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**Southern Steel Berhad**

A Member of the Hong Leong Group

Registration No. 196301000443 (5283-X)

## **CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

### **PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The resolutions in respect of the above proposal will be tabled at the forthcoming Annual General Meeting (“AGM”) of Southern Steel Berhad (“SSB”) to be held at Training Room C, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang, Malaysia on Thursday, 9 November 2023 at 11.00 a.m. or at any adjournment thereof. The Notice of AGM and the Form of Proxy are set out in the 2023 Annual Report of SSB, which is available on SSB’s website at [www.southsteel.com/gm-current](http://www.southsteel.com/gm-current).

This Circular is dated 11 October 2023

## DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

“Act”	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
“AGM”	:	Annual General Meeting
“Board” or “Directors”	:	Board of Directors of SSB
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“GCA”	:	GuoLine Capital Assets Limited
“Group Management And/Or Support Services”	:	Include services such as corporate finance, corporate advisory, secretarial, legal, treasury and risk management, internal audit, accounting and tax, share registration, nominees, custodian and executive share scheme administration, human resources management, payroll administration, credit control, information technology related services, training, investment, business development, support on corporate social responsibility initiatives, corporate affairs and public relations, strategic business planning and any other services as may be agreed between the parties from time to time
“HLCM”	:	Hong Leong Company (Malaysia) Berhad, the ultimate holding company of SSB with 69.97% equity interest
“HLMG”	:	Hong Leong Manufacturing Group Sdn Bhd, the holding company of SSB with 69.97% equity interest
“LPD”	:	15 September 2023, being the latest practicable date prior to the printing of this Circular
“Main Market Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
“Proposed Renewal of Shareholders’ Mandate”	:	Shareholders’ general mandate in relation to recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the SSB Group
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Services”	:	Include investment and fund management services, information technology related services, corporate affairs and public relations services and any other services as may be agreed between the parties from time to time
“Shares”	:	Issued ordinary shares in SSB
“SPIM”	:	Southern Pipe Industry (Malaysia) Sdn Bhd, a 96.56% subsidiary of SSB
“SPIM Group”	:	SPIM and its subsidiary
“SSB” or the “Company”	:	Southern Steel Berhad
“SSB Group”	:	SSB and its subsidiaries

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Registered Office:  
Level 31  
Menara Hong Leong  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur  
Malaysia

11 October 2023

**DIRECTORS:**

YBhg Datuk Kwek Leng San (Chairman; Non-Executive/Non-Independent)  
Mr Yeoh Choon Kwee (Group Managing Director/Non-Independent)  
YBhg Dato' Dr Tan Tat Wai (Non-Executive Director/Non-Independent)  
YBhg Dato' Tan Ang Meng (Non-Executive Director/Independent)  
Ms Chin Siew Siew (Non-Executive Director/Independent)  
YBhg Datuk Ir. Rosaline Ganendra (Non-Executive Director/Independent)

To: The Shareholders of Southern Steel Berhad

Dear Sir/Madam

**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE****1. INTRODUCTION**

At the Company's AGM held on 10 November 2022, the Company obtained mandates from its shareholders for the SSB Group to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations with related parties. The said mandates shall, in accordance with the Main Market Listing Requirements, expire at the conclusion of the forthcoming AGM of the Company to be held on Thursday, 9 November 2023 at 11.00 a.m. ("Said AGM"), unless they are renewed at the Said AGM.

In connection thereto, on 29 August 2023, the Company announced that your Directors propose to seek shareholders' approval for the Proposed Renewal of Shareholders' Mandate at the Said AGM.

The purpose of this Circular is to provide you with the details of the Proposed Renewal of Shareholders' Mandate and to seek your approval for the proposed ordinary resolutions pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at the Said AGM.

The Notice of the Said AGM together with the Form of Proxy are set out in the 2023 Annual Report of SSB, which is available on SSB's website at [www.southsteel.com/gm-current](http://www.southsteel.com/gm-current).

## **2. DETAILS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

### **2.1 Provisions under the Main Market Listing Requirements**

Paragraph 10.09(2) of the Main Market Listing Requirements provides that a listed issuer may seek a mandate from its shareholders for related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of a listed issuer or its subsidiaries subject to, inter-alia, the following:

- (a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;
- (b) the shareholder mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholder mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09(1) of the Main Market Listing Requirements;
- (c) the listed issuer's circular to shareholders for the shareholder mandate includes the information as may be prescribed by Bursa Securities. The draft circular, where applicable, must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain the shareholder mandate, the interested director, interested major shareholder or interested person connected with a director or major shareholder; and where it involves the interest of an interested person connected with a director or major shareholder, such director or major shareholder, must not vote on the resolution in respect of the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution in respect of the transactions; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a recurrent related party transaction entered into by the listed issuer exceeds the estimated value of the recurrent related party transaction disclosed in the circular to shareholders by 10% or more and must include the information as may be prescribed by Bursa Securities in its announcement.

Where a listed issuer has procured a shareholder mandate pursuant to the above, the provisions of paragraph 10.08 of the Main Market Listing Requirements will not apply with regard to transactions as detailed in Section 2.3 of this Circular.

The Company proposes to seek its shareholders' approval for the Proposed Renewal of Shareholders' Mandate for the SSB Group to enter into transactions with related parties which are of a revenue or trading nature and necessary for the day-to-day operations on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders.

The Proposed Renewal of Shareholders' Mandate, if approved at the Said AGM, will take immediate effect upon the conclusion of the Said AGM and will continue to be in force until the conclusion of the next AGM of the Company or until the expiration of the period within which the next AGM is required by law to be held (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act), unless revoked or varied by the Company in a general meeting, whichever is the earlier.

## 2.2 Classes of related parties

Shareholders' approval is sought for the Proposed Renewal of Shareholders' Mandate involving recurrent related party transactions which are carried out by companies within the SSB Group with any of the following classes of related parties:

- HLCM (a major shareholder of SSB through HLMG), GCA (a person connected with certain major shareholders of SSB) and persons connected with them (collectively referred to as "Hong Leong Group") including but not limited to those as listed in Appendix II of this Circular.
- Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and its subsidiary ("Hong Bee Hardware Group"). Mr Kwek Leng Beng (a major shareholder of SSB) has 0.04% direct interest in Hong Bee Hardware. Mr Kwek Leng Kee (a major shareholder of SSB) and Mr Kwek Leng Beng have indirect interests of 32.48% and 42.89% respectively in Hong Bee Hardware.
- Hong Leong Investment Holdings Pte. Ltd. ("HLIH") (a major shareholder of SSB through HLCM) and persons connected with HLIH ("HLIH Group") including but not limited to Hong Leong Asia Ltd and its subsidiaries and associated corporations. Mr Kwek Leng Beng and Mr Kwek Leng Kee are directors and major shareholders of HLIH.

The details of shareholdings of HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan (a major shareholder of SSB), Mr Kwek Leng Beng and Mr Kwek Leng Kee in SSB are set out in Section 5 of this Circular.

## 2.3 Nature of recurrent related party transactions contemplated

SSB is principally an investment holding company and involved in the manufacturing, sale and trading in steel bars and related products whilst the principal activities engaged in by its subsidiaries are that of investment holding, manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete strands, bars and wires, steel pipes, steel wires and other related products, and rental of properties. Details of subsidiaries of SSB undertaking these activities are set out in Appendix III of this Circular.

The Hong Leong Group is also involved in a diverse range of industries including, inter-alia, the following:

- manufacturing, procuring and assembling of motorcycles, scooters, motorcycle engines and related parts and products; distribution of motorcycles and motorcycle components; provision of maintenance and repair services for motorcycles; provision of research and development services for motorcycles;
- distribution, trading and provision of services in marine related products;
- manufacturing and sale of ceramic tiles; provision of research and development services for ceramic tiles;
- manufacturing, sale and distribution of fibre cement;
- manufacturing services of semiconductor packaging and testing; manufacturing and sale of leadframes;

- manufacturing and sale of cement and cement related products; manufacturing, marketing and sale of concrete and concrete related products;
- provision of management services; property investment;
- commercial banking business and provision of related services which include Islamic banking business, property investment and management, investment holding and nominee services;
- underwriting of life and general insurance businesses; Family Takaful business including investment-linked business;
- investment banking, stockbroking business, futures broking and related financial services; nominee and custodian services; investment activities; unit trust management, fund management including Islamic fund management and sale of unit trusts;
- property investment and development; provision of project, property and related management services; hotel operations; and
- provision of management, healthcare and security services.

In view of the diversity of the Hong Leong Group's business, it is envisaged that in the normal course of business of the SSB Group, transactions in respect of goods and/or services between companies in the SSB Group and the Hong Leong Group will occur with some degree of frequency from time to time and may arise at any time.

The Services which may be engaged by the SSB Group, as and when required, may comprise any of the abovementioned services available under the businesses of the Hong Leong Group.

The Group Management And/Or Support Services are part of the shared services of companies within the Hong Leong Group. These shared services are provided in-house in order to align with the Hong Leong Group's corporate objective and management disciplines and to reduce operating cost and improve efficiency such as through economies of scale, better utilisation and allocation of resources, standardisation of processes and operating procedures and information technology. Accordingly, the Board considers it beneficial to enter into transactions in respect of the Group Management And/Or Support Services.

The Services and the Group Management And/Or Support Services are carried out on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and which will not be detrimental to the minority shareholders of SSB.

SSB Group may purchase steel products from the Hong Leong Group for manufacturing use. Hong Leong Group in certain instances may be able to provide SSB Group support for its operational needs, enabling better effectiveness in the utilisation of SSB Group's resources.

Details of recurrent related party transactions carried out/contemplated shall include, but not limited to, those described below:

(A) Recurrent related party transactions with the Hong Leong Group are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 12 October 2022 ("Estimated Value") (RM'million)	Actual value transacted (from date of AGM on 10 November 2022 up to the LPD) ("Actual Value") (RM'million)	*Estimated aggregate value during the validity period of the Proposed Renewal of Shareholders' Mandate ("Current Estimated Value") (RM'million)
(a) Sale of steel products	SSB Group	Hong Leong Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	9.00	4.57	9.00
(b) Purchase of steel products	SPIM Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	10.00	6.19	10.00
	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	900.00	Nil	900.00
(c) Receipt of Services	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	1.00	0.11	1.00
(d) Receipt of Group Management And/Or Support Services	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	9.00	2.84	9.00



(A) Recurrent related party transactions with the Hong Leong Group are as follows: *(cont'd)*

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 12 October 2022 ("Estimated Value") (RM'million)	Actual value transacted (from date of AGM on 10 November 2022 up to the LPD) ("Actual Value") (RM'million)	*Estimated aggregate value during the validity period of the Proposed Renewal of Shareholders' Mandate ("Current Estimated Value") (RM'million)
(e) Payment for usage of the Hong Leong Group trade mark	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee and HLCM	0.10	Nil	0.10
(f) Purchase of goods such as building materials including concrete products, and other products	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	0.50	Nil	0.50

(B) Recurrent related party transactions with the major shareholders and persons connected with directors and major shareholders are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 12 October 2022 ("Estimated Value") (RM'million)	Actual value transacted (from date of AGM on 10 November 2022 up to the LPD) ("Actual Value") (RM'million)	*Estimated aggregate value during the validity period of the Proposed Renewal of Shareholders' Mandate ("Current Estimated Value") (RM'million)
(a) Sale of steel products	SSB Group	Hong Bee Hardware Group	Kwek Leng Beng and Kwek Leng Kee	110.00	50.64	115.00
(b) Sale of steel products	SSB Group	HLIH Group	Kwek Leng Beng and Kwek Leng Kee	2.00	Nil	2.00

*Note:*

\* *The Current Estimated Value of the transactions is based on the Actual Value transacted and/or management's estimate of the value to be transacted during the validity period of the Proposed Renewal of Shareholders' Mandate. The Current Estimated Value of these transactions may be subject to changes.*

*None of the Actual Value of the recurrent related party transactions as disclosed above has exceeded the Estimated Value by 10% or more.*

## **2.4 Amount due and owing by related parties**

As at the financial year ended 30 June 2023, there is no amount due and owing to the SSB Group by its related parties arising from the recurrent related party transactions as set out in Section 2.3 of this Circular, which exceeded the credit term.

## **2.5 Methods or procedures on which transaction prices are determined/review procedures for recurrent related party transactions**

To ensure that the recurrent related party transactions which are in the ordinary course of business, are conducted on commercial terms consistent with the SSB Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders, the following principles will apply:

- (i) the purchase and sale of steel products, and goods such as building materials including concrete products, and other products and receipt of Services shall be determined based on prevailing rates/prices of the same (including where applicable, preferential rates/prices/discounts accorded to a class or classes of customers or for bulk purchases) according to commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations;
- (ii) the receipt of Group Management And/Or Support Services is based on commercial terms; and
- (iii) the payment for usage of the Hong Leong Group trade mark is based on commercial terms.

At least two (2) other contemporaneous transactions with unrelated third parties for similar products/services and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered to/by the related parties are fair and reasonable and comparable to those offered to/by other unrelated third parties for the same or substantially similar type of products/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the Board Audit & Risk Management Committee of the Company, in its review of the recurrent related party transactions may, as it deems fit and whenever available, request for additional information pertaining to the transactions from independent sources or advisers to assess the applicable market or industry norms/considerations.

To monitor, track and identify the recurrent related party transactions, the following review procedures have been implemented:

- (i) A register is maintained to record all recurrent related party transactions which are entered into pursuant to the Proposed Renewal of Shareholders' Mandate; and
- (ii) The Board Audit & Risk Management Committee will undertake a quarterly review of recurrent related party transactions to ensure that such transactions are undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders and are in the best interest of the SSB Group.

There are no specific thresholds for approval of recurrent related party transactions within the SSB Group. However, all recurrent related party transactions are subject to the approval of the Heads of the relevant operating companies or such persons to whom they may delegate such power subject always to any SSB Group's policies that may be issued from time to time.

The Board Audit & Risk Management Committee will review the existing procedures and processes, on an annual basis and as and when required, to ensure that the recurrent related party transactions are at all times carried out on commercial terms consistent with the SSB Group's usual business practices and policies.

The Board Audit & Risk Management Committee of the Company has reviewed the above procedures and is satisfied that the said procedures are adequate to monitor, track and identify recurrent related party transactions in a timely and orderly manner and are sufficient to ensure that the recurrent related party transactions will be carried out on commercial terms consistent with the SSB Group's usual business practices and policies and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders. Any member of the Board Audit & Risk Management Committee who is interested in any transaction shall abstain from reviewing and deliberating on such transaction.

## **2.6 Validity period of the Proposed Renewal of Shareholders' Mandate**

The Proposed Renewal of Shareholders' Mandate, if approved at the Said AGM, shall take immediate effect and shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

The Proposed Renewal of Shareholders' Mandate is subject to the satisfactory review by the Board Audit & Risk Management Committee of the Company of its continued application to recurrent related party transactions.

## **2.7 Disclosure**

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of the recurrent related party transactions made during the financial year, types of transactions made, names of the related parties involved and their relationship with the SSB Group pursuant to the Proposed Renewal of Shareholders' Mandate in accordance with paragraph 10.09(2) and Practice Note No. 12 of the Main Market Listing Requirements.

### **3. RATIONALE FOR AND BENEFITS OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The rationale for and the benefits of the Proposed Renewal of Shareholders' Mandate to the SSB Group are as follows:

- (i) The Proposed Renewal of Shareholders' Mandate will facilitate transactions with related parties which are in the ordinary course of business of the SSB Group and undertaken on commercial terms and on terms not more favourable to the related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders.
- (ii) The Proposed Renewal of Shareholders' Mandate will enhance the SSB Group's ability to pursue business opportunities which are time-sensitive in nature and will eliminate the need for the Company to convene separate general meetings to seek shareholders' approval for each transaction.
- (iii) For certain transactions, where it is vital that confidentiality be maintained, it would not be viable to obtain shareholders' prior approval, as releasing details of the transactions prematurely may adversely affect and prejudice the SSB Group's interests and place the SSB Group at a disadvantage as compared with its competitors who may not require shareholders' approval to be obtained.
- (iv) The Proposed Renewal of Shareholders' Mandate will substantially reduce the expenses associated with convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow resources to be channeled towards attaining other corporate objectives.
- (v) In respect of the Group Management And/Or Support Services, the Proposed Renewal of Shareholders' Mandate will enable the SSB Group to reduce operating cost and to improve efficiency, thereby improving business and administrative efficacy for the SSB Group.

### **4. CONDITION OF THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE**

The Proposed Renewal of Shareholders' Mandate is subject to the approval of the shareholders of SSB at the Said AGM.

### **5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

HLMG, a wholly-owned subsidiary of HLCCM, is a major shareholder of SSB. YBhg Tan Sri Quek Leng Chan is a major shareholder of SSB, and a Director and major shareholder of HLMG, HLCCM and GCA. YBhg Datuk Kwek Leng San is a Director of SSB, HLMG and HLCCM, and a shareholder of HLCCM and GCA. Mr Kwek Leng Beng is a Director of HLCCM, and a major shareholder of SSB, HLCCM and GCA. Mr Kwek Leng Kee is a major shareholder of SSB, HLCCM and GCA. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers.

HLIH is a major shareholder of SSB through HLCCM. Mr Kwek Leng Beng and Mr Kwek Leng Kee are directors and major shareholders of HLIH.

YBhg Datuk Kwek Leng San does not hold any shares, either directly or indirectly, in SSB. The shareholdings of HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng and Mr Kwek Leng Kee in SSB as at LPD are as follows:

	<b>No. of Shares held</b>			
	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
HLMG	294,595,115	49.40	122,641,531	20.57 *
HLCM	-	-	417,236,646	69.97 *
HLIH	-	-	424,617,539	71.21 **
Tan Sri Quek Leng Chan	-	-	417,246,046	69.97 **
Kwek Leng Beng	-	-	424,617,539	71.21 **
Kwek Leng Kee	-	-	424,617,539	71.21 **

*Notes:*

\* *Held through subsidiary(ies).*

\*\* *Held through HLCM and companies in which the major shareholder has interest.*

YBhg Datuk Kwek Leng San has abstained and will continue to abstain from deliberating and voting on the relevant proposed ordinary resolution pertaining to the Proposed Renewal of Shareholders' Mandate in which he is interested at the Board level.

HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng and Mr Kwek Leng Kee will abstain from voting and have undertaken that they will ensure that persons connected with them will also abstain from voting, in respect of their direct and/or indirect interests, on the relevant proposed ordinary resolutions deliberating or approving the Proposed Renewal of Shareholders' Mandate at the Said AGM.

Save as disclosed above, none of the other directors and major shareholders of SSB and persons connected with them, has any interest, direct or indirect, in the relevant resolutions pertaining to the Proposed Renewal of Shareholders' Mandate.

## **6. DIRECTORS' RECOMMENDATION**

Your Directors (except for YBhg Datuk Kwek Leng San who had abstained from expressing any opinion in relation to the proposed Ordinary Resolution 5 in view of his interest), having taken into consideration all aspects of the Proposed Renewal of Shareholders' Mandate, are of the opinion that the Proposed Renewal of Shareholders' Mandate is in the best interest of the SSB Group and accordingly, your Directors (except for YBhg Datuk Kwek Leng San who had abstained from expressing any opinion in relation to the proposed Ordinary Resolution 5 in view of his interest) recommend that you vote in favour of the proposed ordinary resolutions pertaining to the Proposed Renewal of Shareholders' Mandate to be tabled at the Said AGM.

**7. RESOLUTIONS ON THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND AGM**

The proposed ordinary resolutions on the Proposed Renewal of Shareholders' Mandate will be tabled at the Said AGM to be held at Training Room C, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang, Malaysia on Thursday, 9 November 2023 at 11.00 a.m. or at any adjournment thereof. The said resolutions are set out in the 2023 Annual Report of SSB.

The Notice of the Said AGM and the Form of Proxy are enclosed in the 2023 Annual Report of SSB, which is available on SSB's website at [www.southsteel.com/gm-current](http://www.southsteel.com/gm-current).

If you are unable to attend the Said AGM and wish to appoint other person(s) to be your proxy, please complete the Form of Proxy and deposit it at the Registered Office of SSB at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia or lodged electronically via email at [cosec-hlmg@hlmg.com.my](mailto:cosec-hlmg@hlmg.com.my), not less than forty-eight (48) hours before the time appointed for holding of the Said AGM or at any adjournment thereof.

The completion and deposit of the Form of Proxy will not preclude you from attending and voting at the Said AGM should you wish to do so. The Form of Proxy should be completed strictly in accordance with the instructions contained therein.

**8. FURTHER INFORMATION**

Shareholders are requested to refer to the attached Appendix IV of this Circular for further information.

Yours faithfully  
For and on behalf of the Board

DATO' TAN ANG MENG  
Independent Non-Executive Director

## DEFINITIONS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS

- “related party(ies)”
- (a) in relation to a corporation, means a director, major shareholder or person connected with such director or major shareholder;
  - (b) in relation to a business trust, means the trustee-manager, a director or major shareholder of the trustee-manager, a major unit holder of the business trust or person connected with any of the aforesaid persons;
  - (c) in relation to a closed-end fund, means the Managers, a director or major shareholder of the Managers or the closed-end fund, or person connected with any of the aforesaid persons; or
  - (d) in relation to a real estate investment trust (“REIT”), means the management company, the trustee, a director or major shareholder of the management company, major unit holder of the REIT, or person connected with any of the aforesaid persons.

For the purpose of this definition, “director”, “major shareholder” and “major unit holder” have the meanings given in paragraph 10.02 of the Main Market Listing Requirements and “Managers” has the meaning given in paragraph 1.01 of the Main Market Listing Requirements.

- “director”
- has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:
- (a) a director of the listed issuer, its subsidiary or holding company;
  - (b) a chief executive of the listed issuer, its subsidiary or holding company;
  - (c) in relation to a special purpose acquisition company (“SPAC”), a member of the SPAC’s management team;
  - (d) in relation to a business trust, a director or chief executive of the trustee-manager, its subsidiary or holding company;
  - (e) in relation to a closed-end fund, in addition to a director or chief executive of the closed-end fund, a director or chief executive of the Managers, its subsidiary or holding company; and
  - (f) in relation to a REIT, a director or chief executive of the management company.



“major shareholder”

includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:

- (a) 10% or more of the total number of voting shares in the corporation; or
- (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation

(For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act).

“person connected”

in relation to any person (referred to as “said Person”) means such person who falls under any one of the following categories:

- (a) a family member of the said Person;
- (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
- (c) a partner of the said Person;
- (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
- (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
- (g) a body corporate which is a related corporation of the said Person.

## PERSONS CONNECTED WITH HLCM AND GCA AS AT LPD

## (1) Persons Connected With HLCM

Company	Interest of HLCM as at LPD (%)	Nature of business
1. HL Management Co Sdn Bhd and its subsidiaries and/or its related corporations	100.00	Provision of management services and investment holding
2. Hong Leong Share Registration Services Sdn Bhd	100.00	Provision of share registration services
3. Hong Leong Manufacturing Group Sdn Bhd and its unlisted subsidiaries and associated corporations	100.00	Investment holding; provision of management services; and property investment
4. Hong Leong Financial Group Berhad and its unlisted subsidiaries and associated corporations	51.94	Investment holding; provision of services to its subsidiaries to enhance group value; underwriting of life and general insurance businesses; and Family Takaful business including investment-linked business
5. Hong Leong Bank Berhad and its subsidiaries and associated corporations	64.37	Commercial banking business and provision of related services which include Islamic banking business, property investment and management, investment holding and nominee services
6. Hong Leong Capital Berhad and its subsidiaries and associated corporations	70.40	Investment holding; investment banking, stockbroking business, futures broking and related financial services; nominee and custodian services; investment activities; and unit trust management, fund management including Islamic fund management and sale of unit trusts
7. Hong Leong Industries Berhad and its subsidiaries and associated corporations	75.20	Investment holding; manufacturing, procuring and assembling of motorcycles, scooters, motorcycle engines and related parts and products; distribution of motorcycles and motorcycle components; provision of maintenance and repair services for motorcycles; distribution, trading and provision of services in marine related products; manufacturing and sale of ceramic tiles; provision of research and development services for motorcycles and ceramic tiles; and manufacturing, sale and distribution of fibre cement

**(1) Persons Connected With HLCM (Cont'd)**

<b>Company</b>	<b>Interest of HLCM as at LPD (%)</b>	<b>Nature of business</b>
8. Malaysian Pacific Industries Berhad and its subsidiaries and associated corporations	57.92	Investment holding; manufacturing services of semiconductor packaging and testing; and manufacturing and sale of leadframes
9. Hume Cement Industries Berhad and its subsidiaries and associated corporations	67.83	Investment holding; manufacturing and sale of cement and cement related products; and manufacturing, marketing and sale of concrete and concrete related products
10. Guardian Security Consultants Sdn Bhd	20.00	Provision of security services
11. BIB Insurance Brokers Sdn Bhd and its subsidiaries	30.00	Investment holding; insurance brokers and consultants; commission agents; and rent-a-captive insurance business
12. Columbia Asia Healthcare Pte Ltd and its subsidiaries	50.00	Investment holding; operating hospitals; and provision of healthcare related activities
13. IMU Health Sdn Bhd and its subsidiaries	38.66	Investment holding; provision of management and healthcare services; managing educational institutions, colleges, schools and other centres of learning, research and education; provision of educational programs and training courses for healthcare and related fields; and managing dialysis centre for the provision of haemodialysis services

**(2) Persons Connected With GCA**

<b>Company</b>	<b>Interest of GCA as at LPD (%)</b>	<b>Nature of business</b>
1. GuoLine Group Management Company Pte Ltd	100.00	Provision of management services
2. GuoLine Intellectual Assets Limited	100.00	Intellectual properties holding company
3. Gaia Investment Partners Sdn Bhd (formerly known as GuoLine Alternative Investments Advisory Sdn Bhd)	100.00	Provision of investment advisory services
4. Hong Leong Financial Group Berhad and its unlisted subsidiaries and associated corporations	25.37	Investment holding; provision of services to its subsidiaries to enhance group value; underwriting of life and general insurance businesses; and Family Takaful business including investment-linked business
5. Hong Leong Bank Berhad and its subsidiaries and associated corporations	64.50	Commercial banking business and provision of related services which include Islamic banking business, property investment and management, investment holding and nominee services
6. Hong Leong Capital Berhad and its subsidiaries and associated corporations	70.40	Investment holding; investment banking, stockbroking business, futures broking and related financial services; nominee and custodian services; investment activities; and unit trust management, fund management including Islamic fund management and sale of unit trusts
7. GuocoLand (Malaysia) Berhad and its subsidiaries and associated corporations	65.03	Investment holding; property development; property investment; hotel operations; trading in securities; provision of management and property-related services; and operation of oil palm estates
8. Guoco Group Limited and its non-Malaysian subsidiaries and associated corporations	71.88	Investment holding and management; principal investment; property development and investment; hospitality and leisure business; banking and insurance as well as production and distribution of honey and related products
9. Lam Soon (Hong Kong) Limited and its subsidiaries and associated corporations	57.53	Investment holding; importing, processing and trading of flour products; manufacturing, processing and trading of edible oils and specialty fats products and processing and trading of home care products

## ACTIVITIES OF THE SSB GROUP AS AT LPD

<b>Name of Company</b>	<b>Effective % Held</b>	<b>Principal Activities</b>
<b>Subsidiaries</b>		
Southern Steel Holdings Sdn Bhd	100.00	Investment holding
Southern Steel Properties Sdn Bhd	100.00	Rental of properties
Southern HRC Sdn Bhd	100.00	Manufacture, sale and marketing of steel billets and other related products
Danstil Sdn Bhd	100.00	Rental of properties
Southern Steel Mesh Sdn Bhd	100.00	Manufacture, sale and marketing of steel wire mesh, concrete wires, cut and bend bars and other related products
Southern PC Steel Sdn Bhd	100.00	Manufacture and sale of pre-stressed concrete strands, wires, bars and other related products
Southern Pipe Industry (Malaysia) Sdn Bhd and its subsidiary:	96.56	Manufacture, sale and processing of steel pipes and other related products
Southern Steel Pipe Sdn Bhd	96.56	Manufacture, sale and processing of steel pipes and other related products
Southern Steel Rod Sdn Bhd	100.00	Manufacture, sale and trading of billets, wire rods, deformed bar in coils and other related products

## FURTHER INFORMATION

### 1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular had been seen and approved by the Directors of SSB who collectively and individually accept full responsibility for the accuracy of the information given and confirm that, having made all reasonable enquiries and to the best of their knowledge and belief, there are no other material facts, the omission of which would make any statement herein misleading.

### 2. MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at LPD, save for the following, SSB Group is not engaged in any other material litigation, claims or arbitration either as plaintiff or defendant and is not aware of any proceeding pending or threatened against the SSB Group or any facts likely to give rise to any proceeding which might materially and adversely affect the business and financial position of the SSB Group:

- Southern HRC Sdn Bhd (“SHRC”), a wholly-owned subsidiary of SSB, has on 7 July 2016 and 11 July 2016, terminated the contract between SHRC and Danieli & C. Officine Meccaniche S.p.A. (“Danieli”) dated 16 June 2011 for the design, manufacture and supply of a “Thin Slab Casting Unit feeding directly a twin Steckel Mill” (“Plant”) for the production of hot rolled coils (“Contract”) and the Service Agreement No. 1 between SHRC, Danieli and Danieli Malaysia Sdn Bhd (“DMSB”) dated 10 May 2014 (“Service Agreement”) respectively.

#### i. Commencement of Arbitration Proceedings by SHRC

Following the termination of the Contract and Service Agreement, SHRC commenced arbitration proceedings against Danieli and DMSB. SHRC claimed several reliefs against Danieli and DMSB, including repayment of contract sum and damages for misrepresentation and breach of contract.

#### ii. Commencement of Arbitration Proceedings against SHRC by Danieli and DMSB

Danieli and DMSB also commenced arbitration proceedings against SHRC. Danieli and DMSB sought several declarations in relation to the Contract and the Service Agreement and claiming damages, interest and costs.

The aforementioned arbitration proceedings were consolidated (“First Arbitration”) and heard by the same arbitral tribunal in Singapore.

#### iii. Commencement of Arbitration Proceedings against SHRC by Danieli Co. Ltd (a wholly owned subsidiary of Danieli) (“Danieli Thailand”)

Danieli Thailand commenced arbitration proceedings against SHRC (“Second Arbitration”).

Danieli Thailand claimed the sum of EUR2,800,000.00, being the balance purchase price of spare parts under a sale contract dated 24 December 2013 between SHRC and Danieli Thailand (“Sale Contract”) plus interest and general damages.

The same arbitral tribunal for the First Arbitration also heard the Second Arbitration.

On 28 November 2019, the Tribunal decided and determined as follows:

A. The First Arbitration

The Tribunal decided in SHRC's favour and awarded, inter alia, the following:-

- i) the Contract is rescinded;
- ii) the Service Agreement is rescinded;
- iii) Danieli and DMSB shall repay SHRC the Contract Price in the amount of EUR92,700,000 minus EUR15 million and RM270 million after taking into consideration the use of the Plant and its plausible diminution in value;
- iv) Danieli and DMSB shall pay SHRC RM176,245,250 as damages for misrepresentation; and
- v) in return, SHRC shall transfer the title to the Plant, together with additional equipment installed thereon, to Danieli.

(hereinafter called "First Award")

B. The Second Arbitration

The Tribunal decided in Danieli Thailand's favour and awarded, inter alia, the sum of EUR2,795,796.98 ("Second Award") being the balance purchase price of spare parts under the Sale Contract.

First Award

Danieli and DMSB applied to the Singapore Courts to set aside the First Award. They were unsuccessful at the Singapore High Court. On appeal to the Singapore Court of Appeal ("CA"), the CA decided, inter alia, as follows:-

- i) The CA dismissed Danieli's appeal in relation to the Transfer Order (the order where SHRC is to transfer the title of the Plant, together with additional equipment installed thereon, to Danieli);
- ii) The CA dismissed Danieli's appeal in relation to the Repayment Order (the order where Danieli and DMSB are to pay SHRC the contract price in the amount of EUR92,700,000 minus EUR15 million and RM270 million after taking into consideration the use of the Plant and its plausible diminution in value); and
- iii) The Court of Appeal allowed Danieli's appeal in relation to the Damages Order and set the Damages Order aside (the order where Danieli and DMSB are to pay SHRC RM176,245,250 as damages for misrepresentation).

On 4 August 2023, the Italian Court of Appeal allowed Danieli's challenge and revoked the recognition order of the First Award obtained by SHRC in Italy on 12 June 2020. SHRC has been advised by its Italian lawyer that the decision was based on technical grounds and does not deny SHRC the right to pursue recovery in Italy of the amounts due under the First Award which have not been set aside by the Singapore Court of Appeal ("Modified Award"). SHRC will pursue all avenues to register and enforce the Modified Award in Italy.

Separately, SHRC has also commenced enforcement actions in France and Luxembourg and obtained recognition orders of the First Award in France and Luxembourg on 30 January 2023 and 15 March 2023 respectively.

In France, the court bailiff has seized and attached (i) receivable debts owed by certain clients of Danieli in France and (ii) patents belonging to Danieli in France.

In Luxembourg, the court bailiff has seized (saisie arret conservatoire) the shares of two of Danieli's wholly owned subsidiaries, which are now frozen.

Danieli has filed appeals against the enforcement orders obtained in Luxembourg and France, but no hearing dates have been fixed yet. SHRC will continue to pursue enforcement of the First Award.

#### Second Award

On 3 January 2022, Danieli Thailand commenced proceedings against SHRC in the Malaysian Courts to recognise and enforce the Second Award in favour of Danieli Thailand against SHRC ("Danieli Thailand's Action"). SHRC is opposing and challenging Danieli Thailand's Action.

### **3. MATERIAL CONTRACTS**

Save as disclosed below, there are no other contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by the SSB Group within the two (2) years immediately preceding the date of this Circular:

- Sale and Purchase Agreement dated 1 December 2021 entered into between SSB and Sinppa Industrial Sdn Bhd ("SISB") for the disposal by SSB to SISB of 2 parcels of land situated at Mukim Sungai Tiram, Daerah Johor Bahru, Negeri Johor for a total cash consideration of RM65 million.

### **4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of SSB at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular to the date of the Said AGM:

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the past two (2) financial years ended 30 June 2022 and 2023;
- (iii) relevant cause papers in respect of the material litigation, claims and arbitration referred to in Section 2 above; and
- (iv) material contracts referred to in Section 3 above.