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CIRCULAR TO SHAREHOLDERS

in relation to the

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

The resolutions in respect of the above proposal will be tabled at the forthcoming Annual General Meeting ("AGM") of Southern Steel Berhad ("SSB") to be held at the Training Room B, Level 1, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Monday, 29 October 2012 at 3.30 p.m. and at any adjournment thereof. The Notice of AGM and the Form of Proxy are set out in the 2012 Annual Report of SSB and this Circular.

This Circular is dated 5 October 2012

DEFINITIONS

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

“Act”	:	Companies Act, 1965, as amended from time to time and any re-enactment thereof
“AGM”	:	Annual General Meeting
“Board” or “Directors”	:	Board of Directors of SSB
“Bursa Securities ”	:	Bursa Malaysia Securities Berhad
“ESOS”	:	Executive Share Option Scheme of SSB
“Group Management And/Or Support Services”	:	Include services such as corporate finance, corporate advisory, secretarial, legal, treasury and risk management, internal audit, accounting and tax, share registration, nominees, custodian and ESOS administration, fund management, human resources management, payroll administration, credit control, information technology related services, training, investment, productivity and quality improvement, planning and compliance, business development, support on corporate social responsibility initiatives and any other services as may be agreed between the parties from time to time
“HKI”	:	Hock Kheng Industries Sdn Bhd
“HLCM”	:	Hong Leong Company (Malaysia) Berhad, the ultimate holding company of SSB with 70.14% equity interest
“HLFG”	:	Hong Leong Financial Group Berhad, a 77.31% subsidiary of HLCM
HLFG Group	:	HLFG and its subsidiaries
“HLFM”	:	Hong Leong Fund Management Sdn Bhd, a wholly-owned subsidiary of HLMC
“HLI”	:	Hong Leong Industries Berhad, a 75.39% indirect subsidiary of HLCM
HLI Group	:	HLI and its subsidiaries
HL Marketing	:	Hong Leong Marketing Co Berhad, a wholly-owned subsidiary of HLI
“HLMC”	:	HL Management Co Sdn Bhd, a wholly-owned subsidiary of HLCM
“HLMG”	:	Hong Leong Manufacturing Group Sdn Bhd, the holding company of SSB with 70.14% equity interest
“HMMC”	:	HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of HLMG

DEFINITIONS (Cont'd)

“Hong Bee Group”	:	Hong Bee Hardware Company, Sdn Berhad and its subsidiaries
“LPD”	:	10 September 2012, 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
“Mandated Related Parties”	:	Classes of related parties referred to in Section 2.2 of this Circular
“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 transaction”	:	Means a transaction entered into by the Company or its subsidiaries which involves the interest, direct or indirect, of a related party
“RRPT”	:	Related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations
“RM” and “sen”	:	Ringgit Malaysia and sen respectively
“Services”	:	Include 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
“SPC”	:	Southern PC Steel Sdn Bhd, a wholly-owned subsidiary of SSB
“SPIM”	:	Southern Pipe Industry (Malaysia) Sdn Bhd, a 83.67% subsidiary of SSB
“SPIM Group”	:	SPIM and its subsidiary
“SSB” or the “Company”	:	Southern Steel Berhad, a 70.14% subsidiary of HLMG
“SSB Group”	:	SSB and its subsidiaries
“SSM”	:	Southern Steel Mesh Sdn Bhd, a wholly-owned subsidiary of SSB
“SSM Group”	:	SSM and its subsidiaries
“SWIM”	:	Southern Wire Industries (Malaysia) Sdn Bhd (now known as Bekaert Southern Wire Sdn Bhd), an indirect 45% associated company of SSB
“SWIM Group”	:	SWIM and its subsidiary

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

5 October 2012

DIRECTORS:

YBhg Datuk Kwek Leng San (Chairman; Non-Executive/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)
Mr Seow Yoo Lin (Non-Executive Director/Independent)

To: The Shareholders of Southern Steel Berhad

Dear Sir/Madam

PROPOSED SHAREHOLDERS' MANDATE ON RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**1. INTRODUCTION**

At the Company's AGM held on 27 October 2011, the Company obtained mandates from its shareholders for the SSB Group to enter into RRPT with related parties. The said mandates shall, in accordance with the MMLR, expire at the conclusion of the forthcoming AGM of the Company scheduled to be held on Monday, 29 October 2012 at 3.30 p.m. ("Said AGM"), unless it is renewed at the Said AGM.

In connection thereto, on 17 August 2012, the Company announced that your Directors propose to seek shareholders' approval for the Proposed Shareholders' Mandate at the Said AGM.

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 of a listed issuer or its subsidiaries 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 shareholder 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 the 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 to shareholders 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 detailed in Section 2.3 of this Circular.

The Company proposes to seek the Proposed Shareholders' Mandate from its shareholders for the SSB Group to enter into transactions with related parties which are of a revenue or trading nature and necessary for the day-to-day operations 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.

The Proposed Shareholders' Mandate, if approved at the Said AGM, will take immediate effect upon the conclusion of the Said AGM and will continue to be in force until the conclusion of the next AGM of the Company or until the expiration of the period within which the next AGM is required by law to be held (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act), unless revoked or varied by the Company in a general meeting, whichever is the earlier.

2.2 Classes of related parties

Shareholders' approval is sought for the Proposed Shareholders' Mandate involving RRPT which are carried out by companies within the SSB Group with any of the following classes of related parties:

- HLCM (a major shareholder of SSB through HLMG) and persons connected with HLCM ("Hong Leong Group") including but not limited to those as listed in Appendix II of this Circular.

- Su Hock Company Sdn Bhd (“Su Hock”) and its subsidiaries (“Su Hock Group”). YBhg Dato’ Dr Tan Tat Wai (a Director and major shareholder of SSB) has direct (0.50%) and indirect (20.70%) interests in Su Hock. YBhg Dato’ Dr Tan Tat Wai’s indirect interest in Su Hock is through Era of 84 Sdn Bhd and Southgroup Holdings Sdn Bhd, companies in which he has a major shareholding.
- Hong Bee Hardware Company, Sdn Berhad (“HBH”) and Hong Bee Engineering Sdn Bhd (“HBE”). Mr Chuah Chuan Thye (a Director of SPIM, HBH and HBE) has indirect (0.86%) interest in SPIM, and direct (0.04%) and indirect (28.41%) interests in HBH. HBE is a wholly-owned subsidiary of HBH. Mr Chuah Chuan Thye’s indirect interest in HBH is through Chua Holdings Sdn Bhd (“Chua Holdings”), a company in which he has a major shareholding. 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 interests respectively in HBH. YBhg Tan Sri Quek Leng Chan, Mr Quek Leng Chye and Mr Kwek Leng Kee (a major shareholder of SSB) have an aggregate indirect interest of 32.48% in HBH. Mr Kwek Leng Beng has 42.89% indirect interest in HBH. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers.
- Cheah Hong Inn Sdn Bhd (“CHI”). Mr Cheah Cheng Leng (a Director of SPIM and CHI) has direct (47.19%) interest in CHI. He also has direct (0.03%) and indirect (0.82%) interests in SPIM and his indirect interest in SPIM is through Cheah Hong Inn Holdings Sdn Bhd, a company in which he has a major shareholding, and the Estate of Cheah Boon Teik, deceased.
- Kim Company Sdn Bhd (“Kim Co”). YBhg Dato’ Ong Gim Huat (a Director of SPIM and Kim Co) has direct (35%) interest in Kim Co. He also has direct (0.15%) and indirect (1.78%) interests in SPIM and his indirect interest in SPIM is through Hoo Kim Holdings Sdn Bhd, a company in which he has a major shareholding.
- Bekaert Southern Wire Pte Ltd (“BSWPL”) and its subsidiaries (“BSWPL Group”). BSWPL is a 45% associated company of SSB. HLMG, HLCM, YBhg Tan Sri Quek Leng Chan, Mr Quek Leng Chye, Mr Kwek Leng Beng and Mr Kwek Leng Kee have indirect interests of 45% in BSWPL.

Details of the shareholdings of HLMG, HLCM, 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 set out 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 and other steel products. Details of subsidiaries of SSB undertaking these activities are set out in Appendix III of this Circular.

The Hong Leong Group is also involved in a diverse range of industries including, inter-alia, manufacturing, procuring and assembling of motorcycles, scooters, motorcycle engines and related parts and products; distribution of motorcycles and motorcycle components; provision of maintenance and repair services for motorcycles; manufacturing and sale of ceramic tiles; provision of research and development services for motorcycles, ceramic tiles and concrete products; distribution of building materials; manufacturing and sale of newsprint and related paper products; manufacturing and sale of concrete and related products; manufacturing and sale of fibre cement products and concrete roofing tiles; manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes; design, manufacture and supply of furniture and interior design fit-out works; commercial banking business and provision of related services which include Islamic Banking business, real property investment; insurance and takaful businesses; investment banking, stockbroking business, futures broking and related financial services; nominees and custodian services; unit trust management, fund management and sale of unit trusts; property investment and development; project and property management; hotel operations; provision of management, training and security guard services; and manufacturing and sale of cement and other related products. In view of the diversity of the Hong Leong Group's business, it is envisaged that in the normal course of business of the SSB Group, transactions in respect of goods and/or services between companies in the SSB Group and the Hong Leong Group will occur with some degree of frequency from time to time and may arise at any time.

The Group Management And/Or Support Services are part of the shared services of companies within the Hong Leong Group. These shared services are provided in-house in order to align with the Hong Leong Group's corporate objective and management disciplines and to reduce operating cost and improve efficiency such as through economies of scale, better utilisation and allocation of resources, standardisation of processes and operating procedures and information technology. Accordingly, the Board considers it beneficial to enter into transactions in respect of the Group Management And/Or Support Services. The Group Management And/Or Support Services are carried out 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 which will not be detrimental to the minority shareholders of SSB.

Details of RRPT carried out/contemplated shall include, but not limited to, those described below:

(A) RRPT with the Hong Leong Group are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 5 October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of AGM on 27 October 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)
Sale of steel products	SSB	HLI Group	Interested related parties	142,500	99,214	211,000
	SSM Group	HLI 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	97,500	50,810	108,000
	SWIM Group	HLI Group		7,500	1,462	Not applicable @
	SPC	HLI Group		-	-	7,500 @
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	2,020	143	2,020
Purchase of insurance	HLFG Group	SPIIM		4,500	84	4,500
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 Quek Leng Chye, Mr Kwek Leng Kee and HLCM	8,000	345	8,000
	HMMC	SSB Group		2,000	1,375	2,000

(B) RRPT with Su Hock Group is as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 5 October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of AGM on 27 October 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)
Ocean freight and handling charges	Su Hock Group	SSB	YBhg Dato' Dr Tan Tat Wai	450	234	2,000

(C) RRPT with HBH and HBE are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 5 October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of AGM on 27 October 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)
Purchase of quicklime	HBH	SSB	Interested related parties	4,500	1,300	4,500
Sale of Steel products	SSB	HBE	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	97,500	43,859	97,500
	SPIM	HBH		30,000	10,138	30,000
	SSM Group	HBH		45,000	20,296	53,000

(D) RRPT with CHI is as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 5 October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of AGM on 27 October 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)
Sale of steel products	SPIM	CHI	Mr Cheah Cheng Leng	90,000	26,337	90,000

(E) RRPT with Kim Co is as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 5 October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of AGM on 27 October 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)
Sale of steel products	SPIM Group	Kim Co	YBhg Dato' Ong Gim Huat	37,500	17,381	37,500

(F) RRPT with BSWPL Group is as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 5 October 2011 ("Estimated Value") (RM'000)	Actual value transacted (from date of AGM on 27 October 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)
Provision of services, including but not limited to information technology, security and other services	SSB Group	BSWPL 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	-	-	4,000**

Notes:

* The Current Estimated Value of the transactions is 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 transaction

@ The sale of steel products previously provided by a subsidiary of SWIM, namely SPC which is now a direct wholly-owned subsidiary of SSB, to HLI Group under Section (A) is now categorised under SPC due to an internal re-organisation of the SSB Group.

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

2.4 Amount due and owing by related parties

As at the financial year ended 30 June 2012, there is no amount due and owing to the Company by its related parties arising from the RRPT as set out in Sections 2.3(A) to 2.3(F) of this Circular, which exceeded the credit term.

2.5 Methods or procedures on which transaction prices are determined/review procedures for recurrent related party transactions

There are procedures established by the SSB Group to ensure that the RRPT which are in the ordinary course of business are conducted 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, where applicable, 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 the RRPT are conducted 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 the RRPT with such Mandated Related Parties;
- (b) proper records will be maintained to capture all the RRPT entered into pursuant to the Proposed Shareholders' Mandate to ensure accurate disclosure thereof;
- (c) the Audit Committee of the Company will undertake periodic review of the RRPT. 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 of the Company shall have overall responsibility for the determination of the review procedures. If a member of the Audit Committee of the Company 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 of the Company in its review of the RRPT may, as it deems fit and whenever available, request for additional information pertaining to the transactions from independent sources or advisers and will ensure that the RRPT is not detrimental to the SSB Group.

To monitor, track and identify the RRPT, 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.

- (b) The Audit Committee of the Company will undertake quarterly review of RRPT 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 are no specific thresholds for approval of RRPT within the SSB Group. However, all RRPT are subject to the approval of the Heads of the relevant operating companies or such persons to whom they may delegate such power subject always to any SSB Group's policies that may be issued from time to time.

The Audit Committee of the Company will review the existing procedures and processes, on an annual basis and as and when required, to ensure that the RRPT are at all times carried out on commercial terms consistent with the SSB Group's usual business practices and policies.

The Audit Committee of the Company has reviewed the above procedures and is satisfied that the said procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner and are sufficient to ensure that the RRPT 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 of the Company who is interested in any transaction shall abstain from reviewing and deliberating on such transaction.

2.6 Validity period of the Proposed Shareholders' Mandate

The Proposed Shareholders' Mandate if approved at the Said AGM, shall take effect immediately and shall continue to be in force until:

- (a) the conclusion of the next AGM of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
 - (b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,
- whichever is the earlier.

The Proposed Shareholders' Mandate is subject to the satisfactory review by the Audit Committee of the Company of its continued application to RRPT.

2.7 Disclosure

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of the RRPT made during the financial year, types of transactions made, names of the related parties involved and their relationship with the SSB Group pursuant to the Proposed Shareholders' Mandate in accordance with paragraph 10.09(2) and Practice Note No. 12 of the MMLR.

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.

	Current Estimated Value (RM'000)	
	Purchases	Sales
Total RRPT as disclosed in Section 2.3 above (for SSB Group)	23,020	638,500

Included in the above total RRPT are those entered into by SSB Group in accordance with the market partnership arrangements which constitute the bulk of RRPT as follows:

	Current Estimated Value (RM'000)	
	Purchases	Sales
Hong Bee Group	4,500	180,500
HL Marketing	16,520	326,500
CHI	-	90,000
Kim Co	-	37,500
Total	21,020	634,500

The Proposed Shareholders' Mandate would eliminate the need for the Company 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 47 years with the Hong Bee Group, 45 years with Kim Co and CHI and 29 years with the 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.

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 and will continue to abstain 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 and will ensure that persons connected with them will also 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 at the Said AGM.

The interested major shareholders, namely YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Quek Leng Chye, Mr Kwek Leng Kee, HLCCM and HLMG will abstain from voting, and will ensure that persons connected with them will also 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 at the Said AGM.

Save as disclosed above, none of the other directors and major shareholders of SSB 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 10 September 2012 are as follows:

	No. of shares held in SSB			
	Direct	%	Indirect	%
Major and Deemed Major Shareholders				
HLMG	173,879,054	41.46	120,281,255	28.68 ⁽¹⁾
HLCCM	-	-	294,160,309	70.14 ⁽¹⁾
YBhg Tan Sri Quek Leng Chan	-	-	301,541,202	71.90 ⁽²⁾
Mr Quek Leng Chye	-	-	301,541,202	71.90 ⁽³⁾
Mr Kwek Leng Beng	-	-	301,541,202	71.90 ⁽³⁾
Mr Kwek Leng Kee	-	-	301,541,202	71.90 ⁽³⁾

Directors				
YBhg Datuk Kwek Leng San	-	-	-	-
YBhg Dato' Dr Tan Tat Wai	14,854	0.00 *	32,980,223	7.86 ⁽⁴⁾

Directors of Subsidiaries				
Mr Chuah Chuan Thye	14,854	0.00 *	8,293,288	1.98 ⁽⁵⁾
Mr Cheah Cheng Leng	-	-	-	-
YBhg Dato' Ong Gim Huat	10,000	0.00 *	-	-

Persons Connected				
Southern Amalgamated ⁽⁶⁾	32,487,806	7.75	-	-
Su Hock	972,815	0.23	32,487,806	7.75 ⁽⁷⁾
YBhg Datin Wang Hui Tzu ⁽⁸⁾	10,000	0.00 *	-	-
HKI ⁽⁹⁾	482,417	0.12	-	-
Chua Holdings Sdn Bhd ⁽¹⁰⁾	921,795	0.22	-	-
HBH ⁽¹¹⁾	7,371,493	1.76	-	-
HBE ⁽¹²⁾	-	-	-	-
HLI ⁽¹³⁾	-	-	-	-
HLFG ⁽¹³⁾	-	-	-	-
HLFM ⁽¹³⁾	-	-	-	-
HLCCM ⁽¹³⁾	-	-	-	-
HMMC ⁽¹³⁾	-	-	-	-

Notes:

* Negligible.

⁽¹⁾ Held through subsidiary(ies).

⁽²⁾ Held through HLCCM and companies in which YBhg Tan Sri Quek Leng Chan has interest.

⁽³⁾ Held through HLCCM and companies in which the substantial shareholder has interest.

⁽⁴⁾ Held through Southern Amalgamated, HKI and spouse.

⁽⁵⁾ Held through HBH and Chua Holdings Sdn Bhd (Mr Chuah Chuan Thye has direct and indirect interests of 0.04% and 28.41% respectively in HBH and direct and indirect interests of 30.80% and 69.20% respectively in Chua Holdings Sdn Bhd as at 10 September 2012).

- (6) *A company in which YBhg Dato' Dr Tan Tat Wai has an indirect interest of 66.44% as at 10 September 2012.*
- (7) *Held through Southern Amalgamated (Su Hock has a direct interest of 50.00% in Southern Amalgamated as at 10 September 2012).*
- (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 10 September 2012.*
- (10) *A company in which Mr Chuah Chuan Thye has direct and indirect interests of 30.80% and 69.20% respectively as at 10 September 2012.*
- (11) *A company in which Mr Chuah Chuan Thye has direct and indirect interests of 0.04% and 28.41% respectively as at 10 September 2012.*
- (12) *A company in which Mr Chuah Chuan Thye has indirect interest of 100.00% as at 10 September 2012.*
- (13) *Subsidiary of HLCM.*

6. DIRECTORS' RECOMMENDATION

Your Directors (except for YBhg Datuk Kwek Leng San and YBhg Dato' Dr Tan Tat Wai who had abstained from expressing any opinion in relation to the relevant proposed ordinary resolutions in view of their interests), 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) recommend that you vote in favour of the proposed ordinary resolutions to be tabled at the Said AGM.

7. RESOLUTIONS ON THE PROPOSED SHAREHOLDERS' MANDATE AND AGM

The proposed ordinary resolutions on the Proposed Shareholders' Mandate will be tabled at the Said AGM to be held at the Training Room B, Level 1, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Monday, 29 October 2012 at 3.30 p.m. or at any adjournment thereof. The said resolutions are set out 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 of 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 IV 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

DEFINITIONS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS

- “related party(ies)” means a director, major shareholder or person connected with such director or major shareholder.
- “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:
- (a) a director of the listed issuer, its subsidiary or holding company; or
 - (b) a chief executive of the listed issuer, its subsidiary or holding company; and
 - (c) in relation to a special purpose acquisition company (“SPAC”), a member of the SPAC’s management team.
- “major shareholder” 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:
- (a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or
 - (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)
- or any other corporation which is its subsidiary or holding company.
- (For the purpose of this definition, “interest in shares” has the meaning given in Section 6A of the Act).
- “person connected” 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:
- (a) a family member of the director, major shareholder or management team member;
 - (b) a trustee of a trust (other than a trustee for a share scheme for employees 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;

- (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.

PERSONS CONNECTED WITH HLCM AS AT 10 SEPTEMBER 2012

Company	Interest of HLCM as at 10.09.2012 (%)	Nature of business
1. HL Management Co Sdn Bhd and its subsidiaries and/or its related corporations	100.00	Provision of management and training services; investment holding; and provision of fund management, nominees and custodian services
2. Hong Leong Share Registration Services Sdn Bhd	100.00	Provision of share registration services
3. Guardian Security Consultants Sdn Bhd	20.00	Provision of security guard services
4. GuoLine Group Management Co. Limited and its subsidiary	100.00	Investment holding and provision of management services
5. GuoLine Intellectual Assets Limited	100.00	Intellectual properties holding company
6. Hong Leong Manufacturing Group Sdn Bhd and its unlisted subsidiaries and associated corporations	100.00	Investment holding; provision of management services; and manufacturing and sale of cement and other related products
7. Hong Leong Financial Group Berhad and its unlisted subsidiaries and associated corporations	77.31	Investment holding; provision of services to its subsidiaries to enhance group value; and life and general insurance businesses and takaful businesses
8. Hong Leong Bank Berhad and its subsidiaries and associated corporations	64.70	Commercial banking business and provision of related services which include Islamic Banking business, real property investment, nominee services and investment holding
9. Hong Leong Capital Berhad and its subsidiaries and associated corporations	79.09	Investment holding; investment banking, stockbroking business, futures broking and related financial services; nominees and custodian services; and unit trust management, fund management and sale of unit trusts
10. GuocoLand (Malaysia) Berhad and its subsidiaries and associated corporations	64.99	Investment holding; property development; property investment; hotel operations; trading in securities; provision of management and property-related services; and operation of oil palm estates

Company	Interest of HLCM as at 10.09.2012 (%)	Nature of business
11. Hong Leong Industries Berhad and its subsidiaries and associated corporations	75.39	Investment holding; manufacturing, procuring and assembling of motorcycles, scooters, motorcycle engines and related parts and products; distribution of motorcycles and motorcycle components; provision of maintenance and repair services for motorcycles; manufacturing and sale of ceramic tiles; provision of research and development services for motorcycles, ceramic tiles and concrete products; distribution of building materials; manufacturing and sale of newsprint and related paper products; manufacturing and sale of concrete and related products; and manufacturing and sale of fibre cement products and concrete roofing tiles
12. Malaysian Pacific Industries Berhad and its subsidiaries and associated corporations	54.41	Investment holding; and manufacturing, assembling, testing and sale of integrated circuits, semiconductor devices, electronic components and leadframes
13. Narra Industries Berhad and its subsidiaries and associated corporations	61.59	Investment holding; and design, manufacture and supply of furniture and interior design fit-out works
14. Guoco Group Limited and its non-Malaysian subsidiaries and associated corporations	71.52	Include investment holding; investment management; principal investment; property development and investment; and hospitality and leisure business as well as financial services including stock and commodity broking and investment advisory
15. Lam Soon (Hong Kong) Limited and its subsidiaries and associated corporations	57.53	Investment holding; importing, processing and trading of flour products; manufacturing, processing and trading of edible oils; and processing and trading of detergent products

ACTIVITIES OF THE SSB GROUP AS AT 10 SEPTEMBER 2012

Subsidiaries	Effective % Held	Principal Activities
Southern Steel Holdings Sdn Bhd and its subsidiary:	100.00	Investment holding
Southern Steel Bar Sdn Bhd and its subsidiary:	100.00	Investment holding
Starglow Investments Ltd	100.00	Investment holding
Southern Steel Properties Sdn Bhd	100.00	Rental of properties
Southern HRC Sdn Bhd (<i>formerly known as Southern Galvanised Wire Sdn Bhd</i>)	100.00	Manufacture, sale and marketing of hot rolled coil
Danstil Sdn Bhd	100.00	Rental of properties
Southern Steel Management Sdn Bhd	100.00	Management of the SSB Group's manpower, development and planning
Southern Steel Mesh Sdn Bhd and its subsidiaries:	100.00	Manufacture and marketing of steel wire mesh and concrete wires, cut and bend bar and trading in steel bar
Southern Mesh Sdn Bhd	100.00	Management for the supply of labour to the immediate holding company
E-Tatt Steel Wires Sdn Bhd	100.00	Trading of steel wire mesh and concrete wire
Southern PC Steel Sdn Bhd	100.00	Manufacture and sale of prestressed concrete strands and wires
Southern Pipe Industry (Malaysia) Sdn Bhd and its subsidiary:	83.67	Manufacturing of and sale of steel pipes and other related products
Southern Steel Pipe Sdn Bhd	83.67	Manufacturing of, sale and processing of steel pipes and other related products

FURTHER INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

2. MATERIAL LITIGATION, CLAIMS AND 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 proceeding which might materially and adversely affect the business and financial position of the SSB Group.

3. MATERIAL CONTRACTS

Save as disclosed below, there are no other 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:

- Joint Venture Agreement dated 8 May 2012 entered into between NV Bekaert SA ("NV BK"), a company incorporated under the laws of Belgium, and SSB to form a joint venture company in Singapore for the manufacture and sale of specified steel wires in the ASEAN region in the participation ratio of SSB 45% : NV BK 55%.

4. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of SSB 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 SSB; and
- (b) audited consolidated financial statements of SSB for the past two (2) financial years ended 30 June 2011 and 2012.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fiftieth Annual General Meeting of Southern Steel Berhad (the "Company") will be held at the Training Room B, Level 1, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Monday, 29 October 2012 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 year ended 30 June 2012.
2. To approve the payment of Director fees of RM319,071.04 for the financial year ended 30 June 2012 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) YBhg Dato' Dr Tan Tat Wai (Resolution 2)
 - (b) Mr Seow Yoo Lin. (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 re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. (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 On 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(A) of the Circular to Shareholders dated 5 October 2012 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 On 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(B) of the Circular to Shareholders dated 5 October 2012 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 On 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(C) of the Circular to Shareholders dated 5 October 2012 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 On 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(D) of the Circular to Shareholders dated 5 October 2012 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 On 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(E) of the Circular to Shareholders dated 5 October 2012 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. Proposed Shareholders' Mandate On Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Bekaert Southern Wire Pte Ltd ("BSWPL") And Its Subsidiaries

"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(F) of the Circular to Shareholders dated 5 October 2012 with BSWPL and its subsidiaries ("BSWPL Group") provided that:

- (a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to BSWPL 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 12)

13. 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 2012

Notes:

1. For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 19 October 2012 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
2. Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member who is an exempt authorised nominee for multiple beneficial owners in a securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
4. 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 48 hours before the time and date of the meeting and 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 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 ("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 27 October 2011 and which will lapse at the conclusion of the Fiftieth 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 On 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 2012 which is despatched together with the Company's Annual Report.

FORM OF PROXY

I/We _____

NRIC/Passport/Company No. _____

of _____

being a member of **Southern Steel Berhad** (the "Company"), 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 Fiftieth Annual General Meeting of the Company to be held at the Training Room B, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Monday, 29 October 2012 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":

No.	Resolutions	For	Against
1.	To approve the payment of Director fees		
2.	To re-elect YBhg Dato' Dr Tan Tat Wai as a Director		
3.	To re-elect Mr Seow Yoo Lin 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 re-appoint Messrs KPMG as Auditors and authorise the Directors to fix their remuneration		
	Special Business		
6.	To approve the ordinary resolution on authority to Directors to issue shares		
7.	To approve the ordinary resolution on the proposed shareholders' mandate on 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 on 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 on 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 on 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 on recurrent related party transactions of a revenue or trading nature with Kim Company Sdn Bhd		
12.	To approve the ordinary resolution on the proposed shareholders' mandate on recurrent related party transactions of a revenue or trading nature with Bekaert Southern Wire Pte Ltd and its subsidiaries		

Dated this _____ day of _____ 2012.

Number of shares held

Signature(s) of Member

NOTES:

- For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 19 October 2012 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.
- If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.
- A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
- Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid (please see note 9 below).
- A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 3, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang not less than 48 hours before the time and date of the meeting and adjourned meeting.
- In the event two or more proxies are appointed, please fill in the ensuing section:

Names of Proxies	% of shareholdings to be represented

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The Company Secretary

SOUTHERN STEEL BERHAD (5283-X)
Level 3, 2723, Lorong Perusahaan 12, Prai Industrial Estate,
13600 Prai, Penang, Malaysia.

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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

Please send me a printed copy of Southern Steel Berhad's 2012 Annual Report.
SilalahantarsatusalinanLaporanTahunan2012SouthernSteelBerhadkepadaSaya.

Name / Nama:

Address / Alamat:

CDS Account No / No Akaun CDS:

Tel No / No Telefon:

Signature of Shareholder / Tandatangan Pemegang Saham:



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The Company Secretary

SOUTHERN STEEL BERHAD (5283-X)
Level 3, 2723, Lorong Perusahaan 12, Prai Industrial Estate,
13600 Prai, Penang, Malaysia.

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