

## Financial Results

Reference No SS-111110-58611

Company Name : **SOUTHERN STEEL BERHAD**  
Stock Name : **SSTEEL**  
Date Announced : 15/11/2011  
Financial Year End : 30/06/2012  
Quarter : 1  
Quarterly report for the financial period ended : 30/09/2011  
The figures : have not been audited

Converted attachment :

Please attach the full Quarterly Report here:

[Q112cfs.pdf](#)

[Q112 notes.pdf](#)

[Qtr Report\\_310310 \(cfs\).pdf](#)

[Qtr Report\\_310310 \(Notes\).pdf](#)

Remark:

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency : Malaysian Ringgit (MYR)

### SUMMARY OF KEY FINANCIAL INFORMATION 30/09/2011

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30/09/2011	30/09/2010	30/09/2011	30/09/2010
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1Revenue	734,004	0	734,004	0
2Profit/(loss) before tax	17,326	0	17,326	0
3Profit/(loss) for the period	15,577	0	15,577	0
4Profit/(loss) attributable to ordinary equity holders of the parent	16,050	0	16,050	0

<b>5Basic earnings/ (loss) per share (Subunit)</b>	3.80	0.00	3.80	0.00
<b>6Proposed/Declared dividend per share (Subunit)</b>	5.00	0.00	5.00	0.00

**AS AT END OF CURRENT  
QUARTER**

**AS AT PRECEDING FINANCIAL  
YEAR END**

<b>7Net assets per share attributable to ordinary equity holders of the parent (\$\$)</b>		2.1200		2.1100
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**Remarks :**

The Group has changed its financial year end from 31 December to 30 June. Pursuant to the change, comparative figures are not presented for the first year of the change of financial year end.

Quarterly report of the preceding period ended 31 March 2010 is annexed to this quarterly report for information purposes.

**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:

<b>Country</b>	<b>Base Unit</b>	<b>Subunit</b>
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

**Southern Steel Berhad**  
**Unaudited Condensed Consolidated Income Statements**  
**RM'000**

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 30/09/11	Preceding year Corresponding Quarter 30/09/10	Current year 3 months Period To Date 30/09/11	Preceding year 3 months Period To Date 30/09/10
Revenue	734,004	N/A	734,004	N/A
Cost of sales	(671,071)	N/A	(671,071)	N/A
<b>Gross profit</b>	<b>62,933</b>	<b>N/A</b>	<b>62,933</b>	<b>N/A</b>
Other operating expenses	(43,753)	N/A	(43,753)	N/A
Other operating income	6,252	N/A	6,252	N/A
Fair value gain on forward Contract	194	N/A	194	N/A
Finance cost	(8,346)	N/A	(8,346)	N/A
Share of results of associated companies	46	N/A	46	N/A
<b>Profit before taxation</b>	<b>17,326</b>	<b>N/A</b>	<b>17,326</b>	<b>N/A</b>
Taxation	(1,749)	N/A	(1,749)	N/A
<b>Profit for the period</b>	<b>15,577</b>	<b>N/A</b>	<b>15,577</b>	<b>N/A</b>
<b>Profit/(loss) attributable to:</b>				
Owners of the company	16,050	N/A	16,050	N/A
Non-controlling interests	(473)	N/A	(473)	N/A
	<b>15,577</b>	<b>N/A</b>	<b>15,577</b>	<b>N/A</b>
<b>Earnings per share (SEN)</b>				
- Basic and fully diluted	<b>3.8</b>	<b>N/A</b>	<b>3.8</b>	<b>N/A</b>

**Note:**

There are no comparative figures disclosed for the preceding year's corresponding period following the change in financial year end.

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

	Individual Quarter		Cumulative Quarter	
	Current year Quarter 30/09/11	Preceding year Corresponding Quarter 30/09/10	Current year 3 months Period To Date 30/09/11	Preceding year 3 months Period To Date 30/09/10
Profit for the period	15,577	N/A	15,577	N/A
Other Comprehensive (Loss)/Income:				
Fair value loss on available-for-sale investments	(8,405)	N/A	(8,405)	N/A
Exchange differences on translation of foreign operations	(321)	N/A	(321)	N/A
<b>Total Comprehensive Income</b>	<b>6,851</b>	<b>N/A</b>	<b>6,851</b>	<b>N/A</b>
<b>Total Comprehensive Income/(Loss) Attributable to:</b>				
Owners of the company	7,330	N/A	7,330	N/A
Non-controlling interests	(479)	N/A	(479)	N/A
	<b>6,851</b>	<b>N/A</b>	<b>6,851</b>	<b>N/A</b>

Note:

There are no comparative figures disclosed for the preceding year's corresponding period following the change in financial year end.

**Southern Steel Berhad**  
**Unaudited Condensed Consolidated Statement of Financial Position**

	As at 30/09/11 RM'000	As at 30/06/11 RM'000
<b>NET ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant & equipment	675,507	683,150
Associated companies	17,814	17,768
Available-for-sale investments	28,261	2,771
Deferred tax assets	11,075	10,331
Goodwill on consolidation	48,991	48,991
	781,648	763,011
<b>Current Assets</b>		
Inventories	1,016,928	1,040,568
Receivables	336,166	252,348
Tax recoverable	16,671	14,169
Derivative financial assets	392	199
Cash and bank balances	60,217	199,401
	1,430,374	1,506,685
<b>Current Liabilities</b>		
Payables	201,991	295,346
Short term borrowings	1,060,300	1,032,870
Current tax liabilities	-	5
	1,262,291	1,328,221
<b>Net Current Assets</b>	<u>168,083</u>	<u>178,464</u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	30,357	29,026
Retirement benefit	28,248	28,174
	58,605	57,200
<b>Total Net Assets</b>	<u><u>891,126</u></u>	<u><u>884,275</u></u>
<b>EQUITY</b>		
Share Capital	411,467	411,467
Reserves	480,138	472,808
Equity attributable to owners of the company	891,605	884,275
Non-controlling interests	(479)	-
<b>Total Equity</b>	<u><u>891,126</u></u>	<u><u>884,275</u></u>

**Southern Steel Berhad**  
**Unaudited Condensed Consolidated Statement of Cash Flow**

	Current 3 months Period To Date 30/09/11 RM'000	Preceding year 3 months Period To Date 30/09/10 RM'000
<b>OPERATING ACTIVITIES</b>		
Profit before taxation	17,326	N/A
Adjustments for:		
Depreciation	21,236	N/A
Interest expense	8,346	N/A
Share of results of associated companies	(46)	N/A
Net unrealised foreign exchange loss	12,291	N/A
Allowances for inventories, doubtful debts & others	3,005	N/A
Operating profit before working capital changes	62,158	N/A
Changes in working capital	(158,358)	N/A
Cash used in operations	(96,200)	N/A
Retirement benefits/other provision paid	(656)	N/A
Interest paid	(7,941)	N/A
Income tax paid	(3,667)	N/A
Net cash flows used in operating activities	(108,464)	N/A
<b>INVESTING ACTIVITIES</b>		
Dividend received	13	N/A
Purchase of property, plant & equipment	(11,692)	N/A
Purchase of available-for sale investments	(33,895)	N/A
Others	157	N/A
Net cash used in investing activities	(45,417)	N/A
<b>FINANCING ACTIVITIES</b>		
Net repayment of borrowings	(4,223)	N/A
Net cash used in financing activities	(4,223)	N/A
Net change in cash and cash equivalents	(158,104)	N/A
Cash & cash equivalents at beginning of period	190,970	N/A
Effects of exchange differences on cash and cash equivalents	(321)	N/A
Cash & cash equivalents at end of period	32,545	N/A
Cash in hand and at bank	37,305	N/A
Short term deposits	22,912	N/A
Bank overdraft	(27,672)	N/A
	32,545	N/A

There are no comparative figures disclosed for the preceding year's corresponding period following the change in financial year end.

Southern Steel Berhad  
 Unaudited Condensed Consolidated Statements of Changes in Equity

	< ----- Attributable to Owners of the Company ----- >				Non-controlling Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Reserves RM'000	Retained Profit RM'000	Total RM'000		
<i>Current year</i>						
<i>Period ended 30 September 2011</i>						
Balance at 01.07.11	411,467	69,123	403,685	884,275	-	884,275
Movements during the period	-	(8,720)	16,050	7,330	(479)	6,851
Balance at 30.09.11	<u>411,467</u>	<u>60,403</u>	<u>419,735</u>	<u>891,605</u>	<u>(479)</u>	<u>891,126</u>

There are no comparative figures disclosed for the preceding year's corresponding period following the change in financial year end.

**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 audited financial statements for the 18 months’ period ended 30 June 2011.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the period ended 30 June 2011 except for the adoption of the relevant new FRSs, amendments to FRSs and IC Interpretations that are effective for annual periods beginning on or after 1 July 2010, 1 January 2011 and 1 July 2011. The adoption of the new FRSs, amendments to FRSs and IC Interpretations does not have any material impact on the financial position and results of the Group.

**2. Audit Report**

The preceding financial period’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 period.

**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**

For the financial year ending 30<sup>th</sup> June 2012, an interim tax exempt dividend of 5% (2011: 1st interim 5%) is approved and will be payable on 15 December 2011 to depositors registered in the Record of Depositors at the close of business on 2 December 2011.

**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 30/09/11 RM'000	Current period-to- date 30/09/11 RM'000
Current income taxation	(2,290)	(2,290)
Deferred taxation	541	541
	<u>(1,749)</u>	<u>(1,749)</u>



(b) Reconciliation of income tax expense:

	Current quarter 30/09/11 RM'000	Current period-to-date 30/09/11 RM'000
Profit before taxation	17,326	17,326
Tax calculated at tax rate of 25%	(4,331)	(4,331)
Expenses not deductible for tax purpose	463	463
Utilisation of reinvestment allowances	2,374	2,374
Current period tax losses not recognised	(257)	(257)
Others	2	2
	<u>(1,749)</u>	<u>(1,749)</u>

**13. Sale of Unquoted Investments and/or Properties**

There were no sales of unquoted investments and/or properties for the quarter under review.

**14. Quoted Securities (classified as Available-for-sale Investments)**

(a) There were no disposals of quoted securities for the current quarter and financial period to date. Purchases of quoted securities is as below:-

	Current quarter 30/09/11 RM'000	Current period-to-date 30/09/11 RM'000
Purchase of quoted securities	33,895	33,895

(b) Investments in quoted securities as at 30 September 2011 are as follows:

At Fair Value	RM'000 <u>28,261</u>
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**15. Status of Corporate Proposal**

There were no corporate proposals announced but not completed as at the date of issue of this announcement.

**16. Group Borrowings**

(a) The Group borrowings as at 30 September 2011 comprised of unsecured short-term borrowings amounting to RM1,060 million.

(b) Included in the above are US Dollars borrowings amounting to RM195.2 million.

**17. Derivatives**

	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain RM'000
Foreign Exchange Forwards Contract			
- Less than 1 year	271,258	271,650	392

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 established financial institutions, 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:

		3 months period ended 30/09/11 RM'000
<i>Sales of goods to :</i>		
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	37,914
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	28,253
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	8,000
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	3,993
Associated company - Steel Industries (Sabah) Sdn. Bhd.	Enterprises in which the Company has significant influence	25,049
<i>Purchase of goods from :</i>		
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	489
<i>Service rendered by :</i>		
Su Hock Group	Enterprises in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company	31
<i>Receipt of services :</i>		
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	60

**20. Review of Performance**

For the quarter under review, the Group recorded revenue of RM734.0 million and profit before taxation ("PBT") of RM17.3 million for the first quarter ended 30 September 2011. There are no comparative figures for the preceding period's corresponding quarter as the Group changed its financial year end from 31 December 2010 to 30 June 2011.

**21. Material Change in Profit Before Taxation Compared to Immediate Preceding Quarter**

The Group's current quarter's PBT of RM17.3 million was lower than immediate preceding quarter's RM43.8 million mainly due to the drop in sales volume.

**22. Prospects**

Global economic outlook has turned for the worse following the Euro zone financial crisis and China's credit tightening. Demand and prices for commodity, including steel, started to soften. However, the Board expects the Group's performance to be satisfactory for 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 RM16.050 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 RM16.050 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

	Current Quarter	Current 3 months period to Date
Net profit attributable to shareholders (RM'000)	16,050	16,050
Weighted average number of ordinary shares in issue during the current quarter/period ('000)	419,417	419,417
Basic earnings per ordinary share (sen)	3.8	3.8

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. Segmental Information**

The segment revenue, segment results and segment assets for the financial period ended 30 September 2011 were as follows:

	Steel products RM'000	Investment holding and others RM'000	Elimination of inter-segment RM'000	Total RM'000
<b>Revenue</b>				
External sales	734,004	0	0	734,004
Inter-segment	252,609	84	(252,693)	0
Total sales	<u>986,613</u>	<u>84</u>	<u>(252,693)</u>	<u>734,004</u>
<b>Results</b>				
Segment results	17,304	20	(44)	17,280
Share of profit of an associate				46
Consolidated profit before tax				<u>17,326</u>
<b>Assets</b>	<u>2,589,816</u>	<u>149,308</u>	<u>(527,102)</u>	<u>2,212,022</u>

**25. Realised and Unrealised Profits/Losses Disclosure**

The retained profits as at 30 Sep 2011 is analysed as follows:

	Current Quarter 30/09/11 RM'000
Total retained profits of the Company and the subsidiaries:	
- Realised	542,471
- Unrealised	(41,948)
	500,523
Total share of retained profit from associated company:	
- Realised	2,179
- Unrealised	-
Less: Consolidated adjustments	(82,967)
Total group retained profits as per consolidated financial statements	419,735

**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	<u>(557,665)</u>	<u>(437,159)</u>	<u>(557,665)</u>	<u>(437,159)</u>
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	<u>113</u>	<u>222</u>	<u>113</u>	<u>222</u>
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	<u>34,483</u>	<u>(65,475)</u>	<u>34,483</u>	<u>(65,475)</u>
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	<u><u>34,483</u></u>	<u><u>(65,475)</u></u>	<u><u>34,483</u></u>	<u><u>(65,475)</u></u>
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	<u><u>34,483</u></u>	<u><u>(65,475)</u></u>	<u><u>34,483</u></u>	<u><u>(65,475)</u></u>
Earnings/(Loss) per share (SEN)				
- Basic and fully diluted	<u>8.2</u>	<u>(15.6)</u>	<u>8.2</u>	<u>(15.6)</u>

**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
<b>NET ASSETS</b>		
<b>Non-Current Assets</b>		
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
<b>Current Assets</b>		
Inventories	666,006	694,177
Receivables	236,419	236,348
Bank and cash balances	82,971	34,375
	985,396	964,900
<b>Current Liabilities</b>		
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
<b>Net Current Assets / (Liabilities)</b>	<b>80,099</b>	<b>34,758</b>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	38,559	40,503
Other deferred liabilities	27,332	26,161
	65,891	66,664
<b>Total Net Assets</b>	<b>791,517</b>	<b>754,793</b>
<b>EQUITY</b>		
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	-	-
<b>Total Equity</b>	<b>791,517</b>	<b>754,793</b>

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
<b>OPERATING ACTIVITIES</b>		
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>
<b>INVESTING ACTIVITIES</b>		
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)
<b>FINANCING ACTIVITIES</b>		
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 ----->

	Share Capital RM'000	Reserves RM'000	Retained Profit / (Accumulated Losses) 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	-	-	(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
Increase in Other Investments	RM'000
Increase in Derivative Financial Instruments (asset)	2,232
Increase in Reserves	9
	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:

At Fair Value RM'000  
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 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.		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.

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