

OTHERS TERMINATION OF CONTRACT WITH DANIELI & C. OFFICINE MECCANICHE S.P.A.

SOUTHERN STEEL BERHAD

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| Type | Announcement |
| Subject | OTHERS |
| Description | TERMINATION OF CONTRACT WITH DANIELI & C. OFFICINE MECCANICHE S.P.A. |

Southern Steel Berhad (“SSB”) wishes to announce that its wholly-owned subsidiary, Southern HRC Sdn Bhd (“SHRC”), has on 7 July 2016, terminated the Contract signed with Danieli & C. Officine Meccaniche S.p.A. (“Danieli”) on 16 June 2011 (“Contract”) for the design, manufacture and supply of a “Thin Slab Casting Unit feeding directly a twin Steckel Mill” for the production of hot rolled coil. SHRC has terminated the Contract in accordance with the terms of the said Contract. Danieli has failed to remedy and resolve the issues set out in the Notice of Termination which constitute a major default and failure by Danieli to fulfill its fundamental obligations under the Contract.

Arising from such termination, SHRC reserves all of its rights to exercise all remedies available to SHRC under the Contract and at law as a result of Danieli’s misrepresentations, breaches and/or defaults under the Contract.

Any and all disputes arising from such termination shall be finally settled by arbitration in accordance with the Rules of Arbitration of the International Chamber of Commerce in Singapore.

The amount involved in the Contract is approximately RM427 million. This termination requires an assessment of the carrying value of the project. Pending the assessment, the Company is unable to determine the extent of the financial impact, if any, on SSB Group at this juncture.

This termination does not affect the other core businesses of SSB Group. With better selling prices in the 4th quarter of the financial year ended 30 June 2016 (“4th Quarter”), we expect these core businesses to be profitable in the 4th Quarter. Going forward, the industry shall remain challenging and the management will continue to adopt measures to improve cost and productivity.

This announcement is dated 11 July 2016.

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| Company Name | SOUTHERN STEEL BERHAD |
| Stock Name | SSTEEL |
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| Category | General Announcement for PLC |
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