

## **SOUTHERN STEEL BERHAD (“SSB” OR THE “COMPANY”)**

### **PROPOSED DISPOSAL OF LAND IN JOHOR BAHRU, JOHOR BY SSB TO SINPPA INDUSTRIAL SDN BHD FOR RM65 MILLION**

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#### **1. INTRODUCTION**

SSB wishes to announce that it has on 1 December 2021 entered into a conditional sale and purchase agreement (“SPA”) with Sinppa Industrial Sdn Bhd (“SISB”) for the proposed disposal by SSB to SISB of 2 parcels of land situated at Mukim Sungai Tiram, Daerah Johor Bahru, Negeri Johor for a total cash consideration of RM65,000,000 (“Consideration”) (“Proposed Disposal”).

#### **2. DETAILS OF THE PROPOSED DISPOSAL**

##### **2.1 Background Information on the parcels of land**

SSB is the registered and beneficial owner of leasehold lands measuring approximately 31.05 acres (1,352,483.26 square feet) in area held under land titles:

- (i) Lot PTD 4066 (now Lot 7131) held under HSD 478089 (now PN 70764), together with a building erected thereon; and
- (ii) Lot PTD 4374 (now Lot 7154) held under HSD 493589 (now PN 70760),

both situated at Mukim Sungai Tiram, Daerah Johor Bahru, Negeri Johor bearing address Lot PLO 129, Jalan Bakau 5, Kawasan Perindustrian Tanjung Langsung, 81700 Pasir Gudang, Johor (the “Property”).

The salient terms of the SPA and further information on the Property are set out in **Appendices I and II** of this announcement respectively.

##### **2.2 Basis and justification of arriving at the Consideration**

The Consideration was arrived at on a willing buyer-willing seller basis and is the most competitive offer received from various interested buyers.

##### **2.3 Liabilities**

There are no liabilities which will remain with SSB, including contingent liabilities, pursuant to the Proposed Disposal. There are no guarantees provided by SSB to SISB pursuant to the Proposed Disposal.

##### **2.4 Information on SISB**

SISB was incorporated in Malaysia on 14 November 2018 and is principally a manufacturer of aluminium ingots, other basic precious and non-ferrous metals bars.

SISB is wholly-owned by Jiuru Holding Pte. Ltd. As at the date hereof, the Directors of SISB are Jiang Changguo, Zhao Xiangmin and Suffian Bin Othman @ Heng Fok Boon.

### **3. RATIONALE**

The Property is not needed for SSB's operations and the Proposed Disposal will enable SSB to realise its investment in the Property.

### **4. RISK FACTOR**

The risk factor in relation to the Proposed Disposal is the delay or non-completion of the Proposed Disposal.

The Proposed Disposal is conditional upon the Purchaser's Section 433B Approval being obtained (as defined in Section 7 below).

There is no assurance that the Proposed Disposal can be completed, or completed within the timeframe stipulated under the SPA. Any delay in the fulfilment of the condition precedent may lead to a delay in the completion of or termination of the Proposed Disposal.

Notwithstanding the above, SSB will work closely with SISB to take reasonable steps to ensure that the condition precedent is fulfilled in a timely manner.

### **5. UTILISATION OF PROCEEDS**

The Consideration is proposed to be used for repayment of borrowings.

### **6. EFFECTS OF THE PROPOSED DISPOSAL**

The Proposed Disposal will not have any effect on the issued share capital and the shareholdings of the substantial shareholders of the Company.

Upon completion of the Proposed Disposal:

- (i) SSB expects to realise an estimated net gain on disposal of approximately RM6.42 million. The estimated net gain attributable to owners of the Company represents an increase in earnings per share and net assets per share of the Company of approximately 1.08 sen; and
- (ii) based on the Company's unaudited consolidated statement of financial position as at 30 September 2021, the gearing ratio of SSB Group is estimated to reduce from 1.19 times to 1.10 times.

**7. APPROVALS REQUIRED**

The Proposed Disposal is subject to the written consent from the Pengarah, Jabatan Tanah & Galian, Johor for SISB to acquire the Property under Section 433B of the National Land Code (“**Purchaser’s Section 433B Approval**”).

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Securities is approximately 8.96%. In this regard, the Proposed Disposal is not subject to the approval of the shareholders of SSB.

**8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the Directors and major shareholders of the Company and/or any persons connected with them has any interest, direct or indirect, in the Proposed Disposal.

**9. DIRECTORS’ STATEMENT**

The Board of Directors of SSB is of the opinion that the Proposed Disposal is in the best interest of the Company.

**10. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed in the second half of year 2022.

**11. DOCUMENT AVAILABLE FOR INSPECTION**

A copy of the SPA will be made available for inspection at the Company’s registered office at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 2 December 2021.

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**SALIENT TERMS OF THE SPA**

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As stated in section 2.1 of the announcement, the salient terms of the SPA are set out below.

**1. Sale and Purchase**

SSB has agreed to sell and SISB has agreed to purchase the Property on an “as-is-where-is” basis free from encumbrances and with vacant possession, subject to a lease registered in favour of Tenaga Nasional Berhad over part of the leasehold land held under title No. Lot PTD 4066 (now Lot 7131) measuring approximately 98 square metres in area and expiring on 10<sup>th</sup> February 2044, and all conditions of title and restrictions in interest whether expressed or implied affecting the same upon the terms and conditions contained in the SPA.

**2. Conditions Precedent**

- (a) The SPA is conditional upon the Purchaser’s Section 433B Approval being obtained or fulfilled within 6 months from the date of the SPA (“**Conditional Period**”) (“**Condition Precedent**”).
- (b) The SPA shall cease to be conditional on the date of receipt by either party of the Purchaser’s Section 433B Approval (“**Unconditional Date**”).
- (c) In the event that the Condition Precedent cannot be obtained or fulfilled upon expiry of the Conditional Period, then, unless the parties mutually agree to extend the Conditional Period to enable the Condition Precedent to be fulfilled, either party shall be entitled to terminate the SPA by serving a written notice on the other party.

In the event of such termination, SSB shall, subject to the SISB’s compliance with sub-sections (i) to (iii) below, refund free of interest to SISB, the Deposit (as defined in section 3(a) below) and any other monies paid and/or caused to be paid by SISB towards the Consideration under and/or pursuant to the SPA and thereafter neither party shall have any other claims or actions whatsoever against the other under or arising from the SPA:

- (i) SISB shall first have returned or caused to be returned to SSB the relevant documents pursuant to the SPA;
- (ii) SISB shall first have at his own cost and expense removed/withdrawn or caused to be removed/withdrawn immediately any private caveat or other encumbrances lodged by or attributable to SISB and/or its financier on the Property failing which SISB shall compensate SSB for all losses and/or damage arising therefrom; and
- (iii) if vacant possession has already been delivered, SISB shall first have redelivered or caused to be redelivered vacant possession of the Property to SSB in the same state and condition as when the same was delivered to SISB (fair wear and tear only excepted).

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**SALIENT TERMS OF THE SPA**

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**3. Payment of Consideration**

The Consideration shall be paid by SISB to SSB in the following manner:

- (a) a deposit of RM6,500,000 equivalent to 10% of the Consideration ("**Deposit**") has been paid upon execution of the SPA as follows:
  - (i) RM4,550,000 to SSB; and
  - (ii) RM1,950,000 to SISB's solicitors as the retention sum to be remitted to the Director-General of the Inland Revenue pursuant to Section 21B of the Real Property Gains Tax Act 1976, and
- (b) SISB shall pay or cause to be paid the balance RM58,500,000 equivalent to 90% of the Consideration ("**Balance Consideration**") within 4 months from the Unconditional Date ("**Completion Period**").

If SISB is unable to pay the Balance Consideration or any part thereof upon the expiry of the Completion Period, SSB shall grant to SISB an extension of 1 month to pay the Balance Consideration or any outstanding part thereof, during which extension period SISB shall pay SSB interest at the rate of 10% per annum on the Balance Consideration or the unpaid balance thereof calculated on a daily basis from the date immediately following the expiry of the Completion Period until the Completion Date (as defined below).

Completion of the sale and purchase of the Property shall take place on the date of receipt by SSB of the Balance Consideration ("**Completion Date**").

**4. Vacant Possession**

Vacant possession of the Property shall be delivered to SISB within 3 working days from the Completion Date subject always to payment by SISB to SSB, of the entire Consideration and any and all other moneys (including but not limited to interest) payable by SISB pursuant to and in accordance with the provisions of the SPA.

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**INFORMATION ON THE PROPERTY**


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As stated in section 2.1 of the announcement, further information on the Property is set out below.

(a) Lot PTD 4066 (now Lot 7131) held under HSD 478089 (now PN 70764)

Tenure	: Leasehold expiring on 28 December 2069
Category of land use	: Industrial
Existing usage	: Vacant
Approximate age of building	: 11 years
Original cost and date of investment	: RM26.00 million made on 18 September 2008
Net book value	: RM38.66 million as at 30 June 2021
Valuation	: Market value of RM35.00 million as valued by C H Williams Talhar & Wong Sdn Bhd as at 17 March 2020
Encumbrance	: The land is free from encumbrances except for a lease registered in favour of Tenaga Nasional Berhad bearing Presentation No. 72893/2015 for a term of thirty (30) years measuring approximately 98 square metres in area and expiring on 10 February 2044

(b) Lot PTD 4374 (now Lot 7154) held under HSD 493589 (now PN 70760)

Tenure	: Leasehold expiring on 20 April 2071
Category of land use	: Industrial
Existing usage	: Vacant
Original cost and date of investment	: RM6.53 million made on 30 June 2011
Net book value	: RM15.38 million as at 30 June 2021
Valuation	: Market value of RM16.00 million as valued by C H Williams Talhar & Wong Sdn Bhd as at 3 April 2019
Encumbrance	: The land is free from encumbrances