



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 3852 666
E-mail address	ting.kokkeong@southsteel.com

Part A : To be filled by Public Listed Company

* Financial Year End	31/12/2010
* Quarter	2 Qtr
* Quarterly report for the financial period ended	30/06/2010
* The figures	have not been audited

Please attach the full Quarterly Report here

[Q210cfs.pdf](#)

[Q210 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
* 30/06/2010

INDIVIDUAL QUARTER

CUMULATIVE QUARTER

CURRENT YEAR
QUARTER *

PRECEDING YEAR
CORRESPONDING
QUARTER

CURRENT YEAR TO
DATE *

PRECEDING
YEAR
CORRESPONDING

	30/06/2010		30/06/2009		PERIOD	
	[dd/mm/yyyy] \$\$'000		[dd/mm/yyyy] \$\$'000		30/06/2010	30/06/2009
1. Revenue	684,648		488,396		1,313,390	882,001
2. Profit/(loss) before tax	62,272		-16,886		99,460	-95,344
3. Profit/(loss) for the period	54,609		-12,675		89,092	-78,150
4. Profit/(loss) attributable to ordinary equity holders of the parent	54,609		-12,675		89,092	-78,150
5. Basic earnings/(loss) per share (Subunit)	13.00		-3.00		21.20	-18.60
6. Proposed/Declared dividend per share (Subunit)	5.00		2.50		5.00	2.50
	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 (\$\$)			2.0200			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
	30/06/2010	30/06/2009	30/06/2010	30/06/2009
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Gross interest income	108	168	223	265
2. Gross interest expense	5,588	4,877	10,724	12,572

Remarks :

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

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/10	Preceding Year Corresponding Quarter 30/06/09	Current Year To Date 30/06/10	Preceding Year Corresponding Period To Date 30/06/09
Revenue	684,648	488,396	1,313,390	882,001
Cost of sales	<u>(589,969)</u>	<u>(477,865)</u>	<u>(1,147,634)</u>	<u>(915,024)</u>
Gross profit	94,679	10,531	165,756	(33,023)
Other operating expenses	(33,643)	(27,642)	(67,403)	(59,277)
Other operating income	5,314	4,351	9,513	8,555
Fair Value (Loss)/ Gain on other investment and forward Contract	(134)	-	561	-
Finance cost	(5,588)	(4,877)	(10,724)	(12,572)
Share of results of associated companies	<u>1,644</u>	<u>751</u>	<u>1,757</u>	<u>973</u>
Profit/(Loss) before taxation	62,272	(16,886)	99,460	(95,344)
Taxation	(7,663)	4,211	(10,368)	17,194
Profit/(Loss) for the period	<u>54,609</u>	<u>(12,675)</u>	<u>89,092</u>	<u>(78,150)</u>
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	<u><u>54,609</u></u>	<u><u>(12,675)</u></u>	<u><u>89,092</u></u>	<u><u>(78,150)</u></u>
Profit and Total Comprehensive Income Attributable to:				
Equity holders of the parent	54,609	(12,675)	89,092	(78,150)
Minority interests	-	-	-	-
Profit/(Loss) for the period	<u><u>54,609</u></u>	<u><u>(12,675)</u></u>	<u><u>89,092</u></u>	<u><u>(78,150)</u></u>
Earnings/(Loss) per share (SEN)				
- Basic and fully diluted	<u><u>13.0</u></u>	<u><u>(3.0)</u></u>	<u><u>21.2</u></u>	<u><u>(18.6)</u></u>

Southern Steel Berhad
Unaudited Condensed Consolidated Statement of Financial Position

	As At End of Current As at 30/06/10 RM'000	As At Preceding Financial Year Ended 31/12/09 Restated RM'000
NET ASSETS		
Non-Current Assets		
Property, plant & equipment	700,142	719,953
Goodwill on consolidation	48,991	48,991
Investments in associates	18,173	16,967
Other investments	1,911	788
	769,217	786,699
Current Assets		
Inventories	804,298	694,177
Receivables	227,803	236,348
Derivative financial instruments	216	-
Bank and cash balances	62,119	34,375
	1,094,436	964,900
Current Liabilities		
Payables	191,366	163,617
Short term borrowings	747,347	764,652
Current income tax liabilities	13,351	1,873
	952,064	930,142
Net Current Assets / (Liabilities)	142,372	34,758
Non-Current Liabilities		
Deferred tax liabilities	37,906	40,503
Other deferred liabilities	27,557	26,161
	65,463	66,664
Total Net Assets	846,126	754,793
EQUITY		
Share Capital	411,467	411,467
Reserves	434,659	343,326
Equity attributable to equity holders of the company	846,126	754,793
Minority Interest	-	-
Total Equity	846,126	754,793

Southern Steel Berhad
Unaudited Condensed Consolidated Statement of Cash Flow

	Current Period To Date 30/06/10 RM'000	Preceding Year Corresponding Period To Date 30/06/09 RM'000
OPERATING ACTIVITIES		
Profit / (Loss) before taxation	107,406	(95,344)
Adjustments for:		
Depreciation (and amortisation)	44,122	42,712
Interest expense	10,724	12,572
Share of results of associated companies	(1,757)	(973)
Provision for diminution in value of inventories	7,946	-
Net unrealised foreign exchange (gain)/ loss	(5,064)	5,114
Provisions for inventories, doubtful debts & others	(15,251)	(18,872)
Operating profit before working capital changes	<u>148,126</u>	<u>(54,791)</u>
Changes in working capital	(98,517)	460,364
Cash generated from operations	<u>49,609</u>	<u>405,573</u>
Retirement benefits/other provision paid	(626)	(1,032)
Interest paid	(10,819)	(13,504)
Income tax refund	22,428	327
Net cash flows from operating activities	<u>60,592</u>	<u>391,364</u>
INVESTING ACTIVITIES		
Dividend income	571	571
Purchase of property, plant & equipment	(22,736)	(50,367)
Others	1,911	265
Net cash used in investing activities	(20,254)	(49,531)
FINANCING ACTIVITIES		
Short term borrowings	(28,983)	(247,764)
Net change in cash and cash equivalents	11,355	94,069
Cash & cash equivalents at beginning of period	25,265	39,529
Cash & cash equivalents at end of period	<u>36,620</u>	<u>133,598</u>
Cash in hand and at bank	49,994	57,011
Short term deposits	12,125	91,328
Bank overdraft	(25,499)	(14,741)
	<u>36,620</u>	<u>133,598</u>

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

	<----- Attributable to Equity Holders of SSB ----->				Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Reserves RM'000	Retained Profit / (Accumulated Losses) RM'000	Total RM'000		
Balance at 01.01.09	411,467	65,902	281,211	758,580	-	758,580
Movements during the period	-	-	(78,150)	(78,150)	-	(78,150)
Balance at 30.06.09	<u>411,467</u>	<u>65,902</u>	<u>203,061</u>	<u>680,430</u>	-	<u>680,430</u>
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)	<u>411,467</u>	<u>65,902</u>	<u>279,665</u>	<u>757,034</u>	-	<u>757,034</u>
Movements during the period	-	-	89,092	89,092	-	89,092
Balance at 30.06.10	<u>411,467</u>	<u>65,902</u>	<u>368,757</u>	<u>846,126</u>	-	<u>846,126</u>

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 decreasing the profit for the current period by RM 0.13 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 year to date.

7. Dividends

For the financial year ending 31 December 2010, an interim tax exempt dividend of 5% (2009: 1st interim 2.5%) is approved and will be payable on 30 September 2010 to depositors registered in the Record of Depositors at the close of business on 17 September 2010.

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 year 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 year quarter 30/06/10 RM'000	Current year-to-date 30/06/10 RM'000
Current income taxation	(8,316)	(12,965)
Deferred taxation	653	2,597
	<u>(7,663)</u>	<u>(10,368)</u>

(b) Reconciliation of income tax expense:

	Current year quarter 30/06/10 RM'000	Current year-to-date 30/06/10 RM'000
Profit/ (Loss) before taxation	<u>62,272</u>	<u>99,460</u>
Tax calculated at tax rate of 25%	(17,555)	(26,851)
Tax expense on share of results of associated company	411	439
Gain not subject to tax	445	1,307
Utilisation of reinvestment allowances	8,491	13,394
Under provision in prior financial year	-	(14)
Current year tax losses not recognised	659	1,048
Others	(114)	309
	<u>(7,663)</u>	<u>(10,368)</u>

13. Sale of Unquoted Investments and/or Properties

The company has on 9 July 2010 entered into a Sale and Purchase Agreement for the disposal of pieces of lands located at Lot No. 867, 868, 869 and 870, Seksyen 10, Bandar Georgetown, Daerah Timor Laut, Negeri Pulau Pinang for a cash consideration of RM390,000. The said agreement is still pending completion.

Save as disclosed above, there were no significant sales of unquoted investments and/or 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 year to date are as follows:

	Current year quarter 30/06/10 RM'000	Current year-to-date 30/06/10 RM'000
Total sale proceeds	393	1,693
Total gain on disposal	45	158

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

At Fair Value	RM'000 1,911
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15. Status of Corporate Proposals

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 Securities Commission has extended the time for compliance to October 31, 2010.

16. Group Borrowings

(a) The Group borrowings as at 30 June 2010 comprised of unsecured short-term borrowings amounting to RM747 million.

(b) Included in the above are US Dollars borrowings amounting to RM64 million.

17. Derivatives

Foreign Exchange	Forwards	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain/ (Loss) RM'000
Contract				
- Less than 1 year		199,048	199,264	216

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 balance sheet 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:

	6 months ended 30/06/10 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 44,471

Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	36,048
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	29,593
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	9,048
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.		76,321
Purchase of goods from: NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	307,065
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	32

20. Review of Performance

For the quarter under review, the Group's revenue was higher at RM684.6 million, as compared to RM488.4 million in the preceding year corresponding quarter. The Group recorded a profit before taxation ("PBT") of RM62.3 million instead of a loss before taxation of RM16.9 million in the preceding year corresponding quarter. Both the higher revenue and profit were due to higher sales volume and prices as economy recovered.

For the current year-to-date, the Group reported PBT of RM99.5 million as compared to the loss of RM95.3 million in the preceding year. This turnaround was in line with the improved economic conditions.

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

The Group's current quarter's PBT of RM62.3 million was higher compared to the immediate preceding quarter PBT of RM37.2 million mainly due to better margin.

22. Prospect

The local steel demand and prices softened towards the end of the second quarter, and would remain so in the coming festive months. Thereafter, the Board expects demand and prices to pick up.

The Group's performance would 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 RM54.609 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 year to date is based on the net profit attributable to ordinary shareholders of RM89.092 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	54,609	89,092
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	419,417	419,417
Basic earnings per ordinary share (sen)	13.0	21.2

Diluted earnings per share

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

24. Receipt of Notice of Unconditional Take-over Offer

The Company had, on 16 July 2010, received a Notice of Unconditional Take-over Offer from Hong Leong Investment Bank Berhad, on behalf of Signaland Sdn Bhd ("Offeror") to acquire all the ordinary shares of RM1.00 each in the Company which are not already owned by the Offeror and the persons acting in concert with it ("Offer Shares") at a cash consideration of RM2.05 per Offer Share ("Offer").

In accordance with the Malaysian Code on Take-Overs and Mergers, 1998, the Board is required to appoint an independent adviser ("IA") to advise the independent and/or non-interested Directors and holders of the Offer Shares in relation to the Offer. On 22 July 2010, the Board appointed HwangDBS Investment Bank Berhad as the IA subject to the approval of the Securities Commission ("SC"). However, the SC rejected the appointment on 10 August 2010. Subsequently, Public Investment Bank Berhad was appointed on 11 August 2010. This appointment is pending approval of the SC.
