully
For and on behalf of
ANZ Singapore Limited

Bill Foo
Managing Director

Glenn Porritt
Director

GENERAL AND STATUTORY INFORMATION

1. SHARE CAPITAL

As at the Latest Practicable Date, the issued and paid-up share capital of the Company comprises 367,568,237 Shares. As at the Latest Practicable Date, the Company has an aggregate of 18,740,000 options granted to the directors and employees (including one executive director) of the Company to subscribe for new Shares at exercise prices ranging from S\$0.61 to S\$1.55 for each new Share.

If Shareholders vote to approve the Voluntary Liquidation at the EGM, all options are expected to vest on the date of the EGM.

2. DISCLOSURE OF SHAREHOLDINGS

2.1 Directors

The interests of the Directors in the Shares as recorded in the Register of Directors' Shareholdings maintained by the Company as at the Latest Practicable Date are set out below:—

Name of Director	Direct Interest		Indirect Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Cham Tao Soon	40,000	0.01	—	—	40,000	0.01
Ang Kong Hua	1,657,500	0.45	1,674,000	0.46	3,331,500	0.91
Eric Ang Teik Lim	—	—	21,647	0.01	21,647	0.01
Lim Chee Onn	—	—	—	—	—	—
Tan I Tong	399,624	0.11	162,000	0.04	561,624	0.15
Tan Tat Wai	—	—	—	—	—	—
Thai Chee Ken	—	—	—	—	—	—
Oliver Tan Kok Kheng	—	—	—	—	—	—

2.2 Substantial Shareholders

The interests of the Substantial Shareholders in the shares as recorded in the Register of the Substantial Shareholders maintained by the Company as at 31 October 2002 are:—

Name of Substantial Shareholder	Direct Interest		Indirect Interest		Total Interest	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Temasek Holdings (Private) Limited ⁽¹⁾	29,300,000	7.97	56,990,140	15.50	86,290,140	23.47
The Development Bank of Singapore Ltd ⁽²⁾	—	—	53,905,915	14.66	53,905,915	14.66
DBS Group Holdings Ltd ⁽³⁾	—	—	53,905,915	14.66	53,905,915	14.66
MND Holdings (Private) Limited ⁽⁴⁾	—	—	53,905,915	14.66	53,905,915	14.66
Sanion Enterprises Limited	46,064,000	12.53	—	—	46,064,000	12.53
Oei Hong Leong	—	—	46,064,000	12.53	46,064,000	12.53

Notes:–

- (1) Temasek Holdings (Private) Limited is deemed to have an interest through DBS Group Holdings Ltd and DBS Bank.
- (2) DBS Bank is deemed to have an interest through DBS Nominees Pte Ltd.
- (3) DBS Group Holdings Ltd is deemed to have an interest through DBS Bank.
- (4) MND Holdings (Private) Limited is deemed to have an interest through DBS Group Holdings Ltd and DBS Bank.

On 1 November 2002, Sanion Enterprises Limited (“Sanion”), a company controlled by Mr Oei Hong Leong, announced that it owned shares in NatSteel representing approximately 14.7% of NatSteel’s issued capital.

DBS Group Holdings Limited announced on 1 November 2002 that “The Development Bank of Singapore Limited (“DBS”) has received today from Sanion Enterprises Limited, a company controlled by Mr Oei Hong Leong, an offer to purchase its entire shareholding of 53,905,915 shares in the capital of NatSteel Limited, representing approximately 14.67 per cent. of the issued share capital of NatSteel Limited, at a price of S\$2.03 for each share.” DBS stated in its announcement that DBS will evaluate the offer together with all other options with the view to realising the best value for its holdings in NatSteel Limited in the interests of DBS and its shareholders.

On 4 November 2002, Sanion issued an announcement, extracts of which are set out below:

“As at the date hereof, Sanion has not made any approach to NatSteel and it has not appointed a financial adviser or financier on this matter. Mr. Oei Hong Leong had, previously, exploratory and informal discussions with 3 financial institutions relating to NatSteel. These discussions were of a general nature intended to explore with the financial institutions their interest in participating as lenders in a possible offer for NatSteel (if at all one was to be made). The matters under discussion were, *inter alia*, considered by Mr. Oei to be relevant to his review of his position in relation to NatSteel, as would be expected of any investor or potential investor in his position. Sanion and Mr. Oei are not presently engaged in discussions with any financial adviser or financier, including these 3 financial institutions, with respect to a general offer for NatSteel.

Sanion will keep its position under review, having regard to, *inter alia*, further developments relating to the offers by Crown Central Assets Limited and 98 Holdings Pte Ltd (“98 Holdings”), whether arrangements or any part thereof between 98 Holdings and the management of NatSteel (described in the announcement of 31 October 2002 made on behalf of 98 Holdings) constitute special benefit(s) within the restrictions under Rule 10 of the Singapore Code on Take-overs and Mergers, the level of acceptances under the 98 Holdings offer, the disclosures made in the offeree circular to be issued by NatSteel to its shareholders (including the advice of the independent financial adviser), whether or not DBS Bank will accept Sanion’s offer referred to above, the advice of Sanion’s financial adviser (if appointed), financing matters, market conditions, changes or developments in political, economic, monetary and/or financial conditions in Singapore or internationally and/or the occurrence of any unforeseen circumstances.”

As at the date of this circular, the Company has not received notification of any general offer for NatSteel by Sanion or Mr Oei Hong Leong.

3. MATERIAL LITIGATION

Save as disclosed below, the Directors are not aware of any litigation, claims or proceedings pending or threatened against the Company or any of its subsidiaries or any facts likely to give rise to any litigation, claims or proceedings which, in the opinion of the Directors, might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole:–

- (a) In 1997, Everen Investments Pte Ltd ("**Everen**"), a wholly-owned subsidiary of NatSteel, acquired from Thai Wah Plaza Ltd ("**TWPL**") a promissory note with a face value of US\$22,950,000. This transaction was supported by an option agreement to sell the same promissory note to Thai Wah Tower II Co Ltd ("**TWTC**"), a call option to acquire condominium units from TWPL and TWTC and a Guarantee from Thai Wah Public Co. Ltd ("**TWPC**"). In April 2000, TWPL petitioned for reorganisation under Thailand's amended Bankruptcy Act. In November 2000, it was revealed that Thai Wah Group Planner Co Ltd ("**Planner**"), a wholly-owned subsidiary of TWPL, had under a plan (approved by secured creditors) proposed to repay 15 per cent. of the debt over 16 years, the remaining 85 per cent. to be forgiven by Everen. Everen challenged the plan in Court and in December 2000, the Central Bankruptcy Court approved the amended plan proposed by the Planner which provided that Everen be paid 15 per cent. over 16 years and a further 30 per cent. over the 17th to 21st years. Everen had on 23 January 2001 filed an appeal against this decision.

On 25 June 2002 the Bankruptcy Court ruled that Everen was a valid holder of the promissory note and a valid claimant under the TWPL Rehabilitation Plan. In connection therewith, Everen was awarded an amount of US\$19,052,843. TWPL subsequently filed an appeal with the Supreme Court on 1 August 2002 against this ruling. Everen has accordingly, filed its response to the appeal on 30 August 2002.

Everen has also exercised its option to sell the promissory note to TWTC and has, upon the failure of TWTC to acquire the promissory note, served notice to TWPC, demanding payment under the Guarantee.

To date, no payments have been made to Everen.

- (b) From June 2000 to September 2000, NatSteel Trade International Pte Ltd ("**NatSteel Trade**"), a subsidiary of the Company, acquired, in the ordinary course of business, about 46,000 metric tonnes of billets from Acominas for sale to Tycoons Worldwide Group (Thailand) Co, Ltd ("**Tycoons Thailand**").

In late 2000, Tycoons Thailand indicated their dissatisfaction with the quality of the billets supplied. In February 2001, after repeated requests by NatSteel Trade for payment for goods sold and delivered, Tycoons Thailand informed NatSteel Trade that the issue over the quality of the billets, amounting to approximately US\$3,600,000, must be resolved before NatSteel Trade would be paid on the outstanding amount. On 16 January 2002, NatSteel Trade's solicitors filed a complaint for the recovery of US\$9,559,034 against the holding company of Tycoons Thailand in Kaohsiung Court, Taiwan, Republic of China, pursuant to the terms of various corporate guarantees from Tycoons Group Enterprise Co Ltd ("**Tycoons Taiwan**") to NatSteel Trade.

Further to the announcement by the Company on 5 August 2002, the defendant has filed details of their claim of US\$13,000,000. The Company has been legally advised that this counterclaim is largely without merit and all efforts would be expended to resist this counterclaim.

On 23 September 2002, NatSteel Trade obtained a judgement in default of appearance against Tycoons Thailand in the High Court of Singapore. On 16 October 2002, NatSteel Trade's solicitors were informed by solicitors of Tycoons Thailand that their client was seeking to set aside the said judgement.

THE COMPETITIVE SALE PROCESS

1. INTRODUCTION

Further to the receipt of an offer from CCL to acquire the Target Assets on 3 June 2002, a special committee of the Board (the “**Special Committee**”) initially comprising the following Independent Directors, Dr. Cham Tao Soon, Mr. Lim Chee Onn, Mr. Oliver Tan Kok Kheng and Mr. Thai Chee Ken, was established on 3 June 2002. In view of his considerable knowledge and experience with the steel industry, Dr. Tan Tat Wai was subsequently appointed to the Special Committee on 17 June 2002 to assist the Special Committee in its deliberations.

The Special Committee was set up as an independent committee for the purposes of, *inter alia*, evaluating the CCL Offer and any other offers which may be received by the Company in connection with a possible disposal by the Company of the Target Assets, establishing arm’s length discussions with CCL, as well as to review and consider alternative strategic options for the Company. In connection therewith, the Special Committee was requested by the Board to report to the Board on all actions and decisions taken by it in connection with the CCL Offer and any other offers which may be received by the Company in connection with a possible disposal by the Company of the Target Assets.

Among other things, the Special Committee established such procedures, reviewed such information and engaged such financial and legal advisers as it deemed necessary to fully and adequately make determinations about the proposals received and any matters that came before it.

The Company appointed SSB, as its financial adviser, to, *inter alia*, solicit, evaluate, consider, and advise the Company on the CCL Offer, alternative options and any other competing bids for the Target Assets. In connection therewith, SSB was requested to conduct a competitive sale process in respect of the possible disposal of the Target Assets and assist in negotiations on the financial terms relating to any offer received by the Company (including the CCL Offer). In the conduct of the competitive sale process, the Company endeavoured to strike a balance between a reasonable timetable for the abovesaid sale process and minimising the period of uncertainty for Shareholders and the management and employees of the Company.

Stamford Law was appointed as the legal adviser to the Company to advise on, among other things, the structure, the terms and conditions and all relevant documentation relating to all offers received by the Company and any other alternative options available for consideration by the Company.

ANZ was appointed as the independent financial adviser to the Independent Directors to advise on whether the relevant offer received and accepted by the Board is on normal commercial terms and whether the terms of such transaction are prejudicial to the interests of the Company and minority Shareholders.

PricewaterhouseCoopers was appointed to assist the Board in facilitating the timely and efficient flow of relevant information from the Company to interested third parties who were invited to conduct due diligence on the Group pursuant to the abovesaid sales process.

2. OBJECTIVES

As previously announced on 20 June and 11 July 2002, the Board’s objectives are to act in the interests of Shareholders and the employees of the Company as a whole, and to maximise shareholder value.

3. THE COMPETITIVE SALE PROCESS

3.1 Soliciting

SSB, compiled, for the Special Committee's consideration, an initial list of selected strategic players in the steel, industrial and other building product industries as well as selected financial buyers and conglomerates.

On 17 June 2002, the Special Committee met with SSB and the other advisers of the Company to discuss and approve the list of parties to be contacted. Subsequent to this, a number of other parties approached SSB directly to express an interest in the sale process.

Throughout the solicitation process, over 40 parties were contacted, some of which had only local operations and others, regional and/or global operations. In total, 23 parties (including late enquiries) expressed interest in the sale process over the period between the middle of June and early August. Parties that expressed interest, were provided with an information pack (the "**Information Pack**") consisting of publicly available information on the Group.

At the same time, an information summary (the "**Information Summary**") was prepared by SSB, with the assistance of the Company and its other advisers, for the purposes of providing summary information on the businesses, operations and historical financial performance of the Group. In view of the potentially commercially sensitive and confidential nature of some of the operational and financial data contained in the Information Summary, parties who further expressed interest in receiving the Information Summary were provided with confidentiality agreements for their execution.

A process letter (the "**Process Letter**") and confidentiality agreements were sent to interested parties in the second week of July 2002. The Process Letter set out, *inter alia*, the terms and conditions and the key steps of the competitive sale process and an indicative timetable relating thereto (including a request for preliminary investment proposals ("**Preliminary Investment Proposals**") to be submitted by 26 July 2002). Eight parties (including CCL) executed the said confidentiality agreements and received the Information Summary.

3.2 Preliminary Investment Proposals

Four parties (other than CCL) submitted Preliminary Investment Proposals between 26 July 2002 to 29 July 2002. Of the remaining three, two parties did not give any further response and one party was unable to provide an indication of value.

Two of the Preliminary Investment Proposals received related to bids for parts of the Target Assets only while the other two were in respect of bids for all of the Target Assets. The proposed consideration in respect of bids received for all of the Target Assets (excluding CCL) ranged from S\$320,000,000 to S\$350,000,000. The Special Committee reviewed and considered these Preliminary Investment Proposals, taking into account various factors such as overall value, structure, timing, financial capability of the potential bidders and whether the relevant Preliminary Investment Proposal was in respect of all or part of the Target Assets and approved the participation of these four parties in the due diligence process.

3.3 Due Diligence

The Company and its advisers set up multiple data rooms (each containing identical data) at the offices of Stamford Law and PricewaterhouseCoopers for the purposes of permitting the five bidders (including CCL) to conduct legal, financial and business due diligence on the Target Assets. Each potential bidder was granted three days' access to a data room in the week beginning 29 July 2002. The information provided to the potential bidders included:—

- (a) Financial statements of the Company and selected principal subsidiaries and associated companies of the Company;

- (b) Summarised operational and business information on the Target Assets (including sample sales agreement, overview of sales, manufacturing and distribution processes, key competitors, key products, long term purchase commitments and certain sales policies);
- (c) Summarised corporate information (including constitutive documents of selected principal subsidiaries and associated companies of the Company); and
- (d) Summarised legal information (including intellectual property rights of the Group, details of the litigation involving the Group, details of certain licences held by the Group and details of insurance policies held by the Company).

However due to:-

- (i) the listed status of the Company (and hence the need to minimise or prevent information asymmetry in the market);
- (ii) obligations of confidentiality imposed under some of the documentation entered into by the Company or any other member of the Group;
- (iii) certain information being price sensitive or commercially sensitive (especially where the potential bidders included corporates within the same industry); and
- (iv) the fiduciary duties of the Board to act in the best interests of the Company,

constraints were imposed on the scope of the information which could or should be provided to the potential bidders. In particular, potentially price sensitive or commercially sensitive information such as forecasts and/or budgets of the Company and its businesses could not be released to the potential bidders.

However, to address the provision of information on the financial performance of the Group since the year ended 31 December 2001, on 5 August 2002, the Company accelerated the announcement of its results for the six months ended 30 June 2002 so that all bidders would have access to the information contained in such results.

In addition to the provision of data rooms, key members of the Company's management were made available for interviews with the potential bidders. In the weeks beginning 29 July 2002 and 5 August 2002, all the heads of the Steel, Industrial, Electronics and Property and Investment Divisions met with representatives from the potential bidders to discuss an overview of the Group's operations, businesses and conditions and the historical performance of the Group and to address questions raised by representatives from the potential bidders.

Site visits to the plants operated by the Company in Singapore were also granted to such representatives, upon their request, in the week beginning 5 August 2002.

In the same week, SSB, for and on behalf of the Company, also actively negotiated with the various potential bidders on, *inter alia*, the valuation of the Target Assets, proposed transaction structure and the confirmation by the potential bidders of their financial resources.

The potential bidders were then requested to submit final bid proposals and to comment on the draft sale and purchase agreement provided by Stamford Law on behalf of the Company by 9 August 2002.

3.4 Final Proposals

The Board received two final bid proposals for all of the Target Assets on 9 August 2002 (including a proposal from CCL). The Board and its advisers then met on 11 August 2002 to evaluate the revised proposals received in terms of overall value, structure, timing, financial capability of the potential bidders, terms and conditions, and certainty of completion.

SSB, for and on behalf of the Board, then actively negotiated with the two final bidders again on, *inter alia*, the valuation of the Target Assets, proposed transaction structure and confirmation by the two final bidders of their financial resources.

At this time, SSB also received a number of late enquiries from certain other parties. While discussions were undertaken between SSB and these parties, no proposals were submitted by these parties at that time.

On 16 August 2002, the Board received the Revised CCL Offer from CCL and a proposal involving a scheme of arrangement in respect of the shares in NatSteel from another party (the "**Alternative Proposal**"). This Alternative Proposal superseded the other final bid proposal received by the Company on 9 August 2002. As the Alternative Proposal was in connection with the shares of the Company, the Company decided to suspend the trading of the Company's shares on the SGX-ST.

On the same day, the Special Committee met with its advisers to review and discuss the Revised CCL Offer as well as the Alternative Proposal and noted that:—

- (a) the purchase consideration offered under the Revised CCL Offer represented a substantial increase over CCL's original offer and was higher than that offered under the Alternative Proposal;
- (b) CCL's financial adviser, J.P. Morgan (S.E.A.) Limited, had noted in its letter dated 16 August 2002 to the Board that, *inter alia*, it had been provided by CCL with certain documentation evidencing the availability of Financial Resources and confirmed that upon utilisation of the Financial Resources, the aggregate amount of the Financial Resources would be sufficient to satisfy an aggregate purchase consideration of S\$350,000,000. The Alternative Proposal in contrast did not provide any confirmation of financial resources;
- (c) CCL had also agreed to offer employment to all employees of the Company on terms and conditions no less favourable than existing terms and conditions and undertaken to operate the core businesses in substantially the same manner as they are currently operated with plans to grow the Asian steel franchise in key growth markets such as China under its mark-up of the draft sale and purchase agreement. The Alternative Proposal, in contrast, was silent on this issue; and
- (d) there were numerous conditions precedents attached to the Alternative Proposal, which included obtaining regulatory approvals and which as a result thereof may result in a longer timeframe for the completion of the transaction under the Alternative Proposal.

At the same time, ANZ, having reviewed the Revised CCL Offer and the other offers received by the Company, provided (subject to legal documentation) a preliminary recommendation to the Independent Directors to accept the Revised CCL Offer.

Accordingly, as announced on 17 August 2002, the Special Committee, having reviewed the terms of the Revised CCL Offer and based on the preliminary views of SSB and ANZ, was of the preliminary view that the Proposed Sale to CCL was on normal commercial terms and that the terms of such sale are not prejudicial to the interests of NatSteel and minority Shareholders.

In light of the terms of the Revised CCL Offer *vis-à-vis* the terms of the Alternative Proposal, the Board announced, on 17 August 2002, the acceptance of the Revised CCL Offer, subject to the approval of Shareholders.

Further thereto, the advisers of the Company and CCL proceeded to negotiate and finalise the terms and conditions of the Sale and Purchase Agreement (certain key terms of which are set on pages 7 to 10 of this Circular) over an approximately 3-week period. The Sale and Purchase Agreement was executed by the Company and CCL on 4 September 2002.

The entire competitive sale process commencing with the despatch of the Information Pack on 17 June 2002 to parties expressing interest in the competitive sales process and culminating with the acceptance of the Revised CCL Offer by the Company on 17 August 2002 spanned a period of approximately two months.

THE VOLUNTARY LIQUIDATION PROCESS

The following timetable is only indicative and is be subject to change.

Prior to Commencement of Liquidation	Estimated timeframe
EGM	4 December 2002
Completion of Sale and Purchase Agreement	December 2002
Subsequent to Commencement of Liquidation	Estimated timeframe
Cease trading of Shares on SGX-ST	10 days after date of EGM
File Notice of Resolution ⁽¹⁾ and Notice of Appointment of Liquidator with the Registrar of Companies and Businesses and the Official Receiver	Week commencing 9 December 2002
Advertise Notice of Resolution ⁽¹⁾ and Notice to Creditors for Proof of Debts	Week commencing 9 December 2002
Advertise in one or more local newspapers to request Shareholders to update particulars and confirm share entitlement	Week commencing 16 December 2002
Send letter to all Shareholders to confirm share entitlement	Week commencing 16 December 2002
Settlement of the list of Shareholders and confirmation with CDP on the settled list of Shareholders	Week commencing 13 January 2003
Advertise Notice of Interim Distribution to Shareholders in one or more local newspapers and the Government Gazette and send letter to all Shareholders on the Notice of Interim Distributions	Week commencing 20 January 2003
Interim Distribution	31 January 2003
Final Distribution	During 2003

Note:–

- (1) The Notice of Resolution relates to the special resolution proposed to be tabled at the EGM in respect of, *inter alia*, the appointment of the liquidators.

Assumptions

The above timetable has been prepared based on the following assumptions:–

1. the Proposed Sale will be approved by the Shareholders at the EGM and that Completion under the Sale and Purchase Agreement will take place in December 2002;
2. the EGM will be held and the Liquidators appointed pursuant thereto by 4 December 2002;
3. at Completion, the Company will be discharged in full from any and all liabilities, indebtedness and obligations of the Company arising under the NSL Bank Borrowings, the 2002 NSL Bank Borrowings, the Subsidiaries Bank Borrowings and the 2002 Subsidiaries Bank Borrowings, including without limitation, the full, complete and unconditional discharge and/or cancellation of all guarantees, indemnities or other security granted by the Company and its bankers and any other contingent liabilities arising from and in respect of the aforesaid borrowings;
4. all the Liabilities will assumed by CCL;
5. there are no Brasil and Broadway Liabilities and Excluded Taxation Liabilities;

6. a bankers' guarantee (in form and substance satisfactory to the liquidator) equivalent to the estimated tax and other liabilities will be provided by CCL and an indemnity (in form and substance satisfactory to the liquidator) of such amount as may be requested by the liquidator in connection with the voluntary winding-up of the Company will be provided to the liquidators by CCL and/or its nominee(s);
7. an amount of S\$2,000,000 will be set aside to account for contingent liabilities, fees, costs and expenses arising from, relating to or in connection with the Voluntary Liquidation, howsoever and whatsoever arising;
8. any and all other liabilities (if any, including without limitation, any Taxation liabilities) of the Company will be completely and unconditionally discharged in full prior to the estimated time of the Final Distribution; and
9. the assets of the Company will comprise only cash by the estimated time of the Final Distribution.

NATSTEEL LTD

(the "Company")

(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an EXTRAORDINARY GENERAL MEETING of the Members of the Company will be held at Level 4, Mandarin Court, Mandarin Singapore, 333 Orchard Road, Singapore 238867 on 4 December 2002 at 10 a.m. for the purpose of considering and, if thought fit, passing, with or without amendment, the following resolutions.

ORDINARY RESOLUTION

That subject to the Special Resolution below being passed:-

- (a) approval be and is hereby given, for the purposes of Section 160 of the Companies Act, Chapter 50 of Singapore and Chapters 9 and 10 of the Singapore Exchange Securities Trading Limited Listing Manual:-
 - (i) for the sale (the "**Proposed Sale**") by the Company of the Target Assets (as defined in the Circular dated 6 November 2002, accompanying this Notice) to Crown Central Assets Limited ("**CCL**") and/or its nominee(s), on the terms and subject to the conditions of the sale and purchase agreement dated 4 September 2002 between the Company and CCL (the "Sale and Purchase Agreement"); and
 - (ii) the Directors and each of them be and is hereby authorised to do, take, enter into, finalise and complete such acts, steps and arrangements in connection with, relating to or arising from the matters contemplated herein as they or he may consider necessary, desirable or expedient to give effect to such matters and this Resolution as they or he may deem fit.
- (b)
 - (i)
 - (aa) Mr Ng Wei Teck and Mr Chay Fook Yuen of KPMG Consulting Pte Ltd, be appointed as the liquidators of the Company (the "**Liquidators**"), jointly and severally, for the purpose of the winding up of the Company;
 - (bb) the remuneration of the Liquidators be based on the time cost incurred in carrying out the winding up of the Company, excluding disbursements; and
 - (cc) the books, accounts and other documents of the Company may be disposed of immediately after the dissolution of the Company pursuant to Section 320(3)(b) of the Companies Act; and
 - (ii) the Distributions (as defined in the Circular dated 6 November 2002, accompanying this Notice) be made.

SPECIAL RESOLUTION

That, subject to the Ordinary Resolution above being passed:-

- (a) the name of the Company be changed from "NatSteel Ltd" to "National Iron and Steel Ltd." and that the name "National Iron and Steel Ltd." be substituted for "NatSteel Ltd" wherever the latter name appears in the Memorandum and Articles of Association of the Company, as from the completion of the Proposed Sale in accordance with the terms and subject to the conditions of the Sale and Purchase Agreement;
- (b) the Directors and each of them be and is hereby authorised to do, take, enter into, finalise and complete such acts, steps and arrangements in connection with, relating to or arising from the matters contemplated herein as they or he may consider necessary, desirable or expedient to give effect to such matters and this Resolution as they or he may deem fit;
- (c) the Company be wound up voluntarily pursuant to Section 290(1)(b) of the Companies Act;

- (d) the Liquidators be and are hereby authorised through, jointly and severally, exercise any and all of the powers given by Sections 272(1)(b), (c), (d) and (e) of the Companies Act; and
- (e) the Liquidators be authorised to distribute among the members of the Company either in cash or in specie the whole or any part of the assets of the Company as the Liquidators may think fit.

By Order of the Board

Lim Su-Ling
Company Secretary
6 November 2002

Notes:-

- (1) The instrument appointing a proxy must be deposited at the registered office of the Company at 22 Tanjong Kling Road, Singapore 628048, not less than 48 hours before the time set for holding the Meeting.
- (2) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two proxies to attend and vote in his stead.
- (3) A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
- (4) A proxy need not be a member of the Company.

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NATSTEEL LTD

(incorporated in the Republic of Singapore)

IMPORTANT

1. For investors who have used their CPF moneys to buy shares in the capital of NatSteel Ltd, this Circular is sent to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

I/We _____ (Name)

of _____ (Address)

being a member/members of NATSTEEL LTD (the "Company"), hereby appoint the Chairman of the Meeting (Note 2) or as the case may be,

Name	Address	NRIC/Passport Number	No of Shares held	Proportion of Shareholdings (%)

and/or (delete as appropriate)

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as my/our proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at Mandarin Court, Mandarin Singapore, Level 4, Main Tower, 333 Orchard Road, Singapore 238867 on 4 December 2002 at 10 a.m. and at any adjournment thereof.

Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolution as set out in the Notice of Extraordinary General Meeting. In the absence of specific direction, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Extraordinary General Meeting.

Ordinary Resolution	For	Against
To approve (a) the Proposed Sale, and (b) the appointment of the Liquidators and the Distributions		

Special Resolution	For	Against
To approve (a) the Proposed Change of Name (b) the doing, taking, entering into, finalisation and completion of, <i>inter alia</i> , such acts steps and arrangements by the Directors in connection with the matters contemplated herein as they or he may consider necessary, to give effect to such matters, (c) the Voluntary Liquidation, (d) the exercise by the Liquidators of, <i>inter alia</i> , the powers given by Sections 27(b) to (e) of the Companies Act, and (e) the distribution by the Liquidators among the members of the Company, <i>inter alia</i> , the assets of the company as the Liquidators may think fit.		

Dated this _____ day of _____ 2002

Signature(s) of Member(s)/Common Seal

Total Number of Shares Held

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:-

- (1) Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
- (2) A member of NatSteel Ltd (the "Company") entitled to attend and vote at a meeting (the "Meeting") of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company. If any other proxy is to be appointed, please strike out "Chairman of the Meeting" and insert the name(s) and particulars of the proxy or proxies to be appointed in the box provided.
- (3) If the Chairman of the Meeting is appointed as proxy, this instrument appointing a proxy or proxies shall be deemed to confer on him the right to nominate a person to vote on his behalf on a show of hands.
- (4) Where a member appoints more than one proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding in the Company to be represented by each proxy.
- (5) The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 22 Tanjong Kling Road, Singapore 628048 not less than 48 hours before the time set for holding the Meeting.
- (6) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer of that corporation or attorney duly authorised by that corporation.
- (7) A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with section 179 of the Companies Act, Chapter 50 of Singapore.
- (8) The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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