



Financial Results

Form Version 8 (Enhanced)

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Submitted

Company Information

Main Market Company

New Announcement

Submitting Investment

Bank/Advisor (if applicable)

Submitting Secretarial Firm (if applicable)

* Company name	SOUTHERN STEEL BERHAD
* Stock name	SSTEEL
* Stock code	5665
* Contact person	TING KOK KEONG
* Designation	COMPANY SECRETARY
* Contact number	04-3852666
E-mail address	ting.kokkeong@southsteel.com

Part A : To be filled by Public Listed Company

* Financial Year End	30/06/2011
* Quarter	Other
* Quarterly report for the financial period ended	30/09/2010
* The figures	have not been audited

Please attach the full Quarterly Report here

[Q310cfs.pdf](#)

[Q310 Notes.pdf](#)

Remarks

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency Malaysian Ringgit (MYR)

Part A2 : SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended
* 30/09/2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	Three Mths 30/06/2010 To 30/09/2010 [dd/mm/yyyy] \$\$'000	Three Mths 30/06/2009 To 30/09/2009 [dd/mm/yyyy] \$\$'000	Nine Mths 01/01/2010 To 30/09/2010 [dd/mm/yyyy] \$\$'000	Nine Mths 01/01/2009 To 30/09/2009 [dd/mm/yyyy] \$\$'000
1. Revenue	619,235	561,880	1,932,625	1,443,881
2. Profit/(loss) before tax	3,459	40,860	102,919	-54,484
3. Profit/(loss) for the period	3,744	34,619	92,836	-43,531
4. Profit/(loss) attributable to ordinary equity holders of the parent	3,744	34,619	92,836	-43,531
5. Basic earnings/(loss) per share (Subunit)	0.90	8.30	22.10	-10.40
6. Proposed/Declared dividend per share (Subunit)	5.00	2.50	10.00	5.00
	AS AT END OF CURRENT QUARTER*		AS AT PRECEDING FINANCIAL YEAR END	
7. Net assets per share attributable to ordinary equity holders of the parent (\$\$)		1.9800		1.8000
Remarks :				

Definition of Subunit:

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit.

Example for the subunit as follows:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

Part A3 : ADDITIONAL INFORMATION

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER*	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE*	PRECEDING YEAR CORRESPONDING PERIOD
	Three Mths 30/06/2010 To 30/09/2010 [dd/mm/yyyy] \$\$'000	Three Mths 30/06/2009 To 30/09/2009 [dd/mm/yyyy] \$\$'000	Nine Mths 01/01/2010 To 30/09/2010 [dd/mm/yyyy] \$\$'000	Nine Mths 01/01/2009 To 30/09/2009 [dd/mm/yyyy] \$\$'000
1. Gross interest income	140	231	363	496

2. Gross interest expense	6,406	4,558	17,130	17,130
Remarks :				

Note: The above information is for the Exchange internal use only.

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Southern Steel Berhad
Unaudited Condensed Consolidated Statements of Comprehensive Income
RM'000

	Individual Quarter		Cumulative Quarter	
	Current Quarter 30/09/10	Preceding Year Corresponding Quarter 30/09/09	Current Period To Date 30/09/10	Preceding Year Corresponding Period To Date 30/09/09
Revenue	619,235	561,880	1,932,625	1,443,881
Cost of sales	<u>(582,418)</u>	<u>(489,283)</u>	<u>(1,730,052)</u>	<u>(1,404,307)</u>
Gross profit	36,817	72,597	202,573	39,574
Other operating expenses	(32,525)	(33,419)	(99,928)	(92,696)
Other operating income	5,818	5,518	15,331	14,073
Fair Value (Loss)/ Gain on other investment and forward Contract	214	-	775	-
Finance cost	(6,406)	(4,558)	(17,130)	(17,130)
Share of results of associated companies	<u>(459)</u>	<u>722</u>	<u>1,298</u>	<u>1,695</u>
Profit/(Loss) before taxation	3,459	40,860	102,919	(54,484)
Taxation	285	(6,241)	(10,083)	10,953
Profit/(Loss) for the period	<u>3,744</u>	<u>34,619</u>	<u>92,836</u>	<u>(43,531)</u>
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	<u>3,744</u>	<u>34,619</u>	<u>92,836</u>	<u>(43,531)</u>
Profit and Total Comprehensive Income Attributable to:				
Equity holders of the parent	3,744	34,619	92,836	(43,531)
Minority interests	-	-	-	-
Profit/(Loss) for the period	<u>3,744</u>	<u>34,619</u>	<u>92,836</u>	<u>(43,531)</u>
Earnings/(Loss) per share (SEN) - Basic and fully diluted	<u>0.9</u>	<u>8.3</u>	<u>22.1</u>	<u>(10.4)</u>

Southern Steel Berhad
Unaudited Condensed Consolidated Statement of Financial Position

	As At End of Current Quarter 30/09/10 RM'000	As At Preceding Financial Year Ended 31/12/09 Restated RM'000
NET ASSETS		
Non-Current Assets		
Property, plant & equipment	689,826	719,953
Goodwill on consolidation	48,991	48,991
Investments in associates	17,714	16,967
Other investments	2,364	788
	758,895	786,699
Current Assets		
Inventories	762,995	694,177
Receivables	219,159	236,348
Derivative financial instruments	(25)	-
Bank and cash balances	88,269	34,375
	1,070,398	964,900
Current Liabilities		
Payables	161,742	163,617
Short term borrowings	760,845	764,652
Current income tax liabilities	15,450	1,873
	938,037	930,142
Net Current Assets	132,361	34,758
Non-Current Liabilities		
Deferred tax liabilities	34,233	40,503
Other deferred liabilities	28,124	26,161
	62,357	66,664
Total Net Assets	828,899	754,793
EQUITY		
Share Capital	411,467	411,467
Reserves	417,432	343,326
Equity attributable to equity holders of the company	828,899	754,793
Minority Interest	-	-
Total Equity	828,899	754,793

Southern Steel Berhad
Unaudited Condensed Consolidated Statement of Cash Flow

	Current Period To Date 30/09/10 RM'000	Preceding Year Corresponding Period To Date 30/09/09 RM'000
OPERATING ACTIVITIES		
Profit / (Loss) before taxation	102,919	(54,484)
Adjustments for:		
Depreciation (and amortisation)	66,385	64,382
Interest expense	17,130	17,130
Share of results of associated companies	(1,298)	(1,695)
Provision for diminution in value of inventories	7,946	-
Net unrealised foreign exchange (gain)/ loss	(5,463)	7,560
Provisions for inventories, doubtful debts & others	(6,571)	(24,282)
Operating profit before working capital changes	<u>181,048</u>	<u>8,611</u>
Changes in working capital	(78,648)	355,018
Cash generated from operations	<u>102,400</u>	<u>363,629</u>
Retirement benefits/other provision paid	(767)	(1,405)
Interest paid	(17,171)	(18,129)
Income tax refund	21,554	(422)
Net cash flows from operating activities	<u>106,016</u>	<u>343,673</u>
INVESTING ACTIVITIES		
Dividend income	590	573
Purchase of property, plant & equipment	(34,815)	(57,389)
Others	2,170	496
Net cash used in investing activities	(32,055)	(56,320)
FINANCING ACTIVITIES		
Short term borrowings	(14,032)	(226,384)
Dividends paid	(20,971)	(10,485)
Net cash used in financing activities	(35,003)	(236,869)
Net change in cash and cash equivalents	38,958	50,484
Cash & cash equivalents at beginning of period	25,265	39,529
Cash & cash equivalents at end of period	<u>64,223</u>	<u>90,013</u>
Cash in hand and at bank	68,326	41,369
Short term deposits	19,943	71,333
Bank overdraft	(24,046)	(22,689)
	<u>64,223</u>	<u>90,013</u>

Southern Steel Berhad
Unaudited Condensed Consolidated Statements of Changes in Equity
RM'000

	<----- Attributable to Equity Holders of SSB ----->					
	Share Capital RM'000	Reserves RM'000	Retained Profit RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
Balance at 01.01.09	411,467	65,902	281,211	758,580	-	758,580
Movements during the period	-	-	(43,531)	(43,531)	-	(43,531)
Dividends paid	-	-	(10,485)	(10,485)	-	(10,485)
Balance at 30.09.09	411,467	65,902	227,195	704,564	-	704,564
Balance at 01.01.10	411,467	65,902	277,424	754,793	-	754,793
Effect of adopting FRS 139	-	-	2,241	2,241	-	2,241
Balance at 01.01.10 (As restated)	411,467	65,902	279,665	757,034	-	757,034
Movements during the period	-	-	92,836	92,836	-	92,836
Dividends paid	-	-	(20,971)	(20,971)	-	(20,971)
Balance at 30.09.10	411,467	65,902	351,530	828,899	-	828,899

Notes

1. Accounting Policies & Methods

This quarterly financial report prepared in accordance with Financial Reporting Standard (“FRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of Bursa Malaysia Securities Berhad Listing Requirements should be read in conjunction with the Group’s financial statements for the year ended 31 December 2009.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2009 except for the adoption of the following:

		Effective Date
FRS 7	<i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8	<i>Operating Segments</i>	1 July 2009
FRS 123	<i>Borrowing Costs</i>	1 January 2010
FRS 139	<i>Financial Instruments: Recognition and Measurement</i>	1 January 2010

Other than the new standards as stated above, the Group has also adopted the various amendments and interpretations to the existing standards adopted by the Group in the past.

The adoption of the above standards, amendments and interpretations do not have significant impact on the financial statements of the Group, other than as explained below:

a) FRS 8: Operating Segments

FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity’s chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group’s reportable segment is primarily based on long steel products, which nature of business, financial effects of the business activities, and economic environments in which it operates are similar. As such, the segmental information on revenue, results and assets is as disclosed in the condensed consolidated statements of comprehensive income.

b) FRS 117 : Lease

FRS 117 clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as finance or operating, using the principles of FRS 117. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of this FRS amendment.

The following comparative figures have been restated following the adoption of the amendment to FRS 117:

	31 December 2009	
	As restated	As previously stated
Cost		
Property, plant and equipment	719,953	644,822
Prepaid lease payment	-	75,131

- c) **FRS 139: Financial Instruments: Recognition and Measurement**
FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. It also sets out the requirements for the application of hedge accounting.

Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at end of each financial reporting date except for those financial instruments measured at "fair value through profit and loss".

Other Investment

Prior to 1 January 2010, other investments were accounted for at cost less impairment losses. Under FRS 139, other investments are classified as "fair value through profit and loss" financial asset, with subsequent change in fair value recognised as gains or losses in the Statement of Comprehensive Income.

Derivative Financial Instruments

Prior to 1 January 2010, derivatives were not recognised in the financial statements. Under FRS 139, derivatives are required to be initially recognised at fair value on the date the derivative contract is entered into and subsequently at fair value at end of each financial reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in the Statement of Comprehensive Income.

In accordance with the transitional provisions of FRS 139, when the above changes are first applied, the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the Statement of Financial Position as at 1 January 2010.

	As at 1 January 2010
	RM'000
Increase in Other Investments	2,232
Increase in Derivative Financial Instruments (asset)	9
Increase in Reserves	2,241

In addition, these changes in accounting policies have the effect of increasing the profit for the current period by RM 0.2 million.

- 2. Audit Report**
The preceding financial year's audit report was not qualified.
- 3. Seasonal or Cyclical Factors**
The business operations of the Group are affected by both cyclical factors in the construction industry as well as festive seasons.
- 4. Unusual Items**
There were no items of unusual nature, size, or incidence which affect assets, liabilities, equity, net income or cash flows.
- 5. Changes in estimates**
There have been no changes in estimates of amounts reported in the prior financial year.
- 6. Debt and Equity Securities**
There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial period to date.

7. Dividends

- (a) For the financial period ending 30 June 2010, a first interim tax exempt dividend of 5% (2009: 1st interim 2.5%) was paid on 17 September 2010. A second interim tax exempt dividend of 5% (2009: 2nd interim 2.5%) is now approved and will be payable on 15 December 2010 to depositors registered in the Record of Depositors at the close of business on 1 December 2010.
- (b) For the financial period-to-date, a total gross tax exempt dividend of 10% has been declared (2009: 5%).

8. Valuation of Lands and Buildings

Lands and buildings are stated at cost less accumulated depreciation.

9. Material Subsequent Events

There were no material subsequent events that have not been reflected at the date of issue of this announcement.

10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period-to-date.

11. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or assets since the last annual Statement of Financial Position date.

12. Tax (Charge) / Credit

(a) Taxation comprises the following:

	Current quarter 30/09/10 RM'000	Current period-to-date 30/09/10 RM'000
Current income taxation	(3,388)	(16,353)
Deferred taxation	3,673	6,270
	285	(10,083)

(b) Reconciliation of income tax expense:

	Current quarter 30/09/10 RM'000	Current period-to-date 30/09/10 RM'000
Profit before taxation	3,459	102,919
Tax calculated at tax rate of 25%	1,122	(25,730)
Tax expense on share of results of associated company	(115)	325
Gain not subject to tax	416	1,723
Utilisation of reinvestment allowances	1,195	14,589
Under provision in prior financial year	(1,285)	(1,300)
Current period tax losses not recognised	(860)	188
Others	(188)	122
	285	(10,083)

13. Sale of Unquoted Investments and/or Properties

On 7 October 2010, the disposal of pieces of land located at Lot No. 867, 868, 869 and 870, Seksyen 10, Bandar Georgetown, Daerah Timor Laut, Negeri Pulau Pinang is deemed completed with the full settlement of consideration of RM390,000 by the purchaser.

There were no sales of unquoted investments and/or other properties during the financial period under review.

14. Quoted Securities (classified as Other Investments)

(a) The Group's dealings in quoted securities for the current quarter and financial period to date are as follows:

	Current quarter 30/09/10 RM'000	Current period-to-date 30/09/10 RM'000
Total sale proceeds	-	1,693
Total gain on disposal	-	158

(b) Investments in quoted securities as at 30 September 2010 are as follows:

At Fair Value	RM'000 2,364
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15. Status of Corporate Proposal

(a) The last corporate exercise undertaken by the Group was in respect of the ICULS issue in August 2003. The said ICULS was fully converted to ordinary shares on July 31, 2008 upon maturity. However, the remaining one out of the seven certificates of fitness for occupation (CFs) of properties required to be obtained pursuant to the said ICULS issue for property Lots 6047, 6048 and 6049 has yet to be obtained. The Group is currently seeking the approval of the Securities Commission to grant further extension of time for compliance.

(b) All the required submissions have been made to Pentadbir Tanah Daerah Klang, pending its issuance of "Hakmilik Kekal" to support application to Majlis Perbandaran Klang for issuance of CF.

16. Group Borrowings

The Group borrowings as at 30 September 2010 comprised of unsecured short-term borrowings amounting to RM760.8 million.

17. Derivatives

	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain/ (Loss) RM'000
Foreign Exchange Forwards Contract - Less than 1 year	65,259	65,234	(25)

Forward foreign currency exchange contracts are entered into by the Group to manage the exposures to fluctuation in foreign currency exchange rate on specific transactions only. As these contracts were executed with creditworthy financial institutions in Malaysia, the risk of default is low.

18. Changes in Material Litigation

Since the date of the last annual Statement of Financial Position date, there has not arisen any material litigation up to the date of issue of this report.

19. Related Party Transactions

Significant transactions with related parties are as follows:

		9 months ended 30/09/10 RM'000
Sales of goods to :		
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	72,210
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	55,417
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	41,657
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	12,361
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	-
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		85,174
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	427,332
Service rendered by :		
Su Hock Group	Enterprises in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company	39

20. Review of Performance

For the quarter under review, the Group's revenue of RM619.2 million was higher than the RM561.9 million in the preceding year corresponding quarter. However, the Group recorded lower profit before taxation ("PBT") of RM3.5 million due to lower margins, as compared to the PBT of RM40.9 million in the preceding year corresponding quarter.

For the current period-to-date, the Group made a PBT of RM102.9 million against the loss of RM54.5 million in the preceding year. This turnaround was mainly because of higher sales compared to the previous year.

21. Material Change in Profit/(Loss) Before Taxation Compared to Immediate Preceding Quarter

The Group's current quarter's PBT of RM3.5 million was lower compared to the PBT of RM62.3 million in the immediate preceding quarter mainly due to lower margins.

22. Prospect

The demand will pick up when more construction projects are being implemented under the Economic Transformation Programme. The Board expects the performance of the Group to remain satisfactory for the rest of the financial year.

23. Earnings Per Share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders of RM3.744 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

The calculation of basic earnings per ordinary share for the current period to date is based on the net profit attributable to ordinary shareholders of RM92.836 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

	Current Quarter	Current period to Date
Net profit attributable to shareholders (RM'000)	3,744	92,836
Weighted average number of ordinary shares in issue during the current quarter/period ('000)	419,417	419,417
Basic earnings per ordinary share (sen)	0.9	22.1

Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current quarter/period to date as there are no potential ordinary shares to be issued.

24. Change of Financial Year End

The Board has approved to change the financial year end from 31 December to 30 June and the next audited financial statements shall be for a period of 18 months, made up from 1 January 2010 to 30 June 2011.