

**Financial Results**

Reference No SS-110513-49632

Company Name : SOUTHERN STEEL BERHAD  
 Stock Name : SSTEEL  
 Date Announced : 18/05/2011  
 Financial Year End : 30/06/2011  
 Quarter : Other  
 Quarterly report for the financial period ended : 31/03/2011  
 The figures : have not been audited

Converted attachment :

Please attach the full Quarterly Report here:

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Remark:

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency : Malaysian Ringgit (MYR)

**SUMMARY OF KEY FINANCIAL INFORMATION**  
31/03/2011

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Three Mths 01/01/2011 To 31/03/2011 SS'000	Three Mths 01/01/2010 To 31/03/2010 SS'000	Fifteen Mths 01/01/2010 To 31/03/2011 SS'000	Twelve Mths 01/01/2009 To 31/12/2009 SS'000
1 Revenue	786,240	0	3,429,209	2,022,337
2 Profit/(loss) before tax	50,776	0	159,135	8,824
3 Profit/(loss) for the period	44,915	0	160,583	17,183
4 Profit/(loss) attributable to ordinary equity holders of the parent	44,915	0	160,583	17,183
5 Basic earnings/(loss) per share (Subunit)	10.70	0.00	38.30	4.10
6 Proposed/Declared dividend per share (Subunit)	10.00	0.00	20.00	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 (S\$)

2.0900

1.8000

**Remarks :**

The financial year end of the Company has been changed from 31 December to 30 June to cover the 18 months period from 1 January 2010 to 30 June 2011 and thereafter, to end on 30 June each year. Accordingly, there are no comparative figures to be presented in this Summary of Key Financial Information.

**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

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

	Individual Quarter		Cumulative Quarter	
	Current Quarter 31/03/11	Preceding Year Corresponding Quarter	Current 15 months Period To Date 31/03/11	Preceding Year 12 months Period To Date 31/12/09
Revenue	786,240	N/A	3,429,209	2,022,337
Cost of sales	(696,009)	N/A	(3,097,887)	(1,899,086)
Gross profit	90,231	-	331,322	123,251
Other operating expenses	(38,892)	N/A	(170,392)	(122,641)
Other operating income	5,762	N/A	26,060	28,549
Fair Value (Loss)/ Gain on other investment and forward Contract	(313)	N/A	864	-
Finance cost	(6,415)	N/A	(30,372)	(22,303)
Share of results of associated companies	403	N/A	1,653	1,968
Profit before taxation	50,776	-	159,135	8,824
Taxation	(5,861)	N/A	1,448	8,359
Profit for the period	44,915	-	160,583	17,183
Other Comprehensive Income	-	N/A	-	-
Total Comprehensive Income	44,915	-	160,583	17,183
Profit and Total Comprehensive Income Attributable to:				
Equity holders of the parent	44,915	N/A	160,583	17,183
Minority interests	-	N/A	-	-
Profit for the period	44,915	-	160,583	17,183
Earnings per share (SEN)				
- Basic and fully diluted	10.7	N/A	38.3	4.1

The financial year end of the Company has been changed from 31 December to 30 June to cover the 18-month period from 1 January 2010 to 30 June 2011 and thereafter, to end on 30 June each year. Accordingly, there are no comparative figures to be presented in this Condensed Consolidated Statements of Comprehensive Income.

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

	As At End of Current Quarter 31/03/11 RM'000	As At Preceding Financial Year Ended 31/12/09 RM'000
<b>NET ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant & equipment	675,381	719,953
Goodwill on consolidation	48,991	48,991
Investments in associates	18,069	16,967
Other investments	2,392	788
	744,833	786,699
<b>Current Assets</b>		
Inventories	963,139	694,177
Receivables	280,357	236,348
Derivative financial instruments	36	-
Bank and cash balances	48,248	34,375
	1,291,780	964,900
<b>Current Liabilities</b>		
Payables	223,506	163,617
Short term borrowings	870,445	764,652
Current income tax liabilities	21,785	1,873
	1,115,736	930,142
<b>Net Current Assets</b>	<u>176,044</u>	<u>34,758</u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	16,367	40,503
Other deferred liabilities	28,835	26,161
	45,202	66,664
<b>Total Net Assets</b>	<u><u>875,675</u></u>	<u><u>754,793</u></u>
<b>EQUITY</b>		
Share Capital	411,467	411,467
Reserves	464,208	343,326
Equity attributable to equity holders of the company	875,675	754,793
Minority Interest	-	-
<b>Total Equity</b>	<u><u>875,675</u></u>	<u><u>754,793</u></u>

Southern Steel Berhad  
Unaudited Condensed Consolidated Statement of Cash Flow

	Current 15 months Period To Date 31/03/11 RM'000	Preceding Year 12 months Period To Date 31/12/09 RM'000
<b>OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	159,135	8,824
Adjustments for:		
Depreciation (and amortisation)	109,991	85,527
Interest expense	30,373	22,303
Share of results of associated companies	(1,653)	(1,968)
Provision for diminution in value of inventories	7,946	1,190
Net unrealised foreign exchange (gain)/ loss	(11,968)	6,769
Provisions for inventories, doubtful debts & others	(7,867)	(4,961)
Operating profit before working capital changes	285,957	117,684
Changes in working capital	(255,287)	132,826
Cash generated from operations	30,670	250,510
Retirement benefits/other provision paid	(1,469)	(1,944)
Interest paid	(30,051)	(22,375)
Income tax refund/ (paid)	5,005	(5,434)
Net cash flows from operating activities	4,155	220,757
<b>INVESTING ACTIVITIES</b>		
Dividend income	602	985
Purchase of property, plant & equipment	(68,704)	(87,992)
Others	3,032	715
Net cash used in investing activities	(65,070)	(86,292)
<b>FINANCING ACTIVITIES</b>		
Short term borrowings	119,885	(127,761)
Dividends paid	(41,942)	(20,970)
Net cash used in financing activities	77,943	(148,731)
Net change in cash and cash equivalents	17,028	(14,266)
Cash & cash equivalents at beginning of period	25,265	39,529
Cash & cash equivalents at end of period	42,293	25,263
Cash in hand and at bank	37,046	16,278
Short term deposits	11,202	18,097
Bank overdraft	(5,955)	(9,112)
	42,293	25,263

Southern Steel Berhad  
 Unaudited Condensed Consolidated Statements of Changes in Equity

	<----- 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	-	-	17,183	17,183	-	17,183
Dividends paid	-	-	(20,970)	(20,970)	-	(20,970)
Balance at 31.12.09	<u>411,467</u>	<u>65,902</u>	<u>277,424</u>	<u>754,793</u>	-	<u>754,793</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	-	-	160,583	160,583	-	160,583
Dividends paid	-	-	(41,942)	(41,942)	-	(41,942)
Balance at 31.03.11	<u>411,467</u>	<u>65,902</u>	<u>398,306</u>	<u>875,675</u>	-	<u>875,675</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 0.3 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**

The total dividend declared and paid for the current financial period to date is as follows:  
 (a) First interim dividend of 5% tax exempt (2009: 1<sup>st</sup> interim 2.5%) was paid on 17 September 2010.

(b) Second interim dividend of 5% tax exempt (2009: 2<sup>nd</sup> interim 2.5%) was paid on 15 December 2010.

A third interim dividend of 10% tax exempt (2009: Nil) is declared and will be payable on 17 June 2011 to depositors registered in the Record of Depositors at the close of business on 3 June 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 except as follows:

(a) Southern Steel Bar Sdn Bhd, an indirect wholly-owned subsidiary of the Company, had on 31 March 2011, incorporated a wholly-owned subsidiary in the Federal Territory of Labuan known as Starglow Investments Ltd as an investment holding company.

**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 31/03/11 RM'000	Current 15 months period-to-date 31/03/11 RM'000
Current income taxation	(5,993)	(22,688)
Deferred taxation	132	24,136
	<u>(5,861)</u>	<u>1,448</u>

(b) Reconciliation of income tax expense:

	Current quarter 31/03/11 RM'000	Current 15 months period-to-date 31/03/11 RM'000
Profit before taxation	50,776	159,135
Tax calculated at tax rate of 25%	(12,694)	(39,783)
Tax expense on share of results of associated company	101	413
Gain not subject to tax	709	3,139
Utilisation of reinvestment allowances	7,055	24,241
Future tax benefits arising from allowance for increase in export	-	16,250
Under provision in prior financial year	-	(1,153)
Current period tax losses not recognised	(1,161)	(1,942)
Others	129	283
	<u>(5,861)</u>	<u>1,448</u>

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

There were no sales of unquoted investments and/or properties for the quarter under review except for a sale of property for a cash consideration RM4.3 million, at a gain of RM0.66 million.

**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 31/03/11 RM'000	Current 15 months period-to-date 31/03/11 RM'000
Total sale proceeds	-	1,693
Total gain on disposal	-	158

(b) Investments in quoted securities as at 31 March 2011 are as follows:

At Fair Value	RM'000 2,392
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**15. Status of Corporate Proposal**

The last corporate exercise undertaken by the Group was in respect of the ICULS issue in August 2003, which was fully converted to ordinary shares on July 31, 2008 upon maturity. The remaining one certificate of fitness for occupation of properties required to be obtained pursuant to the said ICULS issue for property Lots 6047, 6048 and 6049 has been obtained on January 31, 2011.

**16. Group Borrowings**

(a) The Group borrowings as at 31 March 2011 comprised of unsecured short-term borrowings amounting to RM870.4 million.

(b) Included in the above are US Dollars borrowings amounting to RM137.1 million.

**17. Derivatives**

Foreign Exchange Forwards	Contract/ Notional Value RM'000	Fair Value RM'000	Fair Value Gain/ (Loss) RM'000
- Less than 1 year	22,835	22,871	36

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:

		15 months period ended 31/03/11 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	130,862
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	105,679
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	62,658
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	20,456
Associated company		
- Steel Industries (Sabah) Sdn. Bhd.	Enterprises in which the Company has significant influence	134,796
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise in which a former Director has significant influence	882,154
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	81

**20. Review of Performance**

For the quarter under review, the Group recorded revenue of RM786.2 million and profit before taxation ("PBT") of RM50.8 million. For the current financial period-to-date of 15 months, the Group recorded revenue of RM3.4 billion and PBT of RM159.1 million.

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

The Group's current quarter's PBT of RM50.8 million was higher than immediate preceding quarter's RM5.4 million mainly due to higher margin.

**22. Prospects**

Prices continue to be volatile. The market is expecting demand to pick up from the implementation of various projects under the Economic Transformation Program announced by the Malaysian Government. Barring unforeseen circumstances, the Board expects the Group's performance to remain satisfactory.

**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 RM44.915 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 RM160.583 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

	Current Quarter	Current 15 months period to Date
Net profit attributable to shareholders (RM'000)	44,915	160,583
Weighted average number of ordinary shares in issue during the current quarter/period ('000)	419,417	419,417
Basic earnings per ordinary share (sen)	10.7	38.3

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. Realised and Unrealised Profits/Losses Disclosure**

The retained profits as at 31 March 2011 is analysed as follows:

	Current Quarter 31/03/11
Total retained profits of the Company and the subsidiaries:	
- Realised	478,322
- Unrealised	(525)
	<hr/> 477,797
Total share of retained profit from associated company:	
- Realised	11,251
- Unrealised	-
Less: Consolidated adjustments	(90,742)
Total group retained profits as per consolidated financial statements	<hr/> 398,306