



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	1 Qtr
* Quarterly report for the financial period ended	31/03/2010
* The figures	have not been audited

Please attach the full Quarterly Report here

[Q110cfs.pdf](#)

[Q110 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
* 31/03/2010

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER *	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE *	PRECEDING YEAR CORRESPONDING PERIOD
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Revenue	628,742	393,605	628,742	393,605
2. Profit/(loss) before tax	37,188	-78,458	37,188	-78,458
3. Profit/(loss) for the period	34,483	-65,475	34,483	-65,475
4. Profit/(loss) attributable to ordinary equity holders of the parent	34,483	-65,475	34,483	-65,475
5. Basic earnings/(loss) per share (Subunit)	8.20	-15.60	8.20	-15.60
6. Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00
	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 (\$\$)		1.8900		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
	31/03/2010	31/03/2009	31/03/2010	31/03/2009
	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000	[dd/mm/yyyy] \$\$'000
1. Gross interest income	115	97	115	97
2. Gross interest expense	5,136	7,695	5,136	7,695
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 31/03/10	Preceding Year Corresponding Quarter 31/03/09	Current Year To Date 31/03/10	Preceding Year Corresponding Period To Date 31/03/09
Revenue	628,742	393,605	628,742	393,605
Cost of sales	(557,665)	(437,159)	(557,665)	(437,159)
Gross profit	71,077	(43,554)	71,077	(43,554)
Other operating expenses	(34,910)	(37,706)	(34,910)	(37,706)
Other operating income	5,349	10,275	5,349	10,275
Fair Value Gain on other investment	758	-	758	-
Fair Value Loss on Forward Contract	(63)	-	(63)	-
Finance cost	(5,136)	(7,695)	(5,136)	(7,695)
Share of results of associated companies	113	222	113	222
Profit/(Loss) before taxation	37,188	(78,458)	37,188	(78,458)
Taxation	(2,705)	12,983	(2,705)	12,983
Profit/(Loss) for the period	34,483	(65,475)	34,483	(65,475)
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	34,483	(65,475)	34,483	(65,475)
Profit and Total Comprehensive Income Attributable to:				
Equity holders of the parent	34,483	(65,475)	34,483	(65,475)
Minority interests	-	-	-	-
Profit/(Loss) for the period	34,483	(65,475)	34,483	(65,475)
Earnings/(Loss) per share (SEN)				
- Basic and fully diluted	8.2	(15.6)	8.2	(15.6)

Southern Steel Berhad
Unaudited Condensed Consolidated Statement of Financial Position

	As At End of Current Quarter 31/03/10 RM'000	As At Preceding Financial Year Ended 31/12/09 Restated RM'000
NET ASSETS		
Non-Current Assets		
Property, plant & equipment	708,648	719,953
Goodwill on consolidation	48,991	48,991
Investments in associates	17,079	16,967
Other investments	2,591	788
	777,309	786,699
Current Assets		
Inventories	666,006	694,177
Receivables	236,419	236,348
Bank and cash balances	82,971	34,375
	985,396	964,900
Current Liabilities		
Payables	236,457	163,617
Derivative financial instruments	54	-
Short term borrowings	663,751	764,652
Current income tax liabilities	5,035	1,873
	905,297	930,142
Net Current Assets / (Liabilities)	80,099	34,758
Non-Current Liabilities		
Deferred tax liabilities	38,559	40,503
Other deferred liabilities	27,332	26,161
	65,891	66,664
Total Net Assets	791,517	754,793
EQUITY		
Share Capital	411,467	411,467
Reserves	380,050	343,326
Equity attributable to equity holders of the company	791,517	754,793
Minority Interest	-	-
Total Equity	791,517	754,793

Southern Steel Berhad
Unaudited Condensed Consolidated Statement of Cash Flow

	Current Period To Date 31/03/10 RM'000	Preceding Year Corresponding Period To Date 31/03/09 RM'000
OPERATING ACTIVITIES		
Profit / (Loss) before taxation	37,188	(78,458)
Adjustments for:		
Depreciation (and amortisation)	21,907	21,069
Interest expense	5,136	7,695
Share of results of associated companies	(113)	(222)
Net unrealised foreign exchange (gain)/ loss	(2,868)	7,246
Provisions for inventories, doubtful debts & others	(8,583)	(8,420)
Operating profit before working capital changes	<u>52,667</u>	<u>(51,090)</u>
Changes in working capital	109,000	261,398
Cash generated from operations	<u>161,667</u>	<u>210,308</u>
Retirement benefits/other provision paid	(133)	(631)
Interest paid	(5,118)	(7,157)
Income tax refund	19,335	5,167
Net cash flows from operating activities	<u>175,751</u>	<u>207,687</u>
INVESTING ACTIVITIES		
Dividend income	21	21
Purchase of property, plant & equipment	(30,887)	(27,883)
Others	1,411	97
Net cash used in investing activities	(29,455)	(27,765)
FINANCING ACTIVITIES		
Short term borrowings	(93,515)	(133,990)
Net change in cash and cash equivalents	52,781	45,932
Cash & cash equivalents at beginning of period	25,265	39,529
Cash & cash equivalents at end of period	<u>78,046</u>	<u>85,461</u>
Cash in hand and at bank	70,158	44,692
Short term deposits	12,813	48,934
Bank overdraft	(4,925)	(8,165)
	<u>78,046</u>	<u>85,461</u>

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

	<----- Attributable to Equity Holders of SSB ----->			Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Reserves RM'000	Retained Profit / (Accumulated Losses) RM'000			
Balance at 01.01.09	411,467	65,902	281,211	758,580	-	758,580
Movements during the period	-	-	(65,475)	(65,475)	-	(65,475)
Balance at 31.03.09	<u>411,467</u>	<u>65,902</u>	<u>215,736</u>	<u>693,105</u>	-	<u>693,105</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	-	-	34,483	34,483	-	34,483
Balance at 31.03.10	<u>411,467</u>	<u>65,902</u>	<u>314,148</u>	<u>791,517</u>	-	<u>791,517</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 increasing the profit for the current period by RM 0.69 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

There was no dividend declared for the current financial year to date.

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 31/03/10 RM'000	Current year-to-date 31/03/10 RM'000
Current income taxation	(4,649)	(4,649)
Deferred taxation	1,944	1,944
	<u>(2,705)</u>	<u>(2,705)</u>

(b) Reconciliation of income tax expense:

	Current year quarter 31/03/10 RM'000	Current year-to-date 31/03/10 RM'000
Profit/ (Loss) before taxation	<u>37,188</u>	<u>37,188</u>
Tax calculated at tax rate of 25%	(9,297)	(9,297)
Tax expense on share of results of associated company	28	28
Gain not subject to tax	862	862
Utilisation of reinvestment allowances	4,904	4,904
Under provision in prior financial year	(14)	(14)
Current year tax losses not recognised	389	389
Others	423	423
	<u>(2,705)</u>	<u>(2,705)</u>

13. Sale of Unquoted Investments and/or Properties

There were neither sale of unquoted investments nor properties for the current financial year to date.

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 31/03/10 RM'000	Current year-to-date 31/03/10 RM'000
Total sale proceeds	1,300	1,300
Total gain on disposal	113	113

(b) Investments in quoted securities as at 31 March 2010 are as follows:

	RM'000
At Fair Value	2,591

15. Status of Corporate Proposals

The Group has obtained six out of the seven certificates of fitness for occupation (CFs) of properties required pursuant to the Company's ICULS issue completed in August 2003. The remaining CF for Lots 6047, 6048 and 6049, has yet to be issued. The Securities Commission has extended the time for compliance to October 31, 2010.

16. Group Borrowings

(a) The Group borrowings as at 31 March 2010 comprised of unsecured short-term borrowings amounting to RM664 million.

(b) Included in the above are US Dollars borrowings amounting to RM65 million.

17. Derivatives

	Contract/ Notional Value RM'000	Cash Requirement RM'000	Fair Value RM'000	Fair Value Gain/ (Loss) RM'000
Foreign Exchange Forwards Contract				
- Less than 1 year	90,011	-	89,957	(54)

The Group does not enter into significant derivative hedging or other transactions involving market-sensitive instruments. 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:

		3 months ended 31/03/10 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	17,625
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	17,213
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	16,029
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	5,095
Chin Weil 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.		28,185
Purchase of goods from: NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	100,507
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	18

20. Review of Performance

The Group recorded higher revenue for the quarter under review at RM628.7 million, as compared to RM393.6 million in the preceding year corresponding quarter. Profit before taxation ("PBT") of RM37.1 million was also higher than the loss before taxation of RM78.5 million in the preceding year corresponding quarter. Both the higher revenue and profit were in line with the economic recovery.

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

The Group's revenue for the current quarter increased to RM628.7 million from RM588.6 million in the immediate preceding quarter. However, this quarter's PBT of RM37.1 million was lower compared to the immediate preceding quarter PBT of RM63.3 million mainly due to lower margin from high raw material cost.

22. Prospect

Prices of raw material continue to rise since early part of the year 2010. As the economic recovery is still at its nascent stage, there is continued pressure on both demand and margin. Nevertheless, the Board believes that the worst is over and the performance of the Group will 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 RM34.483 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 RM34.483 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)	34,483	34,483
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	419,417	419,417
Basic earnings per ordinary share (sen)	8.2	8.2

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.
