

General Announcement

Reference No SS-120507-51430

Company Name : SOUTHERN STEEL BERHAD
Stock Name : SSTEEL
Date Announced : 09/05/2012

Type : Announcement
Subject : OTHERS

Description : Proposed Joint Venture between Southern Steel Berhad and NV Bekaert SA for the Manufacture and Sale of Specified Steel Wires in the ASEAN Region

Announcement Details/Table Section :

Southern Steel Berhad ("SSB") writes to announce that it had, on 8 May 2012, entered into a joint venture ("JV") agreement ("JV Agreement") with NV Bekaert SA ("NV BK"), a company incorporated under the laws of Belgium, to form a joint venture company in Singapore ("JV Co") for the manufacture and sale of specified steel wires ("Products") in the ASEAN region with an initial share capital of S\$10,000 and in the participation ratio of SSB 45% : NV BK 55% ("Proposed JV").

NV BK is a public company listed on Euronext® Brussels (BEKB). It is a global player in drawn steel wire products and technologically strong in advanced solutions based on metal transformation and coatings. Presently, NV BK serves customers in more than 120 countries.

The Proposed JV will be undertaken in the following manner:

A. SSB and NV BK shall contribute to the JV Co as follows:

1. SSB shall sell its entire equity interests in its wholly-owned subsidiaries, Southern Speciality Wire Sdn Bhd ("SSW") and Southern Wire Industries (Malaysia) Sdn Bhd ("SWI") together with its wholly-owned subsidiary, Cempaka Raya Sdn Bhd, to the JV Co; and
2. NV BK shall sell its entire galvanized and multi-coated wire business in Indonesia currently undertaken by its Indonesian subsidiary, PT Bekaert Indonesia, to the JV Co

for an aggregate consideration of the equivalent of US\$44,600,000.00 translated at the S\$/US\$ exchange rate as computed from the reference foreign exchange rates published by the European Central Bank on the date of signing of the respective share contribution agreement, to be satisfied by the issue and allotment of such number of ordinary shares of S\$1.00 each to be determined, resulting in SSB and NV BK holding approximately 67% and 33% of the enlarged share capital of the JV Co respectively (collectively referred to as "Proposed Contributions").

B. Concurrently with the completion of the Proposed Contributions, SSB shall sell such number of ordinary shares of S\$1.00 each representing approximately 22% of the enlarged share capital in the JV Co to NV BK such that the final participation ratio in the JV Co remains at SSB 45% : NV BK 55%.

The salient terms of the JV Agreement are as follows:

1. the JV Co will have the exclusive right, directly or indirectly, through its subsidiaries, to

- manufacture and sell the Products in the ASEAN region.
2. SSB and NV BK agree that during the term of the JV Agreement and for a period of two years following the termination as shareholders of the JV Co, neither party shall engage, directly or indirectly, in the manufacture or sale of the Products in the ASEAN region.
 3. NV BK shall grant to the JV Co, an exclusive license to use and exploit certain of its technology to manufacture, sell, market and distribute the Products in the ASEAN region in consideration of royalty of 1% on the net annual sales of the Products manufactured and sold by the JV Co or its subsidiaries.
 4. NV BK shall grant to the JV Co, a non-exclusive license in the ASEAN region, to use certain of its trademarks in relation to the Products and generally, in all of the JV Co's activities in consideration for the payment of royalty of 0.5% on the net annual sales of the Products manufactured and sold by the JV Co or its subsidiaries.
 5. SSB shall grant to the JV Co, a non-exclusive license in the ASEAN region, to use certain of its trademarks in relation to the Products and generally, in all of the JV Co's activities in consideration for the payment of royalty of 0.5% on the net annual sales of the Products manufactured and sold by the JV Co or its subsidiaries.

The Proposed JV will provide the SSB Group the opportunity to expand its steel wire manufacturing and sale business and to jointly promote the SSB and NV BK brand in the ASEAN market.

The Proposed JV will not have any effect on the issued and paid-up share capital and substantial shareholders' shareholdings of SSB. The Proposed JV is not expected to have any material effect on the net assets and earnings of SSB for the financial year ending 30 June 2012 but is expected to contribute positively to the future earnings of the SSB Group.

The Proposed JV will not materially change the risk profile of SSB Group's business as JV Co will be involved in the same steel wire business currently engaged in by SSB Group.

The Proposed JV is subject to the approval of the Malaysian Industrial Development Authority for the sale and transfer of the entire issued share capital of SWI by SSB to the JV Co, pursuant to the manufacturing licences issued, the approval from the Capital Investment Coordinating Board (BKPM), the approval of the Minister of Law and Human Rights of the Republic of Indonesia and the approval of European Commission based on EU Competition Law Rules Applicable to Merger Control. The Proposed JV does not require the approval of the shareholders of SSB.

None of the directors and substantial shareholders of SSB and persons connected with them, have any interest, whether directly or indirectly, in the Proposed JV.

The Directors of SSB are of the opinion that the Proposed JV is in the best interest of the SSB Group.

The highest percentage ratio applicable to the Proposed JV pursuant to paragraph 10.02 (g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 6.80%.

The JV Agreement in respect of the Proposed JV is available for inspection at the Registered Office of SSB during office hours from Monday to Fridays (except for public holidays) at Level 3, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang for a period of 3 months from the date of this announcement.

The announcement is dated 9 May 2012.