

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused the proposed renewal of existing shareholders’ mandate for recurrent related party transactions of a revenue or trading nature. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liabilities whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.



**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PROPOSED RENEWAL OF AND NEW 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 forthcoming Annual General Meeting (“AGM”) of Southern Steel Berhad (“SSB”) to be held at Training Room C, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Thursday, 21 November 2019 at 12.00 p.m. or at any adjournment thereof. The Notice of AGM and the Form of Proxy are set out in the 2019 Annual Report of SSB, which is despatched together with this Circular.

This Circular is dated 23 October 2019

## DEFINITIONS

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

“Act”	:	Companies Act 2016, 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
“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 executive share scheme administration, human resources management, payroll administration, credit control, information technology related services, training, investment, business development, support on corporate social responsibility initiatives, corporate affairs and public relations, strategic business planning and any other services as may be agreed between the parties from time to time
“HIB”	:	Hume Industries Berhad, a 69.51% subsidiary of HLMG
“HLCM”	:	Hong Leong Company (Malaysia) Berhad, the ultimate holding company of SSB with 67.37% equity interest
“HLI”	:	Hong Leong Industries Berhad, a 74.57% subsidiary of HLMG
“HLMG”	:	Hong Leong Manufacturing Group Sdn Bhd, the holding company of SSB with 67.37% equity interest
“LPD”	:	30 September 2019, being the latest practicable date prior to the printing of this Circular
“Main Market Listing Requirements”	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
“MPI”	:	Malaysian Pacific Industries Berhad, a 52.55% subsidiary of HLMG
“Proposed Renewal of and New 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
“RM” and “sen”	:	Ringgit Malaysia and sen respectively

## **DEFINITIONS (Cont'd)**

“Services”	:	Include investment and fund management services and any other services as may be agreed between the parties from time to time
“Shares”	:	Issued ordinary shares in SSB
“SPIM”	:	Southern Pipe Industry (Malaysia) Sdn Bhd, a 96.13% subsidiary of SSB
“SPIM Group”	:	SPIM and its subsidiary
“SSB” or the “Company”	:	Southern Steel Berhad
“SSB Group”	:	SSB and its subsidiaries

## CONTENTS

### LETTER TO SHAREHOLDERS RELATING TO THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE

	<b>PAGE</b>
1. INTRODUCTION .....	1
2. DETAILS OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE	
2.1 Provisions under the Main Market Listing Requirements .....	2
2.2 Classes of related parties .....	3
2.3 Nature of recurrent related party transactions contemplated .....	3
2.4 Amount due and owing by related parties.....	8
2.5 Methods or procedures on which transaction prices are determined/review procedures for recurrent related party transactions .....	8
2.6 Validity period of the Proposed Renewal of and New Shareholders' Mandate .....	9
2.7 Disclosure .....	10
3. RATIONALE FOR AND BENEFITS OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE .....	10
4. CONDITION OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE .....	10
5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS .....	10
6. DIRECTORS' RECOMMENDATION .....	11
7. RESOLUTIONS ON THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE AND AGM .....	12
8. FURTHER INFORMATION .....	12

## APPENDICES

APPENDIX I	- DEFINITIONS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS .....	13
APPENDIX II	- PERSONS CONNECTED WITH HLCM AS AT LPD .....	15
APPENDIX III	- ACTIVITIES OF THE SSB GROUP AS AT LPD .....	17
APPENDIX IV	- FURTHER INFORMATION.....	18
<b>NOTICE OF AGM</b>	- ENCLOSED IN THE 2019 ANNUAL REPORT OF SSB	
<b>FORM OF PROXY</b>	- ENCLOSED IN THE 2019 ANNUAL REPORT OF SSB	



Registered Office:  
Level 31, Menara Hong Leong  
No. 6, Jalan Damanlela  
Bukit Damansara  
50490 Kuala Lumpur

23 October 2019

**DIRECTORS:**

YBhg Datuk Kwek Leng San (Chairman; Non-Executive/Non-Independent)  
Mr Chow Chong Long (Group Managing Director/Non-Independent)  
YBhg Dato' Dr Tan Tat Wai (Non-Executive Director/Non-Independent)  
Mr Ang Kong Hua (Non-Executive Director/Independent)  
Mr Seow Yoo Lin (Non-Executive Director/Independent)  
Dr Kwa Lay Keng (Non-Executive Director/Independent)  
YBhg Dato' Ahmad Johari Bin Abdul Razak (Non-Executive Director/Independent)

To: The Shareholders of Southern Steel Berhad

Dear Sir/Madam

**PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE****1. INTRODUCTION**

At the Company's AGM held on 29 November 2018, the Company obtained mandates from its shareholders for the SSB Group to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for the day-to-day operations with related parties. The said mandates shall, in accordance with the Main Market Listing Requirements, expire at the conclusion of the forthcoming AGM of the Company to be held on Thursday, 21 November 2019 at 12.00 p.m. ("Said AGM"), unless they are renewed at the Said AGM.

In connection thereto, on 21 October 2019, the Company announced that your Directors propose to seek shareholders' approval for the Proposed Renewal of and New Shareholders' Mandate at the Said AGM.

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

The Notice of the Said AGM together with the Form of Proxy are set out in the 2019 Annual Report of SSB, which is despatched together with this Circular.

## **2. DETAILS OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

### **2.1 Provisions under the Main Market Listing Requirements**

Paragraph 10.09(2) of the Main Market Listing Requirements provides that a listed issuer may seek a mandate from its shareholders for related party transactions which are recurrent, of a revenue or trading nature and which are necessary for the day-to-day operations of a listed issuer or its subsidiaries ("RRPT") subject to, inter-alia, 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 Main Market Listing Requirements;
- (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, where applicable, 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 Main Market Listing Requirements will not apply with regard to transactions as detailed in Section 2.3 of this Circular.

The Company proposes to seek the Proposed Renewal of and New 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 Renewal of and New 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 340(4) 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 Renewal of and New Shareholders' Mandate involving recurrent related party transactions 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 subsidiary ("Su Hock Group"). Su Hock has an indirect interest of 6.80% in SSB. YBhg Dato' Dr Tan Tat Wai (a Director and major shareholder of SSB) has direct (7.30%) and indirect (17.40%) interests in Su Hock. YBhg Dato' Dr Tan Tat Wai's indirect interest in Su Hock is through Southgroup Holdings Sdn Bhd, a company in which he has a substantial shareholding.
- Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") and its subsidiary ("Hong Bee Hardware Group"). Hong Bee Hardware has a direct interest of 1.70% in SSB. Mr Kwek Leng Beng (a major shareholder of SSB) has 0.04% direct interest in Hong Bee Hardware. Mr Kwek Leng Kee (a major shareholder of SSB) and Mr Kwek Leng Beng have indirect interests of 32.48% and 42.89% respectively in Hong Bee Hardware.
- Hong Leong Investment Holdings Pte. Ltd. ("HLIH") (a major shareholder of SSB through HLCM) and persons connected with HLIH ("HLIH Group") including but not limited to Hong Leong Asia Ltd and its subsidiaries and associated corporations. Mr Kwek Leng Beng and Mr Kwek Leng Kee are directors and major shareholders of HLIH.

The details of shareholdings of HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan (a major shareholder of SSB), Mr Kwek Leng Beng, Mr Kwek Leng Kee and YBhg Dato' Dr Tan Tat Wai in SSB are set out in Section 5 of this Circular.

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

SSB is principally an investment holding company and involved in the manufacturing, sale and trading in steel bars and related products whilst the principal activities engaged in by its subsidiaries are that of investment holding, manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete strands, bars and wires, steel pipes, steel wires and other related 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; distribution, trading and provision of services in marine related products; manufacturing and sale of ceramic tiles; provision of research and development services for motorcycles and ceramic tiles; distribution of building materials; manufacturing, sale and distribution of fibre cement and concrete roofing products; manufacturing services of semiconductor packaging and testing; manufacturing and sale of leadframes; manufacturing and sale of cement and cement related products; manufacturing, marketing and sale of concrete and concrete related products; provision of logistics related services; commercial banking business and provision of related services which include Islamic banking business, property investment and management, investment holding and nominee services; life and general insurance and family takaful businesses; investment banking, stockbroking business, futures broking and related financial services; nominee and custodian services; unit trust management, fund management including Islamic fund management and sale of unit trusts; property investment and development; provision of project, property, consultancy and event management services; hotel operations; and provision of management, training and security services. 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 Services which may be engaged by SSB Group, as and when required, may comprise any of the abovementioned services available under the businesses of Hong Leong Group.

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 Services and 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 recurrent related party transactions carried out/contemplated shall include, but not limited to, those described below:

(A) Recurrent related party transactions 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 29 October 2018 ("Estimated Value") (RM' million)	Actual value transacted (from date of AGM on 29 November 2018 up to the LPD) ("Actual Value") (RM' million)	*Estimated aggregate value during the validity period of the Proposed Renewal of and New Shareholders' Mandate ("Current Estimated Value") (RM' million)
(a) Sale of steel products	SSB Group	Hong Leong Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	500.00	54.11	211.00
(b) Purchase of steel products	SPIM Group	SPIM Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	400.00	Nil	Not Applicable#
(c) Receipt of Services	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	20.00	6.72	15.00
(d) Receipt of Group Management And/Or Support Services	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	1.00	0.02	0.50
(e) Payment for usage of the Hong Leong Group logo and trade mark	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	15.00	3.68	10.00
(f) Purchase of goods such as building materials including concrete products, and other products	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	0.10	0.01	0.10
				5.00	0.20	0.50

(A) Recurrent related party transactions with the Hong Leong Group are as follows: (cont'd)

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 29 October 2018 (“Estimated Value”) (RM’million)	Actual value transacted (from date of AGM on 29 November 2018 up to the LPD) (“Actual Value”) (RM’million)	*Estimated aggregate value during the validity period of the Proposed Renewal of and New Shareholders’ Mandate (“Current Estimated Value”) (RM’million)
(g) Receipt of logistics related services	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	100.00	0.18	80.00
(h) Rental of properties from the Hong Leong Group, such as the following: (i) Office space at Block D, 15A, Jalan 51A/219, 46100 Petaling Jaya, Selangor Darul Ehsan** (ii) Meeting rooms and related facilities	Hong Leong Group	SSB Group	Tan Sri Quek Leng Chan, Datuk Kwek Leng San, Kwek Leng Beng, Kwek Leng Kee, HLMG and HLCM	0.50	0.23	Not Applicable**

(B) Recurrent related party transactions with the major shareholders and persons connected with directors and major shareholders are as follows:

Transaction	Vendor/ Provider	Purchaser/ Recipient	Interested related parties	Estimated aggregate value as disclosed in the Circular to Shareholders dated 29 October 2018 ("Estimated Value") (RM <sup>1</sup> million)	Actual value transacted (from date of AGM on 29 November 2018 up to the LPD) ("Actual Value") (RM <sup>1</sup> million)	*Estimated aggregate value during the validity period of the Proposed Renewal of and New Shareholders' Mandate ("Current Estimated Value") (RM <sup>1</sup> million)
(a) Ocean freight and handling charges	Su Hock Group	SSB Group	Dato' Dr Tan Tat Wai	5.00	0.03	0.10
(b) Purchase of quicklime	Hong Bee Hardware Group	SSB Group	Kwek Leng Beng and Kwek Leng Kee	10.00	Nil	1.00
(c) Sale of steel products	SSB Group	Hong Bee Hardware Group	Kwek Leng Beng and Kwek Leng Kee	300.00	64.61	125.00
(d) Sale of steel products	SSB Group	HLIH Group	Kwek Leng Beng and Kwek Leng Kee	Not Applicable	Not Applicable	20.00 <sup>^</sup>

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 Renewal of and New Shareholder's Mandate. The Current Estimated Value of these transactions may be subject to changes.

\*\* Tenancy agreement entered or to be entered into for the rental of the said office space measuring approximately 3,576 square feet is for a tenure of 3 years with an option to renew. The rental payment is on a monthly basis at RM13,589 per month. The tenancy agreement was terminated in September 2019.

# SSB Group no longer sells steel products to SPIM Group.

<sup>^</sup> The transaction under item 2.3(B)(d) is a new transaction.

None of the Actual Value of the recurrent related party transactions as disclosed above has exceeded the Estimated Value of 10% or more.

## 2.4 Amount due and owing by related parties

The total outstanding receivables arising from the recurrent related party transactions of SSB Group which exceeded the credit term for the following periods as at 30 June 2019 is as follows:

	Principal Sum <u>RM'000</u>	Interest <u>RM'000</u>
A period of 1 year or less	204.1	Nil
A period of more than 1 to 3 years	-	-
A period of more than 3 to 5 years	-	-
A period of more than 5 years	-	-
	-----	-----
	204.1	-
	=====	=====

Late payment interest is not imposed on customers with long term business relationships and with no long overdue amounts that exceed their credit term for a period of more than 12 months.

The above outstanding amount has been fully settled.

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

To ensure that the recurrent related party transactions 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 related parties than those generally available to and/or from the public, where applicable, and are not detrimental to the minority shareholders, the following principles will apply:

- (i) the sales of steel products, purchases of quicklime, and goods such as building materials including concrete products, and other products, receipt of Services, and ocean freight and handling charges shall be determined based on prevailing rates/prices of the same (including where applicable, preferential rates/prices/discounts accorded to a class or classes of customers or for bulk purchases) according to commercial terms, business practices and policies or otherwise in accordance with other applicable industry norms/considerations;
- (ii) the receipt of Group Management Services And/Or Support Services is based on commercial terms;
- (iii) the payment for usage of the Hong Leong Group logo and trade mark is based on commercial terms;
- (iv) the receipt of logistics related services is based on commercial terms; and
- (v) the rental of property shall be at the prevailing market rates for the same or substantially similar properties and shall be on commercial terms.

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 Board Audit & Risk Management Committee of the Company, 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 advisers to assess the applicable market or industry norms/considerations.

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

- (i) A register is maintained to record all recurrent related party transactions which are entered into pursuant to the Proposed Renewal of and New Shareholders' Mandate.
- (ii) The Board Audit & Risk Management 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 detrimental to the minority shareholders and are in the best interest of the SSB Group.

There are no specific thresholds for approval of recurrent related party transactions within the SSB Group. However, all recurrent related party transactions 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 Board Audit & Risk Management Committee will review the existing procedures and processes, on an annual basis and as and when required, to ensure that the recurrent related party transactions are at all times carried out on commercial terms consistent with the SSB Group's usual business practices and policies.

The Board Audit & Risk Management Committee of the Company has reviewed the above procedures and is satisfied that the said procedures are adequate to monitor, track and identify recurrent related party transactions in a timely and orderly manner and 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 Board Audit & Risk Management Committee who is interested in any transaction shall abstain from reviewing and deliberating on such transaction.

## **2.6 Validity period of the Proposed Renewal of and New Shareholders' Mandate**

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

- (i) 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
- (ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

The Proposed Renewal of and New Shareholders' Mandate is subject to the satisfactory review by the Board Audit & Risk Management Committee of the Company of its continued application to recurrent related party transactions.

## **2.7 Disclosure**

Disclosure will be made in the Company's Annual Report of the breakdown of the aggregate value of the recurrent related party transactions 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 Renewal of and New Shareholders' Mandate in accordance with paragraph 10.09(2) and Practice Note No. 12 of the Main Market Listing Requirements.

### **3. RATIONALE FOR AND BENEFITS OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

The rationale for and the benefits of the Proposed Renewal of and New Shareholders' Mandate to the SSB Group are as follows:

- (i) The Proposed Renewal of and New Shareholders' Mandate will facilitate transactions with related parties which are in the ordinary course of business of the SSB Group and 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 detrimental to the minority shareholders.
- (ii) The Proposed Renewal of and New Shareholders' Mandate will enhance the SSB Group's ability to pursue business opportunities which are time-sensitive in nature and will eliminate the need for the Company to convene separate general meetings to seek shareholders' approval for each transaction.
- (iii) For certain transactions, where it is vital that confidentiality be maintained, it would not be viable to obtain shareholders' prior approval, as releasing details of the transactions prematurely may adversely affect and prejudice the SSB Group's interests and place the SSB Group at a disadvantage as compared with its competitors who may not require shareholders' approval to be obtained.
- (iv) The Proposed Renewal of and New Shareholders' Mandate will substantially reduce the expenses associated with convening of general meetings on an ad hoc basis, improve administrative efficiency considerably and allow resources to be channeled towards attaining other corporate objectives.
- (v) In respect of the Group Management And/Or Support Services, the Proposed Renewal of and New Shareholders' Mandate will enable the SSB Group to reduce operating cost and to improve efficiency, thereby improving business and administrative efficacy for the SSB Group.

### **4. CONDITION OF THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE**

The Proposed Renewal of and New Shareholders' Mandate is subject to the approval of the shareholders of SSB at the Said AGM.

### **5. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS**

HLMG, a wholly-owned subsidiary of HLCM, is a major shareholder of SSB. YBhg Tan Sri Quek Leng Chan is a major shareholder of SSB, and a Director and major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of SSB, HLMG and HLCM, and a shareholder of HLCM. Mr Kwek Leng Beng is a major shareholder of SSB, and a Director and major shareholder of HLCM. Mr Kwek Leng Kee is a major shareholder of SSB and HLCM. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers.

HLIH is a major shareholder of SSB through HLCM. Mr Kwek Leng Beng and Mr Kwek Leng Kee are directors and major shareholders of HLIH.

YBhg Dato' Dr Tan Tat Wai is a Director and major shareholder of SSB.

YBhg Datuk Kwek Leng San does not hold any shares, either directly or indirectly, in SSB. The shareholdings of HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, Mr Kwek Leng Beng, Mr Kwek Leng Kee and YBhg Dato' Dr Tan Tat Wai in SSB as at LPD are as follows:

	<b>No. of Shares</b>			
	<b>Direct</b>	<b>%</b>	<b>Indirect</b>	<b>%</b>
HLMG	204,728,115	47.21	87,432,194	20.16 *
HLCM	-	-	292,160,309	67.37 *
HLIH	-	-	299,541,202	69.08 **
Tan Sri Quek Leng Chan	-	-	292,169,709	67.38 **
Kwek Leng Beng	-	-	299,541,202	69.08 **
Kwek Leng Kee	-	-	299,541,202	69.08 **
Dato' Dr Tan Tat Wai	14,854	0.003	31,242,238	7.20 #

Notes:

\* Held through subsidiary(ies)

\*\* Held through HLCM and companies in which the major shareholder has interest

# Held through spouse and companies in which the major shareholder has interest

YBhg Datuk Kwek Leng San and YBhg Dato' Dr Tan Tat Wai had abstained and will continue to abstain from deliberating and voting on the relevant proposed ordinary resolutions pertaining to the Proposed Renewal of and New Shareholders' Mandate in which they are interested, at the Board level.

HLMG, HLCM, HLIH, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Beng, Mr Kwek Leng Kee and YBhg Dato' Dr Tan Tat Wai will abstain from voting and have undertaken that they will ensure that persons connected with them will also abstain from voting, in respect of their direct and/or indirect interests, on the relevant proposed ordinary resolutions deliberating or approving the Proposed Renewal of and New 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 Renewal of and New Shareholders' Mandate.

## **6. DIRECTORS' RECOMMENDATION**

Your Directors (except for YBhg Datuk Kwek Leng San who had abstained and will continue to abstain from expressing any opinion in relation to the proposed Ordinary Resolution 7 and YBhg Dato' Dr Tan Tat Wai who had abstained and will continue to abstain from expressing any opinion and voting in relation to the proposed Ordinary Resolution 8 in view of their interests), having taken into consideration all aspects of the Proposed Renewal of and New Shareholders' Mandate, are of the opinion that the Proposed Renewal of and New 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 pertaining to the Proposed Renewal of and New Shareholders' Mandate to be tabled at the Said AGM.

**7. RESOLUTIONS ON THE PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE AND AGM**

The proposed ordinary resolutions on the Proposed Renewal of and New Shareholders' Mandate will be tabled at the Said AGM to be held at Training Room C, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Thursday, 21 November 2019 at 12.00 p.m. or at any adjournment thereof. The said resolutions are set out in the 2019 Annual Report of SSB.

The Notice of the Said AGM and the Form of Proxy are enclosed in the 2019 Annual Report of SSB, which is despatched together with this Circular.

If you are unable to attend the Said AGM in person and wish to appoint other person(s) to be your proxy, please complete the Form of Proxy and deposit it at the Registered Office of SSB at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, so as to arrive not less than forty-eight (48) hours before the time appointed for holding of the Said AGM or at any adjournment thereof.

The completion and deposit 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

SEOW YOO LIN  
Independent Non-Executive Director



## DEFINITIONS PURSUANT TO THE MAIN MARKET LISTING REQUIREMENTS

- “related party(ies)”
- (a) in relation to a corporation, means a director, major shareholder or person connected with such director or major shareholder;
  - (b) in relation to a business trust, means the trustee-manager, a director or major shareholder of the trustee-manager, a major unit holder of the business trust or person connected with any of the aforesaid persons;
  - (c) in relation to a closed-end fund, means the Managers, a director or major shareholder of the Managers or the closed-end fund, or person connected with any of the aforesaid persons; or
  - (d) in relation to a real estate investment trust (“REIT”), means the management company, the trustee, a director or major shareholder of the management company, major unit holder of the REIT, or person connected with any of the aforesaid persons.

For the purpose of this definition, “director”, “major shareholder” and “major unit holder” have the meanings given in paragraph 10.02 of the Main Market Listing Requirements and “Managers” has the meaning given in paragraph 1.01 of the Main Market Listing Requirements.

- “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;
  - (b) a chief executive of the listed issuer, its subsidiary or holding company;
  - (c) in relation to a special purpose acquisition company (“SPAC”), a member of the SPAC’s management team;
  - (d) in relation to a business trust, a director or chief executive of the trustee-manager, its subsidiary or holding company;
  - (e) in relation to a closed-end fund, in addition to a director or chief executive of the closed-end fund, a director or chief executive of the Managers, its subsidiary or holding company; and
  - (f) in relation to a REIT, a director or chief executive of the management company.

“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 person who has an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:

- (a) 10% or more of the total number of voting shares in the corporation; or
- (b) 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation

(For the purpose of this definition, “interest” shall have the meaning of “interest in shares” given in Section 8 of the Act).

“person connected”

in relation to any person (referred to as “said Person”) means such person who falls under any one of the following categories:

- (a) a family member of the said Person;
- (b) a trustee of a trust (other than a trustee for a share scheme for employees or pension scheme) under which the said Person, or a family member of the said Person, is the sole beneficiary;
- (c) a partner of the said Person;
- (d) a person, or where the person is a body corporate, the body corporate or its directors, who is/are accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of the said Person;
- (e) a person, or where the person is a body corporate, the body corporate or its directors, in accordance with whose directions, instructions or wishes the said Person is accustomed or is under an obligation, whether formal or informal, to act;
- (f) a body corporate in which the said Person, or persons connected with the said Person are entitled to exercise, or control the exercise of, not less than 20% of the votes attached to voting shares in the body corporate; or
- (g) a body corporate which is a related corporation of the said Person.

## PERSONS CONNECTED WITH HLCM AS AT LPD

Company	Interest of HLCM as at LPD (%)	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 nominees and custodian services
2. Hong Leong Share Registration Services Sdn Bhd	100.00	Provision of share registration services
3. GuoLine Group Management Co Limited and its subsidiary	100.00	Investment holding and provision of management services
4. GuoLine Intellectual Assets Limited	100.00	Intellectual properties holding company
5. Hong Leong Manufacturing Group Sdn Bhd and its unlisted subsidiaries and associated corporations	100.00	Investment holding; provision of management services; property investment; and provision of logistics related services
6. 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; life and general insurance businesses; and family takaful business
7. Hong Leong Bank Berhad and its subsidiaries and associated corporations	64.52	Commercial banking business and provision of related services which include Islamic banking business, property investment and management, investment holding and nominee services
8. Hong Leong Capital Berhad and its subsidiaries and associated corporations	81.33	Investment holding; investment banking, stockbroking business, futures broking and related financial services; nominee and custodian services; and unit trust management, fund management including Islamic fund management and sale of unit trusts
9. GuocoLand (Malaysia) Berhad and its subsidiaries and associated corporations	65.04	Investment holding; property development; property investment; hotel operations; trading in securities; provision of management and property-related services; provision of consultancy and event management services; and operation of oil palm estates

<b>Company</b>	<b>Interest of HLCM as at LPD (%)</b>	<b>Nature of business</b>
10. Hong Leong Industries Berhad and its subsidiaries and associated corporations	75.17	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; distribution, trading and provision of services in marine related products; manufacturing and sale of ceramic tiles; provision of research and development services for motorcycles and ceramic tiles; distribution of building materials; and manufacturing, sale and distribution of fibre cement and concrete roofing products
11. Malaysian Pacific Industries Berhad and its subsidiaries and associated corporations	54.23	Investment holding; manufacturing services of semiconductor packaging and testing; and manufacturing and sale of leadframes
12. Hume Industries Berhad and its subsidiaries and associated corporations	70.24	Investment holding; manufacturing and sale of cement and cement related products; and manufacturing, marketing and sale of concrete and concrete related products
13. Guoco Group Limited and its non-Malaysian subsidiaries and associated corporations	71.88	Investment holding and management; principal investment; property development and investment; hospitality and leisure business; banking and insurance as well as production and distribution of honey and related products
14. 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; processing and trading of home care products; and distributor of Manuka honey and health related products
15. Guardian Security Consultants Sdn Bhd	20.00	Provision of security services
16. BIB Insurance Brokers Sdn Bhd and its subsidiaries	30.00	Investment holding; insurance brokers and consultants; commission agents; and rent-a-captive insurance business

## ACTIVITIES OF THE SSB GROUP AS AT LPD

<b>Name of Company</b>	<b>Effective % Held</b>	<b>Principal Activities</b>
<b>Subsidiaries</b>		
Southern Steel Holdings Sdn Bhd	100.00	Investment holding
Southern Steel Properties Sdn Bhd	100.00	Rental of properties
Southern HRC Sdn Bhd	100.00	Manufacture, sale and marketing of steel billets and other related products
Danstil Sdn Bhd	100.00	Rental of properties
Southern Steel Mesh Sdn Bhd	100.00	Manufacture, sale and marketing of steel wire mesh, concrete wires, cut and bend bars and other related products
Southern PC Steel Sdn Bhd	100.00	Manufacture and sale of pre-stressed concrete strands, wires, bars and other related products
Southern Pipe Industry (Malaysia) Sdn Bhd and its subsidiary:	96.13	Manufacture, sale and processing of steel pipes and other related products
Southern Steel Pipe Sdn Bhd	96.13	Manufacture, sale and processing of steel pipes and other related products
Southern Steel Rod Sdn Bhd	100.00	Manufacture, sale and trading of billets, wire rods, deformed bar in coils 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, save for the following, SSB Group is not engaged in any material litigation, claims or arbitration either as plaintiff or defendant and the Directors of SSB 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:

- Southern HRC Sdn Bhd (“SHRC”), a wholly-owned subsidiary of SSB, has on 7 July 2016 and 11 July 2016, terminated the contract between SHRC and Danieli & C. Officine Meccaniche S.p.A. (“Danieli”) dated 16 June 2011 for the design, manufacture and supply of a “Thin Slab Casting Unit feeding directly a twin Steckel Mill” (“Plant”) for the production of hot rolled coils (“Contract”) and the Service Agreement No. 1 between SHRC, Danieli and Danieli Malaysia Sdn Bhd (“DMSB”) dated 10 May 2014 (“Service Agreement”) respectively.

Danieli Co. Ltd (a wholly-owned subsidiary of Danieli) (“Danieli Thailand”) has demanded payment of €2,843,650.90 being the balance purchase price of the spare parts sold and delivered. SHRC is disputing Danieli’s aforesaid claims.

#### i. Commencement of Arbitration Proceedings by SHRC

Following the termination of the Contract and Service Agreement as mentioned above, SHRC has commenced arbitration proceedings against Danieli and DMSB by way of a Request for Arbitration dated 29 August 2016 under the Arbitration Rules of the International Chamber of Commerce (“ICC Rules”) arising out of the Contract and Service Agreement.

SHRC is claiming several reliefs against Danieli and DMSB, including repayment of contract sum and damages for misrepresentation and breach of contract.

#### ii. Commencement of Arbitration Proceedings against SHRC by Danieli and DMSB

Danieli and DMSB have also commenced arbitration proceedings against SHRC by way of a Request for Arbitration under the ICC Rules and the Request came to the attention of SHRC’s management on 25 August 2016.

Danieli and DMSB are seeking several declarations in relation to the Contract and the Service Agreement and claiming damages, interest and costs as well as payment of €34,908,670.70. As mentioned in note (i) above, SHRC is disputing and claiming several reliefs against Danieli and DMSB.

Both arbitration proceedings in sub-paragraphs (i) and (ii) above have been consolidated (“First Arbitration”) and will be heard together by an arbitral tribunal in Singapore.

iii. Commencement of Arbitration Proceedings against SHRC by Danieli Thailand

Danieli Thailand has commenced arbitration proceedings against SHRC by way of a Request for Arbitration under the ICC Rules and the Request came to the attention of SHRC's management on 24 November 2016 ("Second Arbitration").

Danieli Thailand is claiming the sum of €2,800,000.00, being the balance purchase price of spare parts under a sale contract dated 24 December 2013 between SHRC and Danieli Thailand plus interest and general damages.

SHRC is disputing and will be challenging the claim by Danieli Thailand in the arbitration proceedings.

The same arbitral tribunal for the First Arbitration had been constituted to hear this Second Arbitration. The arbitral tribunal has directed that the Second Arbitration shall be heard jointly with the First Arbitration.

The Tribunal fixed 30 October 2018 to 9 November 2018 for oral hearing of the arbitration. The Tribunal completed hearing of the arbitration after a total of 9 days' hearing i.e. from 30 October to 9 November 2018. After the end of the hearing, the Tribunal directed the parties to file and exchange post-hearing submissions by 28 February 2019.

The Tribunal further fixed 15 March 2019 for oral closing submissions in Singapore.

The Tribunal completed hearing of the oral submissions on 15 March 2019.

Parties are awaiting the Tribunal's decision.

**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:

- Memorandum of Understanding ("MOU") dated 7 October 2019 entered into between SSB and Ann Joo Resources Berhad ("AJRB") for the formation of a strategic alliance in relation to the long product steel manufacturing businesses of SSB and AJRB through a joint venture company. In conjunction with the MOU, SSB has also entered into a shareholders' agreement dated 7 October 2019 with AJRB to regulate their relationship as the shareholders of the joint venture company after the completion of its formation.

**4. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of SSB at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur during normal office hours from Mondays to Fridays (except public holidays) from the date of this Circular to the date of the Said AGM:

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the past two (2) financial years ended 30 June 2018 and 2019;
- (iii) relevant cause papers in respect of the material litigation, claims and arbitration referred to in Section 2 above; and
- (iv) material contracts referred to in Section 3 above.