

SOUTHERN STEEL BERHAD (5283-X)

Key Pertinent Questions and Answers at the 58th Annual General Meeting of SOUTHERN STEEL BERHAD held fully virtual through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Monday, 23 November 2020 at 10.30 a.m.

1. Was the Group's loss mainly due to market conditions and impact of the coronavirus ("COVID-19"), or were there any other issues such as under-utilisation of capacity or technical problems?

The Group's loss was due to general market conditions, in both demand and supply which affected selling prices and plant utilisation.

2. What is the current status of the arbitration proceedings between Southern HRC Sdn Bhd ("SHRC") and Danieli & C. Officine Meccaniche S.p.A ("Danieli"), Danieli Malaysia Sdn Bhd ("DMSB") and Danieli Co. Ltd ("Danieli Thailand")?

Please refer to Note 37 on pages 156 to 158 of the Company's Annual Report for further details of the arbitration update.

- In November 2019, the arbitral tribunal had issued the final award for the arbitrations, where:-
 - (i) Danieli and DMSB shall pay SHRC the award sum and in return, SHRC shall transfer the title to the "Thin Slab Casting Unit feeding directly a twin Steckel Mill", together with additional equipment installed thereon, to Danieli ("Final Award of the First Arbitration"); and
 - (ii) SHRC shall pay Danieli Thailand the balance purchase price of spare parts under the sale contract dated 24 December 2013 between SHRC and Danieli Thailand ("Final Award of the Second Arbitration").

Please refer to paragraphs A and B on page 157 of the Company's Annual Report for details of the award.

- Danieli and DMSB applied to the Singapore High Court to set aside the Final Award of the First Arbitration ("Setting Aside Proceeding"). On 12 August 2020, the Singapore High Court dismissed the Setting Aside Proceeding with cost. Danieli and DMSB appealed to the Singapore Court of Appeal against the High Court's Decision ("Danieli's Appeal"). SHRC will oppose Danieli's Appeal.
- In order to enforce the Final Award of the First Arbitration, SHRC had obtained a recognition order from the Italian Court of Appeal against Danieli. The recognition order was challenged by Danieli ("Challenge Proceeding"). SHRC opposed the Challenge Proceeding and the hearing has been fixed in February 2021.
- To date, Danieli and DMSB have not satisfied the Final Award of the First Arbitration. SHRC will set-off the sums owed by SHRC to Danieli Thailand in the Final Award of the Second Arbitration against the sums owed by Danieli to SHRC in the Final Award of the First Arbitration, as mutually agreed.

Any further updates will be provided in the Company's announcement(s).

- 3. Noted that the proposed joint venture (“JV”) with Ann Joo Resources Berhad (“Ann Joo”) was terminated due to “uncertain market conditions caused by the COVID-19 pandemic”,**
- Were there any other reasons?**
 - Does it mean that when the pandemic is over, the JV will be re-activated?**

It was mutually agreed by the Company and Ann Joo to terminate the proposed JV due to the uncertain market conditions caused by the COVID-19 pandemic.

The Group does not rule out any merger and acquisition opportunities with any credible party.

- 4. Is the Company planning to introduce a Dividend Re-investment policy?**

No plan as of now.

- 5. When is the Company expected to turn profitable and start declaring dividend to the shareholders?**

It will depend on market condition, which is uncertain, especially with the on-going COVID-19 pandemic.

- 6. Is the Company planning to introduce share buyback to support the share price?**

No plan as of now.