

VOLUNTARY CONDITIONAL CASH OFFER

by

STANDARD CHARTERED BANK

for and on behalf of

98 HOLDINGS PTE. LTD.

(Incorporated in the Republic of Singapore)

to acquire all the issued ordinary shares of S\$0.50 each in the capital of

NATSTEEL LTD

(Incorporated in the Republic of Singapore)

Introduction

In an announcement dated 3 October 2002 (the "**Offer Announcement**"), Standard Chartered Bank ("**SCB**") had announced, for and on behalf of 98 Holdings Pte. Ltd. (the "**Offeror**"), that the Offeror intends to make a voluntary conditional cash offer (the "**Offer**") to acquire all the issued and paid-up ordinary shares of S\$0.50 each (the "**Shares**") in the capital of NatSteel Ltd ("**NSL**" or the "**Company**"). Unless otherwise defined herein, all terms and references used in this announcement are defined or construed in the Offer Document (as defined below).

On 7 October 2002, SCB further announced, for and on behalf of the Offeror, the amendment of certain conditions to the Offer and the execution of irrevocable undertakings by Excel Partners Pte. Ltd. and Standard Chartered Private Equity Limited, two of the shareholders of the Offeror.

On 20 October 2002, SCB announced, for and on behalf of the Offeror, that the Offeror had revised the Offer by increasing the original offer price of S\$1.93 in cash per Offer Share to S\$2.00 ("**Revised Offer Price**") in cash per Offer Share.

SCB, for and on behalf of the Offeror, had announced on 24 October 2002, *inter alia*, that the formal offer document dated 21 October 2002 ("**Offer Document**") which contains details of the Offer has been despatched on 24 October 2002.

SCB wishes to announce that on 31 October 2002, the Offeror had entered into a binding agreement (the "**Participation Agreement**") with Messrs Ang Kong Hua, Gan Kim Yong and Lim Say Yan (collectively, the "**Target Management**"), pursuant to which the Target Management shall, subject to the condition set out below, support the Offer through the participation in the equity and funding structure of the Offeror.

Condition

The participation of the Participating Managers (as defined below) in the equity and funding structure of the Offeror is subject to the Offer (or any revision or extension thereof) becoming or being declared to be unconditional in accordance with its terms.

Participation in the equity of the Offeror

Subject to the condition set out above, such number of shares in the capital of the Offeror ("**Offeror Shares**") representing 5% of the fully diluted issued share capital of the Offeror as at the close of the Offer shall be offered to the management of the Company (including the Target Management) at par value and on the same terms and conditions as those accepted by the current shareholders of the Offeror ("**Initial Participation**").

In addition, the members of the management of the Company (including the Target Management) who accept the Initial Participation (the “**Participating Managers**”) shall also be able to participate in an earn-out share scheme (the “**Offeror earn-out share scheme**”) to be implemented, pursuant to which the number of Offeror Shares held by them may be increased annually by an amount equal to 20% per annum of the issued share capital of the Offeror subscribed by them pursuant to the Initial Participation (the “**Initial Management Shareholding**”), up to a maximum of 100% of the Initial Management Shareholding (“**Subsequent Participation**”). The terms of the Offeror earn-out share scheme, once finalised between the Offeror and the Target Management, shall be subject to the consent (if required) of the Securities Industry Council in compliance with Rule 10 of the Singapore Code on Take-overs and Mergers (the “**Code**”).

Participation in the funding structure of the Offeror

On the completion of the Initial Participation, the Target Management shall extend, or procure the extension of, loans to the Offeror from each of the Participating Managers which shall be equal to the Initial Participation Percentage (as defined below) of the then outstanding shareholders’ loans of the Offeror, which will be utilised by the Offeror to repay part of the then existing shareholders’ loans to its other shareholders on a *pro rata* basis. The “**Initial Participation Percentage**” shall mean the percentage shareholding of the relevant Participating Manager in the Offeror, based on its fully-diluted issued share capital as at the close of the Offer.

Pursuant to the Offeror earn-out share scheme, it is proposed that there shall be assigned (free of any cost or payment) to the Participating Managers an amount of the loans owing by the Offeror to its shareholders proportionate to the Subsequent Participation.

Minimum Participation of the Target Management

The minimum participation by the Target Management in the equity and funding structure of the Offeror shall be a sum not less than the lower of (a) S\$3 million and (b) 1.5% of the aggregate amount of the issued share capital of the Offeror and the outstanding shareholders’ loans to the Offeror as at the close of the Offer (“**Minimum Investment**”).

Participation in the management of the Company and the Offeror

Pursuant to the Participation Agreement, subject to the Offer becoming unconditional in all respects:

- (a) Mr Ang Kong Hua shall continue to hold appointments as the president and executive director of the Company for the duration of his employment with the Company.
- (b) For so long as the current management of the Company shall collectively hold an investment in the Offeror representing no less than the Minimum Investment, the Target Management shall be entitled to collectively nominate (i) one director to the board of the Offeror (which shall be Mr Ang Kong Hua as long as he remains the president of the Company), and (ii) two executive directors (which shall include Mr Ang Kong Hua as long as he remains the president of the Company) to the board of the Company, who shall be members of the existing management of the Company.
- (c) The Offeror shall procure that the Company shall not, for a period of 12 months, terminate without cause or retrench employees of the Company and its subsidiaries or unduly cause or induce such employees to terminate their employment with the Company and its subsidiaries.
- (d) In order to further incentivise, retain and attract managers of the Company, the Offeror shall also ensure that (i) if NSL remains listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the NatSteel Ltd Executives’ Share Option Scheme 1988 (“**1988 ESOS**”) and NatSteel Ltd Share Option Scheme 1998 (“**1998 ESOS**”) (collectively, the “**NatSteel ESOS**”) shall be retained; and (ii) if NSL is

delisted from the SGX-ST, alternative incentive plans for the management of the Company be agreed and put in place.

Shareholders' Agreement

It has been proposed that a shareholders' agreement, on terms to be negotiated and mutually acceptable, shall be entered into to regulate the relationship of the existing shareholders of the Offeror and the Participating Managers who will become shareholders of the Offeror. In particular, appropriate provisions shall include suitable exit mechanisms allowing all the shareholders to dispose of their interests in the Offeror on terms to be agreed and which may involve the Offeror, as soon as practicable, and without undue delay, either:

- (a) seeking to obtain the approval of its shareholders for a voluntary winding-up of the Offeror and making a distribution in specie of the Shares held by it, to its shareholders on a *pro rata* basis; or
- (b) effecting an exchange of the shares in the Offeror held by the Participating Managers into Shares on terms to be agreed, after having obtained all necessary consents from relevant third parties.

The Offer by Crown Central Assets Limited

The Participation Agreement shall be without prejudice to the offer by Crown Central Assets Limited ("**CCL**") under the sale and purchase agreement (the "**S&P Agreement**") entered into on 4 September 2002 between CCL and NSL ("**Crown Offer**"). CCL has granted an option ("**Crown Option**") to the shareholders of the Offeror other than Tazwell Pte Ltd ("**Participating Shareholders**") to participate in aggregate in up to 80% of the fully-diluted issued share capital of CCL on the same terms and conditions as the existing shareholders of CCL for the purpose of participating in the Crown Offer if the Offer closes without becoming or being declared unconditional in all respects, lapses or is withdrawn. The Crown Option shall be exercisable by the Participating Shareholders for a period of 12 months from the date the Offer so closes, lapses or is withdrawn.

In the event that the Participating Shareholders should participate in the equity of CCL, an earn-out share scheme shall be implemented in respect of CCL for the participation of the management of the Company, on terms similar to the Offeror earn-out share scheme.

In the event that both the Offer and the Crown Offer are not successful, the Target Management shall also grant to the Offeror a right of first refusal, for a period of 12 months after the close, lapsing or withdrawal of the Offer, to participate in any subsequent offer by the Target Management (or any of them) for the Shares, or the assets, businesses and undertakings of the Company, on terms similar to those set out above.

In the event that the Offer is successful, subject to such regulatory approvals as may be required, the Target Management shall procure CCL to waive the balance of the termination fee payable under the S&P Agreement after applying the termination fee to the payment of all costs and expenses incurred or which may be incurred by CCL, or any of its affiliates, directors or officers, from time to time, arising out of or in connection with the Crown Offer and/or the Offer subject always that the aggregate of such costs and expenses shall not exceed S\$5 million.

Information in respect of the Target Management

Mr Ang Kong Hua is the president and executive director of the Company.

Messrs Gan Kim Yong and Lim Say Yan are executive vice presidents of the Company, and are, respectively responsible for the corporate development and international operations, and the finance and treasury functions of the Company.

Disclosure of Shareholdings and Dealings of the Target Management

As at the date of this Announcement, the interest in Shares of the Target Management is set out below:

Name	----- No. of Shares Held ----- (Direct and Deemed Interest)	No. of Options Held under the NatSteel ESOS
Ang Kong Hua	3,331,500	2,850,000
Gan Kim Yong	919,500	1,030,000
Lim Say Yan	707,000	905,000

The Target Management's direct and deemed interests in the Shares in aggregate represent approximately 1.35% of the issued share capital of the Company as at the date of this Announcement. The Target Management's direct and deemed interests in the Shares and the Shares which may be issued pursuant to the exercise of the outstanding Options granted to the Target Management in aggregate represent approximately 2.52% of the issued share capital of the Company on a fully-diluted basis (assuming all outstanding Options as at the date of this Announcement are exercised).

Save as disclosed above, none of the Target Management, their close relatives, related trusts, persons who are accustomed to act in accordance with the instructions of any of the Target Management as well as companies controlled by the Target Management, their close relatives, related trusts and persons who are accustomed to act in accordance with the instructions of any of the Target Management (a) owns, controls or has agreed to acquire any Shares or securities which carry voting rights in the Company or are convertible into Shares or securities which carry voting rights in the Company, or rights to subscribe for or options in respect of Shares or such securities, or (b) has dealt for value in any Shares during the period commencing six months prior to the date of this Announcement.

Irrevocable Undertakings

As at the date of this Announcement, Messrs Ang Kong Hua, Gan Kim Yong and Lim Say Yan (each, a "**Target Management Member**") have each given an irrevocable undertaking (collectively, the "**Undertakings**") to the Offeror to accept, and/or procure the acceptance of, the Offer in respect of all the Shares held by him prior to and up to the close of the Offer in the event that the Offeror receives acceptances in respect of Shares (other than the Shares held by him) which when aggregated with the Shares owned, controlled or agreed to be acquired by the Offeror or any party acting in concert with it (including him) will fulfil the minimum acceptance condition in paragraph (1) of the section on "Conditions" as set out in the Offer Announcement.

The Undertaking of each Target Management Member shall lapse if the Offer is withdrawn or lapses, or fails to become or be declared unconditional for any reason or if, prior to the Offer becoming or being declared unconditional, (i) a Competing Bid (as defined below) by any party ("**Competing Bidder**") is announced which, in the good faith opinion of the relevant Target Management Member, provides Shareholders with the opportunity to realise value higher than the price offered per Share pursuant to the Offer ("**Offer Price**") and (ii) the Offeror does not confirm in writing to the relevant Target Management Member that it will revise the Offer Price to a price higher than the value of the Competing Bid within 24 hours of the announcement of the Competing Bid (such provision in the Undertakings shall be referred to as the "**Lapsing Provision**"). At the expiry of the 24 hours, the Undertakings shall automatically lapse and the Target Management Members are at liberty to enter into an arrangement with the Competing Bidder to accept (or, as the case may be, to vote in favour of) the Competing Bid which arrangement shall include a term similar to the Lapsing

Provision. A “**Competing Bid**” includes, without limitation, an offer as defined in the Code and a proposal to acquire the whole or substantially the whole of the assets of the Company by any party which requires the approval of Shareholders under the Listing Manual of the Singapore Exchange Securities Trading Limited.

Save as disclosed in this Announcement and the Offer Document, neither the Offeror nor any party acting in concert with it has received any irrevocable undertaking from any party to accept or reject the Offer.

Other Undertakings by the Target Management

The Target Management has given the following undertakings to the Offeror in the Participation Agreement:

- (a) they shall use their best endeavours to persuade the other existing managers of the Company to support the Offer by participating in the equity and funding structure of the Offeror, as contemplated above;
- (b) they shall not accept the offer (“**Options Proposal**”) by the Offeror to be made to holders of Options under the NatSteel ESOS at any time prior to the third market day before the close of the Offer. They shall, following the written request of the Offeror, immediately exercise their Options and accept the Offer in respect of the Shares allotted to them pursuant to such exercise of their Options, provided that their acceptances in respect of such Shares are necessary and sufficient to make the Offer unconditional as to acceptances;
- (c) they shall use their reasonable endeavours to procure that CCL executes a supplemental deed to the S&P Agreement (“**Supplemental Deed**”), to the effect that the completion of the S&P Agreement shall be conditional upon the Offer not becoming or having been declared to be unconditional in all respects. They shall further use their reasonable endeavours to procure that the extraordinary general meeting of NSL (“**EGM**”) for the purposes of obtaining shareholders’ approval for the sale of the assets, businesses and undertakings of NSL to CCL under the S&P Agreement shall be held not earlier than 24 December 2002;
- (d) they shall procure that CCL terminates the S&P Agreement, subject to the agreement of the Company, in the event that the Offer becomes or is declared unconditional in all respects;
- (e) they shall procure that CCL shall not amend or agree to amend, waive, vary or modify any of the terms and conditions of the S&P Agreement or agree to change any date or time period specified in the S&P Agreement without the prior written consent of the Offeror; and
- (f) during the period commencing on the date of the Participation Agreement and ending on the earlier of (i) the lapsing of the Crown Option and (ii) the Participating Shareholders giving a written notice to CCL that they do not accept participation in the Crown Offer, the Target Management shall not, except to the extent necessary to comply with any law, regulation or provisions of the Code, directly or indirectly solicit, encourage (including without limitation, by way of providing information concerning the Company and/or any of its subsidiaries to any person), initiate, entertain or participate in any negotiations or discussion with respect to any expression of interest, offer or proposal by any person other than the Offeror to:
 - (i) acquire any or all of the Shares held by the Target Management prior to the close of the Offer or the Offer being withdrawn or lapsing (whichever is the earliest); or

- (ii) acquire any interest in all or a substantial part of the business, operations or undertakings of the Company and its subsidiaries or in 5% or more of the issued share capital of the Company; or
- (iii) acquire control of the Company; or
- (iv) otherwise acquire or merge with the Company (including by way of a scheme of arrangement, capital restructuring, tender offer, joint venture or dual listed company structure),

provided that (A) the Target Management may accept another offer for the Shares at a higher offer price than that of the Offer in accordance with the terms and conditions of the Undertakings and (B) the Target Management shall not enter into, or agree to the terms of, any service agreement or any other service, employment and management arrangements with any person other than the Offeror commencing on the date of the Participation Agreement and ending on the date falling three months after the date the Offer closes, lapses or is withdrawn.

Termination of Participation Agreement

The Offeror shall be entitled to terminate the Participation Agreement forthwith by notice in writing to any member of the Target Management if the EGM is scheduled for a date earlier than 24 December 2002 without the prior written consent of the Offeror.

Waiver of Conditions of the Offer

Shareholders should note that, as stated in paragraph 2.3 of the Offer Document, the Offeror has confirmed, *inter alia*, that as at 20 October 2002 (being the latest practicable date prior to the printing of the Offer Document (“**Latest Practicable Date**”)):

- (a) Condition (b) (as specified in paragraph 2.3(b) of the Offer Document) has been fulfilled; and
- (b) the Group has fixed deposits and/or cash balances, excluding operating cash balances, of not less than the aggregate of approximately US\$141.4 million and approximately S\$334.0 million, being the approximate cash proceeds received by the Company from the divestment of NatSteel Brasil Ltda and NatSteel Broadway Ltd respectively and accordingly, the Offeror has waived the fulfilment of Condition (c) (as specified in paragraph 2.3(c) of the Offer Document).

As stated in paragraphs 2.3(d) and 2.3(e) of the Offer Document, the Offer is conditional upon:

- “(d) No Material Adverse Change: Since 30 June, 2002:
 - (i) *there having been at any time prior to the final close of the Offer or its lapsing or its being withdrawn no material adverse change in the assets, business, financial condition, profits, liabilities, prospects or results of operations of the NSL Group taken as a whole; and/or*
 - (ii) *no litigation, arbitration, prosecution or other legal proceedings having been instituted, announced or threatened by or against or remaining outstanding against any member of the NSL Group at any time prior to the final close of the Offer or its lapsing or its being withdrawn which could have a material adverse effect on the NSL Group taken as a whole,*

in each case so as to (A) cause the net assets (being total assets less total liabilities) of the NSL Group to be decreased by more than five per cent or (B) cause the operating profit of the Company and its subsidiaries (being the operating profit of the Company and its subsidiaries before income tax, minority interests, interest on

borrowings and depreciation and amortisation) to be decreased by S\$8,096,500 or more. Each of conditions d(i) and d(ii) may only be invoked by the Offeror when the circumstances which give rise to the right to invoke the relevant condition are of material significance to the Offeror in the context of the Offer and in connection with condition d(i), any variation in the assets, business, financial condition, profits, liabilities, prospects or results of operations which are solely in the ordinary course of business will not be considered by the Offeror to be of material significance to the Offeror in the context of the Offer. Further, each of conditions d(i) and d(ii) may only be invoked by the Offeror after prior consultation with the SIC; and

- (e) Termination or Rescission of the Sale and Purchase Agreement: Any one of the following events occurring:
- (i) *The sale and purchase agreement (“Sale and Purchase Agreement”) between the Company and CCL in respect of the proposed disposal by the Company to CCL of all the businesses, undertakings and assets of the Company, together with its investments in the NSL Group other than the investments of the Company in NatSteel Broadway Ltd and NatSteel Brasil Ltda, free from all bank borrowings of the NSL Group as at 31 December 2001 (“Assets Disposal”) being terminated or rescinded; or*
 - (ii) *Shareholders having voted against the transactions contemplated under the Sale and Purchase Agreement at the EGM of the Company to be convened to consider such transactions.”*

In the event that the EGM is deferred to a date not earlier than 24 December 2002, and subject to the execution of the Supplemental Deed by CCL and the Company, the Offeror will:

- (i) subject to the prior consent of the Securities Industry Council, waive Condition (e) (as set out above); and
- (ii) waive Condition (d) (as set out above).

Accordingly, in the event that the EGM is deferred to a date not earlier than 24 December 2002, and subject to the execution of the Supplemental Deed by CCL and the Company, **save for the minimum acceptance condition under Condition (a) (as specified in paragraph 2.3(a) of the Offer Document), all other conditions of the Offer will have been either fulfilled or waived by the Offeror.**

Offer Document

The Offer Document setting out the terms and conditions of the Offer and enclosing a Form of Acceptance and Authorisation and/or a Form of Acceptance and Transfer has been despatched to holders of Offer Shares on 24 October 2002.

As the Latest Practicable Date was 20 October 2002, Shareholders should note that the Offer Document does not contain, or take into account, the matters stated in this Announcement.

No intention to revise the Revised Offer Price

The Offeror has **no** further intention to revise the Revised Offer Price save that the Offeror reserves its right to revise the terms of the Offer in accordance with the Code if an offer (other than the Crown Offer) which is, or is deemed under the Code to be, competitive to the Offer (“**Competing Offer**”) arises. Accordingly, unless otherwise announced by or on behalf of the Offeror in the event of a Competing Offer, **the Revised Offer Price of S\$2.00 is final and will not be revised.**

No intention to revise the Options Proposal

A letter dated 21 October 2002 issued by SCB, for and on behalf of the Offeror, setting out

the terms and conditions of the Options Proposal put forward by the Offeror to holders of Options ("**Optionholders**") has been despatched to Optionholders on 24 October 2002.

As the Offeror has no further intention to revise the Offer Price (save that the Offeror reserves its right to revise the terms of the Offer in accordance with the Code if a Competing Offer arises), the Offeror will **not** revise or increase the Options Proposal save that the Offeror reserves its right to revise the terms of the Options Proposal in accordance with the Code if a Competing Offer arises. Accordingly, unless otherwise announced by or on behalf of the Offeror in the event of a Competing Offer, **the terms and conditions of the Options Proposal remain those set out in the letter dated 21 October 2002 despatched to Optionholders on 24 October 2002.**

Change of name of Vallance Resources Limited

SCB also wishes to announce, for and on behalf of the Offeror, that Vallance Resources Limited, a shareholder of the Offeror, has changed its name to Cameo International Finance Limited with effect from 16 October 2002. Accordingly, all references to "Vallance Resources Limited" in the Offer Document should be to "Cameo International Finance Limited".

Responsibility Statement

The Directors of the Offeror (including those who may have delegated detailed supervision of this Announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this Announcement are fair and accurate and that no material facts have been omitted from this Announcement.

Where any information has been extracted from published or otherwise publicly available sources (including without limitation, information relating to the Target Management, the Company and the Group), the sole responsibility of the Directors of the Offeror has been to ensure that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this Announcement.

The Directors of the Offeror jointly and severally accept responsibility accordingly.

Issued by
STANDARD CHARTERED BANK
for and on behalf of
98 HOLDINGS PTE. LTD.

31 October 2002

Any inquiries relating to this Announcement or the Offer should be directed to one of the following individuals:

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Submitted by Rahul Goswamy, Managing Director, Corporate Advisory, Standard Chartered Bank on 31/10/2002 to the SGX