

3 January 2003

To: Shareholders of NatSteel Ltd

Dear Sir/Madam,

## MANDATORY CONDITIONAL CASH OFFER BY 98 HOLDINGS PTE. LTD.

### IMPORTANT NOTICE

- You can (1) accept the 98 Holdings Offer at S\$2.06 for each NatSteel share up to 3.30 p.m. on 10 January 2003, (2) continue to hold your NatSteel shares or (3) dispose of your NatSteel shares.
- If you accept the 98 Holdings Offer, 98 Holdings will acquire your NatSteel shares and you will receive S\$2.06 for each NatSteel share **only if the 98 Holdings Offer becomes unconditional (ie. if the total interest of 98 Holdings and its concert parties in NatSteel shares exceeds 50 per cent.)**.
- If the 98 Holdings Offer does not become unconditional by 3.30 p.m. on 10 January 2003, all your NatSteel shares in respect of which you have accepted the 98 Holdings Offer will be returned to you and you will **not** receive the offer price of S\$2.06 per NatSteel share.
- As at the date of this letter, the 98 Holdings Offer has **not** become unconditional.
- If you wish to **dispose of your NatSteel shares**, you may do so by selling your NatSteel shares through the SGX-ST or in an off-market sale.
- If you have already accepted the 98 Holdings Offer, **you are entitled to withdraw your acceptance** and either (1) continue to hold your NatSteel shares, (2) dispose of your NatSteel shares through the SGX-ST or in an off-market sale or (3) accept the 98 Holdings Offer again subsequently.

### Introduction

NatSteel Ltd (“**NatSteel**” or the “**Company**”) had on 31 December 2002 announced that the closing date of the mandatory conditional cash offer (the “**98 Holdings Offer**”) by 98 Holdings Pte. Ltd. (“**98 Holdings**”) has been extended to 3.30 p.m. on 10 January 2003. Further to that announcement, your Board wishes to summarise the various options available to you, as a shareholder of NatSteel, in respect of your holdings of NatSteel shares.

### Option I: Accept the 98 Holdings Offer

- The 98 Holdings Offer is at **S\$2.06 for each NatSteel share**. 98 Holdings has announced that it has no further intention to revise the 98 Holdings Offer.
- To accept the 98 Holdings Offer, you must submit by **3.30 p.m. on 10 January 2003** the appropriate form of acceptance in accordance with the procedures set out in the offer document dated 21 October 2002 containing the 98 Holdings Offer.
- The 98 Holdings Offer is conditional upon the number of NatSteel shares for which acceptances of the 98 Holdings Offer have been received, together with the number of NatSteel shares owned, controlled or agreed to be acquired by 98 Holdings and its concert parties, exceeding 50 per cent. of the issued NatSteel shares as at the close of the 98 Holdings Offer.
- Accordingly, if you accept the 98 Holdings Offer, 98 Holdings will acquire your NatSteel shares and you will receive S\$2.06 for each NatSteel share **only if the above condition is satisfied**.
- If the above condition is not satisfied by 3.30 p.m. on 10 January 2003, all your NatSteel shares in respect of which you have accepted the 98 Holdings Offer will be returned to you.
- As at the date of this letter, the 98 Holdings Offer has **not** become unconditional.
- Your independent Directors have in the third supplemental circular (the “**Third Supplemental Circular**”) dated 26 December 2002 issued in relation to the 98 Holdings Offer, relying on the advice and recommendation of ANZ Singapore Limited (the independent financial adviser to the independent Directors of NatSteel) made a recommendation in respect of the 98 Holdings Offer. Please refer to the section entitled “Recommendation of the Independent Directors of the Company” on pages 3 to 6 of the Third Supplemental Circular for the complete recommendation.

### **Option II: Continue to Hold NatSteel Shares**

- If you wish to continue to hold your NatSteel shares, you need not take any action in respect of your NatSteel shares.
- As stated in its announcement dated 22 December 2002, your **current** Board intends to recommend a distribution of S\$0.70 per NatSteel share to be paid in early 2003 plus S\$0.27 per NatSteel share thereafter when reasonably practicable. Your Board also intends to continue its practice of distributing surplus cash prudently at the appropriate time.
- Your Board does not believe it is commercially viable for NatSteel to distribute S\$1.55 per NatSteel share in the immediate future and still function as a properly capitalised group capable of maintaining its performance and growth prospects. Therefore it is **not** certain that you will receive a distribution of S\$1.55 per NatSteel share in the immediate future if you continue to hold your NatSteel shares. In the event that there is a change to the members of the current Board, the amount of the cash distribution which may be recommended by the newly constituted Board may be different.
- If you have already accepted the 98 Holdings Offer, **you are entitled to withdraw your acceptance** and continue to hold your NatSteel shares.

### **Option III: Dispose of NatSteel Shares**

- If you wish to **dispose of your NatSteel shares**, you may do so by selling your NatSteel shares through the Singapore Exchange Securities Trading Limited (the "SGX-ST") or in an off-market sale<sup>1</sup>.
- If you have already accepted the 98 Holdings Offer, **you are entitled to withdraw your acceptance** and sell your NatSteel shares through the SGX-ST or in an off-market sale.
- If you sell your NatSteel shares through the SGX-ST, you will receive the cash proceeds from such sale after three market days (regardless of whether the 98 Holdings Offer becomes unconditional).

### **Withdrawal of Acceptance and Further Information**

If you wish to withdraw your acceptance of the 98 Holdings Offer, you may do so by written notice to 98 Holdings Pte. Ltd. c/o Macronet Information Pte Ltd, 4 Shenton Way #03-01, SGX Centre 2, Singapore 068807 (such notice of withdrawal shall be effective only when actually received by 98 Holdings).

For further information on the 98 Holdings Offer or if you have questions on how to withdraw your acceptance, you may call the toll-free helpline set up by Standard Chartered Bank, the financial adviser to 98 Holdings, at 1800-324 1123 (from 9.00 a.m. to 7.00 p.m. daily).

### **Responsibility Statement**

The Directors of the Company (including those who have delegated detailed supervision of this letter) have taken all reasonable care to ensure that the facts stated in this letter are fair and accurate, and that no material facts have been omitted and they jointly and severally accept responsibility accordingly. Where any information has been extracted from published or otherwise publicly available sources or is otherwise provided by or on behalf of other parties, the sole responsibility of the Directors of the Company 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 letter.

Yours faithfully,  
For and on behalf of  
**The Board of NatSteel Ltd**

Cham Tao Soon  
Chairman  
3 January 2003

*This letter should be read in conjunction with all previous announcements and circulars issued by NatSteel relating to the 98 Holdings Offer and the proposals announced by Sanion Enterprises Limited, in their entirety. Persons in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.*

<sup>1</sup> An off-market sale is a sale of shares outside of the SGX-ST trading system. In order to effect an off-market sale, you will be required to identify a purchaser for your shares, enter into an agreement with that purchaser for the sale of your shares and attend to the completion of the sale.