

## SOUTHERN STEEL BERHAD (“SSB” OR THE “COMPANY”)

### DISPOSAL OF THE ENTIRE 45% EQUITY INTEREST HELD IN BEKAERT SOUTHERN WIRE PTE LTD

---

#### 1. INTRODUCTION

SSB writes to inform that it had on 29 September 2015 entered into a shares sale agreement (“SSA”) with Bekaert Singapore Pte Ltd (“BSPL” or the “Purchaser”) and NV Bekaert SA (“Bekaert”) for the disposal by SSB to BSPL of 23,140,080 ordinary shares of SGD1 each in Bekaert Southern Wire Pte Ltd (“BSWPL”) (“Sale Shares”), representing 45% of the issued and paid-up share capital of BSWPL, for a total cash consideration of USD5,690,682 equivalent to RM25,039,000 (the “Disposal”).

The Disposal was also completed on the same day. Further details of the Disposal are set out below.

The Purchaser is an existing shareholder of BSWPL who held the remaining 55% of the issued and paid-up share capital in BSWPL.

#### 2. DETAILS OF THE DISPOSAL

##### 2.1 Information on BSWPL

SSB and Bekaert had on 8 May 2012, entered into a joint venture agreement (“JVA”) for the manufacture and sale of steel wires in the ASEAN region, pursuant to which BSWPL was incorporated in Singapore on 24 May 2012. As at the date of the SSA, the issued and paid-up share capital of BSWPL is SGD51,422,400 comprising 51,422,400 ordinary shares of SGD1 each.

Pursuant to the JVA, BSWPL has the following wholly-owned, direct or indirect, subsidiaries:

- (a) Bekaert Southern Wire Sdn Bhd;
- (b) Bekaert Southern Speciality Wire Sdn Bhd;
- (c) PT Bekaert Southern Wire; and
- (d) Cempaka Raya Sdn Bhd.

(BSWPL and its subsidiaries shall be collectively referred to as “BSWPL Group”.)

For the period from 1 July 2014 to 30 June 2015, BSWPL Group recorded a loss after tax of RM84.94 million and its net liabilities as at 30 June 2015 was RM24.21 million.

Prior to the Disposal, SSB held 45% equity interest in BSWPL and the remaining 55% equity interest was held by the Purchaser. Following the Disposal, BSWPL Group has ceased as associated companies of SSB and the JVA has been terminated.

##### 2.2 Salient terms of the SSA

###### 2.2.1 The Sale Shares

SSB agreed to sell to the Purchaser and the Purchaser agreed to purchase from SSB all the Sale Shares, for a total cash consideration of USD5,690,682 equivalent to RM25,039,000 (based on the agreed currency exchange rate of RM4.40 for USD1) (“Purchase Price”), free from all claims, encumbrances and trusts whatsoever and together with all rights, benefits, title and interest attached thereto and all dividends and distributions declared, paid or made in respect thereto as from the date of completion of the SSA.

SSB

Re: Disposal Of The Entire 45% Equity Interest Held In Bekaert Southern Wire Pte Ltd

### **2.2.2 The Purchase Price**

The Purchaser has paid the Purchase Price in cash to SSB upon the execution of the SSA.

### **2.2.3 Termination of the JVA**

The JVA has also been terminated, and Bekaert and SSB have expressly confirmed with each other that neither party has any claims against the other in respect of any matters arising from the JVA subject to the terms and conditions therein.

### **2.3 Basis and justification in arriving at the Purchase Price**

The Purchase Price was arrived at on a willing buyer willing seller basis, taking into consideration both the initial capital contributed and the financial positions of the subsidiaries in BSWPL Group as at 30 June 2015.

### **2.4 Original cost and date of investment in the Sale Shares**

The original cost of investment made by SSB in the Sale Shares on 8 May 2012 is RM73.44 million. However, due to the challenging environment surrounding the steel industry since then, SSB Group's cost of investment in BSWPL has been fully impaired as at 30 June 2015.

### **2.5 Utilisation of proceeds**

The Purchase Price received is proposed to be used for working capital purposes and/or repayment of borrowings of SSB Group.

### **2.6 Liabilities to be assumed**

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Purchaser pursuant to the Disposal.

### **2.7 Information on the Purchaser**

The Purchaser is a wholly-owned subsidiary of Bekaert, which is in turn a public company listed on Euronext® Brussels (BEKB). The principal activity of the Purchaser is investment holding.

## **3. RATIONALE**

The Disposal will enable SSB Group to realise its investment in BSWPL and to focus on its remaining businesses.

## **4. EFFECTS OF THE DISPOSAL**

The Disposal will not have any effect on the issued and paid-up share capital and the shareholdings of the substantial shareholders of the Company.

The Disposal is not expected to have any material effect on the net assets per share and gearing of SSB Group for the financial year ending 30 June 2016.

SSB Group is expected to realise a net gain on disposal of approximately RM25 million based on the Purchase Price and the cost of investment in BSWPL which has been fully impaired as at 30 June 2015. The net gain attributable to owners of the Company represents an increase in earnings per share of approximately 5.9 sen.

SSB

Re: Disposal Of The Entire 45% Equity Interest Held In Bekaert Southern Wire Pte Ltd

**5. APPROVALS REQUIRED**

The Disposal is not subject to the approval of the shareholders of SSB or any regulatory authorities.

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

None of the directors of SSB, major shareholders of SSB and/or persons connected with them have any interest, whether direct or indirect, in the Disposal.

**7. DIRECTORS' STATEMENT**

The Board of Directors of SSB is of the opinion that the Disposal is in the best interest of the Company.

**8. HIGHEST PERCENTAGE RATIO**

Based on the audited consolidated financial statements of SSB for the financial year ended 30 June 2014, the highest percentage ratio applicable to the Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad is 8.49%.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SSA will be made available for inspection at the Company's registered office at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 30 September 2015.