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**SOUTHERN STEEL BERHAD**  
(5283-X)  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS**

in relation to the

**PROPOSED 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 Annual General Meeting ("AGM") of Southern Steel Berhad to be held at Level 1, Training Room B, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Thursday, 27 October 2011 at 3.30 p.m. or any adjournment thereof. The Notice of AGM and the Form of Proxy are enclosed in this Circular.

This Circular is dated 5 October 2011

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## DEFINITIONS

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

“Act”	:	Companies Act, 1965
“AGM”	:	Annual General Meeting
“Board” or “Directors”	:	Board of Directors of SSB
“Bursa Securities”	:	Bursa Malaysia Securities Berhad
“CHI”	:	Cheah Hong Inn Sdn Bhd
“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 :-  (i) a director of the listed issuer, its subsidiary or holding company; or  (ii) a chief executive of the listed issuer, its subsidiary or holding company; and  (iii) in relation to a special purpose acquisition company (“SPAC”), a member of SPAC’s management team
“EGM”	:	Extraordinary General Meeting
“Group Management and/or Support Services”	:	Includes corporate finance, corporate advisory, secretarial and legal services, treasury and risk management services, internal audit, accounting and tax services, share registration, nominees, custodian and ESOS administration services, fund management, human resources management, payroll administration, credit control, information technology related services, training services, investment services, productivity and quality improvement services, planning and compliance services, business development services and any other services as may be agreed between the parties from time to time
“HBH”	:	Hong Bee Hardware Company, Sdn Berhad
“HBE”	:	Hong Bee Engineering Sdn Bhd
“Hong Bee Group”	:	HBH and its subsidiary company
“HIMSB”	:	Hume Industries (Malaysia) Sdn Bhd, a wholly-owned subsidiary of HLI
“HKI”	:	Hock Kheng Industries Sdn Bhd
“HLFG”	:	Hong Leong Financial Group Berhad, a subsidiary of HLCM
“HLFG Group”	:	HLFG and its subsidiaries
“HLCM”	:	Hong Leong Company (Malaysia) Berhad

“HLFM”	:	Hong Leong Fund Management Sdn Bhd, a wholly-owned subsidiary of HLMC
“HLI”	:	Hong Leong Industries Berhad, a subsidiary of HLMG
“HL Marketing”	:	Hong Leong Marketing Co Berhad, a wholly-owned subsidiary of HLI
“HLMC”	:	HL Management Co Sdn Bhd, a wholly-owned subsidiary of HLCCM
“HLMG”	:	Hong Leong Manufacturing Group Sdn Bhd, a wholly-owned subsidiary of HLCCM
“HMMC”	:	HLMG Management Co Sdn Bhd ( <i>formerly known as HLI-Hume Management Co Sdn Bhd</i> ), a wholly-owned subsidiary of HLMG.
“Kim Co”	:	Kim Company Sdn Bhd
“LPD”	:	12 September 2011 being the latest practicable date prior to the printing of this Circular
“MMLR”	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
“major shareholder”	:	<p>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 major shareholder of the listed issuer (means a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share, or the aggregate of the nominal amounts of those shares, is :-</p> <p>(a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or</p> <p>(b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation)</p> <p>or any other corporation which is its subsidiary or holding company.</p> <p>(For the purpose of this definition, “interest in shares” has the meaning given in Section 6A of the Act.)</p>
“Mandated Related Parties”	:	Classes of related parties referred to in Section 2.2 of the circular
“Person connected”	:	<p>In relation to a director, major shareholder or in relation to a SPAC, a member of the management team, means such person who falls under any one of the following categories:-</p> <p>(a) a family member of the director, major shareholder or management team member;</p> <p>(b) a trustee of a trust (other than a trustee for an employee share scheme or pension scheme) under which the director, major shareholder, management team member, or a family member of the director, major shareholder or management team member, is the sole beneficiary;</p>

- (c) a partner of the director, major shareholder, management team member, or a partner of a person connected with that director, major shareholder or management team member;
- (d) a person who is accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director, major shareholder or management team member;
- (e) a person in accordance with whose directions, instructions or wishes the director, major shareholder, or management team member is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate or its directors which/who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the director, major shareholder or management team member;
- (g) a body corporate or its directors whose directions, instructions or wishes the director, major shareholder or management team member is accustomed or under an obligation, whether formal or informal, to act;
- (h) a body corporate in which the director, major shareholder or management team member, or persons connected with him are entitled to exercise, or control the exercise of, not less than 15% of the votes attached to voting shares in the body corporate; or
- (i) a body corporate which is a related corporation

“Proposed Shareholders’ Mandate”	:	Shareholders’ approval for a 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
“related party(ies)”	:	Means a director, major shareholder or person connected with such director or major shareholder
“related party transaction”	:	Means a transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a related party
“RRPT”	:	Recurrent related party transaction of a revenue or trading nature
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Services”	:	Includes investment and fund management services and any other services as may be agreed between the parties from time to time
“Southern Amalgamated”	:	Southern Amalgamated Co Sdn Bhd
“SPIM”	:	Southern Pipe Industry (Malaysia) Sdn Bhd
“SPIM Group”	:	SPIM and its subsidiary company
“SSB” or the “Company”	:	Southern Steel Berhad

“SSB Group”	:	SSB and its subsidiary companies
“SSM”	:	Southern Steel Mesh Sdn Bhd
“SSM Group”	:	SSM and its subsidiary companies
“Su Hock”	:	Su Hock Company Sdn Bhd
“Su Hock Group”	:	Su Hock and its subsidiary company
“SWIM”	:	Southern Wire Industries (Malaysia) Sdn Bhd
“SWIM Group”	:	SWIM and its subsidiary companies



**SOUTHERN STEEL BERHAD**  
(5283-X)  
(Incorporated in Malaysia)

Registered Office:  
Level 3, 2723 Lorong Perusahaan 12  
Prai Industrial Estate  
13600 Prai, Penang

5 October 2011

**DIRECTORS:**

YBhg Datuk Kwek Leng San (Non-Executive Chairman/Non-Independent)  
YBhg Dato' Dr Tan Tat Wai (Group Managing Director/Non-Independent)  
YM Raja Dato' Seri Abdul Aziz bin Raja Salim (Non-Executive Director/Independent)  
Mr Tang Hong Cheong (Non-Executive Director/Non-Independent)  
Mr Ang Kong Hua (Non-Executive Director/Independent)

To: The Shareholders of SOUTHERN STEEL BERHAD

Dear Sir / Madam

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

**1 INTRODUCTION**

At the Company's EGM held on 27 June 2011, the Company had obtained a mandate from its shareholders for the SSB Group to enter into RRPT, which are necessary for the day-to-day operations of the SSB Group, with certain classes of related parties as disclosed therein. The said mandate shall, in accordance with the MMLR, expire at the conclusion of the forthcoming AGM of the Company scheduled to be held on Thursday, 27 October 2011 at 3.30 p.m. ("said AGM"), unless it is renewed at the said AGM.

In connection thereto, on 22 September 2011, the Company announced that your Directors propose to seek shareholders' approval for the Proposed Shareholders' Mandate at the said AGM of the Company.

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

**2 DETAILS OF THE PROPOSED SHAREHOLDERS' MANDATE**

**2.1 Provisions under the MMLR**

Paragraph 10.09(2) of the MMLR provides that a listed issuer may seek a mandate from its shareholders for RRPT subject to 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 shareholders' 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 MMLR;
- (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 must be submitted to Bursa Securities together with a checklist showing compliance with such information;
- (d) in a meeting to obtain 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 to approve the transactions. An interested director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions; and
- (e) the listed issuer immediately announces to Bursa Securities when the actual value of a RRPT entered into by the listed issuer, exceeds the estimated value of the RRPT disclosed in the circular 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 MMLR will not apply with regard to transactions as details in Section 2.3 of this Circular.

## 2.2 Classes of related parties

The RRPT with the related parties are categorised under the following groupings:

### 2.2.1 SSB Group with HLCM and Persons Connected with HLCM

HLCM is a major shareholder of SSB by virtue of its interest through HLMG. HMMC, HIMS B, HLI, HLF G, HLF M, and HLM C are persons connected with HLCM.

HLCM's interests in HLMG, HMMC, HIMS B, HLI, HLF G, HLF M and HLM C as at 12 September 2011 are as follows:

	Direct		Indirect	
	No of shares	%	No of shares	%
HLMG	272,000,000	100.00	-	-
HMMC	-	-	408,000	100.00*
HIMS B	-	-	182,942,871	100.00*
HLI	-	-	240,855,270	75.39*
HLF G	546,773,354	51.94	267,083,546	25.37*
HLF M	-	-	2,000,000	100.00*
HLM C	150,000	100.00	-	-

\* *Held through subsidiary(ies)*

YBhg Datuk Kwek Leng San, a director of SSB, is also a director and a shareholder of HLCM. YBhg Tan Sri Quek Leng Chan, a major shareholder of SSB, is also a director and a major shareholder of HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye, a major shareholder of SSB and HLCM, are brothers. Mr Kwek Leng Beng, a major shareholder of SSB, is a director and a major shareholder of HLCM. Mr Kwek Leng Kee is a major shareholder of SSB and HLCM.



YBhg Datuk Kwek Leng San does not hold any shares in SSB. The shareholdings of HLCM, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye and Mr Kwek Leng Kee in SSB as at 12 September 2011 are as follows:

	Direct		Indirect	
	No of shares	%	No of shares	%
HLCM	-	-	294,160,309	70.14 <sup>@</sup>
YBhg Tan Sri Quek Leng Chan	-	-	301,541,202	71.90 <sup>@@</sup>
Kwek Leng Beng	-	-	301,541,202	71.90 <sup>@@</sup>
Quek Leng Chye	-	-	301,541,202	71.90 <sup>@@</sup>
Kwek Leng Kee	-	-	301,541,202	71.90 <sup>@@</sup>

<sup>@</sup> Held through HLMG.

<sup>@@</sup> Held through HLCM and companies in which the major shareholder has interests.

### 2.2.2 SSB Group with Su Hock Group

YBhg Dato' Dr Tan Tat Wai, a director of SSB, is also a director and a major shareholder of Su Hock and his interest in Su Hock as at 12 September 2011 is as follows:

	Direct		Indirect	
	No of shares	%	No of shares	%
Su Hock	50	0.50	2,070	20.70 <sup>**</sup>

<sup>\*\*</sup> Held through Era of 84 Sdn Bhd and Southgroup Holdings Sdn Bhd.

### 2.2.3 SSB Group with HBH and HBE

Mr Chuah Chuan Thye is a director of SPIM, HBH and HBE. His interests in SPIM, HBH and HBE as at 12 September 2011 are as follows:

	Direct		Indirect	
	No of shares	%	No of shares	%
SPIM	-	-	560,140	0.86 <sup>†</sup>
HBH	83	0.04	55,055	27.50 <sup>†</sup>
HBE	-	-	1,500,000	100.00 <sup>††</sup>

<sup>†</sup> Held through Chua Holdings Sdn Bhd.

<sup>††</sup> Held through HBH.

HBH has a direct interest of 1.76% in SSB whilst HBE does not hold any interest in SSB.

YBhg Tan Sri Quek Leng Chan (a major shareholder of SSB), YBhg Datuk Kwek Leng San (a director of SSB), Mr Quek Leng Chye (a major shareholder of SSB) and Mr Kwek Leng Beng (a major shareholder of SSB) have 8.75%, 0.17%, 0.17% and 0.04% direct interest respectively in HBH. YBhg Tan Sri Quek Leng Chan, Mr Quek Leng Chye and Mr Kwek Leng Kee (a major shareholder of SSB) have 32.48% indirect interest in HBH. Mr Kwek Leng Beng has 42.89% indirect interest in HBH.

#### 2.2.4 SSB Group with CHI

Mr Cheah Cheng Leng is a director of SPIM and CHI. His interests in SPIM and CHI as at 12 September 2011 are as follows:

	Direct		Indirect	
	No of shares	%	No of shares	%
SPIM	20,160	0.03	532,750	0.82*
CHI	6,370,901	47.19	-	-

\* Held through Cheah Hong Inn Holdings Sdn Bhd and the Estate of Cheah Boon Teik, deceased.

CHI does not hold any interest in SSB.

#### 2.2.5 SSB Group with Kim Co

YBhg Dato' Ong Gim Huat is a director of SPIM and Kim Co. His interests in SPIM and Kim Co as at 12 September 2011 are as follows:

	Direct		Indirect	
	No of shares	%	No of shares	%
SPIM	100,054	0.15	1,156,092	1.78 #
Kim Co	2,470	35.00	-	-

# Held through Hoo Kim Holdings Sdn Bhd.

Kim Co does not hold any interest in SSB.

Details of the shareholdings of HLMG, HLCCM, Su Hock, YBhg Dato' Dr Tan Tat Wai, YBhg Datuk Kwek Leng San, Mr Chuah Chuan Thye, Mr Cheah Cheng Leng and YBhg Dato' Ong Gim Huat in SSB are disclosed in Section 5 of this Circular.

### 2.3 **Nature of recurrent related party transactions contemplated**

The Company is principally involved in the manufacturing, sale and trading in billets, steel bars and wire rods whilst the principal activities of its subsidiary companies are as follows:

<u>Direct subsidiary companies</u>	<u>Interest of SSB (%)</u>	<u>Principal activities</u>
Southern Steel Holdings Sdn Bhd	100	Investment holding
Southern Steel Trading Sdn Bhd	100	Dormant
Southern Steel Properties Sdn Bhd	100	Rental of properties
Southern Coated Wire Sdn Bhd	100	Dormant
Southern Galvanised Wire Sdn Bhd	100	Dormant
Southern Steel Solutions Sdn Bhd	100	Dormant
Danstil Sdn Bhd	100	Rental of properties
Southern Steel Management Sdn Bhd	100	Provision of Group's manpower, development and planning

<u>Direct subsidiary companies</u>	<u>Interest of SSB (%)</u>	<u>Principal activities</u>
Southern Steel Mesh Sdn Bhd	97.2	Manufacture and marketing of steel wire mesh, concrete wires, cut and bend bar and trading in steel bar
Southern Wire Industries (Malaysia) Sdn Bhd	99.3	Manufacture and sale of steel wire, wire ropes, tyre bead wire and welding wire, galvanised wire and strand
Southern Pipe Industry (Malaysia) Sdn Bhd	83.7	Manufacture and sale of steel pipes
Southern Speciality Wire Sdn Bhd	75.0	Manufacture and sale of all types of fine steel wire
<u>Subsidiary companies of Southern Steel Holdings Sdn Bhd</u>		
Southern Steel Bar Sdn Bhd	100	Investment Holdings
Southern Steel Industries Sdn Bhd	100	Dormant
<u>Subsidiary companies of Southern Wire Industries (Malaysia) Sdn Bhd</u>		
Southern PC Steel Sdn Bhd	96.8	Manufacture and sale of prestressed concrete strands and wires
Cempaka Raya Sdn Bhd	100	Management for the supply of labor
Trend Staples Industry Sdn Bhd	100	Manufacture and sale of staples and related products
<u>Subsidiary companies of Southern Steel Mesh Sdn Bhd</u>		
Southern Mesh Sdn Bhd	98.7	Management for the supply of labor
E-Tatt Steel Wires Sdn Bhd	100	Trading in steel wire mesh and concrete wire
<u>Subsidiary company of Southern Pipe Industry (Malaysia) Sdn Bhd</u>		
Southern Steel Pipe Sdn Bhd	100	Manufacture, sale and processing of steel pipes
<u>Subsidiary company of Southern Steel Bar Sdn Bhd</u>		
Starglow Investments Ltd	100	Investment Holding

Due to the diversity and size of the SSB Group, it is anticipated that the SSB Group would, in the ordinary course of business, enter into transactions with the classes of related parties set out in Section 2.2. It is likely that such transactions will occur with some degree of frequency and could arise at any time.

Your Directors are now seeking your approval for the Proposed Shareholders' Mandate which will allow the SSB Group, in their normal course of business, to enter into the categories of related party transactions of a revenue or trading nature referred to in this section with the classes of related parties set out in Section 2.2 provided such transactions, if any, are made on the SSB Group's normal commercial terms, on terms not more favourable to the related party than those generally available to the public and are not to the detriment of the minority shareholders.

The Proposed Shareholders' Mandate, if approved at the said AGM, will take immediate effect and will continue in force until the conclusion of the next AGM of the Company, unless revoked or varied by the Company in a general meeting, whichever is the earlier.

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

(A) Recurrent related party transactions with HLCM and persons connected with HLCM are as follows:

Nature of Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value from date of EGM on 27 June 2011 to AGM in October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of EGM on 27 June 2011 up to the LPD) ("Actual Value") (RM'000)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM'000)	Frequency of Transaction
Sale of steel products	SSM Group	HIMB Group	YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee, HLMG and HLCM	8,000	1,899	Nil @	Monthly
	SWIM Group	HIMB Group		2,000	289	Nil @	Weekly
	SSB	HLI Group		80,000	22,375	142,500	Daily
	SSM Group	HLI Group		30,000	6,031	97,500 @	Daily
	SWIM Group	HLI Group		-	-	7,500 @ **	Monthly
Receipt of Services	HLFM	SSB Group	YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee and HLCM	1,010	22	2,020	Daily
Purchase of insurance	HLFG Group	SPIM		1,000	26	4,500	Monthly

(A) Recurrent related party transactions with HLCM and persons connected with HLCM are as follows:

Nature of Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value from date of EGM on 27 June 2011 to AGM in October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of EGM on 27 June 2011 up to the LPD) ("Actual Value") (RM'000)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM'000)	Frequency of Transaction
Receipt of Group Management and / or support services	HLMC	SSB Group	YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng, Mr Kwek Leng Chye, Mr Kwek Leng Kee, HLMG and HLCM	Nil	Nil	8,000**	Daily
Receipt of Group Management and / or support services	HMMC	SSB Group		Nil	Nil	2,000**	Daily
Total (RM'000)				122,010	30,642	264,020	

(B) Recurrent related party transactions with Su Hock Group are as follows:

Nature of Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value from date of EGM on 27 June 2011 to AGM in October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of EGM on 27 June 2011 up to the LPD) ("Actual Value") (RM'000)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM'000)	Frequency of Transaction
Ocean freight and handling charges	Su Hock Group	SSB	YBhg Dato' Dr Tan Tat Wai	200	31	450	Monthly

(C) Recurrent related party transactions with HBH and HBE are as follows:

Nature of Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value from date of EGM on 27 June 2011 to AGM in October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of EGM on 27 June 2011 up to the LPD) ("Actual Value") (RM'000)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM'000)	Frequency of Transaction
Purchase of quicklime	HBH	SSB	Mr Chuah Chuan Thye, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee	4,000	7	4,500	Daily
Sale of Steel products	SSB	HBE		60,000	11,820	97,500	Daily
	SPIM	HBH		25,000	2,424	30,000	Daily
	SSM Group	HBH		40,000	6,146	45,000	Daily
Total (RM'000)				129,000	20,397	177,000	

(D) Recurrent related party transactions with CHI are as follows:

Nature of Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value from date of EGM on 27 June 2011 to AGM in October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of EGM on 27 June 2011 up to the LPD) ("Actual Value") (RM'000)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM'000)	Frequency of Transaction
Sale of steel products	SPIM	CHI	Mr Cheah Cheng Leng	60,000	6,776	90,000	Daily

(E) Recurrent related party transactions with Kim Co are as follows:

Nature of Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value from date of EGM on 27 June 2011 to AGM in October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of EGM on 27 June 2011 up to the LPD) ("Actual Value") (RM'000)	*Estimated aggregate value during the validity period of the Proposed Shareholders' Mandate ("Current Estimated Value") (RM'000)	Frequency of Transaction
Sale of steel products	SPIM Group	Kim Co	YBhg Dato' Ong Gim Huat	20,000	3,057	37,500	Daily

Notes:

@ *HIMB is now a subsidiary of HLI. Accordingly, the Current Estimated Value for the respective transactions are now categorised under HLI Group.*

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

\*\* *New Transactions.*

*None of the Actual Value of the RRPT as disclosed above has exceeded the Estimated Value of 10% or more.*



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

There are procedures established by the SSB Group to ensure that recurrent related party transactions of a revenue or trading nature are undertaken on commercial terms consistent with the SSB Group's usual business practices and policies and on terms not more favourable to the Mandated Related Parties than those generally available to and/or from the public and are not detrimental to the minority shareholders.

The SSB Group will implement the following procedures to supplement existing internal procedures for general transactions to ensure that recurrent related party transactions of a revenue or trading nature are undertaken on commercial terms:

- (a) all companies within the SSB Group have been and will be kept informed of the Mandated Related Parties and the review of procedures applicable to all recurrent related party transactions of a revenue or trading nature with such Mandated Related Parties;
- (b) proper records will be maintained to capture all recurrent related party transactions of a revenue or trading nature entered into pursuant to the Proposed Shareholders' Mandate to ensure accurate disclosure thereof;
- (c) the Audit Committee will undertake periodic review of recurrent related party transactions of a revenue or trading nature. In their review and approval of such transactions, the Audit Committee may, as they deem fit, request for additional information pertaining to the transactions from independent sources or advisers;
- (d) the Audit Committee shall have overall responsibility for the determination of the review procedures. If a member of the Audit Committee has an interest in any particular transaction, he will abstain from deliberation on such transaction; and
- (e) the pricing shall be at the prevailing international market price/prices of the service or product including, where appropriate, preferential rates and discounts accorded for bulk purchases (the same as are accorded to third party bulk purchase) and on the service or product provider's usual commercial terms and otherwise in accordance with applicable industry norm. The premium of the insurance shall be based on the premium formula of the respective insurance companies.

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 produces/services and/or quantities.

In the event that quotation or comparative pricing from unrelated third parties cannot be obtained, the Audit Committee 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 advisors.

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

- (a) a register is maintained to record all recurrent related party transactions which are entered into pursuant to the Proposed Shareholders' Mandate; and

- (b) the Audit Committee will undertake 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 is no internal threshold approval for the recurrent related party transactions within the SSB Group.

The Audit Committee of the Company has reviewed the above procedures and is satisfied that the said procedures 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 Audit Committee who is interested in any transaction shall abstain from reviewing and deliberating on such transaction.

## 2.5 Thresholds for approval of RRPT within the SSB Group

There are no specific thresholds for approval of RRPT within the SSB Group. If it is determined that the methods and/or procedures stated in Section 2.4 of this Circular are inadequate and to ensure that:-

- (a) the RRPT will be conducted on normal commercial terms which are not more favourable to the Mandated Related Parties than those generally available to and/or from the public; and
- (b) such transactions are not to the detriment of the minority shareholders of the Company,

the Company will obtain a fresh shareholders' mandate based on new guidelines and procedures. The Audit Committee shall also have the discretion to request for limits to be imposed or for additional procedures to be followed if it considers such a request to be appropriate. In that event, such limits or procedures may be implemented without the approval of shareholders, provided that they are more stringent than the existing limits or procedures.

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

SSB was restructured into a joint venture company in the 1980's with HLI and HBH as marketing partners. CHI and Kim Co were original shareholders and marketing partners of SPIM.

	Estimated value From October 2011, date of AGM to AGM in December 2012 (RM'000)	
	Purchases	Sales
Total related party transactions of a revenue or trading nature as disclosed in Section 2.3 above (for SSB Group)	21,470	547,500

Included in the above total related party transactions of a revenue or trading nature are RRPT entered into by SSB Group in accordance with the market partnership arrangements which constitute the bulk of the related party transactions of a revenue or trading nature as follows:-.

	Estimated value From October 2011, date of AGM to AGM in December 2012 (RM'000)	
	Purchases	Sales
Hong Bee Group	4,500	172,500
HL Marketing	-	247,500
CHI	-	90,000
Kim Co	-	37,500
Total	4,500	547,500

The Proposed Shareholders' Mandate would eliminate the need to convene separate general meetings from time to time to seek shareholders' approval as and when potential RRPT with any Mandated Related Parties arise, thereby reducing substantially administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the SSB Group.

The SSB Group has a long standing business relationship with the Mandated Related Parties (approximately 46 years with Hong Bee Group, 44 years with Kim Co and CHI and 28 years with Hong Leong Group). The Mandated Related Parties are both good customers of the SSB Group as well as reliable suppliers of goods and services required by the SSB Group for its businesses. The goods and services provided by the Mandated Related Parties are priced competitively and all transactions between the SSB Group and the Mandated Related Parties are carried out on an arm's length basis. Although the SSB Group also sources similar products and services from third parties, the SSB Group would like to seek approval for the Proposed Shareholders' Mandate as the close co-operation between the SSB Group and the Mandated Related Parties has reaped mutual benefits and has been and is expected to continue to be of benefit to the business of the SSB Group.

Disclosure will be made in the annual report of the Company of the breakdown of the aggregate value of the RRPT conducted pursuant to the Proposed Shareholders' Mandate during the current financial year and in the annual reports for the subsequent financial years based on the following:

- (a) the type of the RRPT made; and
- (b) the names of the related parties involved in each type of the RRPT made and their relationship with the SSB Group.

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

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

## 5 DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

The interested directors, namely YBhg Datuk Kwek Leng San and YBhg Dato' Dr Tan Tat Wai had abstained from deliberation and voting on the relevant proposed ordinary resolutions pertaining to the Proposed Shareholders' Mandate in which they are interested at the Board Level. YBhg Datuk Kwek Leng San, YBhg Dato' Dr Tan Tat Wai, Mr Chuah Chuan Thye, Mr Cheah Cheng Leng and YBhg Dato' Ong Gim Huat will abstain from voting in respect of their direct and/or indirect interests (as set out in the table below) on the relevant proposed ordinary resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the said AGM of the Company.

The interested major shareholders, namely YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee, HLCM and HLMG will abstain from voting in respect of their direct and/or indirect interests (as set out in the table below) on the relevant proposed ordinary resolutions pertaining to the Proposed Shareholders' Mandate to be tabled at the said AGM of the Company.

The interested directors and interested major shareholders will ensure that persons connected with them (as set out in the table below) will also abstain from voting in respect of their direct and/or indirect interests, on the relevant proposed ordinary resolutions deliberating or approving pertaining to the Proposed Shareholders' Mandate at the said AGM.

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

The direct and/or indirect interests of the interested directors, interested major shareholders and persons(s) connected with them in SSB as at 12 September 2011 are as follows:

	Direct		Indirect	
	No. of shares	%	No. of shares	%
<b>Major and Deemed Major Shareholders</b>				
HLMG	173,879,054	41.46	120,281,255	28.68 <sup>(1)</sup>
HLCM	-	-	294,160,309	70.14 <sup>(2)</sup>
YBhg Tan Sri Quek Leng Chan	-	-	301,541,202	71.90 <sup>(3)</sup>
Mr Quek Leng Chye	-	-	301,541,202	71.90 <sup>(3)</sup>
Mr Kwek Leng Beng	-	-	301,541,202	71.90 <sup>(3)</sup>
Mr Kwek Leng Kee	-	-	301,541,202	71.90 <sup>(3)</sup>
<b>Directors</b>				
YBhg Datuk Kwek Leng San	-	-	-	-
YBhg Dato' Dr Tan Tat Wai	14,854	0.00 *	32,980,223	7.86 <sup>(4)</sup>
<b>Directors of Subsidiaries</b>				
Mr Chuah Chuan Thye	14,854	0.00 *	8,293,288	1.98 <sup>(5)</sup>
Mr Cheah Cheng Leng	-	-	-	-
YBhg Dato' Ong Gim Huat	10,000	0.00 *	-	-

<b>Persons Connected</b>				
Southern Amalgamated <sup>(6)</sup>	32,487,806	7.75	-	-
Su Hock	972,815	0.23	32,487,806	7.75 <sup>(7)</sup>
YBhg Datin Wang Hui Tzu <sup>(8)</sup>	10,000	0.00 *	-	-
HKI <sup>(9)</sup>	482,417	0.12	-	-
Chua Holdings Sdn Bhd <sup>(10)</sup>	921,795	0.22	-	-
HBH <sup>(11)</sup>	7,371,493	1.76	-	-
HIMSB <sup>(12)</sup>	-	-	-	-
HLI <sup>(12)</sup>	-	-	-	-
HLFG <sup>(12)</sup>	-	-	-	-
HLFM <sup>(12)</sup>	-	-	-	-
HLMC <sup>(12)</sup>	-	-	-	-
HMMC <sup>(12)</sup>	-	-	-	-

\* Negligible.

(1) Held through a company in which HLMG has interest.

(2) Held through HLMG.

(3) Held through HLCM and companies in which the major shareholder has interests.

(4) Held through Southern Amalgamated, HKI (YBhg Dato' Dr Tan Tat Wai has an indirect interest of 66.44% in Southern Amalgamated and direct and indirect interests of 15% and 10% respectively in HKI as at 12 September 2011) and spouse.

(5) Held through HBH and Chua Holdings Sdn Bhd (Mr Chuah Chuan Thye has direct and indirect interests of 0.04% and 27.50% respectively in HBH and direct and indirect interests of 30.80% and 69.20% respectively in Chua Holdings Sdn Bhd as at 12 September 2011).

(6) A company in which YBhg Dato' Dr Tan Tat Wai has an indirect interest of 66.44% as at 12 September 2011.

(7) Held through Southern Amalgamated (Su Hock has a direct interest of 50.00% in Southern Amalgamated as at 12 September 2011).

(8) Spouse of YBhg Dato' Dr Tan Tat Wai.

(9) A company in which YBhg Dato' Dr Tan Tat Wai has direct and indirect interests of 15.00% and 10.00% respectively as at 12 September 2011.

(10) A company in which Mr Chuah Chuan Thye has direct and indirect interests of 30.80% and 69.20% respectively as at 12 September 2011.

(11) A company in which Mr Chuah Chuan Thye has direct and indirect interests of 0.04% and 27.50% respectively as at 12 September 2011.

(12) Subsidiary of HLCM.

## 6 DIRECTORS' RECOMMENDATION

Your Directors (except for YBhg Datuk Kwek Leng San and YBhg Dato' Dr Tan Tat Wai), having taken into consideration all aspects of the Proposed Shareholders' Mandate, are of the opinion that the Proposed Shareholders' Mandate is in the best interest of the SSB Group and accordingly, your Directors (except for YBhg Datuk Kwek Leng San and YBhg Dato' Dr Tan Tat Wai who are deemed interested in the Proposed Shareholders' Mandate) recommend that you vote in favour of the proposed ordinary resolutions to be tabled at the said AGM.

## **7 RESOLUTION ON THE PROPOSED SHAREHOLDERS' MANDATE AND AGM**

The proposed ordinary resolutions on the Proposed Shareholders' Mandate will be tabled at the said AGM of SSB to be held at Level 1, Training Room B, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Thursday, 27 October 2011 at 3.30 p.m. or any adjournment thereof. The said resolutions are set out in the Notice of the said AGM which is enclosed in this Circular.

The Notice of the said AGM and the Form of Proxy are enclosed in this Circular.

If you are unable to attend the said AGM in person, please complete the Form of Proxy and forward it to the Registered Office of SSB at Level 3, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang, so as to arrive not less than forty-eight (48) hours before the time for convening the said AGM or at any adjournment thereof.

The completion and return of the Form of Proxy will not preclude you from attending and voting at the said AGM in person 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 of this Circular for further information.

Yours faithfully  
For and on behalf of the Board

YM RAJA DATO' SERI ABDUL AZIZ BIN RAJA SALIM  
Director

**FURTHER INFORMATION**

**1 DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Directors 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 facts, the omission of which would make any statement herein misleading.

**2 MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at LPD, SSB Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors are not aware of any proceeding pending or threatened, against the SSB Group or any facts likely to give rise to any proceedings which might materially affect the position or business of the SSB Group.

**3 MATERIAL CONTRACTS**

There are no 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.

**4 DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of the Company at Level 3, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular to the date of the said AGM:

- (a) Memorandum and Articles of Association of the Company; and
- (b) Audited financial statements of the SSB Group for the two (2) financial years ended 31 December 2009 and 30 June 2011.



**SOUTHERN STEEL BERHAD**  
(5283-X)  
(Incorporated in Malaysia)

## **NOTICE OF ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting of Southern Steel Berhad (the "Company") will be held at Level 1 Training Room B, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Thursday, 27 October 2011 at 3.30 p.m. in order:

- 1 To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial period ended 30 June 2011.
- 2 To approve the payment of Director fees of RM720,001/- for the financial period ended 30 June 2011 to be divided amongst the Directors in such manner as the Directors may determine. (Resolution 1)
- 3 To re-elect the following retiring Directors:
  - (a) Mr Ang Kong Hua (Resolution 2)
  - (b) Mr Tang Hong Cheong (Resolution 3)
- 4 To pass the following motion as an Ordinary Resolution:

"THAT YM Raja Dato' Seri Abdul Aziz bin Raja Salim, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (Resolution 4)
- 5 To appoint Auditors and to authorise the Directors to fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked as "Annexure" in the Annual Report, has been received by the Company for the nomination of Messrs KPMG, who have given their consent to act, as Auditors of the Company and of the intention to propose the following Ordinary Resolution:

- "THAT Messrs KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors." (Resolution 5)



## **SPECIAL BUSINESS**

As special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions:

### **6 Authority To Directors To Issue Shares**

“THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.”

(Resolution 6)

### **7 Proposed Shareholders’ Mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad (“HLCM”) and persons connected with HLCM**

“THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with HLCM and persons connected with HLCM (“Hong Leong Group”) provided that:

- (a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group 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
- (b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.”

(Resolution 7)

### **8 Proposed Shareholders’ Mandate for recurrent related party transactions of a revenue or trading nature with Su Hock Company Sdn Bhd (“Su Hock”) and its subsidiary**

“THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with Su Hock and its subsidiary (“Su Hock Group”) provided that:

- (a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Su Hock Group 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
- (b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

(Resolution 8)

9 **Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad ("HBH") and Hong Bee Engineering Sdn Bhd ("HBE")**

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with HBH and HBE provided that:

- (a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to HBH and HBE 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
- (b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

(Resolution 9)

10 **Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with Cheah Hong Inn Sdn Bhd ("CHI")**

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with CHI provided that:

- (a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to CHI 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

- (b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.”

(Resolution 10)

**11 Proposed Shareholders’ Mandate for recurrent related party transactions of a revenue or trading nature with Kim Company Sdn Bhd (“Kim Co”)**

“THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with Kim Co provided that:

- (a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Kim Co 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
- (b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution.”

(Resolution 11)

- 12 To consider any other business of which due notice shall have been given.

By Order of the Board

Ting Kok Keong  
Company Secretary

Penang  
5 October 2011

**Notes:**

- 1 A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy but not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- 2 The Form of Proxy must be deposited at the Registered Office of the Company at Level 3, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang not less than forty-eight (48) hours before the time of the meeting or adjourned meeting.

## **Explanatory Notes on Special Business.**

### **1 Authority To Directors To Issue Shares**

The proposed ordinary resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 3 May 2010 and which will lapse at the conclusion of the Forty-Ninth Annual General Meeting.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

### **2 Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Shareholders' Mandate")**

The proposed ordinary resolutions, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the SSB Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company.

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 5 October 2011 which is despatched together with the Company's Annual Report.

## FORM OF PROXY

CDS ACCOUNT NO.

\_\_\_\_\_

I / We \_\_\_\_\_

NRIC/Passport/Company No. \_\_\_\_\_

of \_\_\_\_\_ (Full address)

being a member of SOUTHERN STEEL BERHAD, hereby appoint \_\_\_\_\_

NRIC/ Passport No. \_\_\_\_\_

of \_\_\_\_\_

or failing him/her \_\_\_\_\_

NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me / us on my / our behalf at the Forty-Ninth Annual General Meeting of Southern Steel Berhad to be held at the Level 1, Training Room B, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Thursday, 27 October 2011 at 3.30 p.m. and at any adjournment thereof.

My/our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

RESOLUTIONS	FOR	AGAINST
1 To approve the payment of Director fees		
2 To re-elect Mr Ang Kong Hua as a Director		
3 To re-elect Mr Tang Hong Cheong as a Director		
4 To re-appoint YM Raja Dato' Seri Abdul Aziz bin Raja Salim as a Director pursuant to Section 129 of the Companies Act, 1965.		
5 To appoint Messrs KPMG as Auditors in place of the retiring Auditors, Messrs PricewaterhouseCoopers and to authorise the Directors to fix their remuneration		
<b>Special Business</b>		
6 To approve the ordinary resolution on authority to Directors to issue shares		
7 To approve the ordinary resolution on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
8 To approve the ordinary resolution on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Su Hock Company Sdn Bhd and its subsidiary		
9 To approve the ordinary resolution on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Hong Bee Hardware Company, Sdn Berhad and Hong Bee Engineering Sdn Bhd		
10 To approve the ordinary resolution on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Cheah Hong Inn Sdn Bhd		
11 To approve the ordinary resolution on the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Kim Company Sdn Bhd		

Please indicate with an "X" in the appropriate space how you wish your vote to be cast. If you do not indicate how your proxy is to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

**NOTES:**

- A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- To be valid this form duly completed must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, before the time appointed for the taking of the poll.
- A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
- A member who wishes to nominate more than one (1) proxy to attend the meeting must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to be entitled to vote in respect of 100% of the shareholdings of his appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.
- If the appointor is a corporation, this form must be executed under its Common Seal or under the hand of its attorney.

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	NO. OF SHARES	PERCENTAGE
PROXY 1		
PROXY 2		
TOTAL		100%

DATED THIS \_\_\_\_\_ DAY \_\_\_\_\_ OF 2011

SIGNATURE(S) / COMMON SEAL OF MEMBER(S)

NUMBER OF SHARES HELD \_\_\_\_\_

PLEASE FOLD HERE

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Affix stamp here

The Company Secretary  
SOUTHERN STEEL BERHAD  
Level 3, 2723 Lorong Perusahaan 12  
Prai Industrial Estate  
13600 Prai, Penang

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PLEASE FOLD HERE

A printed copy of the Annual Report will be forwarded to shareholders within 4 market days from the date of receipt of the verbal or written request. The request must be directed to:

The Company Secretary

**Southern Steel Berhad**

Level 3, 2723 Lorong Perusahaan 12

Prai Industrial Estate

13600 Prai, Penang

**Tel: 604-390 6540 Fax: 604-390 8060**

**Attn: Mr Ting Kok Keong**

**E-mail: [ting.kokkeong@southsteel.com](mailto:ting.kokkeong@southsteel.com)**

Please send me a printed copy of Southern Steel Berhad's 2011 Annual Report.

Sila hantar satu salinan Laporan Tahunan 2011 Southern Steel Berhad kepada saya.

Name / Nama:

---

Address / Alamat:

---

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CDS Account No / No Akaun CDS:

---

Tel No / No Telefon:

---

Signature of Shareholder / Tandatangan Pemegang Saham:

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PLEASE FOLD HERE

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Affix stamp here

The Company Secretary  
SOUTHERN STEEL BERHAD  
Level 3, 2723 Lorong Perusahaan 12  
Prai Industrial Estate  
13600 Prai, Penang

---

PLEASE FOLD HERE