

SOUTHERN STEEL BERHAD (5283-X)

Key Pertinent Questions and Answers at the 55th Annual General Meeting of SOUTHERN STEEL BERHAD held at Training Room B, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Tuesday, 28 November 2017 at 2.00 p.m.

- 1. Does management have any plan to restart Southern HRC Sdn Bhd (“SHRC”)?**

Response:

SHRC is currently under arbitration. No decision will be taken until after the arbitration.

- 2. Are SSB Group’s businesses sensitive to exchange rates fluctuation?**

Response:

There is no direct relation between exchange rate and SSB Group’s revenue.

- 3. Does SSB Group have any foreign currency debt?**

Response:

No.

- 4. What is the breakdown on the sourcing of scrap metal between local and import?**

Other than cost, what are the other factors that have affected the price of scrap?

What is the scrap sourcing process in SSB Group?

How many months of usage of scrap materials are by the Company?

Response:

Based on the level of productivity over the last few years, the domestic spread has been increased to between 50% and 60%.

Availability of scrap in the market has also affected the price of scrap

Price of scraps had been volatile over the years. As a manufacturer, it is not SSB Group’s policy to speculate on raw materials. Scraps are being sourced locally. Imported scraps will only be sourced when local scrap supply is not sufficient.

The Company keeps its scrap materials for a usage of not more than 2 months in general.

5. What about the supply of graphite electrode?

How many kilogramme of graphite electrode is required per tonne of steel?

Response:

There is a shortage in graphite electrode supply in the market. Therefore, SSB Group has committed to a slightly longer supply contract to ensure adequate supply.

The normal range of consumption is about 1.8 kg to 2 kg.

6. What is the breakdown between foreign sales and local sales?

Response:

Export sales are minimal except for downstream products, e.g. PC Strand.

7. Does SSB have any intention to undertake a merger and acquisition (“M&A”) exercise?

Response:

The Company will consider such M&A exercise when the opportunity arises.

8. The international steel price rose from July to September 2017. Cost of raw materials also increased recently. Will the aforesaid benefit SSB Group in that quarter?

Response:

We will be announcing our 1st Quarter ending 30 September 2018 of SSB Group this evening. Kindly refer to our business commentaries in this announcement.

9. What is the Company’s strategy for the next 3 to 5 years? Any expansion plan?

Response:

In view of the difficult environment, any expansion have to be studied very carefully. At the moment, there is no major expansion plan. However, we will continue to work on productivity, with capital expenditure if necessary, so as to stay competitive in the steel market.

SSB

Re: Q&A (2017 AGM)

- 10. An analyst report stated that the demand of steel in Malaysia has increased, and will continue to improve until the 4th quarter of 2018 following an increase in infrastructure and mega projects from July to September 2017. Is this statement true?**

Response:

Total steel demand in the market has not changed significantly this year.

- 11. Do you foresee an increase in steel demand In the coming quarters till end of 2018?**

Response:

We are hopeful that the infrastructure projects will gain further momentum.