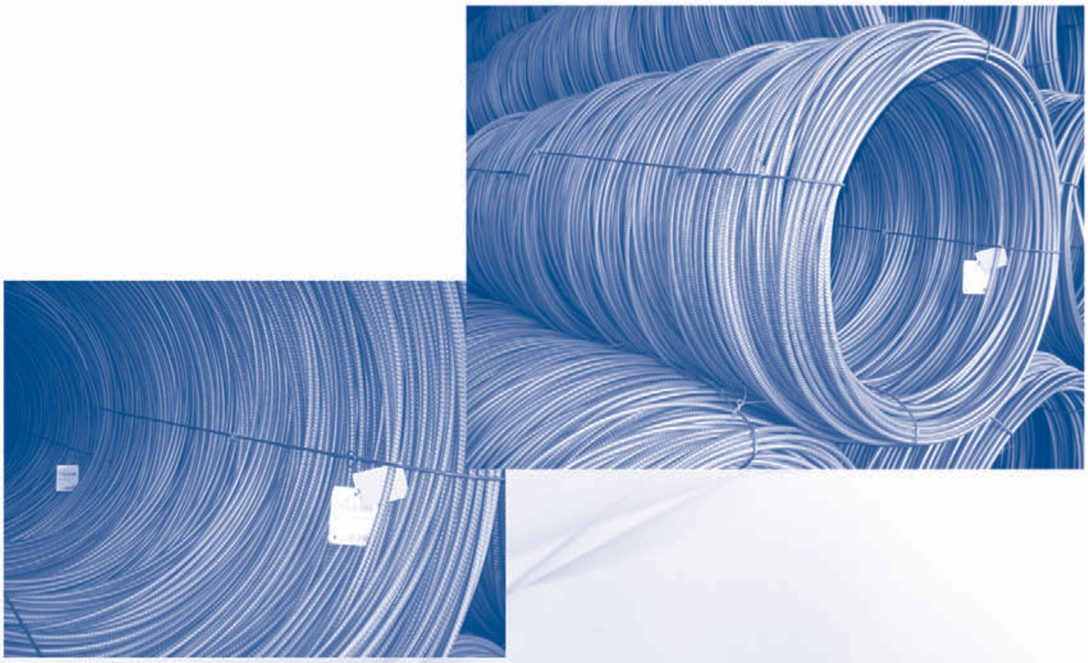
南達 Southern Steel

Annual Report 2008

Contents

Corporate Information



Directors
Kwek Leng San
Chairman

Y Bhg Dato' Dr Tan Tat Wai
Group Managing Director

YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Lim Sian Choo
(Appointed on 23 January 2009)

Koushik Chatterjee

Oo Soon Hee
(Alternate to Koushik Chatterjee)

Registered Office
Level 3, 2723 Lorong Perusahaan 12
Prai Industrial Estate
13600 Prai, Penang
Telephone : 04 390 6540
Facsimile : 04 390 8060

Principal Place of Business
2435 Lorong Perusahaan 12
Prai Industrial Estate
13600 Prai, Penang
Telephone : 04 390 6540
Facsimile : 04 390 8060

Auditors
PricewaterhouseCoopers
Chartered Accountants
16th Floor, Bangunan KWSP
Jalan Sultan Ahmad Shah
10050 Penang

Registrar
AGRITEUM Share Registration Services Sdn Bhd
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Telephone : 04 228 2321
Facsimile : 04 227 2391

Secretary
Lim Gim Siok

Corporate Structure

Southern Steel Berhad

- Southern Wire Industries (Malaysia) Sdn Bhd **100%** ●
  - ● **100%** Southern PC Steel Sdn Bhd
  - ● **100%** Cempaka Raya Sdn Bhd
  - ● **100%** Trend Staples Industry Sdn Bhd
- Southern Steel Holdings Sdn Bhd **100%** ●
  - ● **100%** Southern Steel Industries Sdn Bhd
  - ● **100%** Southern Steel Bar Sdn Bhd
- Southern Steel Trading Sdn Bhd **100%** ●
- Southern Galvanised Wire Sdn Bhd **100%** ●
- Southern Coated Wire Sdn Bhd **100%** ●
- Southern Steel Mesh Sdn Bhd **100%** ●
  - ● **100%** Southern Mesh Sdn Bhd
  - ● **100%** E-Tatt Steel Wires Sdn Bhd
- Southern Steel Properties Sdn Bhd **100%** ●
- Danstil Sdn Bhd **100%** ●
- Southern Steel Solutions Sdn Bhd **100%** ●
- Southern Steel Management Sdn Bhd **100%** ●
- Southern Pipe Industry (Malaysia) Sdn Bhd **83.7%** ●
  - ● **100%** Southern Steel Pipe Sdn Bhd *(formerly known as Asia Seamless Pipes Sdn Bhd)*
- Southern Speciality Wire Sdn Bhd **75%** ●
- Southern Oriental Sdn Bhd **50%** ○
- Steel Industries (Sabah) Sdn Bhd **27.5%** ○

● Subsidiary Companies

○ Associated Companies

Directors' Profiles

Kwek Leng San
Chairman, Non-Executive Director/Non-Independent

Mr Kwek Leng San, aged 53, a Singaporean, obtained a Bachelor of Science (Engineering) degree from University of London and a Master of Science (Finance) degree from City University, London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Presently, he is the Executive Chairman of Malaysian Pacific Industries Berhad, President & Chief Executive Officer of Hong Leong Industries Berhad and Hume Industries (Malaysia) Berhad, Managing Director of Narra Industries Berhad and a Director of Hong Leong Company (Malaysia) Berhad and Hong Leong Foundation.

Mr Kwek was appointed to the Board of the Company on 27 October 1992 and subsequently as the Chairman of the Company on 18 June 2003. He is also the Chairman of the Remuneration Committee of the Company.

Mr Kwek attended all the Board meetings held during the financial year ended 31 December 2008.

Mr Kwek is a brother of Y Bhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both deemed major shareholders of the Company. Mr Kwek has no conflict of interest with the Company and has no conviction for offences within the past ten years.

Y Bhg Dato' Dr Tan Tat Wai
Group Managing Director/Non-Independent

Y Bhg Dato' Dr Tan Tat Wai, aged 62, a Malaysian, holds a Bachelor of Science degree in Electrical Engineering and Economics from the Massachusetts Institute of Technology, a Master of Economics degree from University of Wisconsin (Madison) and a PhD in Economics from Harvard University. He started his career with Bank Negara Malaysia in 1978 undertaking research in economic policies and subsequently as consultant to Bank Negara, World Bank and the United Nations University for several years. He served as the Secretary and a member on the Council of Malaysian Invisible Trade set up to formulate policies to reduce Malaysia's deficit in service trade. He was a member of the Government appointed Malaysian Business Council and a member of Corporate Malaysia Roundtable. Currently, he is a member of the Penang Industrial Council, the Industrial Co-ordination Council (ICC) and the National Committee on Business Competitiveness (NCBC) set up by the Ministry of International Trade and Industry. He represents Malaysia as a member of the APEC Business Advisory Council (ABAC) and is a Council Member for Wawasan Open University.

Y Bhg Dato' Dr Tan is currently the Group Managing Director of the Company, a post he has held since December 1993. On 18 May 1984, Y Bhg Dato' Dr Tan was appointed as the Chief Executive Officer as well as a Director of Southern Steel Berhad. He was appointed as the Managing Director of the Company in September 1990. He is also a member of the Remuneration Committee of the Company.

His other directorships in public companies are as follows:
- Director of Shangri-La Hotels (Malaysia) Berhad, a public listed company on Bursa Malaysia Securities Berhad.
- Director of Titan Chemicals Corp Berhad, a public listed company on Bursa Malaysia Securities Berhad.
- Director of NatSteel Ltd, a public listed company in Singapore.

Of the four (4) meetings of the Company held during the financial year ended 31 December 2008, Y Bhg Dato' Dr Tan attended all except for one (1) for which he had extended his apologies.

Y Bhg Dato' Dr Tan has no family relationship with any other Directors of the Company, has no conflict of interest with the Company and has no convictions for offences within the past ten years.

Directors' Profiles (cont'd)

YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu
Non-Executive Director/Independent

YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu, aged 89, a Malaysian, is renowned as a leading statesman and holds the distinction of being the former Chief Minister of Penang. He has had a long and illustrious record as a political leader and representative of the people in many fields of national interests. He graduated with a Bachelor of Medicine and Bachelor of Surgery (M.B. Ch B.) from Edinburgh University of Scotland in 1944.

YA Bhg Tun Dato' Seri Utama Dr Lim was appointed to the Board of the Company on 6 December 1993. He is also the Chairman of the Audit Committee of the Company.

His other directorships in public companies are as follows:
- Chairman of Suiwah Corporation Bhd, a public listed company.
- Chairman of Chin Well Holdings Berhad, a public listed company.
- Chairman of Berjaya Vacation Club Berhad, a public company.
- Director of United Overseas Bank (Malaysia) Berhad, a public company.

YA Bhg Tun Dato' Seri Utama Dr Lim attended all Board meetings held during the financial year ended 31 December 2008.

YA Bhg Tun Dato' Seri Utama Dr Lim does not hold any shares in the Company and its subsidiary companies. He has no family relationship with any other Directors or major shareholders of the Company, has no conflict of interest with the Company and has no convictions for offences within the past ten years.

YM Raja Dato' Seri Abdul Aziz bin Raja Salim
Non-Executive Director/Independent

YM Raja Dato' Seri Abdul Aziz bin Raja Salim, aged 70, a Malaysian, is a Honorary Fellow of The Malaysian Institute of Taxation, Fellow of The Chartered Association of Certified Accountants, United Kingdom, Fellow of The Chartered Institute of Management Accountants ("CIMA"), United Kingdom and a Chartered Accountant (Malaysia). He served as Director-General of Inland Revenue Malaysia from 1980 to 1990 and Accountant-General Malaysia from 1990 to 1995. YM Raja Dato' Seri Abdul Aziz was the President of CIMA, Malaysia from 1976 to 1993 and a Council Member of CIMA, United Kingdom from 1990 to 1996. He was awarded the CIMA Gold Medal in recognition of his outstanding service to the accounting profession.

YM Raja Dato' Seri Abdul Aziz was appointed to the Board of the Company on 18 June 2003. He is also a member of the Audit Committee and Remuneration Committee of the Company.

YM Raja Dato' Seri Abdul Aziz bin Raja Salim (cont'd)
Non-Executive Director/Independent

YM Raja Dato' Seri Abdul Aziz attended all Board meetings held during the financial year ended 31 December 2008.

His other directorships in public companies are as follows:
- Director of Camerlin Group Berhad
- Director of Tasek Corporation Berhad
- Director of Gamuda Berhad
- Director of Jerneh Asia Bhd
- Director of PPB Group Berhad
- Director of K & N Kenanga Holdings Berhad
- Director of Kenanga Investment Bank Berhad
- Director of Kenanga Unit Trust Berhad
- Director of Jerneh Insurance Bhd
- Director of Amanah Saham Mara Berhad
- Director of Panasonic Manufacturing Malaysia Bhd
- Director of Hong Leong Industries Berhad

YM Raja Dato' Seri Abdul Aziz does not hold any shares in the Company and its subsidiary companies. He has no family relationship with any other Directors or major shareholders of the Company, has no conflict of interest with the Company and has no convictions for offences within the past ten years.

Lim Sian Choo
Non-Executive Director/Non-Independent

Lim Sian Choo, aged 52, a Malaysian, holds a degree in Business Administration, majoring in Accountancy and Economics. She is also a member of the New Zealand Institute of Chartered Accountants and Malaysian Institute of Accountants. She has more than 20 years of experience in the accounts and finance department and had worked for many types of businesses stretching from trading of consumer products to cosmetics, manufacturing of biscuits to ceramic tiles.

She joined the Hong Leong Group in early 1991 as part of the management team in Guolene Woven Products (Melaka) Sdn Bhd. Thereafter, she was transferred as a Group Financial Controller for the Automotive Division and later to the Ceramic Tiles Division in Hong Leong Industries Berhad.

Ms Lim was appointed to the Board of the Company on 23 January 2009. She is also a member of the Audit Committee of the Company.

Ms Lim has no family relationship with any other Directors or major shareholders of the Company, has no conflict of interest with the Company and has no convictions for offences within the past ten years.

Directors' Profiles (cont'd)

Koushik Chatterjee
Non-Executive Director/Non-Independent

Koushik Chatterjee, aged 40, an Indian, is an Honours Graduate in Commerce from Calcutta University and a Fellow Member of the Institute of Chartered Accountants of India.

Mr Chatterjee began his career as Industrial Trainee in Britannia Industries and worked as an Audit Senior in S B Billimoria & Company before joining Tata Steel Limited ("Tata Steel") in 1995.

In 1999 he was transferred to Tata Sons Limited in the Group Executive Office and was promoted as General Manager – Corporate Finance in 2002 and re-joined Tata Steel in 2003. He was appointed Vice President (Finance) in August 2004 and appointed as the Group Chief Financial Officer of the Tata Steel Group from 1 January 2008.

As the Group Chief Financial Officer, he is responsible for Financial Strategy, Financial Reporting and Control, Financial Planning & Funds Management, Project Finance & Treasury, Mergers & Acquisitions, Corporate & International Taxation and Investor Relations of the Company.

Mr Chatterjee was appointed to the Board of the Company on 30 March 2005.

Of the four (4) meetings of the Company held during the financial year ended 31 December 2008, Mr Chatterjee attended all except for two (2) for which he had extended his apologies.

Mr Chatterjee does not hold any shares in the Company and its subsidiary companies. He has no family relationship with any other Directors or major shareholders of the Company, has no conflict of interest with the Company and has no convictions for offences within the past ten years.

Oo Soon Hee (Alternate to Koushik Chatterjee)
Non-Executive Director/Non-Independent

Mr Oo Soon Hee, aged 65, a Singaporean, is Director (South East Asia) of Tata Steel Limited. He graduated from the University of Singapore with a Bachelor of Science (Honours) degree in Applied Chemistry and holds a Diploma in Business Administration. After working as a Consultant in an international consulting company between 1971 and 1977, he joined NatSteel Ltd as a Sales Manager in June 1977. Over the years, he had been assigned various positions.

Mr Oo was appointed to the Board of the Company as Alternate Director to Mr Koushik Chatterjee on 30 March 2005.

He does not hold any shares in the Company and its subsidiary companies. Mr Oo has no family relationship with any other Directors or major shareholders of the Company, has no conflict of interest with the Company and has no convictions for offences within the past ten years.

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group for the financial year ended 31 December 2008.

FINANCIAL REVIEW

In the second half of 2007, the Chinese government removed VAT rebates on exports, and imposed export duties on certain steel products. These measures led to steel shortages and escalating steel prices in the region, providing the industry with a strong boost at the beginning of 2008. The Group performed well up until July, when the financial crisis in the United States broke out in earnest, sending shockwaves across the real sector and the global economy. Thereafter, the expected slow-down in steel demand occurred during the Beijing Olympics, and as Ramadan came, demand fell even further. Of all the commodities prices which collapsed, steel was one of the hardest hit. Prices and sales volume dropped more than 50% within 3 months from September to November. This crisis badly affected the performance of all the companies within the Group in the last quarter of the year.

Despite easing off purchases since the third quarter, the normal stock level of 2 to 3 months that Group companies maintained increased to more than 6 months due to the sharply lower sales volume. Although the inventories were mainly procured during the second quarter when prices were the highest, they came in progressively in the third/fourth quarters. As a result of the much lower prices and lengthened inventory period, the Group took a RM359 million writedown to its high cost inventory.

For the year 2008, despite the big writedown of inventory, the Group made a profit before taxation of RM107 million. With the Group's shareholders' funds of RM759 million, gearing remains at a manageable level of 1.2 times. The Group is therefore in a comfortable position as compared to the previous crisis in 1997/98. We are confident that the Group will be able to pull through the current crisis and emerge stronger, despite a very uncertain outlook on a recession that appears likely to be deep and long.

REVIEW OF OPERATIONS

Southern Steel Berhad ("SSB")

For the financial year ended 31 December 2008, SSB went through the most challenging time in recent years. Of all the companies in the Group, SSB was hardest hit with the biggest writedown of inventory of RM293 million. The Company is now focusing on trimming inventories and implementing various cost cutting measures with intensive training on the production of high grade steel. We believe that focusing on industrial grade steel is in the long term interest of the Group. Nevertheless, 2009 will be very challenging.

SUBSIDIARY COMPANIES

(a) Southern Steel Mesh Sdn Bhd ("SSM")

Despite the collapse of the steel market in the last quarter of the year, SSM was able to achieve a record profit for the financial year 2008. This showed the positive impact since the launch of SSM's "reinforced steel business" ("RSB") in late 2007. For 2009, we will continue to enhance this initiative to integrate the sale and marketing of mesh and bar, including cut and bent bar for the construction industry. This integration of supply has enabled SSM to respond well to the volatile and competitve construction steel market, and to remain as the market leader.

SUBSIDIARY COMPANIES (cont'd)

(b) Southern Wire Industries (Malaysia) Sdn Bhd ("SWI")

As was the case with SSM, the low stock level carried by SWI because of its short supply chain meant that relatively small write-downs were required. Thus, the good profits in the first three quarters of the year more than offset losses in the last to give the company a record profit for the full year. Outlook for 2009 is uncertain and sales volume is expected to drop. In line with the Group's initiative, the company is now on an austerity drive and is implementing various cost reduction measures to mitigate the impact of the recession. Human capital development and continual improvement projects will continue to be emphasized. Management is optimistic that the company will pull through and be more competitive at the end of the crisis.

(c) Southern Pipe Industry (Malaysia) Sdn Bhd ("SPM")

Like SSB, which relied on third party suppliers with long lead time for its raw materials, SPM was caught with high cost inventory and forced to writedown its inventory to reflect current market conditions. As such, SPM suffered a loss for the year 2008 even though it made a profit up to the third quarter of the year. For the year under review, international hot rolled and cold rolled coil prices dropped by about 50% compared to the peak price. With the setting up of one Licensed Manufacturing Warehouse to concentrate on the export sector during the year, SPM will be able to take advantage of the fact that it imports coil from more competitively-priced international sources. Its in-line galvanized pipes have also achieved significant improvements over the years, providing another source of diversification that will help to mitigate the impact of the market downturn.

ASSOCIATED COMPANY

The associated company, Steel Industries (Sabah) Sdn Bhd continued to contribute positively to the Group's results in 2008, although it, too, was caught with high cost inventory in the midst of the market collapse.

GOING FORWARD

The possiblity of a deep and prolonged recession is increasing with a wide-ranging impact on the economy at large, and a significant effect on the construction industry in particular. Sales volume and margin are likely to stay at the depressed levels of the last quarter of 2008 for some months, posing tremendous challenges for the Group. Hopefully, however, the various stimulus packages being introduced by governments throughout the world, including Malaysia's, will start to cushion the impact of the current crisis in the second half of this year. Locally, the Group is well positioned to capitalise on the market when it recovers. Nevertheless, the Group anticipates a very challenging year ahead.

APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to thank the management and staff for their contribution and commitment to the Group despite the difficult times. I would also like to extend my appreciation to our customers, suppliers, shareholders and bankers for their continued support and confidence in the Group.

Kwek Leng San
Chairman

Laporan Pengerusi

Bagi Pihak Lembaga Pengarah, saya dengan sukacitanya membentangkan Laporan Tahunan dan Penyata Kewangan Kumpulan untuk tahun berakhir 31hb Disember 2008.

ULASAN KEWANGAN

Pada separuh tahun kedua 2007, kerajaan China telah memansuhkan rebat VAT keatas expot dan mengenakan duti expot terhadap sesetengah produk keluli. Tindakan ini telah menyebabkan kekurangan besi keluli dan kenaikan harga besi dalam wilayah ini serta menyemarakan industri ini pada permulaan tahun 2008. Kumpulan memperoleh pencapaian yang baik sehingga bulan Julai, apabila tercetusnya krisis kewangan di Amerika Syarikat justeru memeranjatkan sektor-sektor dan ekonomi sedunia. Kemudiannya seperti yang dijangkakan berlakunya penurunan permintaan semasa berlangsungnya Sukan Olympics di Beijing dan pada bulan Ramadan permintaan terus menurun. Dalam semua harga komoditi yang jatuh, besi keluli mangalami penurunan yang paling teruk. Harga dan volum jualan jatuh lebih daripada 50% dalam masa 3 bulan dari bulan September ke bulan November. Krisis ekonomi ini telah menyebabkan prestasi kewangan semua syarikat dalam Kumpulan terjejas dengan teruk pada suku terakhir.

Walaupun mengenepikan pembelian semenjak suku ketiga, paras stok normal diantara 2 ke 3 bulan yang Kumpulan memelihara telah meningkat menjadi lebih daripada 6 bulan kerana volum jualan yang rendah. Walaupun inventori dibeli pada suku kedua apabila harganya berada pada paras tertinggi tetapi ianya diterima secara beransur-ansur pada suku ketiga dan keempat. Kesan daripada kejatuhan harga dan jangkamasa inventori berpanjangan, Kumpulan telah melupuskan RM359 juta keatas kos inventori yang tinggi.

Untuk tahun 2008, walaupun dengan pelupusan inventori yang besar, Kumpulan telah mencatat keuntungan sebelum cukai berjumlah RM107 juta. Dengan dana pemegang saham kumpulan berjumlah RM759 juta, gearing masih lagi pada paras yang munasabah dengan 1.2 kali. Kumpulan berada dalam keadaan yang memuaskan berbanding dengan keadaan semasa krisis ekonomi pada tahun 1997/1998. Oleh itu kumpulan yakin ianya dapat mengharungi krisis semasa ini dan akan muncul lebih kukuh walaupun keadaan tidak menentu disebabkan kemelesetan yang dijangka akan berlarutan dan membawa kesan yang mendalam.

ULASAN OPERASI

Southern Steel Berhad (“SSB”)

Untuk tahun berakhir 31hb Disember 2008, SSB telah menghadapi tahun yang penuh cabaran. Di antara semua syarikat dalam Kumpulan, SSB telah melupuskan nilai inventori yang terbesar berjumlah RM293 juta. Syarikat sekarang sedang memberi perhatian untuk mengurangkan pegangan inventori dan mengamalkan pelbagai tindakan pengurangan kos termasuk memberi latihan intensif terhadap pengeluaran keluli bergred tinggi. Kami percaya dengan memberi perhatian terhadap keluli bergred tinggi akan memberi faedah kepada Kumpulan dalam jangka panjang. Meskipun begitu, tahun 2009 merupakan tahun yang penuh dengan cabaran.

SYARIKAT-SYARIKAT SUBSIDIARI

(a) Southern Steel Mesh Sdn Bhd ("SSM")

Walaupun berlaku kejatuhan pasaran besi pada suku terakhir dalam tahun ini, SSM telah berjaya memperolehi keuntungan rekod pada tahun 2008. Ini menunjukkan kesan yang positif semenjak dilancarkan "reinforced steel business" (''RSB") pada akhir tahun 2007 oleh SSM. Untuk tahun 2009, kami akan berusaha untuk meningkatkan inisiatif penyerapan jualan dan pasaran mesh dan bar termasuk besi yang dipotong dan dibentuk dalam industri pembinaan. Penyerapan bekalan telah membolehkan SSM memberi tindakbalas yang baik terhadap ketidakpastian dan persaingan dalam pasaran keluli pembinaan dan terus kekal sebagai peneraju pasaran yang utama.

(b) Southern Wire Industries (Malaysia) Sdn Bhd ("SWI")

Sepertimana SSM, paras stok yang rendah yang dikekal oleh SWI bermakna pelupusan nilai yang kecil sahaja diperlukan. Oleh itu keuntungan yang baik pada tiga suku pertama berupaya menyerap kerugian pada suku terakhir dengan memberi keuntungan rekod pada tahun ini. Pandangan terhadap 2009 masih tidak menentu dan volum jualan dijangka menurun. Selaras dengan initiatif kumpulan, syarikat sedang berusaha dalam melaksanakan berbagai tindakan pengurangan kos bagi mengurangkan kesan kemelesetan. Pembangunan sumber manusia dan usaha berterusan untuk peningkatan akan diteruskan. Pihak Pengurusan amat yakin yang syarikat akan berupaya menghadapi keadaan ini dan akan lebih berdaya saing diakhir krisis ini.

(c) Southern Pipe Industry (Malaysia) Sdn Bhd ("SPM")

Seperti SSB yang bergantung pada pihak ketiga dengan jangkamasa penghantaran yang panjang untuk bekalan bahan mentah, SPM terjerat dengan kos inventori yang tinggi dan terpaksa membuat pelupusan bagi mencerminkan keadaan kos semasa. Oleh itu SPM mengalami kerugian pada 2008 walaupun membuat keuntungan sehingga suku ketiga. Untuk tahun yang dikaji, harga di peringkat antarabangsa bagi hot rolled dan cold rolled telah jatuh lebih 50% berbanding dengan harga kemuncak. Dengan penubuhan Gudang Pengeluaran Berlesen bagi menumpukan keatas sektor expot dalam tahun ini, SPM dapat kelebihan apabila coil yang diimpot dari pasaran antarabangsa lebih murah harganya. Paip Galvanasi Serentak telah memperolehi peningkatan yang ketara sejak tahun kebelakangan ini, memberikannya satu lagi punca diversifikasi yang dapat mengurangkan kesan ketika keadaan pasaran menurun.

SYARIKAT BERSEKUTU

Syarikat bersekutu, Steel Industries (Sabah) Sdn Bhd terus menyumbang secara positif terhadap kumpulan walaupun ianya juga terjerat dengan kos yang tinggi semasa kejatuhan pasaran.

Laporan Pengerusi (sambungan)

TAHUN KEHADAPAN

Kemungkinan berlakunya kemelesetan yang mendalam dan berpanjangan makin bertambah dengan kesannya dijangka keatas ekonomi keseluruhannya terutama sekali keatas industri pembinaan. Volum jualan dan margin akan berada pada paras tertekan seperti suku terakhir 2008 untuk beberapa bulan dan ini memberi cabaran kepada Kumpulan. Adalah diharapkan berbagai pakej rangsangan yang diperkenalkan oleh kerajaan masing-masing termasuk Malaysia akan dapat mengurangkan kesan krisis ini pada penggal kedua dalam tahun kehadapan. Kumpulan berada pada kedudukan yang baik bagi mengeksplotasi pasaran apabila ianya pulih. Meskipun begitu Kumpulan dijangka akan menghadapi pelbagai cabaran ditahun kehadapan.

PENGHARGAAN DAN PEMBERITAHUAN

Bagi pihak Lembaga Pengarah, saya dengan sukacitanya mengambil kesempatan ini untuk mengucapkan ribuan terima kasih kepada pihak pengurusan dan kakitangan diatas sumbangan dan komitment terhadap Kumpulan walaupun dalam keadaan yang sukar. Saya juga ingin menyampaikan penghargaan kepada pelanggan-pelanggan, pembekal-pembekal, pemegang-pemegang saham dan bank-bank kerana terus memberi sokongan dan keyakinan terhadap Kumpulan.

Kwek Leng San
Pengerusi

Corporate Social Responsibility

Introduction

Southern Steel Berhad ("SSB") has long recognised the fact that our companies are not in existence just to run the business and to make profit, but we are also responsible and good corporate citizens over and above our normal operations. Thus, our commitment to observe the principles of triple bottom line i.e.,

- Good economic performance;
- Good social practices; and
- Good environmental practices.

We conduct our business with consciousness that we have to care for the community, the environment, customers, employees and stakeholders. Our core values of integrity, continual learning/competence, teamwork, innovation, technology and social responsibilities continue to guide our daily operations. We also encourage individuals to practice "Introspection", "Integrity", "Innovation" and "Industry", values which are more commonly known as the 4 "I" within Southern Steel Group.

Environment

Pollution control activities and effective resource management are core to our environmental protection programs because our production process consumes a lot of energy and releases a lot of dust embedded in the scrap iron and solid slag. Over the years, we have installed the most advanced dust collection systems available in the market besides recycling the slag waste through extraction of usable iron and converting the residue into slag stones that can be used for paving roads with higher durability. For the year under review, various new projects have been embarked upon to further enhance the environment protection programs. Some notable examples are installation of scrap cleaning equipment, building of silo to contain the dust, concreting of scrap yard and purchasing of more industrial dust sweepers. In addition, we have also installed waste water treatment plants for our steel making plant and rolling mill to treat and recycle waste water for plant usage.

Continuous training programs have been conducted on environmental impact, identification and management of health hazards and risks (including chemical hazards and risks) and waste management. We are still pursuing to achieve the certification for ISO 14001 on Environmental Management System. More than RM25 million have been set aside for environmental projects.

Workplace

On occupational safety, SSB Group strives to comply with all Department of Safety and Health Malaysia ("DOSH") standards in line with certification for Occupational Health and Safety Management Systems ("OHSAS") 18001 on health and safety standards. Continuous occupational and road safety and awareness programmes are also being conducted both for our employees and suppliers. These include onsite industrial nurses, in-house doctor, regular health talks and checks, and periodic defensive driving campaign with the support of the Traffic Police Department.

We are also committed to staff development. Some of the existing programmes which have been continued over the years are:

- Project Hang Tuah - a supervisory development program for supervisors to develop a competent workforce.
- Skill Up program - to build up a technically competent and flexible workforce.
- Young Engineers Programme - in collaboration with Selangor Human Resource Development Centre for fresh graduate engineers in Industrial Automation to develop competent engineers to fulfill the needs of SSB Group.

Corporate Social Responsibility (cont'd)

Workplace (cont'd)

SSB Group grants education aids to children of Group staff to encourage and promote the importance of learning and education.

SSB Group carries out various sports and social activities such as provision of suitable facilities and organisation of sports carnivals and family day celebrations to encourage a healthy lifestyle.

Community

SSB Group supports the charity activities of its in-house Heart To Heart Club ("H2H Club") run on a voluntary basis by a group of enthusiastic employees but involving most employees. Financially, SSB Group contributes to its welfare funds periodically to top up funds collected via its own fund raising activities. Over the years, various charitable organisations have benefited from the activities of the H2H Club. Regular blood donation drives have also been organized on a yearly basis.

SSB Group donates to old folks' homes, schools, hospitals and other institutions for their regular expenses as well as building funds. We also responded to appeals for aid for victims of natural disasters such as tsunami, Si Chuan earthquake and the Myammar flood etc.

Market place

As we consider Corporate Social Responsibility part of good corporate governance, we are fully supportive of local suppliers. We treasure our relationships with our key customers and conduct annual satisfaction surveys as part of our efforts to improve our products and services.

Corporate Governance Statement

The Board of Southern Steel Berhad ("SSB") is pleased to report on the manner in which it has applied the Principles of Good Governance (“Principles”) and the extent to which it has complied with the Code of Best Practice (“Code”). Any areas where the Company has not complied with the Code are indicated herein.

THE BOARD OF DIRECTORS

The Board of Directors comprises six (6) directors, five (5) of whom are non-executive and two (2) of whom are considered independent. A brief profile of each director and their attendance records are provided in the Annual Report.

Mr. Kwek Leng San, the Chairman of the Board, is a non-independent non-executive director. The Board considers that the Principles of Good Governance have already been observed by virtue of Mr. Kwek’s substantial knowledge and experience in business and his non-executive position which is clearly separated from that of the Group Managing Director. Further, the balance of the Board is such that there is adequate countervailing pressure, including those of independent directors, to provide the appropriate "checks and balances".

The Board will review its composition and size from time to time to ensure its continued effectiveness. The Chairman of the Audit Committee is the Senior Independent Non-Executive Director identified by the Board to whom concerns may be conveyed.

As in previous years, all major investments and other strategic decisions are reserved for the Board, which is also responsible for corporate governance matters, senior executive remuneration and succession planning for top management.

Supply of Information

Prior to each Board meeting, Directors are sent an agenda and accompanying Board papers for each agenda item to be discussed at the meeting. At each meeting, there is a full financial and business review and discussion. Items reviewed include performance comparison against the annual budget / financial plan previously approved and management proposals that require the approval of the Board.

Appointment to the Board

The Company does not have a Nomination Committee as all new nominations received are assessed and approved by the entire Board in line with its policy of ensuring nominees are persons of sufficient calibre and experience. Under the Company’s Articles of Association, the Board is subject to retirement and re-election at least once in every three (3) years.

The process of assessing the performance of directors is an on-going responsibility of the entire Board.

DIRECTORS' TRAINING

The Company does not have a formal training programme for new directors. However, familiarisation programme with the operations of the Group is arranged for any new appointee to the Board.

All the directors of the Company (except Miss Lim Sian Choo who was appointed on 23 January 2009) have completed the Mandatory Accreditation Program and are supportive of the Continuous Education Program.

In the course of the financial year ended 31 December 2008, the Board has been regularly updated on the business of the Group, its operations, corporate governance, finance and any changes to the companies and other legislation, rules and regulations. The majority of the Directors have also attended various trainings conducted by their respective in-house companies and/or by external professionals.

DIRECTORS' REMUNERATION

The Company's Remuneration Committee was established by the Board on 9 May 2005. The members of the Committee are Mr Kwek Leng San, YM Raja Dato' Seri Abdul Aziz bin Raja Salim and Y Bhg Dato' Dr Tan Tat Wai.

The Group's remuneration scheme is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market / industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual business plan and budget.

The Committee ascertains and approves remuneration packages of executive directors in accordance with the Company's policy guidelines which set a proportionately high variable pay component to the remuneration package so as to link remuneration to performance. For non-executive directors, the level of remuneration reflects the level of responsibilities undertaken by them.

The aggregate remuneration of directors distinguishing between executive and non-executive directors for the financial year ended 31 December 2008 is set out below: -

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	45,000	2,268,000	2,313,000
Non-Executive Directors	314,584	0	314,584

The number of directors distinguishing between executive and non-executive directors whose remuneration falls into the following bands is set out below: -

Range of remuneration (RM)	Executive	Non-Executive
50,000 and below	0	1
50,001 - 100,000	0	4
1,150,000 and above	1	0

Corporate Governance Statement (cont'd)

Relations with Shareholders

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the Group. In addition to various announcements made during the year, the timely release of financial results on a quarterly basis provides shareholders with an overview of the Group's performance and operations.

The Annual General Meeting, usually held in May each year, is the principal forum for dialogue with private shareholders. There is also an open question and answer session in which shareholders may ask questions both about the resolutions being proposed at the meeting and also about the business in general. Members of the Board are in attendance to answer questions about matters relating to the Group and Company's business.

Information about the Group and the Company such as history, quality achievements, product specifications and manufacturing process etc, are available on www.southsteel.com.

FINANCIAL REPORTING

In presenting the annual financial statements and quarterly announcements to shareholders, the Directors aim to present a balanced and understandable assessment of the Group's position and prospects. This also applies to other price-sensitive public reports and reports to regulators.

INTERNAL CONTROL

Please refer to the relevant section of the Annual Report on Internal Control Statement.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act, 1965 ("the Act") to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards. The financial statements should give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and the results and cash flows of the Group and the Company for the financial year.

The Directors have considered the audit findings of both the external and internal auditors, and are of the view that appropriate accounting policies have been consistently applied. The basis of the preparation of the annual financial statements is supported by reasonable and prudent judgments and accounting estimations. All applicable approved accounting standards have also been followed for the preparation of the financial statements.

Statement On Internal Control

Responsibility

The Board is committed to its overall responsibility for the Group's system of internal control to safeguard shareholders' investment and the Group's assets, which also includes reviewing on the adequacy and integrity of that system. The system of internal control covers not only financial controls but operational and compliance controls. The system is designed to manage rather than eliminate the likelihood of fraud, error or failure to achieve business objectives. Accordingly, the system of internal control can provide only reasonable and not absolute assurance against material misstatement or loss. The concept of reasonable assurance also recognises that the cost of control procedures should not exceed the expected benefits.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. The process is regularly reviewed by the Board and accords with the guidelines for directors on internal control, the Statement on Internal Control: Guidance for Directors of Public Listed Companies.

Risk Management Framework

The framework and the key elements of the Group's system of internal control are as follows:

- A management structure exists with clearly defined delegation of responsibilities to the management of the Group's main operating companies, including authorisation level for all aspects of the business. Each operating company has clear accountabilities for ensuring that appropriate risk management and control procedures are in place. Ongoing monitoring of risks and updating of the enterprise-wide key risk register were carried out by the management of the respective main operating companies within the Group.

- The Board has appointed the Group Managing Director as Chief Risk Officer to administer the risk management framework since 2001. Business risk assessment and evaluation is an ongoing exercise undertaken by the Board and management. The Internal Audit Department submits yearly to the Audit Committee its review report on risk management for each main operating company within the Group.

- For associated company, the Board nominates representatives to sit as directors and takes a proactive stance in assessing the performance of the associated company with the goal of safeguarding the investment of the Group. Monthly financial and operating information is submitted for review by the Group's management.

The key elements of the Group's internal control system are described below:-

- Detailed budgeting process where main operating companies prepare budgets, which are approved by the Board, on an annual basis.

- Monthly monitoring of results against budget, with major variances being followed up and management action taken, where necessary.

- Major decisions require the final approval of the Board and are made after appropriate in-depth analysis.

- Regular and comprehensive information is provided to management, covering the performance of key financial and operational indicators.

Statement On Internal Control (cont'd)

Risk Management Framework (cont'd)

- The Internal Audit Department independently reviews the control processes implemented by management and reports its findings and recommendations independently to the Audit Committee. The Internal Audit Department's practices and conduct are governed by the Internal Audit Charter.

- In addition to the monthly operational meetings, senior management meetings are also held monthly to consider the Group's financial performance, business development, strategic and corporate issues.

- Documented corporate policies and procedures covering various aspects and operating companies of the Group and the internal control culture is promoted through established policies and procedures to ensure compliance with internal controls.

- The legal and compliance matters of the Group are monitored by the in-house Legal Department.

- The Audit Committee, with the assistance of the Internal Audit Department assesses the effectiveness of the Group's internal control system, by reviewing the internal audit reports presented to the Audit Committee. All internal control weaknesses identified during the period have all been, or are being, addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require mention in the Group's annual report.

Conclusion

The external auditors have reviewed this Statement On Internal Control pursuant to paragraph 15.24 of the Listing Requirements of Bursa Securities, and have reported to the Board that it appropriately reflects the processes that the Board has adopted in reviewing the adequacy and integrity of the system of internal control.

Audit Committee Report

COMPOSITION AND MEMBERSHIP

The Audit Committee ("Committee") was appointed by the Board from amongst its directors and is composed of a minimum of 3 members with a majority of independent directors. All members of the Committee should be non-executive directors. No alternate director shall be appointed as a member of the Committee. The Chairman of the Committee shall be an independent non-executive director.

At least one member of the Committee must be a member of the Malaysian Institute of Accountants ("MIA") or if not a member of MIA, the member must comply with paragraph 15.10(1)(c)(ii) of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The following directors have been appointed as members:-

1 YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu, Chairman
2 YM Raja Dato' Seri Abdul Aziz bin Raja Salim
3 Yap Peng Leong (Resigned on 6 May 2008)
4 Cheang Kok Kuan (Appointed on 6 May 2008 and resigned on 1 December 2008)
5 Lim Sian Choo (Appointed on 23 January 2009)

MEETINGS AND MINUTES

Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider that one is necessary.

The Group Managing Director, the Group Financial Controller and the Head of Internal Audit shall attend the meetings. A representative of the external auditors is to be in attendance at meetings where matters relating to the audit of the statutory financial statements and / or the external auditors are to be discussed. A quorum shall be 2 members present, a majority of whom must be independent non-executive directors.

During the financial year ended 31 December 2008, a total of 4 meetings were held.

Name	Status of directorship	Eligible to attend	Attended
YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu (Chairman)	Independent Non-Executive Director	4	4
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	Independent Non-Executive Director	4	4
Yap Peng Leong (Resigned on 6 May 2008)	Non-independent Non-Executive Director	2	2
Cheang Kok Kuan (Appointed on 6 May 2008 and resigned on 1 December 2008)	Non-independent Non-Executive Director	2	2

To encourage a greater exchange of views, the Committee has also met with the external auditors privately twice without the presence of the Management.

REPORTING PROCEDURES

The Company Secretary shall be the secretary of the Committee. Minutes of each meeting shall be circulated to the members of the Committee and all members of the Board.

TERMS OF REFERENCE

Responsibility

Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Securities, the Committee shall promptly report such matter to Bursa Securities.

Authority

To ensure that wherever necessary and reasonable for the performance of its duties, the Committee, in accordance with a procedure determined by the Board of Directors and at the cost of the Company, is conferred the following rights by the Board:

1. authority to investigate any matter within its terms of reference;

2. provided with the resources which are required to perform its duties;

3. full and unrestricted access to any information pertaining to the Company;

4. direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

5. able to obtain independent professional or other advice; and

6. able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

Duties

The duties of the Committee shall be:

1. To discuss with the external auditors before the audit commences the nature and scope of the audit and ensure co-ordination where more than one audit firm is involved.

2. To review with the external auditors their evaluation of the internal control system.

3. To review the assistance given by the employees of the Group / Company to the external auditors.

4. To review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work, and also to consider the major findings of internal audit investigations and management's response and ensure co-ordination between the internal and external auditors.

Duties (cont'd)

5. To review the quarterly and annual financial statements before submission to the Board, focusing particularly on:

    a. any changes in accounting policies and practices;
    b. major judgmental areas including accounting estimates;
    c. significant adjustments resulting from the audit;
    d. the going concern assumption;
    e. compliance with accounting standards;
    f. compliance with stock exchange and legal requirements; and
    g. significant and unusual events.

6. To review any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.

7. To consider the appointment of the external auditor and any question of resignation or dismissal and the fixing of audit fees.

8. To review any appraisal or assessment of the performance, and approve any appointment or termination of the Head of Internal Audit.

9. To consider other topics, as defined.

SUMMARY OF ACTIVITIES

In line with the terms of reference of the Committee, the following activities were carried out by the Committee during the financial year:

1. review of both the internal and external audit plans of the Group;

2. review of internal audit reports on internal controls and risk management presented by the Internal Auditors for the Group;

3. review of unaudited quarterly results of the Group before recommending them for approval by the Board;

4. review of the related party transactions entered into by the Group and the Company in the quarterly and annual reports;

5. review of draft audited financial statements of the Group and the Company with the external auditors before presenting to the Board for approval;

6. considered the appointment of external auditors and discussed (without presence of management team) the cooperation rendered by the management to the external auditors; and

7. approved the appointment of the new Head of Internal Audit.

There is also continuous engagement between the Chairman of the Committee and the senior management, as well as the external and internal auditors on relevant issues affecting the Group.

INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Department with the Head of Internal Audit reporting directly to the Committee, and assisting the Board in monitoring and managing risks and internal controls. The principal responsibility of the Internal Audit Department is to undertake regular and systematic review of the operations, policies and procedures in order to provide reasonable assurance that internal controls and risks are satisfactorily monitored and managed within the Group.

During the financial year, the following activities were carried out by the Internal Audit Department in discharging its responsibilities:

1. recommending improvements to the existing system of internal control to the management;

2. following-up on the disposition of all audit findings and the implementation of recommendations;

3. ascertaining the extent to which the Company's and the Group's assets were accounted for and safeguarded from losses;

4. performing special reviews or investigations as requested by the management and/or the Committee; and

5. identifying opportunities to improve the operations and processes of the Group.

Group Financial Highlights

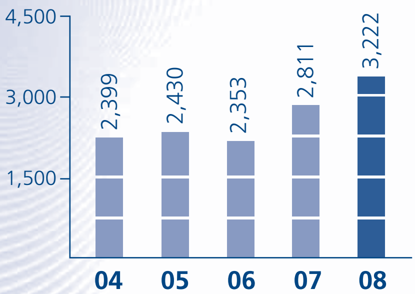
(RM Million)

	2004	2005	2006	2007	2008
Turnover	2,399	2,430	2,353	2,811	3,222
Profit/(Loss) Before Taxation	137*	(37)*	66 #	195	107
Profit/(Loss) Attributable to Shareholders	98	(31)	85 #	192	105
Tangible Assets Employed	1,955	1,798	1,711 #	1,773	1,877
Shareholders' Funds	590	540	572 #	706	759
Paid-up Share Capital	319	362	362	399	411
Net Tangible Assets per Share (sen)	168	135	144 #	165	172
Earnings/(Loss) Per Share (sen)	23*	(7)*	20 #	46	25
Dividend - Tax exempt (%)	10	2.5	5.0	7.5	12.5
Dividend - Tax exempt (sen per share)	10	2.5	5.0	7.5	12.5

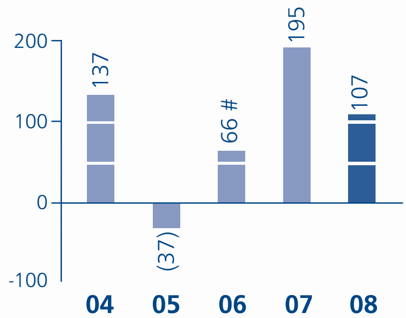
* The effect of adoption of FRS101 and FRS133 are included in 2005 and prior results.

\# The effect of change in accounting policy from the revaluation model to the cost model is included in 2007 results. Comparative results relates to 2006 and before are not restated as it is impracticable to do so.

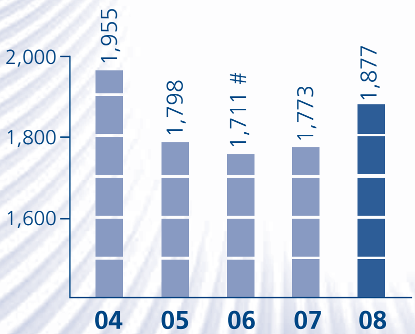
Turnover



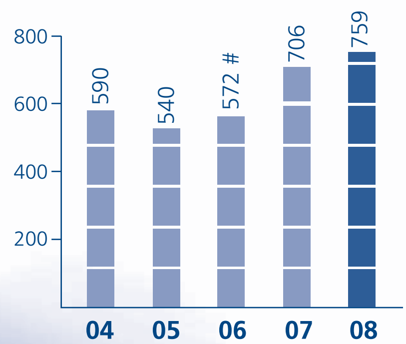
Profit/(Loss) Before Taxation



Tangible Assets Employed



Shareholders' Funds



Reports And Financial Statements

Directors' Report

For the financial year ended 31 December 2008

The Directors present their report to the members together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2008.

1 PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacturing of, sales and trading in billets, steel bars and wire rods. The principal activities of the Group consist of manufacturing of, sales and trading in steel products, investment holding, rental of properties and supply of contract labour. There have been no significant changes in the nature of these activities during the financial year.

2 FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	102,577	59,820

3 DIVIDENDS

The dividends paid or declared by the Company since the end of the previous financial year are as follows:

	RM'000
In respect of the financial year ended 31 December 2007:	
- second interim dividend (tax exempt) of 5.0 sen per share on 404,272,451 ordinary shares, paid on 4 January 2008	20,214
In respect of the financial year ended 31 December 2008:	
- first interim dividend (tax exempt) of 7.5 sen per share on 419,417,208 ordinary shares, paid on 6 October 2008	31,456
- second interim dividend (tax exempt) of 5.0 sen per share on 419,417,208 ordinary shares, paid on 26 December 2008	20,971
	52,427

The Directors do not propose the payment of any final dividend for the financial year ended 31 December 2008.

4 RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except for those disclosed in the financial statements.

5 SHARE CAPITAL

During the financial year, 15,144,757 new ordinary shares of RM1.00 each with carrying value of RM12,508,827 were issued by the Company arising from the conversion of 15,599,437 5.5% 5-year Irredeemable Convertible Unsecured Loan Stocks ("ICULS"). The newly issued ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company except that the said new shares will not be entitled to any dividends, rights, allotments or other distributions where the relevant entitlement date precedes the date of allotment of the new shares.

6 DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Non-independent Non-Executive Directors

Kwek Leng San (Chairman)	
Yap Peng Leong	(resigned on 6 May 2008)
Cheang Kok Kuan	(appointed on 6 May 2008 and resigned on 1 December 2008)
Lim Sian Choo	(appointed on 23 January 2009)
Koushik Chatterjee	
Oo Soon Hee (alternate to Koushik Chatterjee)	

Non-independent Executive Director

Y. Bhg Dato' Dr. Tan Tat Wai (Group Managing Director)

Independent Non-Executive Directors

Y.A. Bhg Tun Dato' Seri Utama Dr. Lim Chong Eu
YM Raja Dato' Seri Abdul Aziz bin Raja Salim

7 DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company for the purpose of Section 135 of the Companies Act, 1965, particulars of interests of Directors who held office at the end of the financial year in shares in the Company are as follows:

	Number of ordinary shares of RM1.00 each			
The Company	At 1.1.2008	Acquired/ Allotted	Disposed	**At 31.12.2008**
Y. Bhg Dato' Dr. Tan Tat Wai				
- Direct interest	14,854	0	0	**14,854**
- Deemed interest *	32,980,223	0	0	**32,980,223**

* Deemed interest through Southern Amalgamated Co Sdn Bhd, Hock Kheng Industries Sdn Bhd and spouse.

Other than as disclosed above, no other Directors in office at the end of the financial year held any interest in shares in the Company and its related corporations and ICULS of the Company during the financial year.

8 DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the fees and other emoluments shown in Note 6 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, being arrangements with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

9 EXECUTIVE SHARE OPTION SCHEME ("ESOS" or "Scheme")

The Company implemented an ESOS on 8 October 2008. The ESOS was approved by the shareholders of the Company at its Extraordinary General Meeting on 6 October 2008.

The ESOS would provide an opportunity for eligible executives who have contributed to the growth and development of the Group to participate in the equity of the Company.

The main features of the ESOS are, inter alia, as follows:

(a) Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Executive Directors of the Company and its subsidiaries. The maximum allowable allotments for full time Executive Directors had been approved by the shareholders of the Company in a general meeting. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options.

(b) The aggregate number of shares to be issued under the ESOS shall not exceed 15% of the issued and paid-up ordinary share capital of the Company for the time being.

(c) The ESOS shall be in force for a period of ten (10) years from 8 October 2008.

(d) The option price shall be based on the 5-day weighted average market price of the Company's shares preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

(e) The option granted to an option holder under the ESOS is exercisable by the option holder only during his employment with the Group and within the option exercise period subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESOS and any other terms and conditions as may be contained in the Option Certificate.

(f) The exercise of the options may, at the absolute discretion of the Board of Directors of the Company, be satisfied by way of issuance of new shares; transfer of existing shares purchased by a trust to be established for the ESOS; or a combination of both new shares and existing shares.

There were no options granted during the financial year.

10 STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper actions had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent;

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or the Company to meet their obligations as and when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

(a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

11 AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 March 2009.

Kwek Leng San
Chairman

Y. Bhg Dato' Dr. Tan Tat Wai
Group Managing Director

Statement By Directors
Pursuant to Section 169 (15) of the Companies Act, 1965

We, the undersigned, being two of the Directors of Southern Steel Berhad, state that in the opinion of the Directors, the accompanying financial statements set out on pages 34 to 86 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2008 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

Signed on behalf of the Board of Directors in accordance with their resolution dated 20 March 2009.

Kwek Leng San
Chairman

Y. Bhg Dato' Dr. Tan Tat Wai
Group Managing Director

Statutory Declaration
Pursuant to Section 169 (16) of the Companies Act, 1965

I, Koay Chong Beng, being the General Manager - Group Financial Controller primarily responsible for the financial management of Southern Steel Berhad, do solemnly and sincerely declare that the financial statements set out on pages 34 to 86 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Koay Chong Beng

Subscribed and solemnly declared by the abovenamed Koay Chong Beng at Georgetown in the State of Penang on 20 March 2009.

Before me

Goh Suan Bee
Commissioner for Oaths
(No P125)

Independent Auditors' Report

To the members of Southern Steel Berhad

Report on the financial statements

We have audited the financial statements of Southern Steel Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 34 to 86.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the financial year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF-1146)
Chartered Accountants

CHO CHOO MENG
(2082/09/10 (J/PH))
Chartered Accountant

Penang
20 March 2009

Income Statements

For the financial year ended 31 December 2008

In RM'000 unless otherwise stated

	Note	Group 2008	Group 2007	Company 2008	Company 2007
REVENUE		**3,222,399**	2,811,042	**2,837,968**	2,335,935
COST OF SALES		**(2,863,313)**	(2,485,976)	**(2,631,401)**	(2,068,313)
GROSS PROFIT		**359,086**	325,066	**206,567**	267,622
OTHER OPERATING INCOME		**15,706**	40,750	**18,481**	41,458
ADMINISTRATION EXPENSES		**(69,996)**	(59,606)	**(33,854)**	(30,768)
DISTRIBUTION COSTS		**(64,915)**	(58,835)	**(38,727)**	(34,258)
OTHER OPERATING EXPENSES		**(97,261)**	(14,085)	**(74,752)**	(7,186)
OPERATING PROFIT	6	**142,620**	233,290	**77,715**	236,868
FINANCE COSTS	7	**(38,363)**	(42,957)	**(24,251)**	(31,561)
SHARE OF RESULTS OF ASSOCIATED COMPANIES		**2,281**	4,819	**0**	0
PROFIT BEFORE TAXATION		**106,538**	195,152	**53,464**	205,307
TAXATION	8	**(3,961)**	(3,359)	**6,356**	(11,745)
PROFIT AFTER TAXATION		**102,577**	191,793	**59,820**	193,562
Attributable to:					
EQUITY HOLDERS OF THE COMPANY		**104,689**	191,690	**59,820**	193,562
MINORITY INTERESTS		**(2,112)**	103	**0**	0
PROFIT FOR THE FINANCIAL YEAR		**102,577**	191,793	**59,820**	193,562
DIVIDENDS PER SHARE (SEN)	9	**12.5**	7.5	**12.5**	7.5
EARNINGS PER SHARE (SEN) - BASIC AND FULLY DILUTED	10	**25.0**	45.7		

The accompanying notes form an integral part of the financial statements.

Balance Sheets

As at 31 December 2008

In RM'000 unless otherwise stated

	Note	Group 2008	Group 2007	Company 2008	Company 2007
NON-CURRENT ASSETS					
Property, plant and equipment	11	**669,728**	696,969	**529,940**	549,380
Prepaid lease	12	**64,739**	65,443	**38,551**	38,643
Subsidiary companies	13	**0**	0	**398,659**	398,659
Associated companies	14	**15,799**	16,251	**5,500**	5,500
Other investments	15	**788**	860	**708**	708
Goodwill on consolidation	16	**48,991**	48,991	**0**	0
		800,045	828,514	**973,358**	992,890
CURRENT ASSETS					
Inventories	17	**862,883**	675,830	**613,982**	509,144
Receivables	18	**168,704**	253,935	**78,317**	131,313
Tax recoverable		**27,275**	6,375	**21,126**	2,171
Deposits with licensed banks	27	**10,546**	3,000	**0**	0
Cash and bank balances	27	**56,861**	54,219	**34,969**	28,590
		1,126,269	993,359	**748,394**	671,218
CURRENT LIABILITIES					
Payables	19	**187,226**	206,207	**247,069**	268,347
Short term borrowings	20	**904,270**	701,189	**628,661**	427,133
Current tax liabilities		**326**	3,836	**0**	3,585
Provisions	21	**735**	978	**426**	521
Dividend payable		**0**	20,214	**0**	20,214
		1,092,557	932,424	**876,156**	719,800
NET CURRENT ASSETS / (LIABILITIES)		**33,712**	60,935	**(127,762)**	(48,582)
NON-CURRENT LIABILITIES					
Long term borrowings	22	**0**	90,915	**0**	90,915
Deferred tax liabilities	23	**49,975**	66,433	**49,977**	65,938
Provisions	21	**25,202**	23,697	**10,090**	9,345
		75,177	181,045	**60,067**	166,198
TOTAL NET ASSETS		**758,580**	708,404	**785,529**	778,110
CAPITAL AND RESERVES					
Share capital	24	**411,467**	398,959	**411,467**	398,959
ICULS *(equity component)	25	**0**	12,482	**0**	12,482
Reserves	26	**347,113**	294,851	**374,062**	366,669
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**758,580**	706,292	**785,529**	778,110
MINORITY INTERESTS		**0**	2,112	**0**	0
TOTAL EQUITY		**758,580**	708,404	**785,529**	778,110

* 5.5% 5-year Irredeemable Convertible Unsecured Loan Stocks 2003/2008

The accompanying notes form an integral part of the financial statements.

Consolidated Statement Of Changes In Equity

For the financial year ended 31 December 2008

In RM'000 unless otherwise stated

			Non-distributable				Distributable			
	Share capital	ICULS* (equity component)	Share premium	Merger reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2007	362,029	46,953	35,852	30,000	50	10,801	86,779	572,464	2,009	574,473
Realisation of exchange fluctuation reserve from disposal of associated companies	0	0	0	0	0	(10,801)	0	(10,801)	0	(10,801)
Income and expense recognised directly in equity	0	0	0	0	0	(10,801)	0	(10,801)	0	(10,801)
Net profit for the financial year	0	0	0	0	0	0	191,690	191,690	103	191,793
Total recognised income and expense for the financial year	0	0	0	0	0	(10,801)	191,690	180,889	103	180,992
Dividends for the financial year ended:										
- 31 December 2006	0	0	0	0	0	0	(19,538)	(19,538)	0	(19,538)
- 31 December 2007 (Note 9)	0	0	0	0	0	0	(29,982)	(29,982)	0	(29,982)
Issue of shares arising from conversion of ICULS (Notes 24 and 25)	36,930	(34,471)	0	0	0	0	0	2,459	0	2,459
At 31 December 2007	398,959	12,482	35,852	30,000	50	0	228,949	706,292	2,112	708,404
	(Note 24)									

			Non-distributable			Distributable			
	Share capital	ICULS* (equity component)	Share premium	Merger reserve	Capital redemption reserve	Retained profits	Total	Minority interests	Total equity
At 1 January 2008	**398,959**	**12,482**	**35,852**	**30,000**	**50**	**228,949**	**706,292**	**2,112**	**708,404**
Net profit for the financial year	**0**	**0**	**0**	**0**	**0**	**104,689**	**104,689**	**(2,112)**	**102,577**
Dividends for the financial year ended:									
- 31 December 2008 (Note 9)	**0**	**0**	**0**	**0**	**0**	**(52,427)**	**(52,427)**	**0**	**(52,427)**
Issue of shares arising from conversion of ICULS (Notes 24 and 25)	**12,508**	**(12,482)**	**0**	**0**	**0**	**0**	**26**	**0**	**26**
At 31 December 2008	**411,467**	**0**	**35,852**	**30,000**	**50**	**281,211**	**758,580**	**0**	**758,580**
	(Note 24)								

* 5.5% 5-year Irredeemable Convertible Unsecured Loan Stocks 2003/2008

The accompanying notes form an integral part of the financial statements.

Company Statement Of Changes In Equity

For the financial year ended 31 December 2008

In RM'000 unless otherwise stated

			Non-distributable		Distributable	
	Share capital	ICULS* (equity component)	Share premium	Merger reserve	Retained profits	Total
At 1 January 2007	362,029	46,953	35,852	33,600	153,175	631,609
Net profit for the financial year	0	0	0	0	193,562	193,562
Dividend for the financial year ended:						
- 31 December 2006	0	0	0	0	(19,538)	(19,538)
- 31 December 2007 (Note 9)	0	0	0	0	(29,982)	(29,982)
Issue of shares arising from conversion of ICULS (Notes 24 and 25)	36,930	(34,471)	0	0	0	2,459
At 31 December 2007	398,959	12,482	35,852	33,600	297,217	778,110
	(Note 24)					
At 1 January 2008	**398,959**	**12,482**	**35,852**	**33,600**	**297,217**	**778,110**
Net profit for the financial year	**0**	**0**	**0**	**0**	**59,820**	**59,820**
Dividend for the financial year ended:						
- 31 December 2008 (Note 9)	**0**	**0**	**0**	**0**	**(52,427)**	**(52,427)**
Issue of shares arising from conversion of ICULS (Notes 24 and 25)	**12,508**	**(12,482)**	**0**	**0**	**0**	**26**
At 31 December 2008	**411,467**	**0**	**35,852**	**33,600**	**304,610**	**785,529**
	(Note 24)					

* 5.5% 5-year Irredeemable Convertible Unsecured Loan Stocks 2003/2008

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For the financial year ended 31 December 2008

In RM'000 unless otherwise stated

	Note	Group 2008	Group 2007	Company 2008	Company 2007
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit attributable to equity holders of the Company		**104,689**	191,690	**59,820**	193,562
Adjustments for:					
Share of results of associated companies		**(2,281)**	(4,819)	**0**	0
Taxation		**3,961**	3,359	**(6,356)**	11,745
Minority interests		**(2,112)**	103	**0**	0
Dividend income		**(39)**	(10)	**(10,783)**	(1,650)
Interest expense		**38,363**	42,957	**24,251**	31,561
Interest income		**(1,550)**	(493)	**(1,469)**	(579)
Net unrealised foreign exchange loss/(gain)		**23,837**	(8,745)	**23,922**	(9,001)
Allowance for doubtful debts		**16,301**	4,590	**2,130**	994
Allowance for doubtful debts written back		**(6,195)**	(3,699)	**0**	0
Property, plant and equipment:					
- depreciation		**79,898**	78,366	**58,975**	53,142
- write off		**277**	4,647	**11**	4,634
- net gain on disposals		**(232)**	(27)	**(59)**	(20)
- Impairment loss		**30,969**	0	**27,718**	0
Amortisation of prepaid lease		**1,738**	1,496	**1,126**	979
Inventories:					
- write off		**0**	917	**0**	917
- write down to net realisable value		**359,286**	162	**293,315**	0
- allowance for inventories obsolescence		**53,138**	16,543	**52,873**	16,101
- write down to net realisable value no longer required		**(303)**	(626)	**0**	(626)
Provision for retirement benefits		**3,033**	2,874	**1,185**	1,230
Provision for diminution of investment		**72**	0	**0**	0
Gain on disposal of associated companies		**0**	(2,467)	**0**	(19,688)
Realisation of exchange fluctuation reserve from disposal of associated companies		**0**	(10,801)	**0**	0
Changes in unrealised profit on sales to associated company		**962**	(4)	**0**	0
		703,812	316,013	**526,659**	283,301
Changes in working capital:					
Inventories		**(599,174)**	(108,055)	**(451,025)**	(84,639)
Receivables		**75,139**	(80,495)	**50,866**	(63,929)
Payables		**(34,751)**	(17,857)	**(36,755)**	(19,437)
Cash generated from operations		**145,026**	109,606	**89,745**	115,296
Interest paid		**(37,991)**	(48,838)	**(24,234)**	(37,512)
Tax paid		**(44,829)**	(809)	**(32,145)**	(720)
Tax refunded		**0**	2,733	**0**	1,396
Retirement benefits paid		**(1,764)**	(2,640)	**(535)**	(1,482)
Net operating cash flows		**60,442**	60,052	**32,831**	76,978

The accompanying notes form an integral part of the financial statements.

Cash Flow Statements

For the financial year ended 31 December 2008 (cont'd)

In RM'000 unless otherwise stated

	Note	Group 2008	Group 2007	Company 2008	Company 2007
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		**1,810**	1,660	**10,783**	1,650
Interest received		**1,550**	493	**1,469**	579
Property, plant and equipment:					
- proceeds from disposals		**339**	107	**59**	66
- additions		**(69,029)**	(43,801)	**(52,287)**	(35,368)
Proceeds from disposal of associated companies		**0**	66,408	**0**	66,408
Purchase of leasehold land		**(1,034)**	0	**(1,034)**	0
Net investing cash flows		**(66,364)**	24,867	**(41,010)**	33,335
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from/(repayment) of revolving credits		**64,000**	(70,828)	**63,000**	(70,578)
Net proceeds from foreign currency loans		**18,695**	7,626	**17,315**	3,880
Net proceeds from bankers' acceptance		**67,427**	91,613	**76,151**	50,942
Repayment of long term borrowings (excludes ICULS)		**(88,344)**	(69,471)	**(88,344)**	(69,471)
Proceeds from export credit refinancing		**7,190**	0	**7,190**	0
Dividends paid		**(72,641)**	(29,306)	**(72,641)**	(29,306)
Net financing cash flows		**(3,673)**	(70,366)	**2,671**	(114,533)
Net change in cash and cash equivalents		**(9,595)**	14,553	**(5,508)**	(4,220)
Cash and cash equivalents at beginning of the financial year		**49,124**	34,571	**23,673**	27,893
Cash and cash equivalents at end of the financial year	27	**39,529**	49,124	**18,165**	23,673

NON-CASH TRANSACTIONS - ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT ("PPE")

	Group 2008	Group 2007	Company 2008	Company 2007
PPE additions	**84,010**	43,356	**67,268**	34,923
Less: cash payment	**(63,471)**	(37,798)	**(46,729)**	(29,365)
Balances included in other payables and accruals as at 31 December 2008 / 31 December 2007	**20,539**	5,558	**20,539**	5,558
Analysis of total cash payment for cash flow purposes :				
In respect of PPE acquired during the financial year ended 31 December 2008 / 31 December 2007	**63,471**	37,798	**46,729**	29,365
In respect of PPE acquired during the financial year ended 31 December 2007 / 31 December 2006 (included in other payables and accruals)	**5,558**	6,003	**5,558**	6,003
	69,029	43,801	**52,287**	35,368

The accompanying notes form an integral part of the financial statements.

In RM'000 unless otherwise stated

1 GENERAL INFORMATION AND PRINCIPAL ACTIVITIES

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 3, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang. The principal place of business of the Company is located at 2435, Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang.

The principal activities of the Company are the manufacturing of, sales and trading in billets, steel bars and wire rods. The principal activities of the Group consist of manufacturing of, sales and trading in steel products, investment holding, rental of properties and supply of contract labour. There have been no significant changes in the nature of these activities during the financial year.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies in Note 3 to the financial statements and in accordance with Financial Reporting Standards ("FRS"), the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a higher degree of judgement or complexity, are disclosed in Note 4 to the financial statements.

(a) STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE APPLICABLE TO THE GROUP AND ARE EFFECTIVE

The new accounting standards and amendments to published standards effective for the Group's financial year ended 31 December 2008 and applicable to the Group are as follows:

(i) Revised FRS that have no significant changes as compared to the original standards:

FRS 107 Cash Flow Statements
FRS 118 Revenue
FRS 134 Interim Financial Reporting
FRS 137 Provisions, Contingent Liabilities and Contingent Assets

In RM'000 unless otherwise stated

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (cont'd)

(a) STANDARDS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE APPLICABLE TO THE GROUP AND ARE EFFECTIVE (cont'd)

(ii) FRS 112 Income Taxes. This revised standard allows recognition of deferred tax asset in respect of reinvestment allowances. However, the Group has decided to continue with the existing method of recognising such tax benefit in the income statement when such allowances are utilised for income tax purposes. Consequently, the amendment has no financial impact to the Group. As at financial year ended 31 December 2008, the Group and the Company have unutilised reinvestment allowances amounting to RM242,860,000 (2007: RM343,172,000) and RM178,135,000 (2007: RM251,748,000) respectively for which no deferred tax asset has been recognised.

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards and amendments to published standards. All standards and amendments adopted by the Group require retrospective application.

(b) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND IC INTERPRETATIONS TO EXISTING STANDARDS THAT ARE APPLICABLE TO THE GROUP BUT NOT YET EFFECTIVE

The new standards and IC Interpretations that are mandatory for the Group's financial periods beginning on or after 1 January 2009, but which the Group does not opt for early adoption, are as follows:

(i) FRS 8 Operating Segments (effective for accounting period beginning on or after 1 July 2009). FRS 8 replaces FRS 114 $_{2004}$ Segment Reporting. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply this standard when effective.

(ii) IC Interpretation 9 Reassessment of Embedded Derivatives (effective for accounting period beginning on or after 1 January 2010). IC Interpretation 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group will apply this standard when effective.

(iii) IC Interpretation 10 Interim Financial Reporting and Impairment (effective for accounting period beginning on or after 1 January 2010). IC Interpretation 10 prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply this standard when effective.

(iv) The following standards will be effective for annual period beginning on or after 1 January 2010. The Group will apply these standards when effective. The Group has applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the standard on the financial statements of the Group and the Company:
- FRS 139 Financial Instruments: Recognition and Measurement
- FRS 7 Financial Instruments: Disclosures

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

All significant group accounting policies set out below are consistent with those applied in the previous financial year unless otherwise stated.

(a) BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies, made up to the end of the financial year. A subsidiary company is a company, in which the Group has the power, directly or indirectly to control the financial and operating policies of the company so as to obtain benefits from its activities. All inter-company transactions, balances and the resulting unrealised gains are eliminated on consolidation. Unrealised losses are also eliminated unless cost cannot be recovered.

The results of all the subsidiary companies are consolidated using the purchase method of accounting except for the consolidation of Southern Steel Holdings Sdn. Bhd. sub-group prior to 1 January 2002 using the merger method of accounting in accordance with Malaysian Accounting Standard No. 2, "Accounting for Acquisitions and Mergers", the generally accepted accounting principles prevailing at that time. The Group has applied FRS 3, "Business Combinations" prospectively. Accordingly, the business combination entered into prior to 1 January 2002 has not been restated to comply with the said FRS.

Under the purchase method of accounting, the results of the subsidiary companies acquired or disposed of during the financial year are included in the consolidated income statement from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. At the date of acquisition, the fair values of the subsidiary companies' net assets are determined and these values are reflected in the consolidated financial statements. The excess of the purchase consideration over the fair values of the net assets of the subsidiary companies acquired is reflected in the financial statements as goodwill. However, if the purchase consideration is less than the fair value of the net assets of subsidiary companies acquired, the difference is recognised directly in the income statement as negative goodwill.

Goodwill recognised as intangible assets is tested at least annually for impairment and carried at cost less accumulated impairment losses. The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 3(i) to the financial statements.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amount from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the value of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable merger reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are classified and presented as movement in other capital reserves.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) SUBSIDIARY COMPANIES

Investments in subsidiary companies, which are eliminated on consolidation, are stated at cost less accumulated impairment losses in the parent company's separate financial statements. The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 3(i) to the financial statements.

(c) ASSOCIATED COMPANIES

An associated company is a company in which the Group exercises significant influence, but not control, over the financial and operating policies. In the financial statements of the Company, investments in associated companies are stated at cost less accumulated impairment losses. The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 3(i) to the financial statements.

The Group equity accounts for its share of the results and reserves of the associated companies from the date that significant influence effectively commences until the date that significant influence effectively ceases or when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company. Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies.

Unrealised losses on such transactions are also eliminated to the extent of the Group's interest in the associated companies unless cost cannot be recovered.

Goodwill on acquisition represents the excess of the purchase consideration over the fair values of the net assets of the associated companies acquired. Goodwill on acquisition is included in the carrying amount of the investments in the associated companies. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses (refer to Note 3(i) to the financial statements).

(d) MINORITY INTERESTS

Minority interests represent that portion of the profit or loss and the net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

For purchases of a subsidiary's equity shares from minority interests for cash consideration and the purchase price is established at fair value, the accretion of the Group's interests in the subsidiary is treated as purchase of equity interest under the purchase method of accounting. The identifiable assets and liabilities acquired are adjusted to their fair values, with the resulting difference being attributed to goodwill or negative goodwill.

Disposals of equity shares to minority interests for cash consideration and at fair value result in gains and losses for the Group and are recorded in the income statement. The gain and loss is the difference between the Group's share of net assets immediately before and immediately after the disposal and a rateable portion of goodwill is realised.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) MINORITY INTERESTS (cont'd)

For purchases or disposals from or to minority interests for consideration other than cash and not at fair value, the accretion or dilution of the Group's interests is treated as an equity transaction between the subsidiary and its shareholders. The difference between the Group's share of net assets immediately before and immediately after the changes in stake and any consideration received or paid is adjusted to or against the Group's reserves.

All other changes in stakes and changes in composition of the Group are treated as equity transactions between the Group and its majority and minority shareholders. The difference between the Group's share of net assets before and after the change, and any consideration received or paid is adjusted to or against the Group's reserves.

(e) OTHER INVESTMENTS

Non-current investments are stated at cost. The investments are only written down when the Directors are of the opinion that there is a decline other than temporary in the value of such investments. Such a decline is recognised as an expense in the period in which the decline is identified. Write down in value of investments previously recognised is reversed when the Directors are of the opinion that the increase in value of investments is other than temporary.

Short term investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is determined using the weighted average basis. Market value is calculated by reference to the stock exchange quoted selling prices at the close of business on the balance sheet date. Reduction in the carrying amount of investments and reversal of such reduction are taken to the income statement.

On disposal of an investment, the gain or loss representing the difference between net disposal proceeds and the carrying amount of investment is credited or charged to the income statement.

(f) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Freehold land and capital work in progress are not depreciated. All other property, plant and equipment are depreciated over their estimated useful lives on a straight line basis at the following principal annual rates:

Buildings	2% -12%
Plant and machinery	5% - 50%
Office equipment	5% - 50%
Motor vehicles	20% - 25%

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) PROPERTY, PLANT AND EQUIPMENT (cont'd)

Residual values and useful life of assets are reviewed and adjusted if appropriate, at each balance sheet date.

Gain or loss on disposals of property, plant and equipment are determined by comparing proceeds with carrying amounts of assets and are included in the income statements.

At the balance sheet date, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. The accounting policy on the recognition and measurement of impairment losses is disclosed in Note 3(i) to the financial statements.

(g) OPERATING LEASE

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating lease. Payments made under operating lease (net of any incentives received from the lessor) are charged to the income statement on the straight line basis over the lease period from 60 to 99 years.

(h) RESEARCH AND DEVELOPMENT

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

(i) it is technically feasible to complete the intangible asset so that it will be available for use or sale;

(ii) management intends to complete the intangible asset and use or sell it;

(iii) there is an ability to use or sell the intangible asset;

(iv) it can be demonstrated how the intangible asset will generate probable future economic benefits;

(v) adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

(vi) the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditure is recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that have been capitalised are amortised from the commencement of the commercial production of the products to which they relate on a straight line basis over the period of their expected benefits. The accounting policy on the recognition and measurement of impairment losses in respect of development costs capitalised is disclosed in Note 3(i) to the financial statements.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) IMPAIRMENT OF ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the income statement.

(j) INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined principally on the weighted average basis. Cost of raw materials comprises all costs of purchases and other costs incurred in bringing the raw materials to their present locations and conditions. Costs of billets (included in raw materials), work in progress and finished goods comprise direct materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity) but exclude borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

(k) RECEIVABLES

Receivables are carried at anticipated realisable value. Known bad debts are written off and allowance is made for debts which are considered doubtful.

(l) FOREIGN CURRENCIES

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Group and the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates of exchange approximating to those ruling at transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) FOREIGN CURRENCIES (cont'd)

(ii) Transactions and balances (cont'd)

The principal closing rates used in the translation of the currency amounts are as follows:

Foreign currency	**2008**	2007
	RM	RM
1 US Dollar	**3.47**	3.33
1 Singapore Dollar ("SGD")	**2.42**	2.30
1 Euro	**4.88**	4.87

(m) FINANCIAL INSTRUMENTS

(i) Financial instruments recognised on the balance sheet

Financial instruments are recognised when the Group and the Company have become a party to the contractual provisions of an instrument. Financial instruments, or their component parts, are classified as assets, liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a financial liability are reported in the income statement as income or expense. Distributions to holders of financial instruments classified as equity are debited directly to equity.

Financial instruments are offset and the net amount presented in the balance sheet when the Group and the Company have a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Other financial instruments

Forward foreign exchange contracts are entered into by the Group to hedge the risk exposure to fluctuations in foreign currency exchange rates. Forward foreign exchange contracts and their fair values are not recognised in the financial statements at inception. Gains or losses on foreign exchange relating to forward foreign exchange contracts entered into by the Group as hedges for receivables/payables are recognised in the income statements in the financial year in which the exchange differences on the underlying hedged items are recognised.

(iii) Fair value estimation for disclosure purpose

<u>Financial instruments recognised on the balance sheet</u>
The face values of financial assets (less any estimated credit adjustments) and financial liabilities with maturity of less than one year or financial liabilities at floating rates are assumed to approximate their fair values.

<u>Other financial instruments</u>
Fair value of forward foreign exchange contracts is determined using forward foreign exchange market rates obtainable at the balance sheet date for contracts with similar remaining period to maturity.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(o) PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed and the reimbursement is virtually certain, the reimbursement is recognised as a separate asset.

(p) BORROWINGS AND BORROWING COSTS

Borrowings are initially recognised based on the proceeds received, net of transaction cost incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest expense on the ICULS is calculated on an effective yield basis by applying the effective interest rate of an equivalent irredeemable non-convertible loan stock to the liability component of the ICULS.

Interest expense and other related costs incurred on borrowings are charged to the income statement in the financial year in which the interest expense and other related costs are incurred.

(q) INCOME TAXES

Current income tax expense is determined based on the profit for the financial year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements unless the temporary differences arise from initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is recognised on temporary differences arising from investment in subsidiary companies and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the underlying deductible temporary differences or unused tax losses or credits can be utilised.

Tax rate enacted or substantively enacted by the balance sheet date are used to determine deferred tax. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when the deferred taxes relate to the same tax authority.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) RECOGNITION OF INCOME

Revenue of the Group and the Company represents the invoiced value of goods, net of discounts and returns. Revenue from sales of goods is recognised when the goods have been delivered and significant risks and rewards have been transferred to the buyer.

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and effective rate over the period to maturity, when it is determined that such income will accrue to the Group and the Company.

Dividend income is recognised when the rights to receive payment is established.

Other income is recognised on an accrual basis.

(s) EMPLOYEE BENEFITS

(i) Short term employee benefits

Short term employee benefits are accrued in the financial year in which the associated services are rendered by employees of the Group and the Company.

(ii) Post-employment benefits

Defined contribution plan
The Company and its subsidiary companies contribute to a defined contribution plan, the Employees Provident Fund ("EPF"). The Company and its subsidiary companies' contributions to the plan are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Company and its subsidiary companies have no further payment obligations.

Defined benefit plans
The Company and its subsidiary companies have 4 unfunded plans and a funded plan.

Included in the unfunded plans is a plan established pursuant to the Collective Agreement between certain subsidiary companies and The Metal Industry Employees' Union for a duration of 3 years ending 30 June 2009. The unfunded defined benefits plan obligations are provided for based on actuarial valuations carried out in December 2007.

The assets of the funded plan are held separately from those of the relevant subsidiary company in an independently administered fund. The most recent actuarial valuation for the funded defined benefit plan was carried out in December 2007.

Effective 1 April 2002, the defined benefit plans of all eligible non-unionised employees of the Company and its subsidiary companies were changed to that of higher EPF contributions depending on years of service. The defined benefit obligation in respect of these employees up to 31 March 2002 under the old plans is carried forward as provision for retirement benefits in the financial statements. For other eligible employees, the defined benefit obligation is determined based on years of service of employees up to the balance sheet date.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) EMPLOYEE BENEFITS (cont'd)

(ii) Post-employment benefits (cont'd)

Defined benefit plans (cont'd)

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yields at the balance sheet date of government securities which have currency and terms to maturity approximating the terms of the related liability. The Group determines the present value of defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

Plan assets in excess of the defined benefit obligation are subject to the limitation on recognition of assets as specified in FRS 119 Employee Benefits. Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with FRS 119 and is charged or credited to income statement over the average remaining service lives of the related employees participating in the defined benefit plans.

(iii) Share-based compensation

Executive Share Option Scheme ("ESOS" or "Scheme")

An ESOS of up to fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company was approved by the shareholders of the company at the Extraordinary General Meeting held on 6 October 2008. The ESOS allows the eligible executives to purchase or acquire shares of the Company. However, no options were granted during the financial year.

In connection with the ESOS, a trust will be set up and administered by an appointed trustee ("ESOS Trust"). The trustee will be entitled, from time to time, to accept financial assistance from the Company, subsidiaries of the Company or third party upon such terms and conditions as the Company and the trustee may agree, to purchase the Company's shares from the open market for the ESOS Trust ("Trust Shares").

With the adoption of IC Interpretation 112 Consolidation – Special Purpose Entities, the ESOS Trust will be consolidated into the Group's consolidated financial statements and the investment in the ESOS Trust in the Company's share will classify as reserve for own shares. With the adoption of FRS 2, Share-based Payment, the fair value of the share options granted to employees will recognise as an employee cost with a corresponding increase in the Share Option Reserve over the vesting period.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) EMPLOYEE BENEFITS (cont'd)

(iii) Share-based compensation (cont'd)

Executive Share Option Scheme ("ESOS" or "Scheme") (cont'd)

The Group operates ESOS as an equity-settled, share-based compensation plan for the eligible executives of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the income statement over the vesting periods of the grant with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of share options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The fair value of stock options is measured using an option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

(t) SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends

Dividends on ordinary shares are recognised as liabilities when approved for payment.

(u) SEGMENT REPORTING

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those components.

Segment revenue, expenses, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) COMPOUND INSTRUMENT

On issue of a financial instrument that contains both liability and an equity component, the fair value of the liability portion of a compound financial instrument is determined using the market interest rate for an equivalent financial instrument with no conversion rights; this amount is carried as a liability on an amortised cost basis until extinguished upon conversion or maturity of the instrument. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity. The value of the conversion option allocated at inception is not changed at subsequent periods although its balance is reduced upon conversion of the compound instrument.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests goodwill for impairment annually in accordance with the accounting policy stated in Note 3(i) to the financial statements. More regular reviews are performed if events indicate that this is necessary.

The recoverable amounts of cash-generating units were determined based on value-in-use calculations. These calculations require the use of estimates as set out in Note 16 to the financial statements.

(b) IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INVESTMENTS

The Group assesses impairment of the assets mentioned above whenever the events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable i.e. the carrying amount of the asset is more than the recoverable amount. Recoverable amount is measured at the higher of fair value less cost to sell for that asset and its value-in-use. The value-in-use is the net present value of the projected future cash flow derived from that asset discounted at an appropriate discount rate.

Projected future cash flows are based on Group's estimates calculated based on historical and industry trends, general market and economic conditions and other available information.

(c) INCOME TAXES

The Group and the Company is subject to income taxes whereby significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

In RM'000 unless otherwise stated

5 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, credit risk, interest rate risk, liquidity risk and cash flow risks. The Group's overall financial risk management objective is to ensure that the Group minimises its exposure to financial downside risks at reasonable costs. The Directors regularly review and assess the financial risk management policies to mitigate potential adverse effects from the unpredictability of financial markets on its financial performance. The Group uses forward foreign exchange contracts to hedge its risk exposures to fluctuations in foreign currency exchange rates. It does not trade in financial instruments.

Foreign currency exchange risk
The Group is exposed to foreign currency exchange risk which is mainly in US Dollar. The Group, however, monitors development in the government's policy and market conditions to take necessary actions should there be any indication of unfavourable foreign exchange movement.

Credit risk
The Group seeks to control credit risk by applying due credit control procedures on a regular basis to review and monitor the financial viability of its customers. Sales of products and services are made to customers with an appropriate credit history, and sales are suspended when the outstanding debts consistently exceed the credit period/limit granted.

Interest rate, liquidity and cash flow risks
Interest risk exposure arises from the Group's borrowings, and is managed through the use of fixed and floating rate debts with the objectives of minimising interest burden whilst maintaining an acceptable debt maturity profile. The Group also seeks to maintain flexibility in funding by maintaining adequate committed credit lines.

In RM'000 unless otherwise stated

6 OPERATING PROFIT

(a) Expenses by nature:

	Group		Company	
	2008	2007	**2008**	2007
Raw material and consumables used	**3,473,854**	2,109,811	**2,177,018**	1,815,869
Changes in inventories of finished goods and work in progress	**(32,807)**	7,701	**6,794**	22,880
Staff costs *	**111,526**	111,723	**42,821**	62,234
Auditors' remuneration:				
- statutory audit	**250**	243	**85**	85
- (over)/underprovision in prior year	**(4)**	5	**(4)**	0
- others	**14**	12	**14**	12
Directors' remuneration:				
- fees	**240**	240	**225**	225
- fees payable to corporations in respect of services provided by certain Directors	**148**	155	**135**	140
- other emoluments *	**2,268**	1,698	**2,268**	1,695
- other emoluments payable to corporations in respect of services provided by certain Directors	**2**	0	**0**	0
Allowance for doubtful debts	**16,301**	4,590	**2,130**	994
Inventories:				
- write off	**0**	917	**0**	917
- write down to net realisable value ^	**359,286**	162	**293,315**	0
- allowance for inventory obsolescence	**53,138**	16,543	**52,873**	16,101
Property, plant and equipment:				
- depreciation	**79,898**	78,366	**58,975**	53,142
- write off	**277**	4,647	**11**	4,634
- loss on disposals	**107**	0	**0**	0
- impairment losses +	**30,969**	0	**27,718**	0
Amortisation of prepaid lease	**1,738**	1,496	**1,126**	979
Rental:				
- land and buildings	**766**	402	**5**	342
- equipment and furniture	**877**	788	**259**	244
Research and development expenditure	**0**	683	**0**	683
Impairment of investment	**72**	0	**0**	0
Net foreign exchange loss:				
- unrealised	**23,837**	0	**23,922**	0
- realised	**17,357**	0	**15,584**	0

* Included in staff costs and Directors' other emoluments are contributions to a defined contribution plan of approximately RM8,485,000 (2007: RM8,899,000) and RM3,462,000 (2007: RM4,953,000) for the Group and the Company respectively. Also included in the staff costs is the provision for retirement benefits of approximately RM3,033,000 (2007: RM2,874,000) and RM1,185,000 (2007: RM1,230,000) for the Group and the Company respectively.

^ Included in cost of sales.

\+ Included in other operating expenses.

In RM'000 unless otherwise stated

6 OPERATING PROFIT (cont'd)

(b) The following amounts have been credited in arriving at operating profit:

	Group		Company	
	2008	2007	**2008**	2007
Allowance for doubtful debts written back	**6,195**	3,699	**0**	0
Gross dividends from:				
- shares quoted in Malaysia	**39**	10	**21**	0
- subsidiary company in Malaysia	**0**	0	**8,562**	0
- associated company in Malaysia	**0**	0	**2,200**	1,650
Interest income	**1,550**	493	**1,469**	579
Inventories:				
- write down to net realisable value no longer required	**303**	626	**0**	626
Gain on disposals of property, plant and equipment	**339**	27	**59**	20
Rental income	**422**	88	**423**	89
Net foreign exchange gain:				
- unrealised	**0**	8,745	**0**	9,001
- realised	**0**	5,773	**0**	6,804
Gain on disposal of associated companies	**0**	2,467	**0**	19,688
Realisation of exchange fluctuation reserve from disposal of associated companies	**0**	10,801	**0**	0

Number of employees of the Group and the Company at end of the financial year was 2,835 (2007: 2,646) and 1,237 (2007: 1,210) respectively.

7 FINANCE COSTS

	Group		Company	
	2008	2007	**2008**	2007
Interest expense on:				
- Borrowings	**(37,513)**	(42,761)	**(23,475)**	(31,367)
- ICULS	**(13)**	(190)	**(13)**	(190)
- Others	**(837)**	(6)	**(763)**	(4)
	(38,363)	(42,957)	**(24,251)**	(31,561)

In RM'000 unless otherwise stated

8 TAXATION

	Group		Company	
	2008	2007	**2008**	2007
Current tax	**(20,422)**	(2,115)	**(9,605)**	(4,305)
Deferred tax	**16,461**	(1,244)	**15,961**	(7,440)
	(3,961)	(3,359)	**6,356**	(11,745)
Current tax				
Current financial year	**(20,182)**	(4,488)	**(9,167)**	(4,305)
(Under)/over provision in prior financial year	**(240)**	2,373	**(438)**	0
	(20,422)	(2,115)	**(9,605)**	(4,305)
Deferred tax				
Origination and reversal of temporary differences	**6,459**	(8,272)	**5,869**	(10,692)
Over provision in prior financial years	**10,443**	3,939	**10,319**	134
Effects of change in tax rate	**(441)**	3,089	**(227)**	3,118
	16,461	(1,244)	**15,961**	(7,440)
Tax (expense)/credit	**(3,961)**	(3,359)	**6,356**	(11,745)

In RM'000 unless otherwise stated

8 TAXATION (cont'd)

The explanation of the relationship between income tax (expense)/credit and profit before taxation is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Profit before taxation	**106,538**	195,152	**53,464**	205,307
Tax calculated at income tax rate of 26% (2007: 27%):	**(27,700)**	(52,691)	**(13,901)**	(55,433)
Tax effects of:				
Share of results of associated companies	**593**	1,301	**0**	0
Change in tax rate*	**(441)**	3,089	**(227)**	3,118
Different tax rates in small & medium industry	**23**	(21)	**0**	0
Income not subject to tax	**0**	9,356	**143**	11,507
Expenses not deductible for tax purposes	**(10,684)**	(5,065)	**(9,274)**	(3,498)
Expenses eligible for double deduction	**296**	496	**149**	351
Utilisation of reinvestment allowance	**25,554**	32,228	**16,930**	31,785
Current financial year's tax losses not recognised	**(3,092)**	0	**0**	0
Benefit from previously unrecognised deductible temporary differences arising from property, plant and equipment	**0**	1,478	**0**	0
Temporary differences not recognised:				
- property, plant and equipment	**(1,297)**	(534)	**0**	0
- accruals	**(52)**	426	**0**	0
- others	**6**	62	**0**	0
Others	**2,630**	204	**2,655**	291
	13,536	43,020	**10,376**	43,554
(Under)/over provision in prior financial years:				
- current tax	**(240)**	2,373	**(438)**	0
- deferred tax	**10,443**	3,939	**10,319**	134
Tax (expense)/credit	**(3,961)**	(3,359)	**6,356**	(11,745)

* As gazetted in the Finance Act 2007, the income tax rate is 26% and 25% for Year of Assessment 2008 and Year of Assessment 2009 onwards respectively (2007: 27%).

The over provision of deferred tax in respect of prior financial year of RM10,319,000 is due primarily to the Company electing to claim the tax incentives under Tax Exempt Order 17 for Increased Export Allowance instead of Reinvestment Allowance. This has resulted in recognition of deferred tax asset arising from unabsorbed benefit from Increased Export Allowance claimed.

In RM'000 unless otherwise stated

8 **TAXATION** (cont'd)

UNUTILISED TAX LOSSES AND TAX CREDITS

The Group and the Company have, subject to confirmation by the Inland Revenue Board, the following unused tax losses and tax credits as at 31 December 2008:

	Group		Company	
	2008	2007	**2008**	2007
Tax losses carried forward	**106,033**	96,859	**0**	0
Unabsorbed capital allowances	**25,159**	19,937	**0**	0
Unabsorbed reinvestment allowances	**242,860**	343,172	**178,135**	251,748
Unabsorbed investment tax allowances	**1,297**	1,297	**0**	0
Unabsorbed increased export allowances	**88,735**	83,802	**79,010**	68,871
	464,084	545,067	**257,145**	320,619

9 DIVIDENDS PER SHARE

	Group and Company			
	2008		2007	
	Gross dividend per share sen	**Amount of dividend, tax exempt RM**	Gross dividend per share sen	Amount of dividend, tax exempt RM
Paid:				
First interim dividend	**7.5**	**31,456**	2.5	9,768
Second interim dividend	**5.0**	**20,971**	0	0
Declared:				
Second interim dividend	**0**	**0**	5.0	20,214
	12.5	**52,427**	7.5	29,982

A first interim tax exempt dividend of 7.5 sen (2007: 2.5 sen) and a second interim tax exempt dividend of 5.0 sen (2007: 5.0 sen) for the financial year ended 31 December 2008 were paid on 6 October 2008 (2007: 5 October 2007) and 26 December 2008 (2007: 4 January 2008) respectively.

In RM'000 unless otherwise stated

10 EARNINGS PER SHARE

(a) BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the financial year is based on the net profit attributable to ordinary shareholders of RM104,689,000 and the weighted average number of ordinary shares (after conversion of mandatorily convertible instrument) outstanding during the financial year of 419,417,208.

	Group	
	2008	2007
Profit attributable to equity holders of the Company (RM'000)	**104,689**	191,690
Weighted average number of ordinary shares in issue during the financial year ('000)	**411,001**	381,602
Adjustment for conversion of ICULS*	**8,416**	37,816
Weighted average number of ordinary shares	**419,417**	419,418
Basic earnings per share (sen)	**25.0**	45.7

* The adjustment for conversion of ICULS is based on the assumption that all mandatorily convertible instruments such as ICULS are converted into ordinary shares from the date the contract is entered into.

(b) DILUTED EARNINGS PER SHARE

Diluted earnings per share is not calculated as there is no other dilutive event. Conversion of ICULS has already been taken into account in the basic earnings per share calculation in accordance with FRS 133 "Earnings per Share".

In RM'000 unless otherwise stated

11 PROPERTY, PLANT AND EQUIPMENT

Financial year ended 31 December 2008

Group

	Cost				
	At 1 January 2008	Additions	Reclassifi-cations	Write offs/ Disposals	At 31 December 2008
Freehold land	22,216	0	0	0	22,216
Buildings	297,545	2,367	6	(102)	299,816
Plant and machinery	1,341,668	33,875	1,845	(1,573)	1,375,815
Office equipment	42,536	11,168	227	(561)	53,370
Motor vehicles	12,386	8	(58)	(294)	12,042
Capital work in progress	2,330	36,592	(2,020)	0	36,902
	1,718,681	84,010	0	(2,530)	1,800,161

	Accumulated Depreciation				
	At 1 January 2008	Charge for the financial year	Reclassifi-cations	Write offs/ disposals	At 31 December 2008
Buildings	137,943	12,929	0	(2)	150,870
Plant and machinery	844,330	62,391	58	(1,300)	905,479
Office equipment	28,833	3,956	0	(553)	32,236
Motor vehicles	10,606	622	(58)	(291)	10,879
	1,021,712	79,898	0	(2,146)	1,099,464

	Accumulated Impairment Losses				
	At 1 January 2008	Charge for the financial year	Reclassifi-cations	Write offs/ disposals	At 31 December 2008
Buildings	0	4,955	0	0	4,955
Plant and machinery	0	26,014	0	0	26,014
	0	30,969	0	0	30,969
Net book value	696,969				669,728

In RM'000 unless otherwise stated

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Financial year ended 31 December 2007

Group

	Cost				
	At 1 January 2007	Additions	Reclassifi-cations	Write offs/ Disposals	At 31 December 2007
Freehold land	22,140	76	0	0	22,216
Buildings	294,341	3,204	0	0	297,545
Plant and machinery	1,325,424	25,210	124	(9,090)	1,341,668
Office equipment	30,969	12,152	74	(659)	42,536
Motor vehicles	12,235	942	0	(791)	12,386
Capital work in progress	756	1,772	(198)	0	2,330
	1,685,865	43,356	0	(10,540)	1,718,681

	Accumulated Depreciation				
	At 1 January 2007	Charge for the financial year	Reclassifi-cations	Write offs/ disposals	At 31 December 2007
Buildings	128,196	9,747	0	0	137,943
Plant and machinery	783,393	65,384	0	(4,447)	844,330
Office equipment	26,876	2,571	0	(614)	28,833
Motor vehicles	10,694	664	0	(752)	10,606
	949,159	78,366	0	(5,813)	1,021,712
Net book value	736,706				696,969

In RM'000 unless otherwise stated

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Financial year ended 31 December 2008

Company

	Cost				
	At 1 January 2008	Additions	Transfers	Write offs/ Disposals	At 31 December 2008
Freehold land	7,458	0	0	0	7,458
Buildings	200,776	452	0	0	201,228
Plant and machinery	931,466	23,074	0	0	954,540
Office equipment and furniture	27,232	10,246	(7)	(325)	37,146
Motor vehicles	11,055	8	0	(224)	10,839
Capital work in progress	0	33,488	0	0	33,488
	1,177,987	67,268	(7)	(549)	1,244,699

	Accumulated Depreciation				
	At 1 January 2008	Charge for the financial year	Transfers	Write offs/ disposals	At 31 December 2008
Buildings	102,861	9,643	0	0	112,504
Plant and machinery	500,254	46,149	0	0	546,403
Office equipment and furniture	15,736	2,675	(3)	(317)	18,091
Motor vehicles	9,756	508	0	(221)	10,043
	628,607	58,975	(3)	(538)	687,041

	Accumulated Impairment Losses				
	At 1 January 2008	Charge for the financial year	Transfers	Write offs/ disposals	At 31 December 2008
Buildings	0	4,955	0	0	4,955
Plant and machinery	0	22,763	0	0	22,763
	0	27,718	0	0	27,718
Net book value	549,380				529,940

In RM'000 unless otherwise stated

11 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Financial year ended 31 December 2007

Company

	Cost				
	At 1 January 2007	Additions	Transfers	Write offs/ Disposals	At 31 December 2007
Freehold land	7,382	76	0	0	7,458
Buildings	198,681	2,095	0	0	200,776
Plant and machinery	927,392	20,878	(7,945)	(8,859)	931,466
Office equipment and furniture	17,131	11,425	(1,127)	(197)	27,232
Motor vehicles	11,324	449	(99)	(619)	11,055
	1,161,910	34,923	(9,171)	(9,675)	1,177,987

	Accumulated Depreciation				
	At 1 January 2007	Charge for the financial year	Transfers	Write offs/ disposals	At 31 December 2007
Buildings	96,495	6,366	0	0	102,861
Plant and machinery	463,269	44,520	(3,300)	(4,235)	500,254
Office equipment and furniture	15,291	1,669	(1,044)	(180)	15,736
Motor vehicles	9,848	587	(99)	(580)	9,756
	584,903	53,142	(4,443)	(4,995)	628,607
Net book value	577,007				549,380

	Group		Company	
	2008	2007	**2008**	2007
Net book value				
Freehold land	**22,216**	22,216	**7,458**	7,458
Buildings	**143,991**	159,602	**83,769**	97,915
Plant and machinery	**444,322**	497,338	**385,374**	431,212
Office equipment	**21,134**	13,703	**19,055**	11,496
Motor vehicles	**1,163**	1,780	**796**	1,299
Capital work in progress	**36,902**	2,330	**33,488**	0
	669,728	696,969	**529,940**	549,380

During the financial year, the Group and the Company recognised impairment losses amounting to RM30,969,000 and RM27,718,000 respectively. The main property, plant and equipment impaired were in respect of a steel rolling mill and a leasehold building of the Company amounting to RM22,763,000 and RM4,955,000 respectively.

In RM'000 unless otherwise stated

12 PREPAID LEASE

Financial year ended 31 December 2008

Group

	Long term leasehold land	**Short term leasehold land**	**Total**
Cost			
At 1 January 2008	**67,105**	**16,603**	**83,708**
Additions during the financial year	**1,034**	**0**	**1,034**
At 31 December 2008	**68,139**	**16,603**	**84,742**
Accumulated amortisation			
At 1 January 2008	**12,845**	**5,420**	**18,265**
Amortisation for the financial year	**1,500**	**238**	**1,738**
At 31 December 2008	**14,345**	**5,658**	**20,003**
Net book value	**53,794**	**10,945**	**64,739**

Financial year ended 31 December 2007

Group

	Long term leasehold land	Short term leasehold land	Total
Cost			
At 1 January 2007/31 December 2007	67,105	16,603	83,708
Accumulated amortisation			
At 1 January 2007	11,742	5,027	16,769
Amortisation for the financial year	1,103	393	1,496
At 31 December 2007	12,845	5,420	18,265
Net book value	54,260	11,183	65,443

In RM'000 unless otherwise stated

12 PREPAID LEASE (cont'd)

Financial year ended 31 December 2008

Company

	Long term leasehold land	Short term leasehold land	Total
Cost			
At 1 January 2008	**39,808**	**11,788**	**51,596**
Additions during the financial year	**1,034**	**0**	**1,034**
At 31 December 2008	**40,842**	**11,788**	**52,630**
Accumulated amortisation			
At 1 January 2008	**9,368**	**3,585**	**12,953**
Amortisation for the financial year	**1,027**	**99**	**1,126**
At 31 December 2008	**10,395**	**3,684**	**14,079**
Net book value	**30,447**	**8,104**	**38,551**

Financial year ended 31 December 2007

Company

	Long term leasehold land	Short term leasehold land	Total
Cost			
At 1 January 2007/31 December 2007	39,808	11,788	51,596
Accumulated amortisation			
At 1 January 2007	8,632	3,342	11,974
Amortisation for the financial year	736	243	979
At 31 December 2007	9,368	3,585	12,953
Net book value	30,440	8,203	38,643

In RM'000 unless otherwise stated

13 SUBSIDIARY COMPANIES

	Company 2008	Company 2007
Shares in unquoted corporations, at cost	**358,659**	358,659
Investment in Redeemable Convertible Cumulative Preference Shares ("RCCPS") in a subsidiary company	**40,000**	40,000
	398,659	398,659

The subsidiary companies of the Company, all of which are incorporated in Malaysia are as follows:

	DIRECT SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	EQUITY INTEREST 2008 (%)	EQUITY INTEREST 2007 (%)
*	Southern Steel Holdings Sdn Bhd	Investment holding	**100**	100
*	Southern Steel Properties Sdn Bhd	Rental of properties	**100**	100
*	Danstil Sdn Bhd	Rental of properties	**100**	100
*	Southern Steel Trading Sdn Bhd	Dormant	**100**	100
	Southern Coated Wire Sdn Bhd	Dormant	**100**	100
	Southern Galvanised Wire Sdn Bhd	Dormant	**100**	100
*	Southern Steel Solutions Sdn Bhd	Dormant	**100**	100
*	Southern Steel Management Sdn Bhd	Provision of Group's manpower, development and planning	**100**	100
*	Southern Steel Mesh Sdn Bhd	Manufacture and marketing of steel wire mesh, concrete wires, cut and bend bar and trading in steel bar	**100**	100
	Southern Wire Industries (Malaysia) Sdn Bhd	Manufacture and sale of steel wire, wire ropes, tyre bead wire and welding wire, galvanised wire and strand	**100**	100
	Southern Pipe Industry (Malaysia) Sdn Bhd	Manufacture and sale of steel pipes	**83.7**	83.7
	Southern Speciality Wire Sdn Bhd	Manufacture and sale of all types of fine steel wire	**75**	75

In RM'000 unless otherwise stated

13 SUBSIDIARY COMPANIES (cont'd)

SUBSIDIARY COMPANIES OF:	PRINCIPAL ACTIVITIES	EQUITY INTEREST 2008 (%)	2007 (%)
SOUTHERN STEEL HOLDINGS SDN BHD			
* Southern Steel Bar Sdn Bhd	Dormant	**100**	100
* Southern Steel Industries Sdn Bhd	Dormant	**100**	100
SOUTHERN STEEL MESH SDN BHD			
* Southern Mesh Sdn Bhd	Supply of contract labour	**100**	100
* E-Tatt Steel Wires Sdn Bhd	Trading in steel wire mesh and concrete wire	**100**	100
SOUTHERN WIRE INDUSTRIES (MALAYSIA) SDN BHD			
Southern PC Steel Sdn Bhd	Manufacture and sale of pre-stressed concrete strands and wires	**100**	100
Cempaka Raya Sdn Bhd	Supply of contract labour	**100**	100
* Trend Staples Industry Sdn Bhd	Manufacture and sale of staples and related products	**100**	100
SOUTHERN PIPE INDUSTRY (MALAYSIA) SDN BHD			
Southern Steel Pipe Sdn Bhd (formerly known as Asia Seamless Pipes Sdn Bhd)	Manufacture, sale and processing of steel pipes	**100**	100

* Subsidiary companies not audited by PricewaterhouseCoopers, Malaysia.

14 ASSOCIATED COMPANIES

	Group 2008	Group 2007	Company 2008	Company 2007
Unquoted shares, at cost	**15,635**	15,635	**15,635**	15,635
Accumulated impairment losses	**0**	0	**(10,135)**	(10,135)
	15,635	15,635	**5,500**	5,500
Share of post acquisition reserves less losses	**164**	616	**0**	0
	15,799	16,251	**5,500**	5,500
Represented by:				
Share of net assets	**15,799**	16,251		

In RM'000 unless otherwise stated

14 ASSOCIATED COMPANIES (cont'd)

The associated companies of the Group, which are held directly by the Company are as follows:

ASSOCIATED COMPANIES	PRINCIPAL ACTIVITIES	COUNTRY OF INCORPORATION	EQUITY INTEREST 2008 (%)	2007 (%)
Southern Oriental Sdn Bhd	Investment holding	Malaysia	**50.0**	50.0
Steel Industries (Sabah) Sdn Bhd	Manufacture and sale of steel products	Malaysia	**27.5**	27.5

15 OTHER INVESTMENTS

	Group 2008	Group 2007	Company 2008	Company 2007
Non-current				
Shares in corporations quoted in Malaysia				
At cost	**6,586**	6,586	**6,434**	6,434
Allowance for diminution in value	**(5,798)**	(5,726)	**(5,726)**	(5,726)
	788	860	**708**	708
Market value	**1,508**	4,703	**1,428**	4,562

The market values of the quoted investments at the balance sheet date approximate their fair values.

In RM'000 unless otherwise stated

16 GOODWILL ON CONSOLIDATION

	Group	
	2008	2007
At 1 January and 31 December	**48,991**	48,991

(a) Impairment tests for goodwill

The carrying amounts of goodwill allocated to the Group's cash-generating units are as follows:

	2008	2007
Southern Wire Industries (Malaysia) Sdn Bhd	**28,419**	28,419
Danstil Sdn Bhd	**805**	805
Southern Steel Mesh Sdn Bhd	**19,767**	19,767
	48,991	48,991

The Group undertakes an annual test for impairment. No impairment loss was required for the carrying amount of goodwill assessed as at 31 December 2008 as their recoverable amounts were in excess of their carrying amounts.

(b) Recoverable amount based on value in use

The recoverable amount of cash generating units containing the above goodwill is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on recent financial budgets and projections prepared by the management and approved by the Board of Directors. These projections cover a period of ten years as a going concern, using projected growth rates ranged from 3% to 10% for the first five years and zero growth rate for the next five years which is consistent with forecasts included in industry reports. Projected cash flow beyond the tenth year uses estimated terminal growth rate. The discount rate of 10% is a pre-tax rate that is applied to the cash flow projections and represents estimated weighted average cost of capital used.

The budgeted gross margin used in the budget and projections were based on past experience and expectations of market development.

(c) Impact of possible change in key assumptions

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analysis performed, management has concluded that no reasonable change in the base case key assumptions would cause the carrying amounts of the cash-generating units to exceed their recoverable amounts.

In RM'000 unless otherwise stated

17 INVENTORIES

	Group		Company	
	2008	2007	**2008**	2007
Raw materials	**547,236**	427,765	**420,912**	350,795
Work in progress	**25,157**	22,203	**0**	0
Finished goods	**172,908**	141,841	**100,934**	97,452
General consumables and other stores	**117,582**	84,021	**92,136**	60,897
	862,883	675,830	**613,982**	509,144

Included in raw materials are goods-in-transit in respect of the Group and the Company amounting to RM11,268,000 (2007: RM89,038,000) and RM Nil (2007: RM88,088,000) respectively.

Inventories are stated after:

	Group		Company	
	2008	2007	**2008**	2007
Write down to net realisable value	**359,286**	162	**293,315**	0
Write back of allowance for inventory obsolescence	**34,882**	87	**33,867**	0

18 RECEIVABLES

	Group		Company	
	2008	2007	**2008**	2007
Trade receivables	**148,699**	237,288	**22,568**	32,128
Amounts due from:				
Subsidiary companies	**0**	0	**36,367**	88,890
Associated companies	**72**	95	**72**	95
Other related parties *	**11,858**	8,639	**11,858**	8,639
Other receivables	**23,489**	18,912	**6,620**	4,548
	184,118	264,934	**77,485**	134,300
Less: Allowance for doubtful debts				
Trade receivables	**(28,484)**	(17,418)	**(9,700)**	(5,464)
Other related parties *	**(722)**	(3,682)	**(722)**	(3,682)
Other receivables	**(318)**	(722)	**(318)**	(722)
	(29,524)	(21,822)	**(10,740)**	(9,868)
	154,594	243,112	**66,745**	124,432
Deposits	**994**	2,282	**880**	2,169
Prepayments	**13,116**	8,541	**10,692**	4,712
	168,704	253,935	**78,317**	131,313

* Other related parties are mainly those companies referred to in Note 29 to the financial statements.

In RM'000 unless otherwise stated

18 RECEIVABLES (cont'd)

The range of credit terms of receivables of the Group and the Company (in days) is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Trade receivables	**14 – 90**	14 – 120	**14**	14
Amounts due from:				
Subsidiary companies (trade)	**0**	0	**14**	14
Associated companies and other related parties (trade)	**14**	14	**14**	14

Included in amounts due from subsidiary companies are the following:

	Company	
	2008	2007
Trade balances	**8,486**	64,662
Non-trade balances	**27,881**	24,228
	36,367	88,890

Amounts due from associated companies and other related parties are mainly trade in nature. Non-trade amounts due from subsidiary companies are unsecured and with no fixed terms of repayment.

Non-trade amounts due from subsidiary companies of approximately RM17,215,000 (2007: RM3,317,000) at the balance sheet date carried an effective interest rate which ranged from 4.50% to 6.09% (2007: 6.23%) per annum.

The currency exposure profile of receivables (excluding prepayments) is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Ringgit Malaysia	**112,959**	194,924	**56,584**	119,654
US Dollar	**29,515**	34,885	**11,041**	6,947
Singapore Dollar	**10,776**	12,543	**0**	0
Others	**2,338**	3,042	**0**	0
	155,588	245,394	**67,625**	126,601

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers of the Group and the Company, which are locally and internationally dispersed, covering a broad spectrum of manufacturing and distribution operations and have a variety of end markets. The historical experience of the Group and the Company in the collection of account receivables falls within the credit period. The Directors believe that there is no additional credit risk beyond the allowance for doubtful debts made.

In RM'000 unless otherwise stated

19 PAYABLES

	Group		Company	
	2008	2007	**2008**	2007
Trade payables	**94,619**	114,283	**74,830**	89,974
Other payables and accruals	**90,201**	87,121	**57,325**	65,368
	184,820	201,404	**132,155**	155,342
Amounts due to:				
Subsidiary companies	**0**	0	**112,508**	108,202
Associated companies	**40**	0	**40**	0
Other related parties *	**2,366**	4,803	**2,366**	4,803
	187,226	206,207	**247,069**	268,347

* Other related parties are mainly those companies referred to in Note 29 to the financial statements.

Credit terms of payables of the Group and the Company range from 14 days to 90 days (2007: 5 days to 90 days).

Amounts due to subsidiary companies, which are primarily non-trade balances, are unsecured, interest free and with no fixed terms of repayment.

Credit terms of amounts due to other related parties range from 3 days to 60 days (2007: 4 days to 60 days).

The currency exposure profile of payables is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Ringgit Malaysia	**183,252**	195,172	**244,796**	257,542
US Dollar	**969**	8,786	**559**	8,600
Euro	**2,687**	1,977	**1,411**	1,960
Others	**318**	272	**303**	245
	187,226	206,207	**247,069**	268,347

20 SHORT TERM BORROWINGS

	Group		Company	
	2008	2007	**2008**	2007
Unsecured				
Bank overdrafts	**27,878**	8,095	**16,804**	4,917
Bankers' acceptance	**590,043**	522,617	**399,136**	322,985
Revolving credits	**155,900**	85,500	**87,400**	18,000
Foreign currency loans	**27,834**	7,626	**22,706**	3,880
Export credit refinancing	**7,190**	0	**7,190**	0
Long term borrowings due within 12 months (Note 22)	**95,425**	77,351	**95,425**	77,351
	904,270	701,189	**628,661**	427,133

In RM'000 unless otherwise stated

20 SHORT TERM BORROWINGS (cont'd)

The currency exposure profile of the short term borrowings is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Ringgit Malaysia	**711,612**	616,698	**441,130**	346,388
US Dollar	**192,658**	84,491	**187,531**	80,745
	904,270	701,189	**628,661**	427,133

The effective interest rates of the short term borrowings (other than long term borrowings due within 12 months) of the Group and the Company at the balance sheet date range from 3.33% to 8.00% (2007: 3.39% to 8.00%) and 3.33% to 7.75% (2007: 3.79% to 5.75%) per annum respectively. The effective interest rates of long term borrowings due within 12 months are as disclosed in Note 22 to the financial statements.

Short term borrowings are held against negative pledge over all the assets of the respective companies within the Group.

21 PROVISIONS

	Group		Company	
	2008	2007	**2008**	2007
Non-current				
Retirement benefits	**24,926**	23,414	**10,090**	9,345
Others	**276**	283	**0**	0
	25,202	23,697	**10,090**	9,345
Current				
Retirement benefits	**735**	978	**426**	521
	25,937	24,675	**10,516**	9,866

In RM'000 unless otherwise stated

21 PROVISIONS (cont'd)

Retirement benefits - Defined benefit plan

The amounts recognised on the balance sheet are as follows:

	Group		Company	
	2008	2007	**2008**	2007
Funded plan				
Present value of obligations	**400**	381	**0**	0
Fair value of plan assets	**(1,114)**	(1,045)	**0**	0
	(714)	(664)	**0**	0
Unrecognised actuarial gain	**105**	105	**0**	0
Assets not recognised	**609**	559	**0**	0
	0	0	**0**	0
Unfunded plans				
Present value of obligations	**25,968**	24,462	**10,571**	9,855
Unrecognised net actuarial (loss)/gain	**(307)**	(70)	**(55)**	11
	25,661	24,392	**10,516**	9,866
	25,661	24,392	**10,516**	9,866
Current	**735**	978	**426**	521
Non-current	**24,926**	23,414	**10,090**	9,345
	25,661	24,392	**10,516**	9,866

The plan assets of the Group represent portfolio value of the funds of a subsidiary company's defined benefit plan placed with an investment manager.

Movements in provision for retirement benefits during the financial year are as follows:

	Group		Company	
	2008	2007	**2008**	2007
At 1 January	**24,392**	24,158	**9,866**	10,078
Charged to income statement:				
- current financial year (included in staff costs)	**3,033**	2,874	**1,185**	1,230
Retirement benefits paid	**(1,764)**	(2,640)	**(535)**	(1,482)
Transfer of employees from a subsidiary	**0**	0	**0**	40
At 31 December	**25,661**	24,392	**10,516**	9,866

In RM'000 unless otherwise stated

21 PROVISIONS (cont'd)

Retirement benefits - Defined benefit plan (cont'd)

The amounts recognised in the income statement are as follows:

	Group		Company	
	2008	2007	**2008**	2007
Current service cost	**1,616**	1,478	**636**	633
Interest cost	**1,439**	1,421	**549**	597
Expected return on plan assets	**(72)**	(66)	**0**	0
Adjustment for limit on net assets	**50**	48	**0**	0
Actuarial gain	**0**	(7)	**0**	0
	3,033	2,874	**1,185**	1,230
Included as staff costs in:				
Cost of sales	**2,649**	2,444	**1,067**	1,027
Administration expenses	**384**	430	**118**	203
	3,033	2,874	**1,185**	1,230

The actual return of the Group on plan assets was RM72,990 (2007: RM68,440).

Changes in the present value of the defined benefit obligation are as follows:

	Group		Company	
	2008	2007	**2008**	2007
Opening defined benefit obligation	**24,843**	23,906	**9,855**	10,078
Current service cost	**1,616**	1,478	**636**	633
Interest cost	**1,439**	1,421	**549**	597
Actuarial loss/(gain)	**234**	678	**66**	(11)
Retirement benefits paid	**(1,764)**	(2,640)	**(535)**	(1,482)
Transfer of employees from a subsidiary	**0**	0	**0**	40
	26,368	24,843	**10,571**	9,855

Changes in the fair value of plan assets are as follows:

	Group	
	2008	2007
Opening fair value of plan assets	**1,045**	979
Expected return on plan assets	**72**	66
Actuarial loss	**(3)**	0
	1,114	1,045

In RM'000 unless otherwise stated

21 PROVISIONS (cont'd)

Retirement benefits - Defined benefit plan (cont'd)

Plan assets comprised of:

	Group	
	2008	2007
	%	%
Equity	**64**	70
Debt	**26**	22
Cash and other	**10**	8
	100	100

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

No further contribution is to be paid to the plan assets subsequent to the change in defined benefit plans effective 1 April 2002 as disclosed in Note 3(s) to the financial statements.

The principal actuarial assumptions used in respect of the defined benefit plans of the Group and the Company are as follows:

	Group		Company	
	2008	2007	**2008**	2007
	%	%	**%**	%
Discount rate	**6.00**	6.00 - 7.00	**6.00**	6.00
Expected rates of salary increases	**5.00 - 6.50**	5.00 - 6.50	**6.00**	6.00
Expected return on plan assets	**7.00**	7.00	**N/A**	N/A

Amounts of present value for the current and previous four financial periods are as follows:

Group

	2008	2007	2006	2005	2004
Funded plan					
Defined benefit obligation	**400**	381	362	410	383
Plan assets	**1,114**	1,045	979	880	822
Surplus	**(714)**	(664)	(617)	(470)	(439)
Unfunded plans					
Defined benefit obligation	**25,968**	24,462	23,544	22,680	21,124

Company

	2008	2007	2006	2005	2004
Defined benefit obligation	**10,571**	9,855	10,078	9,455	8,666

In RM'000 unless otherwise stated

22 LONG TERM BORROWINGS

	Group and Company	
	2008	2007
Unsecured		
- USD85 million Term Loan	**88,485**	154,556
- USD10 million Term Loan	**6,940**	13,224
ICULS (liability component) (Note 25)	**0**	486
	95,425	168,266
Less: Amounts due within 12 months (Note 20)		
- USD85 million Term Loan	**88,485**	70,253
- USD10 million Term Loan	**6,940**	6,612
ICULS (liability component) (Note 25)	**0**	486
	95,425	77,351
	0	90,915
Repayable:		
- not later than 1 year (Note 20)	**95,425**	77,351
- later than 1 year but not later than 5 years	**0**	90,915
	95,425	168,266

The carrying value of the term loans at the balance sheet date approximated their fair values.

All the above term loans are repayable by half yearly instalments, except for the last instalment for the USD85 million Term Loan which is repayable in 3 months after the penultimate instalment.

On 9 August 2004, the Company entered into a USD85 million Term Loan facility agreement to refinance the outstanding balance of the USD125 million Term Loan facility previously restructured on 8 and 11 March 2002, amounting to USD74 million. The USD85 million Term Loan is repayable in 10 unequal instalments, the amount of which ranges from 5% to 15% of the principal loan amount, commencing from May 2005.

The effective interest rates of the USD85 million Term Loan facility are based on the USD SIBOR* plus applicable margin for the relevant periods. The applicable margin for the first 12 months from the date of drawdown is at 1.45% per annum and thereafter, ranging from 1.05% to 1.45% per annum, which will be determined annually based on the ratio of total funded debt/profit before taxation, interest, depreciation and amortisation of the Group.

Under the USD85 million Term Loan facility agreement, the Company and/or Group undertake to maintain certain prescribed financial value or ratios in respect of Times Interest Cover, Gearing ratios, and Minimum Consolidated Tangible Assets. Prior consent of the lenders is also required when there is payment of dividend in excess of 50% of profit after taxation for the financial year. When the first and second interim dividends of RM52.4 million were declared, it was well below. However, substantial losses in the last quarter of the financial year due to larger than expected inventory write down has resulted in the earlier dividend payments marginally exceeding the level which would have required prior consent.

The effective interest rates of the USD10 million Term Loan are based on COF** plus 1.5% per annum.

The effective interest rates per annum of long term bank borrowings at balance sheet date range from 2.24% to 6.59% (2007: 6.38% to 6.59%).

In RM'000 unless otherwise stated

22 LONG TERM BORROWINGS (cont'd)

All term loans are held against negative pledge over the assets of the companies.

* (SIBOR denotes the Singapore Interbank Offer Rate for USD)
** (COF denotes the Costs of Fund of CIMB Bank)

The currency exposure profile of the total long term borrowings is as follows:

	Group and Company	
	2008	2007
Ringgit Malaysia	**0**	486
US Dollar	**95,425**	167,780
	95,425	168,266

23 DEFERRED TAX LIABILITIES

	Group		Company	
	2008	2007	**2008**	2007
Deferred tax liabilities				
- Subject to income tax	**(49,975)**	(66,433)	**(49,977)**	(65,938)
Subject to income tax:				
Deferred tax assets				
Unutilised capital allowances	**70**	56	**0**	0
Tax losses	**1,229**	3,604	**0**	0
Allowance for doubtful debts	**5,354**	3,584	**1,736**	1,204
Allowance for inventories obsolescence	**1,446**	173	**0**	0
Accruals	**11,208**	7,739	**8,299**	6,665
Provision for retirement benefits	**4,816**	4,824	**2,629**	2,466
Increased export allowance	**22,183**	21,340	**19,753**	17,309
ICULS (liability component)	**0**	11	**0**	11
Other deductible temporary differences	**0**	992	**0**	0
	46,306	42,323	**32,417**	27,655
Deferred tax liabilities				
Excess of capital allowances over depreciation charge	**(94,556)**	(108,756)	**(82,394)**	(93,593)
Other taxable temporary differences	**(1,725)**	0	**0**	0
	(49,975)	(66,433)	**(49,977)**	(65,938)

In RM'000 unless otherwise stated

23 DEFERRED TAX LIABILITIES (cont'd)

Movements in deferred tax during the financial year are as follows:

	Group		Company	
	2008	2007	**2008**	2007
At 1 January	**(66,433)**	(65,189)	**(65,938)**	(58,498)
Credited/(charged) to income statement:				
Property, plant and equipment	**14,214**	12,988	**11,199**	11,664
Tax losses	**(2,375)**	(11,227)	**0**	(12,406)
Allowance for doubtful debts	**1,770**	495	**532**	211
Allowance for inventory obsolescence	**1,273**	(707)	**0**	0
Accruals	**3,469**	2,618	**1,634**	3,156
Provision for retirement benefits	**(8)**	(73)	**163**	(154)
ICULS (liability component)	**(11)**	(384)	**(11)**	(384)
Other temporary differences	**(2,717)**	542	**0**	0
Increased export allowance	**843**	(5,496)	**2,444**	(9,527)
	16,458	(1,244)	**15,961**	(7,440)
At 31 December	**(49,975)**	(66,433)	**(49,977)**	(65,938)

The amounts of deductible temporary differences and unutilised tax losses (both of which have no expiry date) for which no deferred tax asset is recognised at the balance sheet date are as follows:

	Group	
	2008	2007
Deductible temporary differences		
- accruals	**4,453**	4,252
- property, plant and equipment	**8,203**	3,480
- others	**716**	0
Tax losses	**100,657**	82,582

24 SHARE CAPITAL

	Group and Company	
	2008	2007
Authorised:		
Ordinary shares of RM1.00 each	**500,000**	500,000
Preference shares of RM1.00 each	**2,000**	2,000
	502,000	502,000

In RM'000 unless otherwise stated

24 SHARE CAPITAL (cont'd)

	Group and Company			
	2008		2007	
	Number of shares issued as fully paid '000	**Carrying value RM'000**	Number of shares issued as fully paid '000	Carrying value RM'000
Issued and fully paid:				
Ordinary shares of RM1.00 each				
At 1 January	**404,272**	**398,959**	362,445	362,029
Issue of shares arising from conversion of ICULS	**15,145**	**12,508**	41,827	36,930
At 31 December	**419,417**	**411,467**	404,272	398,959

During the financial year, 15,144,757 (2007: 41,827,230) new ordinary shares of RM1.00 each with a carrying value of RM12,508,827 (2007: RM36,930,030) were issued by the Company arising from the conversion of 15,599,437 (2007: 43,082,053) ICULS. The newly issued ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company except that the said new shares will not be entitled to any dividends, rights, allotments or other distributions where the relevant entitlement date precedes the date of allotment of the new shares.

25 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS")

The Irredeemable Convertible Unsecured Loan Stocks ("ICULS") are classified as compound instruments. Upon issuance of the ICULS on 1 August 2003, the total nominal value of the ICULS of RM141,176,000 were segregated as equity and liability components of RM109,264,000 and RM31,912,000 respectively.

	Group and Company			
	2008		2007	
	Equity component	**Liability component**	Equity component	Liability component
At 1 January	**12,482**	**486**	46,953	4,783
Conversion of ICULS into ordinary shares	**(12,482)**	**(26)**	(34,471)	(2,459)
Coupon interest paid/payable	**0**	**(473)**	0	(2,028)
Finance costs	**0**	**13**	0	190
At 31 December	**0**	**0**	12,482	486
Repayable:				
- not later than 1 year		**0**		486

The principal terms and conditions of ICULS are as follows:

The nominal amount of the ICULS issued on 1 August 2003 is RM141,176,500 in denominations and multiples of RM1.00 and constituted by a Trust Deed.

The ICULS bear interest at the rate of 5.50% per annum, payable annually in arrears commencing from the date of issue of the ICULS and the last payment had been made on the maturity date on 31 July 2008.

In RM'000 unless otherwise stated

25 IRREDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("ICULS") (cont'd)

The registered holders of the ICULS have the right to convert the ICULS into new ordinary shares of the Company on any day between Monday and Friday that is not a public holiday during the tenure of the ICULS.

The Conversion Price is fixed at RM1.03 for every new ordinary share of the Company and shall be satisfied solely by tender of ICULS by the ICULS holders for cancellation by the Company.

The ICULS will not be redeemed for cash except upon occurrence of an event of default as provided in the Trust Deed. At the close of business on the maturity date, all outstanding ICULS will be mandatorily converted into new ordinary shares by the Company.

The ICULS shall constitute an unsecured obligation of the Company and shall rank *pari passu* in all respects without priority amongst itself and ranks *pari passu* to all other present and future unsecured and unsubordinated obligations of the Company from time to time outstanding.

New ordinary shares arising from the conversion of the ICULS shall, upon allotment, rank *pari passu* in all respects with the then existing ordinary shares of the Company, except that the said new ordinary shares will not be entitled to any dividends, rights, allotments or other distributions where the relevant entitlement date precedes the date of allotment of the new ordinary shares.

ICULS were fully converted to ordinary shares during the financial year.

26 RESERVES

	Group		Company	
	2008	2007	**2008**	2007
Non-distributable				
Share premium	**35,852**	35,852	**35,852**	35,852
Merger reserve	**30,000**	30,000	**33,600**	33,600
Capital redemption reserve	**50**	50	**0**	0
	65,902	65,902	**69,452**	69,452
Retained profits	**281,211**	228,949	**304,610**	297,217
	347,113	294,851	**374,062**	366,669

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders. However, companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or up to 31 December 2013, whichever is earlier unless the companies opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act 2007.

As at the balance sheet date, the Company did not opt to disregard the Section 108 tax credits and the Company may utilise the Section 108 tax credit balance which has been frozen as at 31 December 2007 to frank dividend payments during the 6-year transitional period.

The Company has, subject to confirmation by the Inland Revenue Board, sufficient tax exempt income and Section 108 tax credit to frank approximately RM221,730,000 (2007: RM170,168,000) of the retained profits of the Company at the balance sheet date if paid out as dividends. The extent of the retained profits not covered at that date amounted to approximately RM82,880,000 (2007: RM127,049,000).

In RM'000 unless otherwise stated

27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statements comprise the following:

	Group		Company	
	2008	2007	**2008**	2007
Deposits with licensed banks	**10,546**	3,000	**0**	0
Cash and bank balances	**56,861**	54,219	**34,969**	28,590
	67,407	57,219	**34,969**	28,590
Bank overdrafts (Note 20)	**(27,878)**	(8,095)	**(16,804)**	(4,917)
	39,529	49,124	**18,165**	23,673

The currency exposure profile of deposits with licensed banks and cash and bank balances is as follows:

	Group		Company	
	2008	2007	**2008**	2007
Ringgit Malaysia	**35,872**	44,730	**3,434**	16,101
US Dollar	**31,535**	12,489	**31,535**	12,489
	67,407	57,219	**34,969**	28,590

The effective interest rates of the deposits with licensed banks of the Group at the balance sheet date range from 2.85% to 3.00% (2007: 2.30% to 3.20%) per annum.

Deposits with licensed banks of the Group at 31 December 2008 have an average maturity ranged from 6 days to 15 days (2007: 7 days). Bank balances are deposits held at call with banks.

28 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2008	2007	**2008**	2007
Capital expenditure commitments in respect of property, plant and equipment:				
- approved and contracted for	**40,434**	33,939	**38,331**	27,014
- approved but not contracted for	**23,647**	31,305	**23,361**	27,327
	64,081	65,244	**61,692**	54,341

In RM'000 unless otherwise stated

29 SIGNIFICANT RELATED PARTY TRANSACTIONS

The related parties and their relationship with the Group are as follows:

Related parties	Relationship
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprises which exercises significant influence over the Company
Hong Bee Group	Enterprises that are indirectly controlled by a Director of its subsidiary company
Chin Well Holdings Berhad Group	Enterprises that has a director in common with the Company*
NatSteel Trade International Pte. Ltd.	Enterprises controlled by the same enterprise which exercises significant influence over the Company
Su Hock Group	Enterprises in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company**

* The common director is Y.A. Bhg Tun Dato' Seri Utama Dr. Lim Chong Eu
**The director and substantial shareholder is Y. Bhg Dato' Dr. Tan Tat Wai

(A) The following significant transactions were carried out with related parties:

	Group		Company	
(a) Sales of goods and services	**2008**	2007	**2008**	2007
Sales of goods to:				
- Subsidiary companies	**0**	0	**1,192,509**	570,530
- Associated company	**125,974**	125,797	**125,974**	125,797
- Other related parties	**358,626**	375,807	**268,434**	324,782
Sales of services to:				
- Associated company	**333**	1,834	**333**	1,834
(b) Purchase of goods and services				
Purchase of goods from:				
- Subsidiary companies	**0**	0	**47,205**	392,141
- Other related parties	**1,258,199**	770,503	**1,258,199**	770,503
(c) Dividend income				
Dividend income from:				
- Associated company	**0**	0	**2,200**	1,650

These related party transactions, which were conducted in accordance with the general mandate obtained from shareholders for recurrent related party transactions, were entered into in the normal course of business and have been established based on terms and conditions negotiated between the Group and its related parties.

In RM'000 unless otherwise stated

29 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

(B) Amounts due from related parties:

	Group 2008	Group 2007	Company 2008	Company 2007
Nature of transaction				
Trade				
- Subsidiary companies	**0**	0	**8,486**	64,662
- Other related parties	**9,487**	5,825	**9,487**	5,825
Non trade				
- Subsidiary companies	**0**	0	**27,881**	24,228
- Associated company	**72**	95	**72**	95
- Other related parties	**2,371**	2,814	**2,371**	2,814

The terms and conditions of amount due from related parties are included in Note 18 to the financial statements.

(C) Amounts due to related parties:

	Group 2008	Group 2007	Company 2008	Company 2007
Nature of transaction				
Trade				
- Subsidiary companies	**0**	0	**10,886**	6,570
- Associated company	**40**	0	**40**	0
- Other related parties	**2,366**	4,702	**2,366**	4,702
Non trade				
- Subsidiary companies	**0**	0	**101,622**	101,632
- Other related parties	**0**	101	**0**	101

The terms and conditions of amount due to related parties are included in Note 19 to the financial statements.

(D) Key management personnel compensation is as follows:

	Group 2008	Group 2007	Company 2008	Company 2007
Short-term employee benefits*	**3,059**	3,761	**4,985**	6,288
Post-employment benefits	**5**	5	**452**	659
	3,064	3,766	**5,437**	6,947

* Included in the short-term employee benefits are Directors' remuneration of approximately RM2,658,000 (2007: RM2,093,000) and RM2,628,000 (2007: RM2,060,000) for the Group and the Company respectively as disclosed in Note 6 to the financial statements.

In RM'000 unless otherwise stated

30 SEGMENTAL REPORTING

(a) Primary reporting format - business segments

No business segmental reporting has been prepared as the Group's activities involve only one business segment, i.e. the manufacturing and sale of steel products.

(b) Secondary reporting format - geographical segments

	Revenue		**Total assets**		**Capital expenditure**	
	2008	2007	**2008**	2007	**2008**	2007
ASEAN countries	**2,821,830**	2,373,985	**1,910,515**	1,805,622	**84,010**	43,356
Others	**400,569**	437,057	**0**	0	**0**	0
	3,222,399	2,811,042	**1,910,515**	1,805,622	**84,010**	43,356
Associates			**15,799**	16,251		
			1,926,314	1,821,873		

In determining the geographical segments of the Group, revenue is based on the geographical areas in which the customers are located. Total assets and capital expenditure are determined based on the locations of assets.

31 FORWARD FOREIGN EXCHANGE CONTRACTS

The details of forward foreign exchange contracts of the Group and the Company which are due for maturity within 1 month (2007: 1 to 4 months) from the balance sheet date are as follows:

Hedged items	**Currency Bought**	**Currency sold**	**Equivalent**	**Average contractual rate**
Group				
At 31 December 2008				
Payables	**USD**	**RM**	**0**	**RM3.49 per US Dollar**
Repayment of foreign term loan	**USD**	**RM**	**7,769**	**RM3.49 per US Dollar**
Trade receivables	**RM**	**Singapore Dollar**	**6,656**	**RM2.40 per Singapore Dollar**
	RM	**USD**	**8,176**	**RM3.47 per US Dollar**
			14,832	
			22,601	

In RM'000 unless otherwise stated

31 FORWARD FOREIGN EXCHANGE CONTRACTS (cont'd)

Hedged items	Currency Bought	Currency sold	Equivalent	Average contractual rate
Group				
At 31 December 2007				
Payables	USD	RM	2,352	RM3.34 per US Dollar
Repayment of foreign term loan	USD	RM	4,126	RM3.43 per US Dollar
Trade receivables	RM	Singapore Dollar	8,338	RM2.30 per Singapore Dollar
	RM	USD	603	RM3.36 per US Dollar
			8,941	
			15,419	
Company				
At 31 December 2008				
Repayment of foreign term loan	**USD**	**RM**	**7,769**	**RM3.49 per US Dollar**
At 31 December 2007				
Repayment of foreign term loan	USD	RM	4,126	RM3.43 per US Dollar

The foreign exchange market rates obtainable by the Group and the Company at the balance sheet date approximated the contractual rates. The unrecognised gains or losses on open contracts which hedge payables and receivables are deferred until the related transactions are completed, at which time they are included in the measurement of such transactions.

The fair value of the outstanding forward foreign exchange contracts of the Group and the Company as at balance sheet date is a favourable net position of RM40,002 (2007: favourable net position of RM20,014) and an unfavourable net position of RM5,563 (2007: unfavourable net position of RM7,053) respectively.

32 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 20 March 2009.

Other Information

1. PROPERTIES OWNED BY SOUTHERN STEEL AND ITS SUBSIDIARIES/ *HARTANAH MILIK SOUTHERN STEEL DAN SUBSIDIARI*

Land and Building/*Tanah dan Bangunan*

	Location *Lokasi*	**Description** *Keterangan*	**Tenure** *Pegangan*	**Approximate Area** *Anggaran Kawasan*	**Approximate Age (Years)** *Anggaran Jangkamasa (Tahun)*	**Date of Acquisition** *Tarikh Perolehan*	**Net Book Value As At** *Nilai Buku pada 31/12/2008 (RM'000)*
1	No PT 3171 Mukim 1 Seberang Perai Tengah	Factories	Leasehold expiring on 21-03-2050	4.77716 acres	11-13	19-10-1990	)
	No PT 3178 Mukim 1 Seberang Perai Tengah	Factories	Leasehold expiring on 09-04-2050	2.60451 acres	11	19-10-1990	)
	2595 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factories	Leasehold expiring on 09-04-2050	2.60451 acres	11	7-10-1991	)
	2613 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factories	Leasehold expiring on 21-03-2050	5.09674 acres	11	23-9-1991	) 67,179
	No PT 3831 Mukim 1 Seberang Perai Tengah	Factory	Leasehold expiring on 21-10-2054	1.31359 acres	13	25-5-1993	)
	No PT 3980 Mukim 1 Seberang Perai Tengah	Drains	Leasehold expiring on 25-01-2059	2.12715 acres	-	12-8-1996	)
	No PT 4271 (formerly Plot 596) Mukim 1, Seberang Perai Tengah	Vacant Land	Leasehold expiring on 04-11-2064	0.1187 hectares	-	18-3-1998	)
2	Lot 4808 Jalan Utas 15/7 Shah Alam Industrial Estate 40000 Shah Alam	Factories	Leasehold expiring on 11-02-2069 & 02-12-2072	634,950 sq ft & 328,800 sq ft	11.5-34	25-6-1992	27,435
3	2435 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factories	Leasehold expiring on 31-01-2039	50.9 acres	18-26	6-9-1982	18,195
4	5 1/2 Mile, Jalan Kapar 42100 Klang, Selangor	Factories	Freehold	8.0069 acres	13-28	3-2-1981	13,906
5	4457 Mukim 15, Jalan Chain Ferry 12100 Butterworth	Factory Godown	Freehold	413,427 sq ft	14-40	12-6-1989	13,052
6	3081 Jalan Besar Nibong Tebal	Factory	Freehold	304,210 sq ft	13-45	22-6-1998	10,919
7	Rawang Integrated Industrial Park	Factory	Freehold	497,838 sq ft	12	20-4-1994	9,757
8	Plot 2 Taman Meru Industrial Estate Jelapang, 30020 Ipoh	Land Factory	Leasehold expiring on 06-09-2043	43,240 sq m	27	1-12-1989	7,764
9	2624 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factory	Leasehold expiring on 05-06-2046	9.53048 acres	16	6-4-2004	6,403
10	2482 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factory Buildings	Leasehold expiring on 23-01-2045	2.96008 acres	20.5	1-8-2000	) 5,995
	2489 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factories	Leasehold expiring on 13-5-2043	1.03294 acres	19	11-8-1989	)

Other Information (cont'd)

2 ANALYSIS OF SHAREHOLDINGS AS AT 10 MARCH 2009

Authorised Capital	:	500,000,000 ordinary shares 2,000,000 preference shares
Issued and Fully Paid	:	419,417,208 ordinary shares of RM1.00 each
No of Shareholders	:	3,880
Voting Rights		
On show of hands	:	1 vote
On poll	:	1 vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS AS AT 10 MARCH 2009

Holdings	No of Holders	Total Holdings	%
Less than 100	26	893	0.0002
100 - 1,000	1,627	1,592,223	0.3796
1,001 - 10,000	1,717	6,776,744	1.6158
10,001 - 100,000	413	13,053,982	3.1124
100,001 - less than 5% of issued shares	94	89,180,033	21.2628
5% and above of issued shares	3	308,813,333	73.6292
TOTAL	3,880	419,417,208	100.0000

THIRTY LARGEST SHAREHOLDERS

The 30 largest shareholders of the Company as at 10 March 2009 are as follows:

	Name of Shareholders	No. of Shares	%
1	Assets Nominees (Tempatan) Sdn Bhd Hume Industries (Malaysia) Berhad	173,879,054	41.4573
2	NatSteel Holdings Pte Ltd	113,381,912	27.0332
3	Southern Amalgamated Co Sdn Bhd	21,552,367	5.1386
4	Southern Properties Sdn Bhd	14,000,399	3.3381
5	Hwang Enterprises Sdn Bhd	13,123,309	3.1289
6	CIMB Group Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Southern Amalgamated Co Sdn Bhd (28358 PPNG)	10,935,439	2.6073
7	Hong Bee Hardware Company, Sdn Berhad	7,371,493	1.7576
8	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	3,453,644	0.8234
9	HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hwang Enterprises Sdn Bhd (201-468246-089)	3,000,000	0.7153
10	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	2,009,400	0.4791

2 ANALYSIS OF SHAREHOLDINGS AS AT 10 MARCH 2009 (cont'd)

THIRTY LARGEST SHAREHOLDERS (cont'd)

	Name of Shareholders	No. of Shares	%
11	Employees Provident Fund Board	1,974,400	0.4707
12	Seri Pinang Sdn Bhd	1,781,200	0.4247
13	Liao York	1,384,427	0.3301
14	Choong Chew Kheng	1,221,332	0.2912
15	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Select Treasures Fund	1,168,300	0.2786
16	Insotech Sdn Bhd	1,074,557	0.2562
17	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Islamic Sector Select Fund	1,071,100	0.2554
18	Choong Cheow Sai	1,050,944	0.2506
19	Neoh Choo Ee & Company, Sdn Berhad	980,000	0.2337
20	Su Hock Company Sdn Bhd	972,815	0.2319
21	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	960,400	0.2290
22	Quarry Lane Sdn Bhd	950,000	0.2265
23	Chua Holdings Sdn Bhd	921,795	0.2198
24	Amanah Raya Nominees (Tempatan) Sdn Bhd Public SmallCap Fund	869,200	0.2072
25	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Fund	865,300	0.2063
26	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	855,700	0.2040
27	Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Kumpulan Wang Persaraan (Diperbadankan) (FD 2 – 280306)	690,700	0.1647
28	Pacific & Orient Insurance Co Berhad	649,000	0.1547
29	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Balanced Fund (N14011950210)	591,000	0.1409
30	Citigroup Nominees (Asing) Sdn Bhd CBNY for DFA Emerging Markets Small Cap Series	502,800	0.1199

2 ANALYSIS OF SHAREHOLDINGS AS AT 10 MARCH 2009 (cont'd)

The substantial shareholders of the Company as at 10 March 2009 are as follows:

Name of shareholders	No of shares held			
	Direct	%	Indirect	%
Hume Industries (Malaysia) Berhad	173,879,054	41.46	-	-
Hong Leong Company (Malaysia) Berhad	-	-	173,879,054	41.46 ①
Y Bhg Tan Sri Quek Leng Chan	-	-	181,250,547	43.21 ②
HL Holdings Sdn Bhd	-	-	173,879,054	41.46 ①
Hong Realty (Private) Limited	-	-	181,250,547	43.21 ②
Hong Leong Investment Holdings Pte Ltd	-	-	181,250,547	43.21 ②
Kwek Holdings Pte Ltd	-	-	181,250,547	43.21 ②
Kwek Leng Beng	-	-	181,250,547	43.21 ②
Davos Investment Holdings Private Limited	-	-	181,250,547	43.21 ②
Kwek Leng Kee	-	-	181,250,547	43.21 ②
Quek Leng Chye	-	-	181,250,547	43.21 ②
NatSteel Holdings Pte Ltd	113,381,912	27.03	-	-
Tata Steel Limited	-	-	113,381,912	27.03 ③
Tata Steel Global Holdings Pte Ltd	-	-	113,381,912	27.03 ③
Tata Steel Holdings Pte Ltd	-	-	113,381,912	27.03 ③
Southern Amalgamated Co Sdn Bhd	32,487,806	7.75	-	-
Su Hock Company Sdn Bhd	972,815	0.24	32,487,806	7.75 ④
Y Bhg Dato' Dr Tan Tat Wai	14,854	0.00	32,980,223	7.86 ⑤

① Deemed interest through Hume Industries (Malaysia) Berhad
② Deemed interest through Hume Industries (Malaysia) Berhad and Hong Bee Hardware Company, Sdn Berhad
③ Deemed interest through NatSteel Holdings Pte Ltd
④ Deemed interest through Southern Amalgamated Co Sdn Bhd
⑤ Deemed interest through Southern Amalgamated Co Sdn Bhd, Hock Kheng Industries Sdn Bhd and spouse

3 DIRECTORS' INTERESTS AS AT 10 MARCH 2009

Subsequent to the financial year end, there is no change as at 10 March 2009 to the Directors' interests in the ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on page 27 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 135 of the Companies Act, 1965.

4 DISCLOSURE REQUIREMENTS
Pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad

UTILISATION OF PROCEEDS
During the financial year, there were no proceeds raised by the Group and the Company from any corporate proposals.

SHARE BUYBACKS
During the financial year, there were no share buybacks by the Group and the Company.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES
During the financial year, up to the maturity of the ICULS on 31 July 2008, RM15,599,437 nominal amount of ICULS were converted into 15,144,757 ordinary shares of RM1.00 each.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME
During the financial year, the Group and the Company did not sponsor any ADR or GDR programme.

IMPOSITION OF SANCTIONS/PENALTIES
There were no sanctions and/or penalties imposed on the Group and the Company, Directors or Management by the relevant regulatory bodies.

NON-AUDIT FEES
Non-audit fee of RM1,800 was paid to the external auditors by the Group and the Company for the financial year.

PROFIT ESTIMATE, FORECAST OR PROJECTION
The Group and the Company did not release any profit estimate, forecast or projection for the financial year. There is no significant variance between the results for the financial year and the unaudited results previously released by the Group.

PROFIT GUARANTEES
During the financial year, there were no profit guarantees given by the Group and the Company.

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST
There were no material contracts involving directors' and major shareholders' interest.

RELATED PARTY TRANSACTIONS
Significant related party transactions of the Group during the financial year are disclosed in Note 29 to the financial statements in accordance with the general mandate obtained from shareholders at the Annual General Meeting held on 5 May 2008 setting out the aggregate value of recurrent transactions conducted during the financial year.

REVALUATION OF LANDED PROPERTIES
Land and buildings are stated at cost less accumulated depreciation.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting of Southern Steel Berhad (the "Company") will be held at the Level 1 Training Room B, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Monday, 4 May 2009 at 11.00 am in order:

1 To receive the audited financial statements for the year ended 31 December 2008 and the Directors' and Auditors' Reports thereon; RESOLUTION 1

2 To re-elect the following retiring Directors:

(a) Dato' Dr Tan Tat Wai RESOLUTION 2
(b) Ms Lim Sian Choo RESOLUTION 3

3 To re-appoint the following Directors pursuant to Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next annual general meeting of the Company:-

(a) YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu RESOLUTION 4
(b) YM Raja Dato' Seri Abdul Aziz bin Raja Salim RESOLUTION 5

4 To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and authorise the Directors to fix their remuneration; RESOLUTION 6

5 To approve the payment of Directors' fees of RM359,584.00 for the year ended 31 December 2008, to be divided amongst the Directors in such manner as the Directors may determine. RESOLUTION 7

AS SPECIAL BUSINESS
To consider and, if thought fit, pass the following resolutions:

6 **Ordinary Resolution:**

Authority To Issue Shares

"THAT pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company"; RESOLUTION 8

Notice Of Annual General Meeting
(cont'd)

AS SPECIAL BUSINESS (cont'd)

7 **Ordinary Resolution:**

Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a revenue or trading nature

"THAT approval be and is hereby given to the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature referred to in Section 5 of the Circular to Shareholders dated 9 April 2009 (the "Circular") with the parties who fall within the Mandated Related Parties referred to in the Circular, provided that such transactions are undertaken in the ordinary course of business of the Company and its subsidiaries, made at arm's length, and are on terms not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders; RESOLUTION 9

AND THAT such approval shall only continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company;

(b) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the aggregate value of the transactions conducted pursuant to this shareholders' mandate during the financial year be disclosed in accordance with the Listing Requirements of Bursa Malaysia Securities Berhad in the annual report of the Company.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to this resolution."

8 To consider any other business of which due notice shall have been given.

By Order of the Board

Lim Gim Siok
Secretary

Penang
9 April 2009

Notice Of Annual General Meeting
(cont'd)

NOTES:

1. *A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy but not more than two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least 1 proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*

2. *The Form of Proxy must be deposited at the Registered Office of the Company not later than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*

3. *Explanatory Notes on Special Business*

   Ordinary Resolutions:

   (a) Authority To Issue Shares

   Subject to exceptions provided in the Companies Act, 1965, the Directors would have to call for a General Meeting to approve the issue of new shares even though the number involved is less than 10% of the issued capital.

   In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is thus considered appropriate that the Directors be now empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

   (b) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

   This Ordinary Resolution proposed under item 7, if passed, will authorise the Company and/or its subsidiary companies to enter into recurrent related party transactions of a revenue or trading nature. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company. Please refer to the Circular for more information.

Statement Accompanying Notice Of Annual General Meeting

(PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD)

- Details of individuals who are standing for election as Directors
  No individual is seeking election as a Director at the Forty-Seventh Annual General Meeting of the Company.

This page is intentionally left blank.

This page is intentionally left blank.

SOUTHERN STEEL BERHAD 5283-X

2723, Lorong Perusahaan 12,
Prai Industrial Estate,
13600 Prai, Penang, Malaysia.

Tel : 604-390 6540
Fax : 604-390 8060

www.southsteel.com