

**SOUTHERN STEEL BERHAD (“SSB” OR “COMPANY”)**

**(I) PROPOSED RIGHTS ISSUE OF REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS**  
**(II) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL**  
**(COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)**

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**1. INTRODUCTION**

On behalf of the Board of Directors of SSB (“**Board**”), Hong Leong Investment Bank Berhad (“**HLIB**”) wishes to announce that SSB is proposing to undertake the following:

- (i) a renounceable rights issue of up to RM209,708,604 nominal value of five (5)-year 5% redeemable convertible unsecured loan stocks at 100% of its nominal value (“**RCULS**”) on the basis of RM1.00 nominal value of RCULS for every two (2) existing ordinary shares of RM1.00 each held in SSB (“**SSB Shares**”) on an entitlement date to be determined later by the Board (“**Entitlement Date**”) (“**Proposed Rights Issue of RCULS**”); and
- (ii) an increase in the authorised share capital of SSB from RM502,000,000 comprising 500,000,000 SSB Shares and 2,000,000 preference shares of RM1.00 each in SSB (“**Preference Shares**”) to RM802,000,000 comprising 800,000,000 SSB Shares and 2,000,000 Preference Shares (“**Proposed Increase in Authorised Share Capital**”).

**2. DETAILS OF THE PROPOSALS**

**2.1 Proposed Rights Issue of RCULS**

**2.1.1 Details of the Proposed Rights Issue of RCULS**

Based on the issued and paid-up share capital of SSB as at 21 April 2014, being the latest practicable date (“**LPD**”) prior to this announcement, of RM419,417,208 comprising 419,417,208 SSB Shares and assuming no new SSB Shares are issued pursuant to the executive share scheme (“**ESS**”) of the Company prior to the implementation of the Proposed Rights Issue of RCULS, the Proposed Rights Issue of RCULS would entail a renounceable rights issue of up to RM209,708,604 of RCULS (“**Maximum Subscription Level**”) on the basis of RM1.00 nominal value of RCULS for every two (2) existing SSB Shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company at the Entitlement Date (“**Entitled Shareholders**”).

The Proposed Rights Issue of RCULS is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the RCULS in full or in part.

The RCULS will be provisionally allocated to the Entitled Shareholders. Any fractional entitlements under the Proposed Rights Issue of RCULS will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Company.

Any RCULS which are not subscribed or validly subscribed shall be made available for the other Entitled Shareholders and/or their renounee(s) under the excess RCULS application. It is the intention of the Board to allocate the excess RCULS in a fair and equitable manner on a basis to be determined by the Board and announced later.

The indicative terms of the RCULS are set out in **Appendix I**.

### 2.1.2 Basis and justification of arriving at the conversion price of the RCULS

The conversion price of the RCULS ("**Conversion Price**") will be determined and announced at a later date by the Board, after taking into consideration the following:

- (i) the prevailing market conditions on the price-fixing date;
- (ii) the five (5)-day volume weighted average market price ("**VWAMP**") of SSB Shares immediately preceding the price-fixing date; and
- (iii) the Conversion Price of the RCULS shall not be lower than RM1.00, being the par value of each SSB Share.

For illustration purposes, the Conversion Price is assumed to be RM1.30, representing a discount of approximately RM0.30 or 18.75% from the five (5)-day VWAMP of SSB Share up to and including 29 April 2014, of RM1.60 each.

The Conversion Price shall be subject to adjustments under certain circumstances in accordance with the provisions of a trust deed constituting the RCULS to be entered into by the Company.

### 2.1.3 Ranking of the new SSB Shares arising from the conversion of the RCULS

The new SSB Shares to be issued pursuant to the conversion of the RCULS will upon issuance and allotment, rank *pari passu* in all respects with the then existing SSB Shares in issue except that they will not be entitled to any dividends, rights, allotments and/or any other distributions that may be declared, made or paid prior to the relevant date of allotment of the new SSB Shares to be issued pursuant to the conversion of the RCULS.

### 2.1.4 Listing of and quotation for the RCULS and new SSB Shares to be issued pursuant to the conversion of the RCULS

An application will be made to Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the admission of the RCULS to the Official List of Bursa Securities as well as for the listing of and quotation for the RCULS and the new SSB Shares to be issued pursuant to the conversion of the RCULS, on the Main Market of Bursa Securities.

### 2.1.5 Minimum subscription level and undertakings

SSB intends to seek undertakings from the major shareholders of the Company, namely Hong Leong Manufacturing Group Sdn Bhd ("**HLMG**") and Signaland Sdn Bhd ("**Signaland**") ("**Undertaking Shareholders**") to subscribe and/or to procure the subscription(s) in full of their entitlements under the Proposed Rights Issue of RCULS ("**Entitlement Undertakings**"). The Entitlement Undertakings shall represent the minimum subscription level ("**Minimum Subscription Level**") for the Proposed Rights Issue of RCULS. The Minimum Subscription Level was determined by the Board after taking into consideration, amongst others, the gearing position and the funding requirements of SSB and its subsidiaries ("**SSB Group**") as detailed out in Section 3 of this announcement.

As the Proposed Rights Issue of RCULS will be implemented on a minimum subscription basis, there will be no underwriting arrangement for the remaining balance of nominal value of RCULS.

## 2.2 Proposed Increase in Authorised Share Capital

The present authorised share capital of SSB is RM502,000,000 comprising 500,000,000 SSB Shares and 2,000,000 Preference Shares, of which RM419,417,208 comprising 419,417,208 SSB Shares have been issued and fully paid up as at the LPD.

In order to accommodate the Proposed Rights Issue of RCULS, SSB proposes to increase its authorised share capital from RM502,000,000 comprising 500,000,000 SSB Shares and 2,000,000 Preference Shares to RM802,000,000 comprising 800,000,000 SSB Shares and 2,000,000 Preference Shares by the creation of an additional new 300,000,000 SSB Shares, and the Memorandum and Articles of Association of the Company will be amended accordingly.

### 3. UTILISATION OF PROCEEDS

The Proposed Rights Issue of RCULS is expected to raise gross proceeds of approximately RM147.1 million under the Minimum Subscription Level and up to RM209.7 million under the Maximum Subscription Level. The proceeds are expected to be utilised in the following manner:

	Note	Minimum Subscription Level Amount (RM'000)	Maximum Subscription Level Amount (RM'000)	Estimated timeframe for utilisation of proceeds
Repayment of bank borrowings	(1)	74,000	105,000	Within 3 months
Working capital	(2)	72,180	103,809	Within 12 months
Estimated expenses in relation to the Proposals	(3)	900	900	Within 3 months
		<b>147,080</b>	<b>209,709</b>	

Notes:

- (1) As at 31 March 2014, the SSB Group utilises floating-rate bank borrowings amounting to approximately RM449.4 million. The part repayment of the SSB Group's floating-rate bank borrowings of RM74.0 million under the Minimum Scenario and RM105.0 million under the Maximum Scenario is intended to replace the aforesaid floating-rate bank borrowings with a reasonable fixed rate borrowing as set out in Section 4.1 below.
- (2) The proceeds to be raised of approximately RM72.2 million under the Minimum Subscription Level and RM103.8 million under the Maximum Subscription Level will be used for general working capital purposes of the SSB Group, including but not limited to the payment of existing trade and other payables.
- (3) The estimated expenses relating to the Proposals comprise, amongst others, the professional fees, fees payable to the relevant authorities, printing costs of the circular and abridged prospectus to be despatched to the shareholders of the Company and other miscellaneous expenses. Any surplus or shortfall will be adjusted accordingly from/to the portion being earmarked for funding for working capital.

The actual gross proceeds to be raised from the Proposed Rights Issue of RCULS will depend on the amount of RCULS issued under the Proposed Rights Issue of RCULS.

Pending the utilisation of the proceeds from the Proposed Rights Issue of RCULS, the proceeds will be placed in interest-bearing deposit accounts or investments in money markets as the Board deems fit and in the best interest of the Company.

No proceeds will be raised from the conversion of RCULS into new SSB Shares as the conversion will be wholly satisfied through the surrender of RCULS.

### 4. RATIONALE FOR THE PROPOSALS

#### 4.1 Proposed Rights Issue of RCULS

The Proposed Rights Issue of RCULS will enable the Company to raise funds for the repayment of bank borrowings and for general working capital purposes as described in Section 3 of this announcement, which is expected to contribute positively to the future performance of the SSB Group.

After due consideration of the various funding options available to the Company, the Board is of the opinion that the Proposed Rights Issue of RCULS is the most appropriate avenue of fund raising for the Company after taking into consideration, amongst others, the following factors:

- (i) the Proposed Rights Issue of RCULS will enable the SSB Group to secure funding at a reasonable fixed funding cost for a period of five (5) years thereby reducing the SSB Group's exposure to interest rate fluctuations, which in turn will enable the SSB Group to manage its cashflow more efficiently;
- (ii) the issuance of RCULS minimises the immediate dilution effect on the earnings per share ("EPS") of SSB, which would otherwise arise from a full equity issue, as the RCULS are expected to be converted over a period of time; and
- (iii) the Proposed Rights Issue of RCULS will provide the shareholders of SSB with an opportunity to further increase their equity participation in the Company by converting the RCULS at the Conversion Price.

#### **4.2 Proposed Increase in Authorised Share Capital**

The Proposed Increase in Authorised Share Capital is required to facilitate the issuance of new SSB Shares pursuant to the conversion of RCULS.

### **5. EFFECTS OF THE PROPOSALS**

The Proposed Increase in Authorised Share Capital will not have any effect on the issued and paid-up share capital, net assets ("NA") and gearing, substantial shareholders' shareholdings and earnings and EPS of the Company.

The proforma effects of the Proposed Rights Issue of RCULS are illustrated in the following scenarios:

Minimum Scenario : Based on the assumption that:

- (i) no new SSB Shares are issued pursuant to the ESS prior to the Entitlement Date;
- (ii) the Proposed Rights Issue of RCULS will be implemented under the Minimum Subscription Level whereby only the Undertaking Shareholders will subscribe for the RCULS based on their respective Entitlement Undertakings; and
- (iii) all RCULS are:
  - (a) fully redeemed upon maturity of the RCULS; or
  - (b) fully converted into new SSB Shares upon the maturity of the RCULS at the illustrative Conversion Price of RM1.30.

Maximum Scenario : Based on the assumption that:

- (i) no new SSB Shares are issued pursuant to the ESS prior to the Entitlement Date;
- (ii) the Proposed Rights Issue of RCULS will be implemented under the Maximum Subscription Level, whereby the RCULS will be fully subscribed; and
- (iii) all RCULS are:
  - (a) fully redeemed upon maturity of the RCULS; or
  - (b) fully converted into new SSB Shares upon the maturity of the RCULS at the illustrative Conversion Price of RM1.30.

## 5.1 Issued and paid-up share capital

For illustration purposes, assuming full conversion of the RCULS into new SSB Shares under the respective scenarios below, the proforma effects of the Proposed Rights Issue of RCULS on the issued and paid-up share capital of the Company are shown below:

	Minimum Scenario		Maximum Scenario	
	No. of Shares ( '000)	RM '000	No. of Shares ( '000)	RM '000
Issued and paid-up share capital as at the LPD	419,417	419,417	419,417	419,417
Issuance of new SSB Shares pursuant to the conversion of RCULS <sup>#</sup>	113,139	113,139	161,314	161,314
<b>Enlarged issued and paid-up share capital</b>	<b>532,556</b>	<b>532,556</b>	<b>580,731</b>	<b>580,731</b>

Note:

# No new SSB Shares will be issued in the event the RCULS are fully redeemed upon the maturity of the RCULS.

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## 5.2 NA and gearing

For illustration purposes, the proforma effects of the Proposed Rights Issue of RCULS on the NA and gearing ratio of the SSB Group based on the audited consolidated balance sheet of SSB as at 30 June 2013 are shown below:

### Minimum Scenario

	Audited as at 30 June 2013 RM '000	Proforma I After the Proposed Rights Issue of RCULS RM '000	Proforma II	
			Proforma II (a) After Proforma I and assuming full redemption of the RCULS RM '000	Proforma II (b) After Proforma I and assuming full conversion of the RCULS RM '000
Share capital	(1)411,467	411,467	411,467	524,606
Reserves				
Share premium	35,852	35,852	35,852	44,412
Merger reserve	30,000	30,000	30,000	30,000
Capital redemption reserve	50	50	50	50
Fair value reserve	832	832	832	832
Foreign currency translation reserves	1,708	1,708	1,708	1,708
RCULS equity	-	(2)121,698	-	-
Retained earnings	381,450	(3)381,251	343,780	369,162
<b>NA attributable to owners of the Company</b>	<b>861,359</b>	<b>982,858</b>	<b>823,689</b>	<b>970,770</b>
No. of SSB Shares in issue	419,417	419,417	419,417	532,556
NA per SSB Share (RM)	2.05	2.34	1.96	1.82
Total borrowings (RM '000)	1,035,110	993,585	1,108,190	961,110
Gearing ratio (times)	1.20	1.01	1.35	0.99

## Maximum Scenario

	Audited as at 30 June 2013 RM '000	Proforma I After the Proposed Rights Issue of RCULS RM '000	Proforma II (a) After Proforma I and assuming full redemption of the RCULS RM '000	Proforma II (b) After Proforma I and assuming full conversion of the RCULS RM '000
Share capital	(1)411,467	411,467	411,467	572,781
Reserves				
Share premium	35,852	35,852	35,852	48,355
Merger reserve	30,000	30,000	30,000	30,000
Capital redemption reserve	50	50	50	50
Fair value reserve	832	832	832	832
Foreign currency translation reserves	1,708	1,708	1,708	1,708
RCULS equity	-	(2)173,818	-	-
Retained earnings	381,450	(3)381,251	328,123	364,014
<b>NA attributable to owners of the Company</b>	<b>861,359</b>	<b>1,034,978</b>	<b>808,032</b>	<b>1,017,740</b>
No. of SSB Shares in issue	419,417	419,417	419,417	580,731
NA per SSB Share (RM)	2.05	2.47	1.93	1.75
Total borrowings (RM '000)	1,035,110	976,413	1,139,819	930,110
Gearing ratio (times)	1.20	0.94	1.41	0.91

Notes:

- (1) The issued and paid up share capital at par value of RM419,417,208 is reconciled to the carrying amount of the share capital of RM411,466,431 as follows:

	<u>RM'000</u>
Issued and paid up share capital at par value	419,417
Less: Fair value adjustments arising from accounting treatment for compound instruments in respect of the irredeemable convertible unsecured loan stocks previously issued by SSB	(7,950)
Carrying amount of share capital at fair value, as stated above	<u>411,467</u>

- (2) *The estimated equity component arising from the Proposed Rights Issue of RCULS is determined by deducting the fair value of the liability component of the RCULS and the estimated expenses attributable to the equity component of the RCULS from the gross proceeds raised through the Proposed Rights Issue of RCULS. The resulting deferred tax asset arising on the initial recognition of the liability component of this RCULS is recognised based on the Malaysian statutory tax rate of 24%.*
- (3) *Less the estimated expenses attributable to the liability component of the RCULS of approximately RM199,000.*

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### 5.3 Substantial shareholders' shareholdings

The Proposed Rights Issue of RCULS is not expected to have any immediate effect on the shareholdings of the Company's substantial shareholders until such time the RCULS are converted into new SSB Shares, the potential effect of which is also dependent on the total issued and paid-up share capital of the Company at the relevant point in time.

For illustration purposes, the proforma effects of the Proposed Rights Issue of RCULS on the shareholding structure of the substantial shareholders of SSB as at the LPD are as follows:

#### Minimum Scenario

	Proforma I								Proforma II (a)				Proforma II (b)			
	As at the LPD				After the Proposed Rights Issue of RCULS				After Proforma I and assuming full redemption of the RCULS				After Proforma I and assuming full conversion of the RCULS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
HLMG	173,879	41.46	120,281	28.68 <sup>(1)</sup>	173,879	41.46	120,281	28.68 <sup>(1)</sup>	173,879	41.46	120,281	28.68 <sup>(1)</sup>	240,756	45.21	166,543	31.27 <sup>(1)</sup>
Signaland	120,281	28.68	-	-	120,281	28.68	-	-	120,281	28.68	-	-	166,543	31.27	-	-
Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	294,160	70.14 <sup>(1)</sup>	-	-	294,160	70.14 <sup>(1)</sup>	-	-	294,160	70.14 <sup>(1)</sup>	-	-	407,299	76.48 <sup>(1)</sup>
HL Holdings Sdn Bhd	-	-	294,160	70.14 <sup>(2)</sup>	-	-	294,160	70.14 <sup>(2)</sup>	-	-	294,160	70.14 <sup>(2)</sup>	-	-	407,299	76.48 <sup>(2)</sup>
YBhg Tan Sri Quek Leng Chan	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	414,680	77.87 <sup>(3)</sup>
Hong Leong Investment Holdings Pte Ltd	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	414,680	77.87 <sup>(3)</sup>
Kwek Holdings Pte Ltd	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	414,680	77.87 <sup>(3)</sup>
Kwek Leng Beng	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	414,680	77.87 <sup>(3)</sup>
Davos Investment Holdings Private Limited	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	414,680	77.87 <sup>(3)</sup>
Kwek Leng Kee	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	414,680	77.87 <sup>(3)</sup>
Quek Leng Chye	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	414,680	77.87 <sup>(3)</sup>
Hong Realty (Private) Limited	-	-	301,532	71.89 <sup>(3)</sup>	-	-	301,532	71.89 <sup>(3)</sup>	-	-	301,532	71.89 <sup>(3)</sup>	-	-	414,670	77.86 <sup>(3)</sup>

	Proforma I								Proforma II (a)				Proforma II (b)			
	As at the LPD				After the Proposed Rights Issue of RCULS				After Proforma I and assuming full redemption of the RCULS				After Proforma I and assuming full conversion of the RCULS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
Southern Amalgamated Co Sdn Bhd	32,488	7.75	-	-	32,488	7.75	-	-	32,488	7.75	-	-	32,488	6.10	-	-
Su Hock Company Sdn Bhd	973	0.23	32,488	7.75 <sup>(4)</sup>	973	0.23	32,488	7.75 <sup>(4)</sup>	973	0.23	32,488	7.75 <sup>(4)</sup>	973	0.18	32,488	6.10 <sup>(4)</sup>
YBhg Dato' Dr Tan Tat Wai	15	*	34,742	8.28 <sup>(5)</sup>	15	*	34,742	8.28 <sup>(5)</sup>	15	*	34,742	8.28 <sup>(5)</sup>	15	*	34,742	6.52 <sup>(5)</sup>

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## Maximum Scenario

Assuming all the Entitled Shareholders subscribe for their respective entitlements and full conversion of the RCULS into new SSB Shares based on Maximum Subscription Level, the Proposed Rights Issue of RCULS will not have any effect on the substantial shareholders' percentage of shareholdings in SSB as the RCULS shall be allotted on a pro-rated basis to all the Entitled Shareholders. Accordingly, the number of SSB Shares held by each shareholder will increase proportionately pursuant to the conversion of RCULS into new SSB Shares.

	Proforma I								Proforma II (a)				Proforma II (b)			
	As at the LPD				After the Proposed Rights Issue of RCULS				After Proforma I and assuming full redemption of the RCULS				After Proforma I and assuming full conversion of the RCULS			
	Direct		Indirect		Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%	No. of Shares ('000)	%
HLMG	173,879	41.46	120,281	28.68 <sup>(1)</sup>	173,879	41.46	120,281	28.68 <sup>(1)</sup>	173,879	41.46	120,281	28.68 <sup>(1)</sup>	240,756	41.46	166,543	28.68 <sup>(1)</sup>
Signaland	120,281	28.68	-	-	120,281	28.68	-	-	120,281	28.68	-	-	166,543	28.68	-	-
HLCM	-	-	294,160	70.14 <sup>(1)</sup>	-	-	294,160	70.14 <sup>(1)</sup>	-	-	294,160	70.14 <sup>(1)</sup>	-	-	407,299	70.14 <sup>(1)</sup>
HL Holdings Sdn Bhd	-	-	294,160	70.14 <sup>(2)</sup>	-	-	294,160	70.14 <sup>(2)</sup>	-	-	294,160	70.14 <sup>(2)</sup>	-	-	407,299	70.14 <sup>(2)</sup>
YBhg Tan Sri Quek Leng Chan	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	417,519	71.90 <sup>(3)</sup>
Hong Leong Investment Holdings Pte Ltd	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	417,519	71.90 <sup>(3)</sup>
Kwek Holdings Pte Ltd	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	417,519	71.90 <sup>(3)</sup>
Kwek Leng Beng	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	417,519	71.90 <sup>(3)</sup>
Davos Investment Holdings Private Limited	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	417,519	71.90 <sup>(3)</sup>
Kwek Leng Kee	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	417,519	71.90 <sup>(3)</sup>
Quek Leng Chye	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	301,541	71.90 <sup>(3)</sup>	-	-	417,519	71.90 <sup>(3)</sup>
Hong Realty (Private) Limited	-	-	301,532	71.89 <sup>(3)</sup>	-	-	301,532	71.89 <sup>(3)</sup>	-	-	301,532	71.89 <sup>(3)</sup>	-	-	417,506	71.89 <sup>(3)</sup>
Southern Amalgamated Co Sdn Bhd	32,488	7.75	-	-	32,488	7.75	-	-	32,488	7.75	-	-	44,983	7.75	-	-
Su Hock Company Sdn Bhd	973	0.23	32,488	7.75 <sup>(4)</sup>	973	0.23	32,488	7.75 <sup>(4)</sup>	973	0.23	32,488	7.75 <sup>(4)</sup>	1,347	0.23	44,983	7.75 <sup>(4)</sup>
YBhg Dato' Dr Tan Tat Wai	15	*	34,742	8.28 <sup>(5)</sup>	15	*	34,742	8.28 <sup>(5)</sup>	15	*	34,742	8.28 <sup>(5)</sup>	21	*	48,105	8.28 <sup>(5)</sup>

Notes:

- \* *Negligible*
- (1) *Held through subsidiary(ies)*
- (2) *Held through HLCM*
- (3) *Held through HLCM and company(ies) in which the substantial shareholder has interest*
- (4) *Held through a company in which the substantial shareholder has interest*
- (5) *Held through spouse and companies in which the substantial shareholder has interest*

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## 5.4 Earnings and EPS

The Proposed Rights Issue of RCULS is not expected to have any material effect on the earnings of the SSB Group for the financial year ending 30 June 2014 as the Proposed Rights Issue of RCULS is only expected to be completed by the third quarter of 2014 whilst the proceeds to be raised is expected to be utilised within 12 months from the completion date of the Proposed Rights Issue of RCULS.

Part of the proceeds to be raised from the Proposed Rights Issue of RCULS will be utilised to repay the SSB Group's floating-rate bank borrowings, which will enable the SSB Group to secure funding at a reasonable fixed funding cost for a period of five (5) years thereby reducing the SSB Group's exposure to interest rate fluctuations, which in turn will enable the SSB Group to manage its cashflow more efficiently. Additionally, part of the proceeds from the Proposed Rights Issue of RCULS is intended to be utilised for working capital purposes which may contribute positively to the earnings of the SSB Group for the ensuing financial years.

The Proposed Rights Issue of RCULS may result in dilution of the EPS of the SSB Group as a result of the increase in the number of SSB Shares in issue as and when the RCULS are converted into new SSB Shares. Nevertheless, the dilution impact on the EPS of the SSB Group will also depend on the level of returns generated from the utilisation of proceeds.

## 5.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.

## 6. APPROVALS REQUIRED

The Proposals are conditional upon approvals being obtained from the following:

- (i) the Securities Commission Malaysia ("**SC**") for the issuance of the RCULS;
- (ii) Bursa Securities for the following:
  - (a) admission of the RCULS to the Official List of Bursa Securities; and
  - (b) listing of and quotation for the RCULS to be issued pursuant to the Proposed Rights Issue of RCULS and the new SSB Shares to be issued pursuant to the conversion of RCULS, on the Main Market of Bursa Securities;
- (iii) the shareholders of SSB at an extraordinary general meeting to be convened; and
- (iv) other relevant authorities/parties, if required.

The Proposed Rights Issue of RCULS is conditional upon the Proposed Increase in Authorised Share Capital. The Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

For the avoidance of doubt, upon receipt of all relevant approvals, the Proposals will be implemented separately and are not meant to be completed simultaneously.

## 7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or major shareholders of SSB and/or persons connected with them, as defined in the Main Market Listing Requirements of Bursa Securities, have any interest, direct or indirect, in the Proposals save for their respective entitlements as shareholders of SSB under the Proposed Rights Issue of RCULS, for which all the existing shareholders of SSB are also entitled to.

**8. DIRECTORS' STATEMENT**

The Board, having considered all aspects of the Proposals (including but not limited to the rationale and the effects as set out in Sections 4 and 5 of this announcement), is of the opinion that the Proposals are in the best interest of the SSB Group.

**9. PRINCIPAL ADVISER**

HLIB has been appointed by SSB as the Principal Adviser for the Proposals.

**10. APPLICATION TO THE RELEVANT AUTHORITIES AND EXPECTED TIME FRAME FOR COMPLETION**

The applications to the relevant authorities in relation to the Proposals are expected to be made within a period of two (2) months from the date of this announcement.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be completed in the third quarter of 2014.

This announcement is dated 30 April 2014.

**Indicative salient terms of the RCULS**

Issuer	:	SSB
Issue size/Basis of allotment	:	Up to RM209,708,604 in nominal value of RCULS on the basis of RM1.00 nominal value of RCULS for every two (2) existing SSB Shares held on the Entitlement Date.
Issue price	:	At 100% of the nominal value on the basis of RM1.00 nominal value of the RCULS.
Form and denomination	:	The RCULS will be issued in registrable form and in denominations and multiples of RM1.00 each.
Issue Date	:	The issue date (" <b>Issue Date</b> ") for the RCULS shall be a business day and shall take place within the period commencing from the date of fulfilment of the conditions precedent for issuance of the RCULS and ending on a date falling one (1) year from the date of approval by the SC.
Tenure	:	Five (5) years from the Issue Date (" <b>Maturity Date</b> ").
Interest/coupon Rate	:	Fixed rate of 5.00% per annum calculated on the nominal value of the RCULS then outstanding.
Interest/coupon payment frequency	:	The payment of the coupon shall be in arrears on a semi-annual basis commencing six (6) months from the Issue Date.
Conversion Rights	:	The holders of the RCULS (" <b>RCULS Holders</b> ") shall have the right to convert all or any amount of the RCULS held by them into fully paid new SSB Shares at the Conversion Price at any time during the Conversion Period (as defined herein) subject to a notice period of at least thirty (30) days.  All the outstanding RCULS which have not been earlier converted shall be automatically converted into new SSB Shares at the Conversion Price on the Maturity Date (" <b>Automatic Conversion</b> ").  Any fractional new SSB Shares arising from the Automatic Conversion of the RCULS on the Maturity Date shall be disregarded and be dealt with by the Board as it may deem fit and expedient in the best interest of the Issuer.
Conversion Period	:	Any time after the Issue Date of the RCULS and up to the Maturity Date of the RCULS.
Conversion Price	:	The Conversion Price will be determined and announced later by the Board.  The Conversion Price is subject to adjustments as set out below.
Conversion Mode	:	The conversion of RCULS will not require any cash payment by the RCULS Holders. The conversion shall be satisfied by surrendering the RCULS with an aggregate nominal value equivalent to the Conversion Price for cancellation by the Issuer. Any fraction of the new SSB Shares arising from the conversion of the RCULS shall be disregarded.
Status and Ranking	:	The RCULS constitute direct, unsubordinated and unsecured obligations of the Issuer ranking <i>pari passu</i> without discrimination, preference or priority among themselves and <i>pari passu</i> with all present and future unsecured obligations of the Issuer from time to time (subject to those preferred by law).

- Early redemption : The Issuer shall have an option to redeem the RCULS in cash at 100% of the nominal amount of the RCULS, in whole or in part (but always in the same proportion in relation to each RCULS Holder), when the market price of the SSB Shares closes at or above 140% of the Conversion Price. The Issuer shall give the RCULS Holders no less than sixty (60) days' notice prior to the date of redemption. During such notice period, the RCULS Holders shall be entitled to exercise their Conversion Right. The RCULS which have been redeemed will be cancelled and cannot be re-sold.
- Adjustment in the Conversion Price and/or nominal value of RCULS in the event of alteration to the issued and paid-up share capital : The Issuer shall make the necessary adjustments to the Conversion Price of the RCULS then outstanding and/or nominal value of RCULS in the event of any alteration in the issued and paid-up SSB Shares on or before the Maturity Date, whether by way of rights issue, bonus issue, consolidation of SSB Shares, subdivision of SSB Shares or reduction of capital howsoever being effected, in accordance with the provisions of the Trust Deed.
- RCULS Holders' rights to participate in any distribution and/or offer of further securities in the Issuer : The RCULS Holders shall not be entitled to participate in any distribution and/or offer of securities in the Issuer until and unless the RCULS Holders shall have converted their RCULS into new SSB Shares by exercising their Conversion Rights during the Conversion Period, and such shares are allotted prior to the entitlement date of such distribution and/or offer of securities.
- Amendments to the RCULS Holders' Rights : Save as otherwise provided in the Trust Deed, an extraordinary resolution of the RCULS Holders is required to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the RCULS Holders against the Issuer.
- Winding up/ liquidation : If a resolution is passed for a voluntary winding-up of the Issuer whilst any of the RCULS remain capable of being converted, then:
- (a) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the RCULS Holders or some person designated by them for such purpose, shall be a party, the terms of such scheme of arrangement if approved by an extraordinary resolution shall be binding on all the RCULS Holders; and
  - (b) in any other case every RCULS Holders shall be entitled to upon and subject to the Trust Deed at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of the Issuer deliver to the Issuer a duly completed conversion notice in relation to the RCULS to elect to be treated as if he had on the last day of the month immediately before the commencement of such winding-up, exercised the Conversion Rights to the extent specified in the conversion notice(s) and be entitled to receive out of the assets of the Issuer which will be available in liquidation if he had on such date been the holder of the new SSB Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Issuer shall give effect to such election accordingly. Upon such election taking effect, all RCULS converted under such election shall cease to carry any coupon as from the last day of the month immediately preceding the month in which the RCULS are converted or deemed converted under this provision.
- All Conversion Rights which have not been exercised at the expiry date of the said period of six (6) weeks shall lapse and cease to be valid for any purpose.
- Listing status and types of listing, where applicable : An application will be made to Bursa Securities for the listing of and quotation for the RCULS and the new SSB Shares to be issued pursuant to the conversion of the RCULS on the Main Market of Bursa Securities.



- Selling restriction, including tradability (i.e. tradable or non-tradable) : The RCULS shall be tradable upon listing in board lots of 100 units of RCULS, or such denomination as may be determined by Bursa Securities. No selling restriction is imposed on the RCULS.
- Trust Deed : The RCULS shall be constituted by a trust deed, which shall be administered by the bond trustee acting on behalf of the holders of the RCULS. The trust deed shall be in compliance with the Trust Deeds Guidelines issued by the SC effective 12 August 2011.
- Rating : The RCULS are exempted from rating requirements pursuant to paragraph 4.11(c) of the SC's Guidelines on Private Debt Securities as this is an issuance of convertible loan stocks whereby:
- (i) RCULS Holders are given the right to convert the RCULS into new SSB Shares at any time during the tenure of the RCULS; and
  - (ii) the underlying SSB Shares will be listed on Bursa Securities.
- Governing law : The RCULS and the transaction documents (i.e. the Trust Deed in respect of the RCULS and such other legal documents and agreements (if any) necessary in relation thereto in form and substance acceptable to the Principal Adviser, the bond trustee and the Issuer) shall be governed by the laws of Malaysia and be subject to the non-exclusive jurisdiction of the courts of Malaysia.