南達 Southern Steel

Passion to excel

ANNUAL REPORT 2011

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CORPORATE INFORMATION

Directors

YBhg Datuk Kwek Leng San
Chairman

YBhg Dato' Dr Tan Tat Wai
Group Managing Director

YM Raja Dato' Seri Abdul Aziz bin Raja Salim

Tang Hong Cheong

Ang Kong Hua
(Appointed on 3 May 2011)

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
10810 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

Ting Kok Keong (MAICSA 7058942)

Southern Steel

- 99.3% Southern Wire Industries (Malaysia) Sdn Bhd #
  - 96.8% Southern PC Steel Sdn Bhd ^
  - 100% Cempaka Raya Sdn Bhd
  - 100% Trend Staples Industry Sdn Bhd
- 100% Southern Steel Holdings Sdn Bhd
  - 100% Southern Steel Industries Sdn Bhd
  - 100% Southern Steel Bar Sdn Bhd
    - 100% Starglow Investments Ltd.
- 100% Southern Steel Trading Sdn Bhd
- 100% Southern Galvanised Wire Sdn Bhd
- 100% Southern Coated Wire Sdn Bhd
- 97.2% Southern Steel Mesh Sdn Bhd *
  - 98.7% Southern Mesh Sdn Bhd @
  - 100% E-Tatt Steel Wires Sdn Bhd
- 100% Southern Steel Properties Sdn Bhd
- 100% Danstil Sdn Bhd
- 100% Southern Steel Solutions Sdn Bhd
- 100% Southern Steel Management Sdn Bhd
- 83.7% Southern Pipe Industry (Malaysia) Sdn Bhd
  - 100% Southern Steel Pipe Sdn Bhd
- 75% Southern Speciality Wire Sdn Bhd
- 50% Southern Oriental Sdn Bhd
- 27.5% Steel Industries (Sabah) Sdn Bhd

Balance of 0.7% held through another wholly-owned subsidiary of Southern Steel Berhad.
* Balance of 2.8% held through another wholly-owned subsidiary of Southern Steel Berhad.
^ Balance of 3.2% held through another wholly-owned subsidiary of Southern Steel Berhad.
@ Balance of 1.3% held through another wholly-owned subsidiary of Southern Steel Berhad.

Subsidiary Companies (dark green): 99.3%, 100%, 97.2%, 83.7%, 75% and all second-level holdings

Associated Companies (light green): 50%, 27.5%

YBhg Datuk Kwek Leng San
Non-Executive Chairman / Non-Independent

YBhg Datuk Kwek Leng San, aged 56, 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.

YBhg Datuk Kwek was appointed to the Board of Directors ("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.

Presently, he is the Executive Chairman of Malaysian Pacific Industries Berhad, President & Chief Executive Officer of Hong Leong Industries Berhad, Managing Director of Narra Industries Berhad and a Director of Hong Leong Bank Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad. He is also a Director of Hong Leong Company (Malaysia) Berhad, Hong Leong Marketing Co Berhad and Hong Leong Foundation, all public companies.

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

YBhg Dato' Dr Tan Tat Wai, aged 64, 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, APEC Business Advisory Council, 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. Currently, he is a Council Member for Wawasan Open University.

YBhg Dato' Dr Tan is the Group Managing Director of the Company, a post he has held since December 1993. On 18 May 1984, YBhg 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.

His other directorships in public companies are as follows:
- Director of Shangri-La Hotels (Malaysia) Berhad
- Director of Malayan Banking Berhad, Mayban Trustees Berhad and Maybank Investment Bank Berhad

He is also a Director of NSL Ltd, a public listed company in Singapore.

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

YM Raja Dato' Seri Abdul Aziz bin Raja Salim, aged 72, a Malaysian, is an 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 was appointed as Chairman of the Audit Committee on 15 December 2010. He is also a Member of Remuneration Committee of the Company.

His other directorships in public companies are as follows:
- Director of Gamuda Berhad
- Director of Jerneh Asia Bhd
- Director of PPB Group Berhad
- Director of K & N Kenanga Holdings Berhad
- Director of Kenanga Fund Management Berhad
- Director of Kenanga Investment Bank Berhad
- Director of Panasonic Manufacturing Malaysia Bhd
- Director of Hong Leong Industries Berhad

Tang Hong Cheong
Non-Executive Director / Non-Independent

Tang Hong Cheong, aged 56, a Malaysian, is a member of The Malaysian Institute of Accountants. He has over 30 years of working experience in finance, treasury and risk management, operation and strategic planning in which he has held various positions including senior management positions in various companies within the Hong Leong Group. He was the Finance Director of HL Management Co Sdn Bhd ("HLMC") since 2005, before assuming his current positions as President/Finance Director of HLMC.

Mr Tang was appointed to the Board of the Company on 15 January 2010. He is also a member of the Audit Committee of the Company.

Ang Kong Hua
Non-Executive Director / Independent

Mr Ang Kong Hua, aged 67, a Singaporean, graduated from the University of Hull, United Kingdom with a Bachelor of Science (Economics) Upper II Honours degree in 1966.

Following stints at the Economic Development Board from 1966 to 1967 and DBS Bank from 1968 to 1974, Mr Ang spent 28 years as the Chief Executive Officer ("CEO") of NSL Ltd ("NSL") (formerly known as NatSteel Ltd). He retired as CEO from NSL in 2003 and as Executive Director in 2010.

Mr Ang currently serves as the Chairman of Sembcorp Industries Ltd, an industrial conglomerate listed on the Singapore Stock Exchange. He is also the Chairman of Global Logistic Properties Limited which is also listed on the Singapore Stock Exchange. Mr Ang is a Director of The Government of Singapore Investment Corporation Private Limited and GIC Special Investments Private Limited.

Mr Ang was appointed to the Board of the Company on 3 May 2011. He is also a member of the Audit Committee of the Company.

Notes:

1 Family Relationship with Director and/or Major Shareholder

YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan and Mr Quek Leng Chye, both major shareholders of the Company. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of SSB.

2 Conflict of Interest

None of the Directors has any conflict of interest with SSB.

3 Conviction of Offences

None of the Directors has been convicted of any offences within the past 10 years.

4 Attendance of Directors

Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Statement in the Annual Report.

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of the Group for the 18 months' financial period ended 30 June 2011.

FINANCIAL REVIEW

Towards the end of 2010, Natsteel Asia Ltd. (a wholly owned subsidiary of Tata Steel Ltd.), the second largest shareholder of the Group sold its 27% shareholding to an affiliate of the Hong Leong Group. The financial year of the Group was changed from one ending in December to one ending in June to be in line with the financial year end of the Hong Leong Group. Thus, the financial year end for the Group closed in June 2011, giving rise to an 18-month financial year end.

Although the concerted fiscal and monetary actions by the various Governments managed to turn around the world economy from the second half of 2009, the recovery started to loose momentum from the second half of 2010. In tandem with this development, the quarterly performance of the Group also fluctuated widely.

Nevertheless, the Group registered a profit before taxation ("PBT") of RM202.1 million for the 18-month financial period ended 30 June 2011, on a revenue of RM4.3 billion. This represented a significant improvement when compared to the profit before tax of RM8.8 million for the 12-month financial year ended 31 December 2009.

REVIEW OF OPERATIONS

Southern Steel Berhad ("SSB")

Even though stimulus packages introduced after the 2008 financial crisis managed to lift the global demand of steel products back to pre-crisis levels, selling prices remained low for most part of the period under review. Margins were by and large compressed given the oligopolistic supply of key raw materials. Product prices had occasional spikes, pushed up by hikes in iron ore and coking coal prices. Competition within Malaysia were at times fierce as projects under the Economic Transformation Program had been slow in taking off. Nevertheless, SSB was able to build on its strong market position. The pick-up of its industrial grade sales and the continuous improvement programmes to raise productivity and reduce cost have enabled SSB to deliver a strong set of results for most of the quarters in the period under review. Our improved fundamentals would provide the resilience against future challenges.

SUBSIDIARY COMPANIES

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

SSM's "reinforced steel business" ("RSB") continued to contribute modest, but steady and positive results to the Group. In the period ended 30 June 2011, SSM embarked on various programs to expand its business, one of which was the relocation and expansion of its southern regional operation from Pasir Gudang to Tanjung Langsat. This would enable the Group to take advantage of the Iskandar (South Johor) regional development. Further, additional satellite operations in various parts of the country were set up to better serve the market place. SSM is confident in enhancing its market leadership position in the steel reinforcement segment. The integration of upstream supply together with the setting up of satellite operations have enabled the Group and SSM to respond efficiently to the volatile and competitve construction steel market.

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

SWIM's export oriented business was put under pressure by the stronger Ringgit. The squeeze in volume and margin was particularly severe in the second half of 2010. However, a determined effort at productivity improvement and cost cutting enabled it to recover sales volume near to pre-crisis level and turn-around in the first half of 2011. The Company will continue to rationalise its products lines, and increase productivity to improve margins of its core products.

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

The substantial protection given to the country's sole supplier of Hot Rolled Coil ("HRC") with little corresponding protection for pipe making has continued to squeeze SPIM's performance. Its strategy to focus more on coated and painted pipes from its in-line-galvanizing technology was not enough to mitigate the high input costs and untimely supply. Development of market based on this innovative technology takes time. As a result, SPIM recorded a loss for the period.

ASSOCIATED COMPANY

The associated company, Steel Industries (Sabah) Sdn Bhd continued to contribute positively to the Group's results in the current financial period as the Sabah market had a faster recovery in the market compared with the Peninsular side.

GOING FORWARD

The global economic outlook is still very uncertain with the Euro zone sovereign debt crisis still unfolding, and the United States' unemployment rate continuing to stay at a high level. Although emerging markets in Asia, especially China, is expected to provide the engine of growth, the relative size of the Asian economy cannot completely make up for the vacuum left by the developed countries. Despite this weak outlook, we are hopeful that the various Malaysian infrastructure projects will increase demand for steel products in the coming year. Further, the strategic direction set by the Group in developing new products and markets has strengthened the Group's fundamentals.

APPRECIATION AND ACKNOWLEDGEMENT

On behalf of the Board, I would like to place on record my appreciation to the late YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu for his past guidance and contributions. On the same note, I wish to welcome on board, our newly appointed independent Director, Mr Ang Kong Hua, who is no stranger to all of us, as he had served as Director of Southern Steel Group from 1982 to 2005.

I 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.

YBhg Datuk Kwek Leng San
Chairman

Introduction

Southern Steel Berhad ("SSB") is committed to be a responsible and good corporate citizen. We observe the good principles of triple bottom lines of achieving Good Economic Performance, with Good Social Practices and Good Environmental Practices. Corporate Social Responsibility to the Group has always been more than just about community welfare. We conduct our business 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 have guided 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 SSB Group.

Effective 1 April 2011, SSB has been certified in compliance with the following:

(a) ISO 14001: 2004 Environmental Management System
(b) OHSAS 18001: 2007 Occupational Health & Safety Management System
(c) MS 1722: Part 1: 2005 Occupational Health & Safety Management System

Environment

Pollution control activities and effective resources management are core to our environmental protection program. Over the years, we have built a dust collection system including dust suction plants for the two Electric Arc Furnaces, and the use of industrial dust sweepers and the building of silo to contain the collected dust. Although the two dust suction plants were then State of the Art when installed in 2001 and 2009, we have initiated a project to replace the 2001 dust collector. In addition, in order to reduce the dust content of scrap being fed into the furnaces, we have started installing scrap cleaning equipments and concreting of scrap yards in stages. These are major initiatives in addition to the usual recycling of slag waste and water. To promote the importance of green environment beyond the workplace, we have also initiated Effective Microorganisms-Mudball and Tree Planting Campaign, to further create awareness among us to care and love for our environment. Our "Effective-Microorganisms" ("EM") - Mudball program were participated not only by our own employees, but also by some other factories within the same vicinity, and also by representatives from the local government and municipal council.

Continuous training programs have been conducted on environmental impact and related health hazards and risks. This is also part of the overall environmental program initiated by SSB Group.

Workplace

SSB Group continued to comply with all Department of Safety and Health Malaysia ("DOSH") standards. Continuous occupational and road safety and awareness programs are being conducted both for our employees and suppliers.

As part of our commitment to staff development, we had conducted various learning and development programs throughout the years. Since 2009, SSB Group has embarked on a special in-house training and development program designed for all executives, where most trainers are senior management staff of SSB Group including the Chief Executive Officer himself. This is a full year program that is conducted every year for all eligible executives. We have also designed an in-house training program for all managers in the Group.

Workplace (Continued)

Other programs continued from previous 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 Program - in collaboration with Selangor Human Resource Development Centre for fresh graduate engineers in Industrial Automation to develop competent engineers to fulfil the needs of SSB Group.

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

Community

SSB Group supports the charity activities organised by its in-house Heart To Heart Club ("H2H Club") operated on a voluntary basis by a group of enthusiastic employees. Financially, SSB Group contributes to the welfare funds of H2H Club 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 organised on a yearly basis.

SSB Group also donates to old folks' homes, schools, hospitals and other institutions for their regular expenses as well as their building funds. We have also responded to the plight of disaster victims both locally and abroad.

Market place

As we consider Corporate Social Responsibility an essential 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.

The Board of Directors (”Board”) of Southern Steel Berhad ("Company") 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 comprises five (5) directors, four (4) of whom are non-executive and two (2) of whom are independent. A brief profile of each the director and their attendance records are provided in the Annual Report.

YBhg Datuk Kwek Leng San, the Chairman of the Board, is a non-independent non-executive director. The Board considers that the Principles have already been observed by virtue of YBhg Datuk Kwek’s substantial knowledge and experience in business and his non-executive position that 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.

All major investment 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.

The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions.

The Board met 9 times during the 18 months’ financial period ended 30 June 2011. Details of attendance of each director are as follows:

Directors	Number of meetings attended/held
YBhg Datuk Kwek Leng San	7/9
YBhg Dato’ Dr Tan Tat Wai	9/9
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	9/9
Tang Hong Cheong	7/9
Ang Kong Hua *(Appointed on 3 May 2011)*	1/1

Supply of Information

Prior to each Board meeting, the 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. The Company Secretary records deliberations, decisions and conclusions at Board meetings accordingly.

All the Directors have full access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures are followed and all necessary information are obtained from Directors both for the Company's own records and for purposes of meeting statutory obligations. Where necessary, the Directors also have access to independent professional advice at the Company's expense in furtherance of their duties.

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 caliber 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 program for new Directors. However, familiarization program with the operations of the Group is arranged for any new appointee to the Board.

All the Directors of the Company have completed the Mandatory Accreditation Program and are supportive of the Continuous Education Program.

In the course of the financial period ended 30 June 2011, 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 Board established the Company's Remuneration Committee on 9 May 2005. The members of the Committee are YBhg Datuk Kwek Leng San, YM Raja Dato' Seri Abdul Aziz bin Raja Salim and YBhg 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 package of the Executive Director 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 18-month period ended 30 June 2011 are set out below: -

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Director	135,000	2,806,720	2,941,720
Non-Executive Directors	630,001	6,000	636,001

DIRECTORS' REMUNERATION (CONTINUED)

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	3
50,001 – 100,000	0	0
100,001 – 150,000	0	2
150,001 – 200,000	0	2
1,150,000 and above	1	0

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 financial period, 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 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 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 are 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.

Responsibility

The Board of Directors ("Board") affirms its overall responsibility for the Group's system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its adequacy and integrity. 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 recognizes 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 it is in accordance with 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 authorization 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 the 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 the management, covering the performance of key financial and operational indicators.

Risk Management Framework (Continued)

- The Internal Audit Department ("IA") independently reviews the control processes implemented by the management and reports its findings and recommendations independently to the Audit Committee. The IA'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 are 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 ("Committee"), with the assistance of the IA assesses the effectiveness of the Group's internal control system, by reviewing the internal audit reports presented to the 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 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has this adopted in the review of the adequacy and integrity of internal control of the Group.

COMPOSITION AND MEMBERSHIP

The Audit Committee ("Committee") was appointed by the Board from amongst its directors and is comprised 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 15.09(1)(c)(ii) of the Main Market 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 (Demised on 24 November 2010)
2 YM Raja Dato' Seri Abdul Aziz bin Raja Salim (Appointed Chairman on 15 December 2010)
3 Lim Sian Choo (Resigned on 15 January 2010)
4 Tang Hong Cheong (Appointed on 15 January 2010)
5 Ang Kong Hua (Appointed on 3 May 2011)

MEETINGS AND MINUTES

Meetings shall be held not less than four times a year. During the financial period ended 30 June 2011, a total of 3 meetings only were held due to the demise of YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu. The Company had obtained approval from Bursa Securities on the extension of time until 24 May 2011 to fill the vacancy. Mr Ang Kong Hua was appointed on 3 May 2011 to fill the vacancy.

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.

MEETINGS AND MINUTES (CONTINUED)

During the financial period ended 30 June 2011, a total of 3 meetings were held.

Name	Status of directorship	Eligible to attend	Attended
YA Bhg Tun Dato' Seri Utama Dr Lim Chong Eu (Chairman) (Demised on 24 November 2010)	Independent Non-Executive Director	2	2
YM Raja Dato' Seri Abdul Aziz bin Raja Salim (Appointed Chairman on 15 December 2010)	Independent Non-Executive Director	3	3
Lim Sian Choo (Resigned on 15 January 2010)	Non-Independent Non-Executive Director	-	-
Tang Hong Cheong (Appointed on 15 January 2010)	Non-Independent Non-Executive Director	3	3
Ang Kong Hua (Appointed on 3 May 2011)	Independent Non-Executive Director	1	1

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 Main Market 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 ("Board") 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;

TERMS OF REFERENCE (CONTINUED)

Authority (Continued)

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 on 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 and the 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.

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 and the Company 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 period:

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; and

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

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

INTERNAL AUDIT FUNCTION

The Group has an in-house 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 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. The purpose, authority and responsibility of the Internal Audit Department were articulated in the internal audit charter. The total cost incurred for the Internal Audit Department for the financial period ended 30 June 2011 was approximately RM669,200.

During the financial period, 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

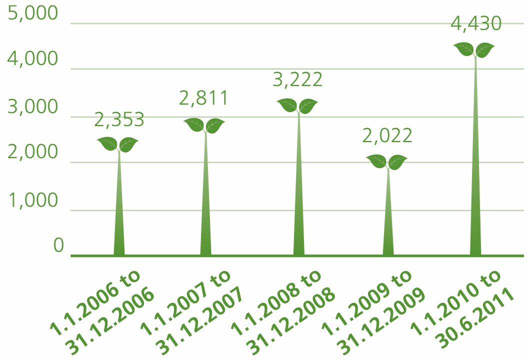
5. identifying opportunities to improve the operations and processes of the Group.

RM Million

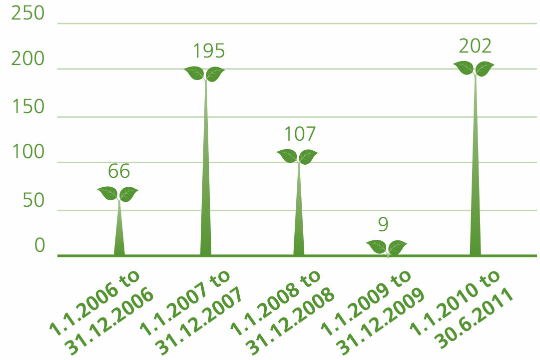
	Financial year ended 31.12.2006	Financial year ended 31.12.2007	Financial year ended 31.12.2008	Financial year ended 31.12.2009	Financial period from 1.1.2010 to 30.6.2011
Turnover	2,353	2,811	3,222	2,022	4,430
Profit Before Taxation	66 #	195	107	9	202
Profit Attributable to Shareholders	85 #	192	105	17	210 ^
Tangible Assets Employed	1,711 #	1,773	1,877	1,703	2,210
Shareholders' Funds	572 #	706	759	755	884
Paid-up Share Capital	362	399	411	411	411
Net Tangible Assets per Share (sen)	144 #	165	172	172	203
Earnings Per Share (sen)	20 #	46	25	4	50
Dividend - Tax exempt (%)	5.0	7.5	12.5	5.0	20
Dividend - Tax exempt (sen per share)	5.0	7.5	12.5	5.0	20

The effect of change in accounting policy from the revaluation model to the cost model is included in 2007 results.
^ Exclude other comprehensive income

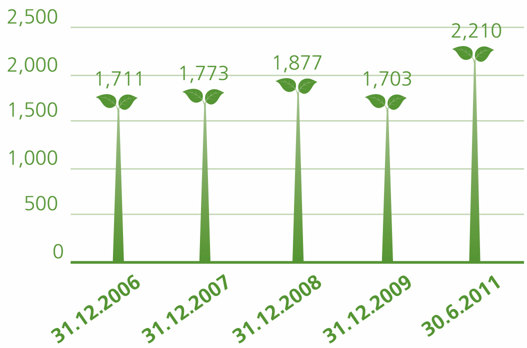
Turnover



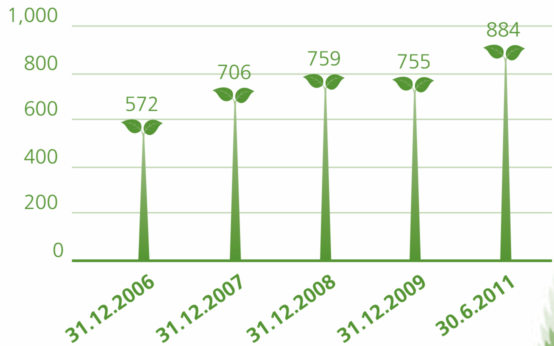
Profit Before Taxation



Tangible Assets Employed



Shareholders' Funds



REPORTS AND FINANCIAL STATEMENTS

The Directors present their report to the members together with the audited financial statements of the Group and the Company for the financial period ended 30 June 2011.

1 PRINCIPAL ACTIVITIES

The principal activities of the Company are 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. There have been no significant changes in the nature of these activities during the financial period.

2 CHANGE OF FINANCIAL YEAR END

During the financial period, the Company has changed its financial year end from 31 December to 30 June to be coterminous with the financial year of the Company's substantial shareholder.

3 FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial period	210,136	189,565

4 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 period ended 30 June 2011:	
- first interim dividend (tax exempt) of 5.0 sen per share on 419,417,208 ordinary shares, paid on 30 September 2010	20,971
- second interim dividend (tax exempt) of 5.0 sen per share on 419,417,208 ordinary shares, paid on 15 December 2010	20,971
- third interim dividend (tax exempt) of 10.0 sen per share on 419,417,208 ordinary shares, paid on 17 June 2011	41,942
	83,884

The Directors do not propose the payment of any final dividend for the financial period ended 30 June 2011.

5 RESERVES AND PROVISIONS

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

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
Y. Bhg Datuk Kwek Leng San (Chairman)
Tang Hong Cheong
Koushik Chatterjee (resigned on 14 September 2010)
Thachat Viswanath Narendran (alternate to Koushik Chatterjee) (resigned on 24 May 2010)

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 (demised on 24 November 2010)
YM Raja Dato' Seri Abdul Aziz bin Raja Salim
Ang Kong Hua (appointed on 3 May 2011)

7 DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, particulars of interests of Directors who held office at the end of the financial period in shares in the Company are as follows:

	Number of ordinary shares of RM1.00 each			
	At 1.1.2010	Acquired	Disposed	At 30.6.2011
Y. Bhg Dato' Dr. Tan Tat Wai				
- Direct interest	14,854	-	-	14,854
- Deemed interest *	32,980,223	-	-	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 period held any interest in shares or debentures in the Company or its related corporations.

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 5 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 the Director is a member, or with a company in which the Director has a substantial financial interest.

During and at the end of the financial period, 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 period.

10 STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and financial position 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 their business 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; or

(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 period which, in the opinion of the Directors, will or may substantially affect the ability of the Group and 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 period 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 period.

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 period were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) there has not arisen in the interval between the end of the financial period 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 period in which this report is made.

11 AUDITORS

The auditors, PricewaterhouseCoopers, will not be seeking re-appointment at the forthcoming Annual General Meeting.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 September 2011.

Y. Bhg Datuk 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, Y. Bhg Datuk Kwek Leng San and Y. Bhg Dato' Dr. Tan Tat Wai, 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 31 to 100 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 30 June 2011 and of the results and cash flows of the Group and the Company for the financial period 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.

The information set out in Note 32 to the financial statements have been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with their resolution dated 15 September 2011.

Y. Bhg Datuk 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 31 to 100 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 15 September 2011.

Before me

Goh Suan Bee
Commissioner for Oaths
(No P125)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Southern Steel Berhad on pages 31 to 100, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 31.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of these financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the Companies Act, 1965, and for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 judgment, 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 of financial statements that give true and fair view 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 30 June 2011 and of their financial performance and cash flows for the period 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 12 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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 on page 100 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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
(2082/09/12 (J/PH))
Chartered Accountant

Penang

In RM'000 unless otherwise stated

	Note	Group Financial period from 1.1.2010 to 30.6.2011	Group Financial year ended 31.12.2009	Company Financial period from 1.1.2010 to 30.6.2011	Company Financial year ended 31.12.2009
REVENUE		**4,430,338**	2,022,337	**3,550,959**	1,624,092
COST OF SALES		**(4,003,380)**	(1,899,086)	**(3,241,919)**	(1,545,035)
GROSS PROFIT		**426,958**	123,251	**309,040**	79,057
OTHER OPERATING INCOME		**23,333**	29,894	**24,019**	17,944
ADMINISTRATION EXPENSES		**(99,821)**	(58,605)	**(46,562)**	(25,058)
DISTRIBUTION COSTS		**(101,110)**	(50,658)	**(68,863)**	(34,223)
OTHER OPERATING EXPENSES		**(9,601)**	(14,723)	**(3,813)**	(7,753)
OPERATING PROFIT	5	**239,759**	29,159	**213,821**	29,967
FINANCE COSTS	6	**(38,818)**	(22,303)	**(25,388)**	(14,964)
SHARE OF RESULTS OF ASSOCIATED COMPANIES		**1,125**	1,968	**0**	0
PROFIT BEFORE TAXATION		**202,066**	8,824	**188,433**	15,003
TAXATION	7	**8,070**	8,359	**1,132**	3,924
PROFIT FOR THE FINANCIAL PERIOD/YEAR		**210,136**	17,183	**189,565**	18,927
OTHER COMPREHENSIVE INCOME (NET OF TAX)		**989**	0	**886**	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**211,125**	17,183	**190,451**	18,927
Attributable to:					
OWNERS OF THE COMPANY		**211,125**	17,183	**190,451**	18,927
MINORITY INTERESTS		**0**	0	**0**	0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**211,125**	17,183	**190,451**	18,927
DIVIDENDS PER SHARE (SEN)	8	**20.0**	5.0	**20.0**	5.0
EARNINGS PER SHARE (SEN) - BASIC AND DILUTED	9	**50.1**	4.1		

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

In RM'000 unless otherwise stated

	Note	**As at 30.6.2011**	As at 31.12.2009 (Restated)	As at 1.1.2009 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	10	**683,150**	719,953	734,467
Associated companies	13	**17,768**	16,967	15,799
Available-for-sale investments	14	**2,771**	788	788
Deferred tax assets	21	**10,331**	0	0
Goodwill on consolidation	15	**48,991**	48,991	48,991
		763,011	786,699	800,045
CURRENT ASSETS				
Inventories	16	**1,040,568**	694,177	862,883
Receivables	17	**252,348**	202,456	168,704
Tax recoverable		**14,169**	33,892	27,275
Derivative financial assets	25	**199**	0	0
Deposits with licensed banks	24	**121,860**	18,097	10,546
Cash and bank balances	24	**77,541**	16,278	56,861
		1,506,685	964,900	1,126,269
CURRENT LIABILITIES				
Payables	18	**294,574**	163,053	187,502
Short term borrowings	19	**1,032,870**	764,652	904,270
Current tax liabilities		**5**	1,873	326
Retirement benefits	20	**772**	564	735
		1,328,221	930,142	1,092,833
NET CURRENT ASSETS		**178,464**	34,758	33,436
NON-CURRENT LIABILITIES				
Deferred tax liabilities	21	**29,026**	40,503	49,975
Retirement benefits	20	**28,174**	26,161	24,926
		57,200	66,664	74,901
TOTAL NET ASSETS		**884,275**	754,793	758,580
CAPITAL AND RESERVES				
Share capital	22	**411,467**	411,467	411,467
Reserves	23	**472,808**	343,326	347,113
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**884,275**	754,793	758,580
MINORITY INTERESTS		**0**	0	0
TOTAL EQUITY		**884,275**	754,793	758,580

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

In RM'000 unless otherwise stated

	Note	As at 30.6.2011	As at 31.12.2009 (Restated)	As at 1.1.2009 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	10	**509,580**	557,986	568,491
Subsidiary companies	12	**402,659**	398,659	398,659
Associated companies	13	**5,500**	5,500	5,500
Available-for-sale investments	14	**2,247**	708	708
		919,986	962,853	973,358
CURRENT ASSETS				
Inventories	16	**828,263**	526,864	613,982
Receivables	17	**138,028**	111,344	78,317
Tax recoverable		**811**	23,372	21,126
Derivative financial assets	25	**199**	0	0
Deposits with licensed banks	24	**121,860**	0	0
Cash and bank balances	24	**6,343**	3,402	34,969
		1,095,504	664,982	748,394
CURRENT LIABILITIES				
Payables	18	**358,447**	231,076	247,069
Short term borrowings	19	**726,929**	557,428	628,661
Retirement benefits	20	**503**	323	426
		1,085,879	788,827	876,156
NET CURRENT ASSETS / (LIABILITIES)		**9,625**	(123,845)	(127,762)
NON-CURRENT LIABILITIES				
Deferred tax liabilities	21	**25,844**	44,771	49,977
Retirement benefits	20	**11,526**	10,751	10,090
		37,370	55,522	60,067
TOTAL NET ASSETS		**892,241**	783,486	785,529
CAPITAL AND RESERVES				
Share capital	22	**411,467**	411,467	411,467
Reserves	23	**480,774**	372,019	374,062
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**892,241**	783,486	785,529

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

In RM'000 unless otherwise stated

	Attributable to the owners of the Company								
	Share capital (Note 22)	**Share premium**	**Merger reserve**	**Capital redemption reserve**	**Fair value reserve**	**Retained profits**	**Total**	**Minority interests**	**Total equity**
At 1 January 2010									
- As previously stated	411,467	35,852	30,000	50	0	277,424	754,793	0	754,793
- Effect of adopting FRS 139	0	0	0	0	2,232	9	2,241	0	2,241
At 1 January 2010, restated	411,467	35,852	30,000	50	2,232	277,433	757,034	0	757,034
Comprehensive income:									
Profit for the financial period	0	0	0	0	0	210,136	210,136	0	210,136
Other comprehensive income:									
Available-for-sale financial asset	0	0	0	0	989	0	989	0	989
Total comprehensive income for the financial period	0	0	0	0	989	210,136	211,125	0	211,125
Dividends for the financial period ended:									
- 30 June 2011 (Note 8)	0	0	0	0	0	(83,884)	(83,884)	0	(83,884)
At 30 June 2011	411,467	35,852	30,000	50	3,221	403,685	884,275	0	884,275
At 1 January 2009	411,467	35,852	30,000	50	0	281,211	758,580	0	758,580
Total comprehensive income:									
Profit for the financial year	0	0	0	0	0	17,183	17,183	0	17,183
Dividends for the financial year ended:									
- 31 December 2009 (Note 8)	0	0	0	0	0	(20,970)	(20,970)	0	(20,970)
At 31 December 2009	411,467	35,852	30,000	50	0	277,424	754,793	0	754,793

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

In RM'000 unless otherwise stated

		Non-distributable			Distributable	
	Share capital (Note 22)	Share premium	Merger reserve	Fair value reserve	Retained profits	Total
At 1 January 2010						
- As previously stated	411,467	35,852	33,600	0	302,567	783,486
- Effect of adopting FRS 139	0	0	0	2,188	0	2,188
At 1 January 2010, restated	411,467	35,852	33,600	2,188	302,567	785,674
Total comprehensive income:						
Profit for the financial period	0	0	0	0	189,565	189,565
Other comprehensive income:						
Available-for-sale financial asset	0	0	0	886	0	886
Total comprehensive income for the financial period	0	0	0	886	189,565	190,451
Dividend for the financial period ended:						
- 30 June 2011 (Note 8)	0	0	0	0	(83,884)	(83,884)
At 30 June 2011	411,467	35,852	33,600	3,074	408,248	892,241
At 1 January 2009	411,467	35,852	33,600	0	304,610	785,529
Total comprehensive income:						
Profit for the financial year	0	0	0	0	18,927	18,927
Dividend for the financial year ended:						
- 31 December 2009 (Note 8)	0	0	0	0	(20,970)	(20,970)
At 31 December 2009	411,467	35,852	33,600	0	302,567	783,486

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

In RM'000 unless otherwise stated

	Note	Group Financial period from 1.1.2010 to 30.6.2011	Group Financial year ended 31.12.2009 (Restated)	Company Financial period from 1.1.2010 to 30.6.2011	Company Financial year ended 31.12.2009 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit attributable to owners of the Company		**210,136**	17,183	**189,565**	18,927
Adjustments for:					
Share of results of associated companies		**(1,125)**	(1,968)	**0**	0
Taxation		**(8,070)**	(8,359)	**(1,132)**	(3,924)
Dividend income		**(52)**	(23)	**(1,133)**	(2,662)
Interest expense		**38,818**	22,303	**25,388**	14,964
Interest income		**(1,041)**	(642)	**(744)**	(696)
Gain on disposal of available-for-sale investments		**(158)**	0	**(158)**	0
Net unrealised foreign exchange (gain)/loss		**(9,422)**	6,769	**(9,280)**	6,888
Allowance for doubtful debts written back		**(7,039)**	(11,421)	**(871)**	(5,143)
Bad debts written off		**20**	0	**20**	0
Fair value gain on forward exchange contracts		**(190)**	0	**(199)**	0
Property, plant and equipment:					
- depreciation		**131,241**	85,527	**105,911**	67,702
- write off		**312**	24	**41**	12
- net (gain)/loss on disposals		**(829)**	(73)	**71**	(73)
- impairment losses		**111**	0	**0**	0
Inventories:					
- write off		**0**	1,438	**0**	1,438
- write down to net realisable value		**0**	1,190	**0**	0
- allowance for inventories obsolescence		**14,618**	2,985	**13,000**	0
- write back of allowance for inventories obsolescence		**(254)**	(94)	**0**	0
Provision for retirement benefits		**4,276**	3,008	**1,822**	1,262
Changes in unrealised profit on sales to associated company		**(776)**	(163)	**0**	0
		370,576	117,684	**322,301**	98,695
Changes in working capital:					
Inventories		**(360,755)**	163,187	**(314,399)**	85,680
Receivables		**(33,451)**	(22,176)	**(26,997)**	(40,085)
Payables		**132,470**	(8,185)	**128,365**	1,538
Cash generated from operations		**108,840**	250,510	**109,270**	145,828
Interest paid		**(38,818)**	(22,375)	**(25,208)**	(16,045)
Tax paid		**4,117**	(5,434)	**4,724**	(2,778)
Retirement benefits paid		**(2,055)**	(1,944)	**(867)**	(704)
Net operating cash flows		**72,084**	220,757	**87,919**	126,301

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

In RM'000 unless otherwise stated

	Note	Group Financial period from 1.1.2010 to 30.6.2011	Group Financial year ended 31.12.2009 (Restated)	Company Financial period from 1.1.2010 to 30.6.2011	Company Financial year ended 31.12.2009 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividends received		**1,152**	985	**1,133**	2,662
Interest received		**1,041**	642	**744**	696
Property, plant and equipment:					
- proceeds from disposals		**6,175**	73	**1,304**	73
- additions		**(101,156)**	(87,992)	**(59,624)**	(74,408)
Proceeds from disposal of available-for-sale investments		**1,693**	0	**1,693**	0
Purchase of available-for-sale investment		**(297)**	0	**0**	0
Net investing cash flows		**(91,392)**	(86,292)	**(54,750)**	(70,977)
CASH FLOWS FROM FINANCING ACTIVITIES					
(Repayment of)/net proceeds from revolving credits		**0**	(9,725)	**130**	(725)
Net proceeds from/(repayment of) foreign currency trade financing		**174,173**	(25,729)	**166,542**	(20,601)
Net proceeds from bankers' acceptance		**94,729**	19,397	**12,191**	66,188
Repayment of long term borrowings		**0**	(104,514)	**0**	(104,514)
Repayment of export credit refinancing		**0**	(7,190)	**0**	(7,190)
Amount due from related parties (non-trade)		**0**	0	**(2,776)**	12,224
Amount due to related parties (non-trade)		**0**	0	**(429)**	(3)
Dividends paid		**(83,884)**	(20,970)	**(83,884)**	(20,970)
Net financing cash flows		**185,018**	(148,731)	**91,774**	(75,591)
Net change in cash and cash equivalents		**165,710**	(14,266)	**124,943**	(20,267)
Cash and cash equivalents at beginning of the financial period/year		**25,263**	39,529	**(2,102)**	18,165
Cash and cash equivalents at end of the financial period/year	24	**190,973**	25,263	**122,841**	(2,102)

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

ANALYSIS OF ADDITIONS OF PROPERTY, PLANT AND EQUIPMENT ("PPE")

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
PPE additions	**100,207**	71,037	**58,921**	57,209
Less: Cash payment	**(100,207)**	(67,453)	**(56,284)**	(53,869)
Balances included in other payables and accruals as at 30 June 2011/31 December 2009	**0**	3,584	**2,637**	3,340
Analysis of total cash payment for cash flow purposes :				
In respect of PPE acquired during the financial period/year ended 30 June 2011/31 December 2009	**100,207**	67,453	**56,284**	53,869
In respect of PPE acquired during the financial year ended 31 December 2009/31 December 2008 (included in other payables and accruals)	**949**	20,539	**3,340**	20,539
	101,156	87,992	**59,624**	74,408

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 Market 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 manufacturing of, sales and trading in billets, steel bars and wire rods. The principal activities of the Group consist of the manufacturing of, sales and trading in steel products. There have been no significant changes in the nature of these activities during the financial period.

The financial year end for the Company has changed from 31 December to 30 June to be coterminous with the financial year of the Company's substantial shareholders. Accordingly, comparative accounts for the Statement of Comprehensive Income, Statement of Changes of Equity, Statement of Cash Flows and related notes are not comparable.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors dated 15 September 2011.

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 period. 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, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE APPLICABLE TO THE GROUP AND ARE EFFECTIVE

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial period beginning on or after 1 January 2010 are as follows:

- FRS 7 "Financial Instruments: Disclosures" and the related Amendments
- FRS 8 "Operating Segments"

In RM'000 unless otherwise stated

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 "Borrowings Costs"
- FRS 139 "Financial Instruments: Recognition and Measurement" and related Amendments
- Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards" and FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
- Amendment to FRS 2 "Share-based Payment: Vesting Conditions and Cancellations"
- Amendments to FRS 132 "Financial Instruments: Presentation" and FRS 101 (revised) "Presentation of Financial Statements" - "Puttable financial instruments and obligations arising on liquidation"
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendments
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"
- Improvements to FRSs (2009)

The adoption of the above standards, amendments to published standards and interpretations to existing standards does not have a significant financial impact to the Group and the Company other than those disclosed in Note 29.

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

The Group will apply the following new standards, amendments to standards and Interpretations from annual period beginning 1 July 2011 or later periods:

(i) The revised FRS 127 "Consolidated and separate financial statements" (applies prospectively to transactions with non-controlling interests from 1 July 2010) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When this standard is effective, all earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

The initial application of the above standard is not expected to have a material impact on the Group's financial statements.

In RM'000 unless otherwise stated

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(ii) Amendments to FRS 7 "Financial instruments: Disclosures" and FRS 1 "First-time adoption of financial reporting standards" (effective from 1 January 2011) requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

The initial application of the above standard is not expected to have a material impact on the Group's financial statements except for enhanced disclosures.

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 period. 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 acquisition 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 acquisition method of accounting, the results of the subsidiary companies acquired or disposed of during the financial period 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 profit or loss 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(h) to the financial statements.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) BASIS OF CONSOLIDATION (CONTINUED)

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.

(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(h) 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(h) 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(h) to the financial statements).

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 profit or loss. 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.

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) PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also include borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to accounting policy Note 3(q) on borrowing costs).

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 profit or loss during the financial period in which they are incurred.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Freehold land is not depreciated as it has infinite life. Leasehold land classified as finance lease is amortised in equal instalments over the period of the respective leases that range from 60 to 99 years. 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%

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 profit or loss.

Depreciation of capital work-in-progress commences when assets are ready for their intended use.

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(h) to the financial statements.

(f) LEASES

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Finance Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) LEASES (CONTINUED)

Finance Leases (CONTINUED)

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

Operating Leases

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on the straight-line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are capitalied as prepayments and recognised in the profit or loss over the lease term on a straight-line basis.

(g) INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment.

(h) IMPAIRMENT OF NON-FINANCIAL 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 profit or loss. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in profit or loss.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT

(i) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Financial Assets at Fair Value Through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'receivables', 'deposits with licensed banks' and 'cash and bank balances' in the statement of financial position.

Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and Initial Measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

(iii) Subsequent Measurement – Gains and Losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables is subsequently carried at amortised cost using the effective interest method.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT (CONTINUED)

(iii) Subsequent Measurement – Gains and Losses (Continued)

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Interest on available-for-sale debt securities calculated using the effective interest method is recognised in profit or loss. Dividends income on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

(iv) Subsequent measurement – Impairment of financial assets

Assets Carried at Amortised Cost

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

(i) Significant financial difficulty of the issuer or obligator;
(ii) A breach of contract, such as a default or delinquency in payments;
(iii) Disappearance of an active market for that financial asset because of financial difficulties; or
(iv) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

    (a) Adverse changes in the payment status of borrowers in the portfolio; and
    (b) National or local economic conditions that correlate with defaults on the assets in the portfolio.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT (CONTINUED)

(iv) Subsequent measurement – Impairment of financial assets (Continued)

Assets Carried at Amortised Cost (Continued)

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectable, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

Assets Classified as Available-for-Sale

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group uses criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) FINANCIAL INSTRUMENT CATEGORIES AND SUBSEQUENT MEASUREMENT (CONTINUED)

(v) De-recognition

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(j) OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(k) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as held for trading and accounted for in accordance with Note 3(i) to the financial statements. The Company did not apply hedge accounting for any derivatives.

(l) 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 applicable variable selling expenses.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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 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 or valuation where items are remeasured. Foreign exchange gain and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement with 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other (losses)/ gains – net'.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- Income and expenses for each statement of comprehensive income presented are translated at the average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- All resulting exchange differences are recognised as a separate component of other comprehensive income.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) FOREIGN CURRENCIES

(iii) Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in the foreign operations are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate at the date of the balance sheet.

(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) TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(p) 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.

(q) BORROWINGS AND BORROWING COSTS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying asset.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) BORROWINGS AND BORROWING COSTS (CONTINUED)

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(r) INCOME TAXES

Current income tax expense is determined based on the profit for the financial period, as adjusted for tax purposes, together with a charge or credit for deferred taxation. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

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. The Group and Company do not recognise unutilised reinvestment allowance as deferred tax assets.

(s) REVENUE RECOGNITION

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.

In RM'000 unless otherwise stated

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) REVENUE RECOGNITION (CONTINUED)

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.

(t) EMPLOYEE BENEFITS

(i) Short term employee benefits

Short term employee benefits are accrued in the financial period 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 period 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 31 December 2012. The unfunded defined benefits plan obligations are provided for based on triennial actuarial valuations last carried out in May 2010.

The assets of the funded plan are held separately from those of the relevant subsidiary company in an independently administered fund. The most recent triennial actuarial valuation for the funded defined benefit plan was carried out in May 2010.

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 (CONTINUED)

(t) EMPLOYEE BENEFITS (CONTINUED)

(ii) Post-employment benefits (continued)

Defined benefit plans (continued)

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 period.

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 be recognised 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 (CONTINUED)

(t) EMPLOYEE BENEFITS (CONTINUED)

(iii) Share-based compensation (continued)

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

The Group operates ESOS as an equity-settled, share-based compensation plan for the eligible executive 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 profit or loss, 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).

(u) SHARE CAPITAL

(i) Classification

Ordinary shares are classified as equity.

(ii) Dividends

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

(v) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

In RM'000 unless otherwise stated

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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definitions, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's result and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year are outlined below.

(a) ESTIMATED IMPAIRMENT OF GOODWILL

The Group tests goodwill for impairment annually in accordance with the accounting policy stated in Note 3(g) 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 15 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 recent financial budgets and projections prepared by the management and approved by the Board of Directors covering five years period.

(c) INCOME TAXES

The Group 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 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.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. This involves significant judgement regarding the future financial performance of the Group, the likely timing and level of future taxable profits together with future tax planning strategies to support the basis of recognition of deferred tax assets. An analysis of the deferred tax balance is set out in Note 21 to the financial statements.

In RM'000 unless otherwise stated

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) IMPAIRMENT OF RECEIVABLES

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount of the loss is measured as the difference between the receivable's carrying amount and the recoverable amount. The carrying amount of the Group's loan and receivables at the reporting date is disclosed in Note 30.

(e) USEFUL LIVES OF PLANT AND EQUIPMENT

The cost of plant and equipment is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 2-20 years. These are common life expectancies applied in the manufacturing industry. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 10.

(f) NET REALISABLE VALUE OF INVENTORIES

The management reviews for obsolescence and decline in net realisable value below cost. This review requires judgement and estimates possible changes in these estimates could result in revision to the valuation of inventories. The carrying amounts of inventories are discussed in Note 16.

In RM'000 unless otherwise stated

5 OPERATING PROFIT

(a) Expenses by nature:

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
Raw material and consumables used	**3,455,746**	2,110,807	**2,809,486**	1,306,353
Changes in inventories of finished goods and work in progress	**20,694**	18,542	**29,150**	11,595
Staff costs *	**201,510**	115,550	**90,244**	49,796
Auditors' remuneration:				
- statutory audit	**358**	273	**140**	100
- over provision in prior year	**0**	(1)	**0**	0
Directors' remuneration:				
- current fees	**482**	281	**443**	225
- over provision of fees in prior year	**(10)**	(6)	**0**	0
- fees payable to corporations in respect of services provided by certain Directors	**325**	148	**277**	140
- other emoluments *	**2,981**	1,916	**2,807**	1,465
- other emoluments payable to corporations in respect of services provided by certain Directors	**9**	6	**0**	0
Bad debts written off	**20**	0	**20**	0
Inventories:				
- write off	**0**	1,438	**0**	1,438
- write down to net realisable value ^	**0**	1,190	**0**	0
- allowance for inventory obsolescence	**14,618**	2,985	**13,000**	0
Property, plant and equipment:				
- depreciation	**131,241**	85,527	**105,911**	67,702
- write off	**312**	24	**41**	12
- loss on disposals	**0**	0	**71**	0
- impairment losses +	**111**	0	**0**	0
Rental:				
- land and buildings	**1,103**	964	**0**	0
- equipment and furniture	**2,025**	1,212	**353**	290
Net foreign exchange loss:				
- unrealised	**0**	6,769	**0**	6,888

In RM'000 unless otherwise stated

5 OPERATING PROFIT (CONTINUED)

(a) Expenses by nature (Continued):

* Included in staff costs and Directors' other emoluments are contributions to a defined contribution plan of approximately RM16,656,000 (31.12.2009: RM9,914,000) and RM8,442,000 (31.12.2009: RM5,132,000) for the Group and the Company respectively. Also included in the staff costs is the provision for retirement benefits of approximately RM4,276,000 (31.12.2009: RM3,008,000) and RM1,822,000 (31.12.2009: RM1,262,000) for the Group and the Company respectively.

^ Included in cost of sales.

+ Included in other operating expenses.

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

	Group		**Company**	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
Allowance for doubtful debts written back	**7,039**	11,421	**871**	5,143
Gross dividends from:				
- shares quoted in Malaysia	**52**	23	**33**	21
- subsidiary company in Malaysia	**0**	0	**0**	1,541
- associated company in Malaysia	**0**	0	**1,100**	1,100
Interest income	**1,041**	642	**744**	696
Inventories:				
- allowance for inventory obsolescence write back	**254**	94	**0**	0
Gain on disposals of property, plant and equipment	**829**	73	**0**	73
Gain on disposals of available-for-sale investments	**158**	0	**158**	0
Rental income	**199**	88	**529**	339
Net foreign exchange gain:				
- realised	**2,963**	6,205	**4,116**	6,692
- unrealised	**9,422**	0	**9,280**	0
Fair value gain on forward exchange contracts	**190**	0	**199**	0
Provision for environmental protection expenses written back	**13,000**	0	**13,000**	0

In RM'000 unless otherwise stated

6 FINANCE COSTS

	Group Financial period from 1.1.2010 to 30.6.2011	Group Financial year ended 31.12.2009	Company Financial period from 1.1.2010 to 30.6.2011	Company Financial year ended 31.12.2009
Interest expense on:				
- Borrowings	**(35,589)**	(21,700)	**(24,939)**	(14,964)
- Others	**(3,229)**	(603)	**(449)**	0
	(38,818)	(22,303)	**(25,388)**	(14,964)

7 TAXATION

	Group Financial period from 1.1.2010 to 30.6.2011	Group Financial year ended 31.12.2009	Company Financial period from 1.1.2010 to 30.6.2011	Company Financial year ended 31.12.2009
Current tax	**(13,738)**	(1,113)	**(17,795)**	(1,282)
Deferred tax	**21,808**	9,472	**18,927**	5,206
	8,070	8,359	**1,132**	3,924
Current tax				
Current financial period/year	**(12,509)**	(4,734)	**(17,709)**	(2,382)
(Under)/over provision in prior financial year	**(1,229)**	3,621	**(86)**	1,100
	(13,738)	(1,113)	**(17,795)**	(1,282)
Deferred tax				
Origination and reversal of temporary differences	**23,058**	6,222	**18,449**	2,603
(Under)/over provision in prior financial years	**(1,250)**	3,221	**478**	2,603
Effects of change in tax rate	**0**	29	**0**	0
	21,808	9,472	**18,927**	5,206
Taxation for the financial period/year	**8,070**	8,359	**1,132**	3,924

In RM'000 unless otherwise stated

7 TAXATION (CONTINUED)

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

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
Profit before taxation	**202,066**	8,824	**188,433**	15,003
Tax calculated at income tax rate of 25%	**(50,516)**	(2,206)	**(47,108)**	(3,751)
Tax effects of:				
Share of results of associated companies	**281**	492	**0**	0
Change in tax rate *	**0**	29	**0**	0
Income not subject to tax	**15,042**	1,431	**2,665**	1,568
Expenses not deductible for tax purposes	**(2,499)**	(3,871)	**(693)**	(2,031)
Expenses eligible for double deduction	**296**	159	**24**	18
Utilisation of reinvestment allowance	**31,545**	4,320	**29,601**	3,893
Current financial period/year's tax losses not recognised	**(358)**	(1,315)	**0**	0
Benefit from previously unrecognised deductible temporary differences	**1,330**	585	**0**	0
Recognition of previously unrecognised deductible temporary differences	**(2)**	1,632	**0**	0
Recognition of temporary differences arising from increase in export allowance	**16,251**	0	**16,251**	0
Temporary differences not recognised	**(1,015)**	(339)	**0**	0
Others	**194**	600	**0**	524
	61,065	3,723	**47,848**	3,972
(Under)/over provision in prior financial years:				
- current tax	**(1,229)**	3,621	**(86)**	1,100
- deferred tax	**(1,250)**	3,221	**478**	2,603
Taxation for the financial period/year	**8,070**	8,359	**1,132**	3,924

* As gazetted in the Finance Act 2007, the income tax rate is 25% for Year of Assessment 2009 onwards.

In RM'000 unless otherwise stated

7 TAXATION (CONTINUED)

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 30 June 2011:

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
Tax losses carried forward	**119,807**	114,949	**0**	0
Unabsorbed capital allowances	**40,034**	33,319	**0**	0
Unabsorbed reinvestment allowances	**146,754**	255,065	**87,996**	198,563
Unabsorbed investment tax allowances	**6,393**	6,389	**0**	0
Unabsorbed increased export allowances	**109,459**	88,811	**94,528**	73,880
	422,447	498,533	**182,524**	272,443

8 DIVIDENDS PER SHARE

	Group and Company			
	Financial period from 1.1.2010 to 30.6.2011		Financial year ended 31.12.2009	
	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	**5.0**	**20,971**	2.5	10,485
Second interim dividend	**5.0**	**20,971**	2.5	10,485
Third interim dividend	**10.0**	**41,942**	0	0
	20.0	**83,884**	5.0	20,970

A first interim tax exempt dividend of 5 sen (31.12.2009: 2.5 sen), second interim tax exempt dividend of 5 sen (31.12.2009: 2.5 sen) and third interim tax exempt of 10 sen (31.12.2009: Nil) for the financial period ended 30 June 2011 were paid on 30 September 2010 (31.12.2009: 11 September 2009), 15 December 2010 (31.12.2009: 15 December 2009) and 17 June 2011 (31.12.2009: None) respectively.

9 EARNINGS PER SHARE

The calculation of basic earnings per share for the financial period is based on the net profit attributable to ordinary shareholders of RM210,136,000 and the weighted average number of ordinary shares outstanding during the financial period of 419,417,208.

In RM'000 unless otherwise stated

9 EARNINGS PER SHARE (CONTINUED)

(a) BASIC EARNINGS PER SHARE

	Group As at 30.6.2011	As at 31.12.2009
Profit attributable to equity holders of the Company	**210,136**	17,183
Weighted average number of ordinary shares	**419,417**	419,417
Basic earnings per share (sen)	**50.1**	4.1

(b) DILUTED EARNINGS PER SHARE

There are no dilutive potential ordinary shares.

10 PROPERTY, PLANT AND EQUIPMENT

Financial period ended 30 June 2011

Group

	Freehold land	Leasehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Capital work-in-progress	Total
Cost								
At 1 January 2010								
- As previously stated	22,216	0	302,179	1,435,574	57,444	11,604	29,412	1,858,429
- Effect of adopting FRS 117 (Note 29(v))	0	96,998	0	0	0	0	0	96,998
At 1 January 2010, restated	22,216	96,998	302,179	1,435,574	57,444	11,604	29,412	1,955,427
Additions	0	7,398	17,250	23,892	3,675	578	47,414	100,207
Write offs/Disposals	(461)	(2,400)	(4,238)	(3,622)	(1,870)	(596)	(1,235)	(14,422)
Reclassification	0	7,673	974	44,842	18	249	(53,756)	0
At 30 June 2011	21,755	109,669	316,165	1,500,686	59,267	11,835	21,835	2,041,212
Accumulated depreciation								
At 1 January 2010								
- As previously stated	0	0	163,486	967,373	40,806	10,973	0	1,182,638
- Effect of adopting FRS 117 (Note 29(v))	0	21,867	0	0	0	0	0	21,867
At 1 January 2010, restated	0	21,867	163,486	967,373	40,806	10,973	0	1,204,505
Charge for the financial period	0	2,939	18,638	96,723	12,385	556	0	131,241
Write offs/Disposals	0	(814)	(2,451)	(3,390)	(1,616)	(493)	0	(8,764)
At 30 June 2011	0	23,992	179,673	1,060,706	51,575	11,036	0	1,326,982
Accumulated Impairment Losses								
At 1 January 2010	0	0	4,955	26,014	0	0	0	30,969
Impairment during the financial period	0	0	0	111	0	0	0	111
At 30 June 2011	0	0	4,955	26,125	0	0	0	31,080
Net book value								
30 June 2011	21,755	85,677	131,537	413,855	7,692	799	21,835	683,150

In RM'000 unless otherwise stated

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Financial year ended 31 December 2009

Group

	Freehold land	Leasehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Capital work-in-progress	Total
Cost								
At 1 January 2009								
- As previously stated	22,216	0	299,816	1,375,815	53,370	12,042	36,902	1,800,161
- Effect of adopting FRS 117 (Note 29(v))	0	84,742	0	0	0	0	0	84,742
At 1 January 2009, restated	22,216	84,742	299,816	1,375,815	53,370	12,042	36,902	1,884,903
Additions	0	3,918	2,035	39,645	3,827	4	21,608	71,037
Write offs/Disposals	0	0	(10)	(43)	(18)	(442)	0	(513)
Reclassification	0	8,338	338	20,157	265	0	(29,098)	0
At 31 December 2009	22,216	96,998	302,179	1,435,574	57,444	11,604	29,412	1,955,427
Accumulated depreciation								
At 1 January 2009								
- As previously stated	0	0	150,870	905,479	32,236	10,879	0	1,099,464
- Effect of adopting FRS 117 (Note 29(v))	0	20,003	0	0	0	0	0	20,003
At 1 January 2009, restated	0	20,003	150,870	905,479	32,236	10,879	0	1,119,467
Charge for the financial year	0	1,864	12,616	61,925	8,586	536	0	85,527
Write offs/Disposals	0	0	0	(31)	(16)	(442)	0	(489)
At 31 December 2009	0	21,867	163,486	967,373	40,806	10,973	0	1,204,505
Accumulated impairment losses								
At 1 January 2009/ 31 December 2009	0	0	4,955	26,014	0	0	0	30,969
Net book value								
31 December 2009	22,216	75,131	133,738	442,187	16,638	631	29,412	719,953

In RM'000 unless otherwise stated

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Financial period ended 30 June 2011

Company

	Freehold land	Leasehold land	Buildings	Plant and machinery	Office equipment and furniture	Motor vehicles	Capital work-in-progress	Total
Cost								
At 1 January 2010								
- As previously stated	7,458	0	202,359	1,004,929	40,823	10,401	24,186	1,290,156
- Effect of adopting FRS 117 (Note 29(v))	0	63,882	0	0	0	0	0	63,882
At 1 January 2010, restated	7,458	63,882	202,359	1,004,929	40,823	10,401	24,186	1,354,038
Additions	0	0	1,901	15,621	1,628	401	39,370	58,921
Write offs/Disposals	(461)	0	0	(124)	(199)	(3)	(914)	(1,701)
Reclassification	0	7,383	0	34,527	0	249	(42,159)	0
At 30 June 2011	6,997	71,265	204,260	1,054,953	42,252	11,048	20,483	1,411,258
Accumulated depreciation								
At 1 January 2010								
- As previously stated	0	0	121,784	595,333	25,858	10,029	0	753,004
- Effect of adopting FRS 117 (Note 29(v))	0	15,330	0	0	0	0	0	15,330
At 1 January 2010, restated	0	15,330	121,784	595,333	25,858	10,029	0	768,334
Charge for the financial period	0	2,004	13,601	78,356	11,566	384	0	105,911
Write Offs/Disposals	0	0	0	(86)	(196)	(3)	0	(285)
At 30 June 2011	0	17,334	135,385	673,603	37,228	10,410	0	873,960
Accumulated impairment losses								
At 1 January 2010/ 30 June 2011	0	0	4,955	22,763	0	0	0	27,718
Net book value								
30 June 2011	6,997	53,931	63,920	358,587	5,024	638	20,483	509,580

In RM'000 unless otherwise stated

10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Financial year ended 31 December 2009

Company

	Freehold land	Leasehold land	Buildings	Plant and machinery	Office equipment and furniture	Motor vehicles	Capital work-in-progress	Total
Cost								
At 1 January 2009								
- As previously stated	7,458	0	201,228	954,540	37,146	10,839	33,488	1,244,699
- Effect of adopting FRS 117 (Note 29(v))	0	52,630	0	0	0	0	0	52,630
At 1 January 2009, restated	7,458	52,630	201,228	954,540	37,146	10,839	33,488	1,297,329
Additions	0	3,918	1,131	33,985	3,535	4	14,636	57,209
Write offs/Disposals	0	0	0	(43)	(15)	(442)	0	(500)
Reclassification	0	7,334	0	16,447	157	0	(23,938)	0
At 31 December 2009	7,458	63,882	202,359	1,004,929	40,823	10,401	24,186	1,354,038
Accumulated Depreciation								
At 1 January 2009								
- As previously stated	0	0	112,504	546,403	18,091	10,043	0	687,041
- Effect of adopting FRS 117 (Note 29(v))	0	14,079	0	0	0	0	0	14,079
At 1 January 2009, restated	0	14,079	112,504	546,403	18,091	10,043	0	701,120
Charge for the financial year	0	1,251	9,280	48,961	7,782	428	0	67,702
Write offs/Disposals	0	0	0	(31)	(15)	(442)	0	(488)
At 31 December 2009	0	15,330	121,784	595,333	25,858	10,029	0	768,334
Accumulated impairment losses								
At 1 January 2009/ 31 December 2009	0	0	4,955	22,763	0	0	0	27,718
Net book value								
31 December 2009	7,458	48,552	75,620	386,833	14,965	372	24,186	557,986

In RM'000 unless otherwise stated

11 PREPAID LEASE

Financial period ended 30 June 2011

Group

	Long term leasehold land	Short term leasehold land	Total
Cost			
At 1 January 2010			
- As previously stated	80,395	16,603	96,998
- Effect of adopting FRS 117 (Note 29(v))	(80,395)	(16,603)	(96,998)
At 1 January 2010, restated	0	0	0
Accumulated amortisation			
At 1 January 2010			
- As previously stated	15,740	6,127	21,867
- Effect of adopting FRS 117 (Note 29(v))	(15,740)	(6,127)	(21,867)
At 1 January 2010, restated	0	0	0
Net book value	0	0	0

Financial year ended 31 December 2009

Group

	Long term leasehold Land	Short term leasehold land	Total
Cost			
At 1 January 2009			
- As previously stated	68,139	16,603	84,742
- Effect of adopting FRS 117 (Note 29(v))	(68,139)	(16,603)	(84,742)
At 1 January 2009, restated	0	0	0
Accumulated amortisation			
At 1 January 2009			
- As previously stated	14,345	5,658	20,003
- Effect of adopting FRS 117 (Note 29(v))	(14,345)	(5,658)	(20,003)
At 1 January 2009, restated	0	0	0
Net book value	0	0	0

In RM'000 unless otherwise stated

11 PREPAID LEASE (CONTINUED)

Financial period ended 30 June 2011

Company

	Long term leasehold land	Short term leasehold land	Total
Cost			
At 1 January 2010			
- As previously stated	52,094	11,788	63,882
- Effect of adopting FRS 117 (Note 29(v))	(52,094)	(11,788)	(63,882)
At 1 January 2010, restated	0	0	0
Accumulated amortisation			
At 1 January 2010			
- As previously stated	11,341	3,989	15,330
- Effect of adopting FRS 117 (Note 29(v))	(11,341)	(3,989)	(15,330)
At 1 January 2010, restated	0	0	0
Net book value	0	0	0

Financial year ended 31 December 2009

Company

	Long term leasehold land	Short term leasehold land	Total
Cost			
At 1 January 2009			
- As previously stated	40,842	11,788	52,630
- Effect of adopting FRS 117 (Note 29(v))	(40,842)	(11,788)	(52,630)
At 1 January 2009, restated	0	0	0
Accumulated amortisation			
At 1 January 2009			
- As previously stated	10,395	3,684	14,079
- Effect of adopting FRS 117 (Note 29(v))	(10,395)	(3,684)	(14,079)
At 1 January 2009, restated	0	0	0
Net book value	0	0	0

In RM'000 unless otherwise stated

12 SUBSIDIARY COMPANIES

	Company As at 30.6.2011	As at 31.12.2009
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
Amount due from a subsidiary company (Note 29(vi))	**4,000**	0
	402,659	398,659

The amount due from a subsidiary company is non-trade in nature, unsecured and interest free. The settlement of the amount is neither nor likely to occur in the foreseeable future.

The subsidiary companies of the Company, all of which are incorporated in Malaysia except for Starglow Investment Ltd which is incorporated in Labuan are as follows:

DIRECT SUBSIDIARY COMPANIES	PRINCIPAL ACTIVITIES	EFFECTIVE EQUITY INTEREST 30.6.2011 (%)	31.12.2009 (%)
* 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

12 SUBSIDIARY COMPANIES (CONTINUED)

SUBSIDIARY COMPANIES OF:	PRINCIPAL ACTIVITIES	EFFECTIVE EQUITY INTEREST 30.6.2011 (%)	EFFECTIVE EQUITY INTEREST 31.12.2009 (%)
SOUTHERN STEEL HOLDINGS SDN BHD			
* Southern Steel Bar Sdn Bhd	Investment holding	**100**	100
* Southern Steel Industries Sdn Bhd	Dormant	**100**	100
SOUTHERN STEEL MESH SDN BHD			
Southern Mesh Sdn Bhd	Management service for the 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	Management service for the supply of contract labour	**100**	100
* Trend Staples Industry Sdn Bhd	Dormant	**100**	100
SOUTHERN PIPE INDUSTRY (MALAYSIA) SDN BHD			
Southern Steel Pipe Sdn Bhd	Manufacture, sale and processing of steel pipes	**100**	100
SOUTHERN STEEL BAR SDN BHD			
* Starglow Investment Ltd	Investment holding	**100**	0

* Subsidiary companies not audited by PricewaterhouseCoopers, Malaysia.

On 31 March 2011, the Group had, via its indirect wholly-owned subsidiary, Southern Steel Bar Sdn Bhd, incorporated a new subsidiary, Starglow Investment Ltd ("SIL"), with an issued and paid-up capital of USD1 comprising 1 ordinary shares.

On 24 June 2011, the issued and paid up share capital of SIL had been increased from USD1 to USD140,000 by the issue and allotment of 139,999 ordinary shares to Southern Steel Bar Sdn Bhd for cash consideration of USD139,999.

In RM'000 unless otherwise stated

13 ASSOCIATED COMPANIES

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
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	**2,133**	1,332	**0**	0
	17,768	16,967	**5,500**	5,500

The Group's share of revenue, profit, assets and liabilities of associated companies are as follows:

	Group	
	As at 30.6.2011	As at 31.12.2009
Revenue	**96,474**	54,313
Profit after taxation	**1,125**	1,968
Non-current assets	**6,511**	7,317
Current asset	**17,633**	19,417
Current liabilities	**(6,376)**	(9,767)
	17,768	16,967

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 30.6.2011 (%)**	**Equity interest 31.12.2009 (%)**
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

In RM'000 unless otherwise stated

14 AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Shares in corporations quoted in Malaysia				
As at beginning of financial period/year				
- as previously stated	**788**	788	**708**	708
- Effects arising from adoption of FRS 139 (Note 29(iv))	**2,232**	0	**2,188**	0
As at beginning of financial period/year, restated	**3,020**	788	**2,896**	708
Addition	**297**	0	**0**	0
Disposal	**(1,535)**	0	**(1,535)**	0
Fair value gain during the financial period/year	**989**	0	**886**	0
As at end of financial period/year	**2,771**	788	**2,247**	708
Market value as at 31.12.2009		3,020		2,896

15 GOODWILL ON CONSOLIDATION

	Group	
	As at 30.6.2011	As at 31.12.2009
At beginning and end of financial period/year	**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:

	As at 30.6.2011	As at 31.12.2009
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 identified for the carrying amount of goodwill assessed as at 30 June 2011/31 December 2009 as their recoverable amounts were in excess of their carrying amounts.

In RM'000 unless otherwise stated

15 GOODWILL ON CONSOLIDATION (CONTINUED)

(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 covering five years period. The sales tonnage and gross margin of the cash-generating units used in preparing the projected cash flows were determined based on past business performance and management's expectations on market development. The discount rate of 8.44% is a pre-tax rate that is applied to the cash flow projections and represents estimated weighted average cost of capital used.

(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.

16 INVENTORIES

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Raw materials	**737,509**	425,653	**630,980**	344,302
Work in progress	**23,996**	22,878	**645**	139
Finished goods	**203,449**	155,893	**141,034**	112,390
General consumables and other stores	**75,614**	89,753	**55,604**	70,033
	1,040,568	694,177	**828,263**	526,864

Included above are goods-in-transit as follows:

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Raw materials	**99,707**	78,526	**88,521**	66,360
General consumables and other stores	**1,165**	2,970	**1,165**	2,970
	100,872	81,496	**89,686**	69,330

In RM'000 unless otherwise stated

17 RECEIVABLES

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Trade receivables	**222,346**	181,577	**80,276**	55,189
Amounts due from:				
Subsidiary companies	**0**	0	**40,050**	37,465
Associated companies	**81**	16,920	**81**	16,920
Other related parties *	**14,747**	4,377	**6,251**	4,377
Other receivables	**10,871**	11,784	**5,098**	1,915
	248,045	214,658	**131,756**	115,866
Less: Allowance for doubtful debts				
Trade receivables	**(6,595)**	(17,381)	**(1,247)**	(4,875)
Other related parties *	**0**	(722)	**0**	(722)
Other receivables	**(722)**	0	**(722)**	0
	(7,317)	(18,103)	**(1,969)**	(5,597)
	240,728	196,555	**129,787**	110,269
Deposits	**846**	999	**567**	873
Prepayments	**10,774**	4,902	**7,674**	202
	252,348	202,456	**138,028**	111,344

* Other related parties are mainly those companies referred to in Note 27 to the financial statements.

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

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Trade receivables	**14 - 90**	14 - 90	**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	
	As at 30.6.2011	As at 31.12.2009
Trade balances	**23,977**	20,173
Non-trade balances	**16,073**	17,292
	40,050	37,465

In RM'000 unless otherwise stated

17 RECEIVABLES (CONTINUED)

Amounts due from other related parties are mainly trade in nature. Non-trade amounts due from associated companies and subsidiary companies are unsecured and repayable on demand.

Non-trade amounts due from subsidiary companies of approximately RM2,898,000 (31.12.2009: RM3,080,000) at the balance sheet date carried an interest rate ranging from 3.56% to 4.71% (31.12.2009: 3.46% to 4.51%) per annum.

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

	Group		**Company**	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Ringgit Malaysia	**181,660**	151,506	**112,600**	92,134
US Dollar	**45,743**	34,441	**17,754**	19,008
Singapore Dollar	**14,009**	8,946	**0**	0
Others	**162**	2,661	**0**	0
	241,574	197,554	**130,354**	111,142

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.

The aging of receivables as at the end of the reporting period was:

	Gross	Individual impairment	Net
Group			
Not past due	182,777	0	182,777
Past due 1 – 30 days	26,335	(881)	25,454
Past due 31 – 120 days	8,241	(731)	7,510
Past due more than 120 days	4,993	(4,983)	10
	222,346	(6,595)	215,751

	Gross	Individual impairment	Net
Company			
Not past due	73,662	0	73,662
Past due 1 – 30 days	6,248	(881)	5,367
Past due 31 – 120 days	366	(366)	0
	80,276	(1,247)	79,029

In RM'000 unless otherwise stated

17 RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

As at 30 June 2011, receivables of the Group and the Company of RM32,974,000 and RM5,367,000 respectively were past due but not impaired. These relate to customers for whom there is no objective evidence that the receivables are not fully recoverable.

Receivables that are impaired

As at 30 June 2011, receivables of the Group and the Company of RM 6,595,000 and RM 1,247,000 respectively were impaired and provided for. The receivables were impaired either because of the delay in collection period or because the debtors are in unexpectedly difficult economic situations.

The movements in the allowance for doubtful debts:

	Finance period from 1.1.2010 to 30.6.2011	
	Group	Company
At beginning of financial period	17,381	4,875
Reversal of allowance made	(7,039)	(871)
Allowance written off	(3,747)	(2,757)
At end of financial period	6,595	1,247

18 PAYABLES

	Group		**Company**	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Trade payables	**180,441**	74,837	**169,666**	61,758
Other payables and accruals ^	**113,950**	85,053	**82,425**	60,710
	294,391	159,890	**252,091**	122,468
Amounts due to:				
Subsidiary companies	**0**	0	**106,173**	105,445
Other related parties *	**183**	3,163	**183**	3,163
	294,574	163,053	**358,447**	231,076

^ Included in other payables and accruals are provision for expenses relating to cleaning of industrial waste of approximately RM12,000,000 (31.12.2009: RM25,000,000). The provision is as analysed as follows:

	Group and Company As at 30.6.2011
At beginning of financial period	**25,000**
Utilisation/reversal	**(13,000)**
At end of financial period	**12,000**

In RM'000 unless otherwise stated

18 PAYABLES (CONTINUED)

* Other related parties are mainly those companies referred to in Note 27 to the financial statements.

Credit terms of payables of the Group and the Company range from 14 days to 90 days (31.12.2009: 14 days to 90 days).

Amounts due to subsidiary companies, which are primarily non-trade balances are unsecured, interest free and repayable on demand.

Credit terms of amounts due to other related parties range from 3 days to 60 days (31.12.2009: 3 days to 60 days).

The currency exposure profile of payables is as follows:

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Ringgit Malaysia	**211,438**	157,414	**275,807**	225,785
US Dollar	**82,008**	3,533	**81,922**	3,239
Euro	**943**	1,926	**562**	1,884
Others	**185**	180	**156**	168
	294,574	163,053	**358,447**	231,076

19 SHORT TERM BORROWINGS

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Unsecured				
Bank overdrafts	**8,428**	9,112	**5,362**	5,504
Bankers' acceptance	**704,169**	609,440	**477,515**	465,324
Revolving credits	**146,100**	146,100	**78,600**	86,600
Foreign currency trade financing	**174,173**	0	**165,452**	0
	1,032,870	764,652	**726,929**	557,428

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

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Ringgit Malaysia	**798,097**	696,052	**500,877**	488,828
US Dollar	**234,773**	68,600	**226,052**	68,600
	1,032,870	764,652	**726,929**	557,428

In RM'000 unless otherwise stated

19 SHORT TERM BORROWINGS (CONTINUED)

The effective interest rates of the short term borrowings of the Group and the Company at the balance sheet date range from 1.07% to 7.60% (31.12.2009: 1.70% to 7.50%) and 1.07% to 7.60% (31.12.2009: 1.70% to 5.65%) per annum respectively.

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

20 RETIREMENT BENEFITS – DEFINED BENEFIT PLAN

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Non-current	**28,174**	26,161	**11,526**	10,751
Current	**772**	564	**503**	323
	28,946	26,725	**12,029**	11,074

The amounts recognised on the balance sheet are as follows:

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Funded plan				
Present value of obligations	**693**	420	**0**	0
Fair value of plan assets	**(1,323)**	(1,187)	**0**	0
	(630)	(767)	**0**	0
Unrecognised actuarial gain	**0**	105	**0**	0
Assets not recognised	**630**	662	**0**	0
	0	0	**0**	0
Unfunded plans				
Present value of obligations	**26,846**	26,785	**11,763**	11,452
Unrecognised net actuarial gain/(loss)	**2,100**	(60)	**266**	(378)
	28,946	26,725	**12,029**	11,074
	28,946	26,725	**12,029**	11,074

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.

In RM'000 unless otherwise stated

20 RETIREMENT BENEFITS – DEFINED BENEFIT PLAN (CONTINUED)

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

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
At beginning of financial period/year	**26,725**	25,661	**11,074**	10,516
Charged to income statement:				
- current financial period/year (included in staff costs)	**4,276**	3,008	**1,822**	1,262
Retirement benefits paid	**(2,055)**	(1,944)	**(867)**	(704)
At end of financial period/year	**28,946**	26,725	**12,029**	11,074

The amounts recognised in the profit or loss are as follows:

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
Current service cost	**2,201**	1,571	**847**	664
Interest cost	**2,243**	1,460	**975**	598
Expected return on plan assets	**(233)**	(77)	**0**	0
Adjustment for limit on net assets	**65**	54	**0**	0
	4,276	3,008	**1,822**	1,262
Included as staff costs in:				
Cost of sales	**3,969**	2,697	**1,626**	1,127
Administration expenses	**307**	311	**196**	135
	4,276	3,008	**1,822**	1,262

The actual return of the Group on plan assets was RM136,012 (31.12.2009: RM77,804).

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

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Opening defined benefit obligation	**27,205**	26,181	**11,452**	10,571
Current service cost	**2,201**	1,571	**847**	664
Interest cost	**2,243**	1,460	**975**	598
Actuarial (gain)/loss	**(2,055)**	(63)	**(644)**	323
Retirement benefits paid	**(2,055)**	(1,944)	**(867)**	(704)
	27,539	27,205	**11,763**	11,452

In RM'000 unless otherwise stated

20 RETIREMENT BENEFITS – DEFINED BENEFIT PLAN (CONTINUED)

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

	Group	
	As at 30.6.2011	As at 31.12.2009
Opening fair value of plan assets	**1,187**	1,114
Expected return on plan assets	**136**	77
Actuarial loss	**0**	(4)
	1,323	1,187

Plan assets comprised of:

	Group	
	As at 30.6.2011	As at 31.12.2009
	%	%
Equity	**75**	75
Debt	**21**	21
Cash and other	**4**	4
	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(t) 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	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
	%	%	**%**	%
Discount rate	**6.00 – 7.00**	6.00	**6.25**	6.00
Expected rates of salary increases	**5.00**	5.00 - 6.50	**5.00**	6.00
Expected return on plan assets	**7.50**	7.00	**N/A**	N/A

In RM'000 unless otherwise stated

20 RETIREMENT BENEFITS – DEFINED BENEFIT PLAN (CONTINUED)

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

Group

	2011	2009	2008	2007	2006
Funded plan					
Defined benefit obligation	693	420	400	381	362
Plan assets	1,323	1,187	1,114	1,045	979
Surplus	(630)	(767)	(714)	(664)	(617)
Unfunded plans					
Defined benefit obligation	26,846	26,785	25,781	24,462	23,544

Company

	2011	2009	2008	2007	2006
Unfunded plan					
Defined benefit obligation	11,763	11,452	10,571	9,855	10,078

21 DEFERRED TAX ASSETS/(LIABILITIES)

	Group		**Company**	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Deferred tax assets	**10,331**	0	**0**	0
Deferred tax liabilities	**(29,026)**	(40,503)	**(25,844)**	(44,771)
	(18,695)	(40,503)	**(25,844)**	(44,771)
Subject to income tax:				
Deferred tax assets				
Unutilised capital allowances	**4,144**	4,787	**0**	0
Tax losses	**1,966**	830	**0**	0
Allowance for doubtful debts	**626**	2,185	**312**	530
Allowance for inventories obsolescence	**0**	650	**0**	0
Accruals	**11,526**	9,398	**8,456**	8,103
Provision for retirement benefits	**5,413**	4,970	**3,007**	2,768
Increased export allowance	**27,363**	22,201	**23,634**	18,470
Other deductible temporary differences	**166**	313	**0**	0
	51,204	45,334	**35,409**	29,871
Deferred tax liabilities				
Excess of capital allowances over depreciation charge	**(69,899)**	(85,804)	**(61,253)**	(74,642)
Other taxable temporary differences	**0**	(33)	**0**	0
	(18,695)	(40,503)	**(25,844)**	(44,771)

In RM'000 unless otherwise stated

21 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Group		Company	
	As at 30.6.2011	As at As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
At beginning of financial period/year	**(40,503)**	(49,975)	**(44,771)**	(49,977)
Credited/(charged) to income statement:				
Property, plant and equipment	**15,262**	13,469	**13,389**	7,752
Tax losses	**1,136**	(399)	**0**	0
Allowance for doubtful debts	**(1,559)**	(3,169)	**(218)**	(1,206)
Allowance for inventory obsolescence	**(650)**	(796)	**0**	0
Accruals	**2,128**	(1,810)	**353**	(196)
Provision for retirement benefits	**443**	154	**239**	139
Increased export allowance	**5,162**	18	**5,164**	(1,283)
Other temporary differences	**(114)**	2,005	**0**	0
	21,808	9,472	**18,927**	5,206
At end of financial period/year	**(18,695)**	(40,503)	**(25,844)**	(44,771)

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	
	As at 30.6.2011	As at 31.12.2009
Deductible temporary differences		
- property, plant and equipment	**932**	2,657
- others	**4,633**	4,446
Tax losses	**114,149**	113,081

22 SHARE CAPITAL

	Group and Company	
	As at 30.6.2011	As at 31.12.2009
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

22 SHARE CAPITAL (CONTINUED)

	Group and Company			
	As at 30.6.2011		As at 31.12.2009	
	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 beginning and end of financial period/year	**419,417**	**411,467**	419,417	411,467

23 RESERVES

	Group		Company	
	As at 30.6.2011	As at As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
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
Fair value reserve	**3,221**	0	**3,074**	0
	69,123	65,902	**72,526**	69,452
Retained profits	**403,685**	277,424	**408,248**	302,567
	472,808	343,326	**480,774**	372,019

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 RM293,222,000 (31.12.2009: RM213,362,000) and RM7,986,000 (31.12.2009: RM7,986,000) respectively 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 RM107,040,000 (31.12.2009: RM81,219,000).

In RM'000 unless otherwise stated

24 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flow comprise the following:

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Deposits with licensed banks	**121,860**	18,097	**121,860**	0
Cash and bank balances	**77,541**	16,278	**6,343**	3,402
	199,401	34,375	**128,203**	3,402
Bank overdrafts (Note 19)	**(8,428)**	(9,112)	**(5,362)**	(5,504)
	190,973	25,263	**122,841**	(2,102)

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

	Group		Company	
	As at 30.6.2011	As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Ringgit Malaysia	**157,844**	30,160	**126,582**	2,981
US Dollar	**41,557**	4,215	**1,621**	421
	199,401	34,375	**128,203**	3,402

The effective interest rates of the deposits with licensed banks of the Group and the Company at the balance sheet date range from 1.75% to 1.90% (31.12.2009: 1.75% to 1.90%) per annum and at 3.03% (31.12.2009: Not applicable) per annum respectively.

Deposits with licensed banks of the Group and the Company at 30 June 2011 have an average maturity ranging from 1 day to 4 days (31.12.2009: 4 days to 16 days) and 1 day to 4 days (31.12.2009: None) respectively. Bank balances are deposits held at call with banks.

25 DERIVATIVES FINANCIAL ASSETS

	As at 30.6.2011	
	Contract Amounts	**Assets**
Group and Company		
Non-hedging derivatives:		
Current		
Forward currency contracts		
- USD	**109,316**	181
- SGD	**7,311**	18
	116,627	199

In RM'000 unless otherwise stated

25 DERIVATIVES FINANCIAL ASSETS (CONTINUED)

The Group uses forward exchange contracts to manage some of the transaction exposure. These contracts are not designated as cash flow or fair value hedge and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Forward exchange contracts are used to hedge the Group's sales denominated in USD and SGD for which firm commitments existed at the reporting date.

26 CAPITAL COMMITMENTS

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

	Group		**Company**	
	As at 30.6.2011	As at As at 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
Capital expenditure commitments in respect of property, plant and equipment:				
- approved and contracted for	**27,817**	12,939	**25,138**	10,825
- approved but not contracted for	**27,543**	30,806	**27,142**	12,817
	55,360	43,745	**52,280**	23,642

27 SIGNIFICANT RELATED PARTY TRANSACTIONS

The related parties (other than subsidiary and associated companies) 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 a subsidiary 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 director and substantial shareholder is Y. Bhg Dato' Dr. Tan Tat Wai.

In RM'000 unless otherwise stated

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
(a) Sales of goods				
Sales of goods to:				
- Subsidiary companies	**0**	0	**1,015,242**	608,339
- Associated company	**153,429**	115,424	**153,429**	115,424
- Other related parties	**290,659**	164,040	**189,057**	98,444
(b) Purchase of goods and services				
Purchase of goods from:				
- Subsidiary companies	**0**	0	**99,226**	57,612
- Other related parties	**932,345**	441,397	**932,345**	441,397
(c) Dividend income				
Dividend income from:				
- Subsidiary company	**0**	0	**0**	1,541
- Associated company	**0**	0	**1,100**	1,100

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.

(B) Amounts due from related parties:

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
Nature of transaction				
Trade				
- Subsidiary companies	**0**	0	**23,977**	20,173
- Associated company	**0**	16,834	**0**	16,834
- Other related parties	**14,747**	3,655	**6,251**	3,655
Non-trade				
- Subsidiary companies	**0**	0	**16,073**	17,292
- Associated company	**81**	86	**81**	86
- Other related parties	**0**	722	**0**	722

The terms and conditions of amount due from related parties are included in Note 17 to the financial statements.

In RM'000 unless otherwise stated

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(C) Amounts due to related parties:

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
Nature of transaction				
Trade				
- Subsidiary companies	**0**	0	**4,983**	3,826
- Other related parties	**183**	3,163	**183**	3,163
Non-trade				
- Subsidiary companies	**0**	0	**101,190**	101,619

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

(D) Key management personnel compensation is as follows:

	Group		Company	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**Financial period from 1.1.2010 to 30.6.2011**	Financial year ended 31.12.2009
Short-term employee benefits *	**6,799**	3,873	**6,937**	4,988
Post-employment benefits	**0**	5	**163**	435
	6,799	3,878	**7,100**	5,423

* Included in the short-term employee benefits are Directors' remuneration of approximately RM2,969,000 (31.12.2009: RM2,345,000) and RM2,807,000 (31.12.2009: RM1,830,000) for the Group and the Company respectively as disclosed in Note 5 to the financial statements.

28 SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business operation. The business operations are managed based on the Group's management and internal reporting structure.

In RM'000 unless otherwise stated

28 SEGMENTAL REPORTING (CONTINUED)

The Group comprises the following reportable segments:

a) Steel products
b) Investment holding and others

	Steel products	Investment holding and others	Elimination of inter-segment	Total
Financial period ended 30 June 2011				
Segment profit	198,081	37,523	(34,663)	200,941
Share of profit of an associate				1,125
Consolidated profit before tax				202,066
Included in the measure of segment profit are:				
Revenue from external customers	4,429,837	501	0	4,430,338
Inter-segment revenue	1,006,592	68,188	(1,074,780)	0
Depreciation	(130,503)	(35)	(703)	(131,241)
Finance costs	(43,412)	(178)	4,772	(38,818)
Interest income	1,219	0	(178)	1,041
Segment assets	2,630,035	144,687	(505,026)	2,269,696
Segment assets include:-				
Investment in associate	17,768	0	0	17,768
Additions to non-current assets	100,207	0	0	100,207
Segment liabilities	1,594,698	3,942	(213,219)	1,385,421

In RM'000 unless otherwise stated

28 SEGMENTAL REPORTING (CONTINUED)

	Steel products	Investment holding and others	Elimination of inter-segment	Total
Financial year ended 31 December 2009				
Segment profit	14,606	130	(7,880)	6,856
Share of profit of an associate				1,968
Consolidated profit before tax				8,824
Included in the measure of segment profit are:				
Revenue from external customers	2,022,337	0	0	2,022,337
Inter-segment revenue	617,194	17,538	(634,732)	0
Depreciation	(85,036)	(23)	(468)	(85,527)
Finance costs	(25,826)	(119)	3,642	(22,303)
Interest income	1,168	0	(526)	642
Segment assets	2,150,224	106,464	(505,089)	1,751,599
Segment assets include:-				
Investment in associate	16,967	0	0	16,967
Additions to non-current assets	65,955	5,082	0	71,037
Segment liabilities	1,192,384	4,106	(199,684)	996,806

Geographical Information

The Group's operations are located in Malaysia. The Group's revenue from external customers attributed to countries of domicile of the Company and its subsidiaries and information about the Group's non-current assets by locations are detailed below:

	Revenue		**Non current assets**	
	Financial period from 1.1.2010 to 30.6.2011	Financial year ended 31.12.2009	**As at 30.6.2011**	As at 31.12.2009
ASEAN Countries	**4,144,070**	1,905,072	**763,011**	786,699
Others	**286,268**	117,265	**0**	0
	4,430,338	2,022,337	**763,011**	786,699

In RM'000 unless otherwise stated

28 SEGMENTAL REPORTING (CONTINUED)

In determining the geographical information of the Group, revenue is based on the geographical areas in which the customers are located. Non-current assets are determined based on the locations of assets.

29 CHANGE IN ACCOUNTING POLICIES

The following describes the impact of new accounting standards, amendments and improvements to published standards and interpretations on the financial statements of the Group and the Company:

(i) FRS 7 "Financial instruments: Disclosures" introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's and the Company's financial instruments. FRS 7 does not require comparative disclosures when the standard is first applied.

(ii) FRS 8 "Operating Segments" requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting has been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. The application of this standard does not have any impact on the financial position and results of the Group. Comparatives have been restated accordingly. The revised disclosures are shown in Note 28 to the financial statements.

(iii) FRS 101 (revised) "Presentation of Financial Statements" prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

(iv) FRS 139 "Financial Instruments: Recognition and measurement" establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. The Group and the Company have adopted FRS 139 prospectively on 1 January 2010 in accordance with the transitional provisions.

In RM'000 unless otherwise stated

29 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(iv) The adoption of FRS 139 has resulted in several changes to accounting policies relating to the recognition and measurement of financial instruments. Comparatives for financial instruments have not been adjusted and therefore the corresponding balances are not comparable. Significant changes in accounting policies are as follows:

(i) Investments

Previously, for investments in non-current investments, allowance for diminution in value was made where, in the opinion of the Directors, there was a decline other than temporary in the value of such investments. Where there had been a decline other than temporary in the value of an investment, such a decline was recognised in the income statement in the period in which the decline was identified. Marketable securities (within current assets) were carried at the lower of cost and market value. Changes in the carrying amount of marketable securities were credited/charged to income statement.

The Group has applied the new policy according to the transitional provisions by re-measuring all financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to opening retained earnings or, if appropriate, another category of equity, of the current financial period.

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

(iii) Impairment of trade and other receivables

Previously, allowance for doubtful debts was determined based on estimates of probable losses which may arise from non-collection of receivables upon review of all material outstanding amounts at the date of the statement of financial position. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of the estimated future cash flows discounted at the receivable's original effective interest rate. There is no significant impact on the financial statements arising from this change in accounting policy.

(v) Amendments to FRS 117 " Leases" clarifies that leashold land in which the Group has substantially all risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. In making this judgement, the Group has concluded that land with an unexpired lease period of 50 years or more are finance leases because the present value of the minimum lease payments is substantially equal to the fair value of the land.

Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term.

In RM'000 unless otherwise stated

29 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(vi) The following Notes (a) to (c) disclose the impact of changes in accounting policies on the financial statements of the Group and Company.

(a) Impact on the Group's statements of financial position

	As previously stated	FRS 117	FRS 139	As restated
As at 1 January 2009				
Property, plant and equipment	669,728	64,739	0	734,467
Prepaid lease	64,739	(64,739)	0	0
As at 31 December 2009				
Property, plant and equipment	644,822	75,131	0	719,953
Prepaid lease	75,131	(75,131)	0	0
As at 1 January 2010				
Available-for-sale investments	788	0	2,232	3,020
Derivative financial assets	0	0	9	9
Fair value reserve	0	0	(2,232)	(2,232)
Retained profits	(277,424)	0	(9)	(277,433)

(b) Impact on the Company's statement of financial position

	As previously stated	FRS 117	FRS 139	As restated
As at 1 January 2009				
Property, plant and equipment	529,940	38,551	0	568,491
Prepaid lease	38,551	(38,551)	0	0
As at 31 December 2009				
Property, plant and equipment	509,434	48,552	0	557,986
Prepaid lease	48,552	(48,552)	0	0
As at 1 January 2010				
Subsidiary companies	398,659	0	4,000	402,659
Receivables	111,344	0	(4,000)	107,344
Available-for-sale investments	708	0	2,188	2,896
Fair value reserve	0	0	(2,188)	(2,188)

In RM'000 unless otherwise stated

29 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

(c) Impact on the Group and Company's Statement of Comprehensive Income net gain arising from financial instruments:

	Financial period ended 30.6.2011 Group	Company
Fair value gain arising from available-for-sale investments	989	886
Basic earnings per share (sen)	0.2	

30 CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss (FVTPL)
(b) Loans and receivables (L&R)
(c) Available-for-sale (AFS)
(d) Other liabilities (OL)

	Carrying amount	FVTPL	L&R	AFS
30.6.2011				
Group				
Financial assets				
Available-for-sale investments	2,771	0	0	2,771
Receivables*	241,574	0	241,574	0
Derivative financial assets	199	199	0	0
Cash and cash equivalents	199,401	0	199,401	0
	443,945	199	440,975	2,771

	Carrying amount	OL
Financial liabilities		
Short term borrowings	1,032,870	1,032,870
Payables**	278,595	278,595
	1,311,465	1,311,465

In RM'000 unless otherwise stated

30 CATEGORIES OF FINANCIAL INSTRUMENTS (CONTINUED)

	Carrying amount	FVTPL	L&R	AFS
As at 30.6.2011				
Company				
Financial assets				
Amount due from subsidiary	4,000	0	4,000	0
Available-for-sale investments	2,247	0	0	2,247
Receivables*	130,054	0	130,054	0
Derivative financial assets	199	199	0	0
Cash and cash equivalents	128,203	0	128,203	0
	264,703	199	262,257	2,247

	Carrying amount	OL
Financial liabilities		
Short term borrowings	726,929	726,929
Payables**	343,958	343,958
	1,070,887	1,070,887

* Receivables exclude prepayments

** Payables exclude provision

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including market risk, foreign currency exchange risk, interest rate risk, credit risk, liquidity risk, price risk and capital risk. 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.

(a) Foreign currency exchange risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of each of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	30.6.2011 Denominated in		
Group	USD	SGD	Euro
Receivables	45,743	14,009	0
Forward exchange contracts	181	18	0
Cash and bank balances	41,557	0	0
Payables	(82,008)	(115)	(943)
Short term borrowings	(234,773)	0	0
Net exposure in the statement of financial position	(229,300)	13,912	(943)

In RM'000 unless otherwise stated

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Foreign currency exchange risk (Continued)

		30.6.2011	
		Denominated in	
Company	**USD**	**SGD**	**Euro**
Receivables	17,754	0	0
Forward exchange contracts	181	18	0
Cash and bank balances	1,621	0	0
Payables	(81,922)	(115)	(562)
Short term borrowings	(226,052)	0	0
Net exposure in the statement of financial position	(288,418)	(97)	(562)

The Group monitors development in the government's policy and market conditions to take necessary actions should there be any indication of unfavourable foreign exchange movement.

Currency risk sensitivity analysis

A two percent strengthening of the Ringgit Malaysia against the following currencies at the end of the reporting period would have increased (decreased) profit for the period by the amount shown below. This analysis assumes that all other variables in particular interest rates remain constant.

	Profit for the period	
As at 30.6.2011	**Group**	**Company**
USD	7,271	6,111
SGD	1,045	2
EURO	338	11

Conversely, a weakening of the Ringgit Malaysia against the above currencies at the end of the reporting period would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(b) Interest rate risk

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

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Interest rate risk (Continued)

The interest rate profile of the Group's and the Company's significant interest bearing financial instruments based on carrying amount as at the end of the reporting period was:

	Group	Company
As at 30.6.2011		
Fixed rate instruments		
Financial assets	121,860	124,758
Financial liabilities	1,024,442	721,567
Floating rate instruments		
Financial liabilities	8,428	5,362

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group and the Company's income statement before taxation. The sensitivity analysis is determined based on the impact on floating rate financial instruments at the statement of financial position date.

	30.6.2011 Increase/decrease in interest rate	Effect on (loss)/ profit before tax
Group	+ 1%	(85)
	- 1%	85
Company	+ 1%	(54)
	- 1%	54

(c) Credit risk

Trade receivables

As at end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. 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 customer. 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. Please refer to Note 17 for the aging analysis of receivables.

In RM'000 unless otherwise stated

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Credit risk (Continued)

Inter company balance

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at end of the reporting period, there was no indication that the loans and advances to the subsidiaries are not recoverable. The Company does not specifically monitor the aging of the advances to the subsidiaries.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at 30 June 2011 based on undiscounted contractual payments:

	As at 30 June 2011			
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
Payables	294,574	0	0	0
Borrowings	1,032,870	0	0	0
Company				
Payables	358,447	0	0	0
Borrowings	726,929	0	0	0

In RM'000 unless otherwise stated

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Liquidity risk (Continued)

Based on the balance of interest-bearing borrowings as at 30 June 2011, the future contractual interest rate cash flow of the Group and Company are as follows:

	As at 30 June 2011			
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
Interest expenses on:				
- interest-bearing borrowings	3,863	0	0	0
Company				
Interest expenses on:				
- interest-bearing borrowings	2,933	0	0	0

(e) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified as available-for-sale investments on the statements of financial position.

If the prices for equity securities listed in Bursa Malaysia Securities Berhad ("Bursa Malaysia") changed by 10% with all other variables including tax rates held constant, the effect on profit after tax and other components of equity would have been as follows:

	Increase/ (Decrease)	
	Profit for the financial period	Equity
Group	248	248
Company	225	225

(f) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debts less cash and cash equivalents divided by total equity. Total debt is calculated as total interest-bearing bank borrowings.

In RM'000 unless otherwise stated

31 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(f) Capital risk management (Continued)

The gearing ratios as at 30 June 2011 were as follows:

	Group	Company
Total interest bearing borrowings	1,032,870	726,929
Less: Cash and cash equivalents	(199,401)	(128,203)
Net debt	833,469	598,726
Total equity	884,275	892,241
Gearing ratio	0.94:1	0.67:1

(g) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

In RM'000 unless otherwise stated

32 SUPPLEMENTARY INFORMATION ON DISCLOSURE OF REALISED AND UNREALISED PROFITS

Bursa Malaysia Securities Berhad ("Bursa Securities") had on 25 March 2010 and 20 December 2010, issued directives to all listed corporations to disclose the breakdown of retained profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

The determination of realised and unrealised profits/losses is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

Disclosure of realised and unrealised profits/losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

The breakdown of the retained profit of the Group and the Company as at 30 June 2011, into realised and unrealised profits or losses are as follows:

	Group	Company
Total retained profit		
- Realised	501,147	436,613
- Unrealised	(17,901)	(28,365)
	483,246	408,248
Total share of retained profit from associated companies		
- Realised	9,725	0
- Unrealised	0	0
	9,725	0
	492,971	408,248
Less: Consolidated adjustments	(89,286)	0
Total retained profit as per statement of financial position	403,685	408,248

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* 30/6/2011 (RM'000)
No PT 3171 Mukim 1 Seberang Perai Tengah	Factories and Land	Leasehold expiring on 21-03-2050	4.77716 acres	13-15	19-10-1990	
No PT 3178 Mukim 1 Seberang Perai Tengah	Factories and Land	Leasehold expiring on 09-04-2050	2.60451 acres	13	19-10-1990	
2595 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factories and Land	Leasehold expiring on 09-04-2050	2.60451 acres	13	07-10-1991	
2613 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factories and Land	Leasehold expiring on 21-03-2050	5.09674 acres	13	23-09-1991	54,979
No PT 3831 Mukim 1 Seberang Perai Tengah	Factory and Land	Leasehold expiring on 21-10-2054	1.31359 acres	15	25-05-1993	
No PT 3980 Mukim 1 Seberang Perai Tengah	Drains	Leasehold expiring on 25-01-2059	2.12715 acres	-	12-08-1996	
No PT 4271 (formerly Plot 596) Mukim 1, Seberang Perai Tengah	Vacant Land	Leasehold expiring on 04-11-2064	0.1187 hectares	-	18-03-1998	
Lot 4808 Jalan Utas 15/7 Shah Alam Industrial Estate 40000 Shah Alam	Factories and Land	Leasehold expiring on 11-02-2069 & 02-12-2072	634,950 sq ft & 328,800 sq ft	13.5-36	25-06-1992	35,468
4457 Mukim 15, Jalan Chain Ferry 12100 Butterworth	Factory Godown	Freehold	413,427 sq ft	15-42	12-06-1989	26,507
PLO No 129 Tanjung Langsat Industrial Complex	Factory and Land	Leasehold expiring on 28-12-2069	8.094 hectares	-	18-09-2008	23,370
5 1/2 Mile, Jalan Kapar 42100 Klang, Selangor	Factories and Land	Freehold	31,180 sq m	15-30	03-02-1981	13,780
2435 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Factories and Land	Leasehold expiring on 31-01-2039	50.9 acres	20-28	06-09-1982	12,129
3081 Jalan Besar Nibong Tebal	Factory and Land	Freehold	304,210 sq ft	15-47	22-06-1998	10,262
Rawang Integrated Industrial Park	Factory and Land	Freehold	497,838 sq ft	14	20-04-1994	9,509
Lot 77A, Jalan Gebeng 1/6 Gebeng Industrial Estate 26080 Kuantan	Factories and Land	Leasehold expiring on 05-02-2052	40,468.6 sq m	11	05-07-2010	7,678
Plot 2 Taman Meru Industrial Estate Jelapang, 30020 Ipoh	Factories and Land	Leasehold expiring on 06-09-2043	43,240 sq m	29	01-12-1989	7,239

2 ANALYSIS OF SHAREHOLDINGS AS AT 12 SEPTEMBER 2011

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	:	3,089
Voting Rights		
On show of hands	:	1 vote
On poll	:	1 vote for each share held

DISTRIBUTION SCHEDULE OF SHAREHOLDERS AS AT 12 SEPTEMBER 2011

Holdings	No of Holders	Total Holdings	%
Less than 100	31	1,199	0.00
100 - 1,000	1,219	1,189,792	0.28
1,001 - 10,000	1,449	5,832,585	1.39
10,001 - 100,000	326	10,516,864	2.51
100,001 - less than 5% of issued shares	61	75,228,653	17.94
5% and above of issued shares	3	326,648,115	77.88
TOTAL	3,089	419,417,208	100.00

THIRTY LARGEST SHAREHOLDERS

The 30 largest shareholders of the Company as at 12 September 2011 are as follows:

	Name of Shareholders	No. of Shares	%
1	Assets Nominees (Tempatan) Sdn Bhd Hong Leong Manufacturing Group Sdn Bhd	173,879,054	41.46
2	Assets Nominees (Tempatan) Sdn Bhd Signaland Sdn Bhd	120,281,255	28.68
3	Southern Amalgamated Co Sdn Bhd	32,487,806	7.75
4	Southern Properties Sdn Bhd	14,570,399	3.47
5	Hwang Enterprises Sdn Bhd	13,124,209	3.13
6	Hong Bee Hardware Company, Sdn Berhad	7,371,493	1.76
7	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	3,453,644	0.82
8	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,106,200	0.74
9	HSBC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hwang Enterprises Sdn Bhd (201-468246-089)	3,000,000	0.72
10	HSBC Nominees (Asing) Sdn Bhd Exempt An For Credit Suisse (SG BR-TST-Asing)	2,756,700	0.66
11	Amsec Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad (Hedging)	2,500,000	0.60
12	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Libra)	2,144,000	0.51
13	Amanahraya Trustees Berhad Public Islamic Select Treasures Fund	1,931,300	0.46
14	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Bhd for Libra Amanah Saham Wanita (N1401198 0040)	1,800,000	0.43
15	Seri Pinang Sdn Bhd	1,781,200	0.42

2 ANALYSIS OF SHAREHOLDINGS AS AT 12 SEPTEMBER 2011 (CONTINUED)

THIRTY LARGEST SHAREHOLDERS (CONTINUED)

	Name of Shareholders	No. of Shares	%
16	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	1,709,400	0.41
17	Liao York	1,384,427	0.33
18	Choong Cheow Sai	1,050,944	0.25
19	Su Hock Company Sdn Bhd	972,815	0.23
20	Chua Holdings Sdn Bhd	921,795	0.22
21	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LGF)	855,700	0.20
22	Neoh Choo Ee & Company, Sdn Berhad	780,000	0.19
23	Choong Chew Kheng	694,676	0.16
24	Amanahraya Trustees Berhad Public Islamic Sector Select Fund	666,400	0.16
25	Leong Kok Tai	554,237	0.13
26	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account For Lee Cheng Ming	507,400	0.12
27	Insotech Sdn Bhd	504,557	0.12
28	Hock Kheng Industries Sdn Bhd	482,417	0.12
29	Quarry Lane Sdn Bhd	470,000	0.11
30	HDM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chang Lee Fong (M01)	339,800	0.08

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of the Company as at 12 September 2011 are as follows:

	No of shares held				
Name of shareholders	Direct	%	Indirect	%	
Hong Leong Manufacturing Group Sdn Bhd	173,879,054	41.46	120,281,255	28.68	①
Signaland Sdn Bhd	120,281,255	28.68	-	-	
Hong Leong Company (Malaysia) Berhad	-	-	294,160,309	70.14	②
HL Holdings Sdn Bhd	-	-	294,160,309	70.14	②
YBhg Tan Sri Quek Leng Chan	-	-	301,541,202	71.90	③
Hong Leong Investment Holdings Pte Ltd	-	-	301,541,202	71.90	③
Kwek Holdings Pte Ltd	-	-	301,541,202	71.90	③
Kwek Leng Beng	-	-	301,541,202	71.90	③
Davos Investment Holdings Private Limited	-	-	301,541,202	71.90	③
Kwek Leng Kee	-	-	301,541,202	71.90	③
Quek Leng Chye	-	-	301,541,202	71.90	③
Hong Realty (Private) Limited	-	-	301,531,802	71.89	④
Dr Poh Soon Sim	-	-	120,281,255	28.68	①
Southern Amalgamated Co Sdn Bhd	32,487,806	7.75	-	-	
Su Hock Company Sdn Bhd	972,815	0.23	32,487,806	7.75	⑤
YBhg Dato' Dr Tan Tat Wai	14,854	0.00	32,980,223	7.86	⑥

① Held through a company in which Hong Leong Manufacturing Group Sdn Bhd has interest
② Held through Hong Leong Manufacturing Group Sdn Bhd
③ Held through Hong Leong Company (Malaysia) Berhad and companies in which the major shareholder has interest
④ Held through Hong Leong Manufacturing Group Sdn Bhd, Signaland Sdn Bhd and Hong Bee Hardware Company Sdn Berhad
⑤ Held through Southern Amalgamated Co Sdn Bhd
⑥ Held through Southern Amalgamated Co Sdn Bhd, Hock Kheng Industries Sdn Bhd and spouse

3 DIRECTORS' INTERESTS AS AT 12 SEPTEMBER 2011

Subsequent to the financial year end, there is no change as at 12 September 2011 to the Directors' interests in the ordinary shares of the Company and/or its related corporations, appearing in the Directors' Report on page 24 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad

UTILISATION OF PROCEEDS

During the financial period, there were no proceeds raised by the Group and the Company from any corporate proposals.

SHARE BUYBACKS

During the financial period, there were no share buybacks by the Group and the Company.

OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

No options, warrants and convertible securities were issued by the Company during the financial period under review.

AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial period, 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 RM3,000 was paid to the external auditors by the Group and the Company for the financial period.

PROFIT ESTIMATE, FORECAST OR PROJECTION

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

PROFIT GUARANTEES

During the financial period, 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 period are disclosed in Note 27 to the financial statements in accordance with the general mandate obtained from shareholders at the Annual General Meeting held on 3 May 2010 and Extraordinary General Meeting held on 27 June 2011 setting out the aggregate value of recurrent transactions conducted during the financial period.

REVALUATION OF LANDED PROPERTIES

Land and buildings are stated at cost less accumulated depreciation.

NOTICE IS HEREBY GIVEN that the Forty-Ninth Annual General Meeting of Southern Steel Berhad (the "Company") will be held at Level 1, Training Room B, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Thursday, 27 October 2011 at 3.30 p.m. in order:

1 To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial period ended 30 June 2011.

2 To approve the payment of Director fees of RM720,001/- for the financial period ended 30 June 2011 to be divided amongst the Directors in such manner as the Directors may determine. (Resolution 1)

3 To re-elect the following retiring Directors:

(a) Mr Ang Kong Hua (Resolution 2)
(b) Mr Tang Hong Cheong (Resolution 3)

4 To pass the following motion as an Ordinary Resolution:

"THAT YM Raja Dato' Seri Abdul Aziz bin Raja Salim, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." (Resolution 4)

5 To appoint Auditors and to authorise the Directors to fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is annexed hereto and marked as "Annexure" in the Annual Report, has been received by the Company for the nomination of Messrs KPMG, who have given their consent to act, as Auditors of the Company and of the intention to propose the following Ordinary Resolution:

"THAT Messrs KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors." (Resolution 5)

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as Ordinary Resolutions:

6 **Authority To Directors 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 from time to 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 does not exceed 10% of the issued capital of the Company for the time being and that the Directors be and are also empowered to obtain 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 6)

7 **Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM**

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that:

(a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and

(b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to 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 the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 7)

8 **Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with Su Hock Company Sdn Bhd ("Su Hock") and its subsidiary**

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with Su Hock and its subsidiary ("Su Hock Group") provided that:

(a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Su Hock Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and

(b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to 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 the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 8)

9 **Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad ("HBH") and Hong Bee Engineering Sdn Bhd ("HBE")**

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with HBH and HBE provided that:

(a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to HBH and HBE than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and

(b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to 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 the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 9)

10 **Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with Cheah Hong Inn Sdn Bhd ("CHI")**

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with CHI provided that:

(a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to CHI than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and

(b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to 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 the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 10)

11 **Proposed Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature with Kim Company Sdn Bhd ("Kim Co")**

"THAT approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature referred to in Section 2.3 of the Circular to Shareholders dated 5 October 2011 with Kim Co provided that:

(a) such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Kim Co than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders; and

(b) such approval, unless revoked or varied by the Company in a general meeting, shall continue in force until the conclusion of the next Annual General Meeting of the Company;

AND THAT the Directors of the Company be and are hereby authorised to complete and to 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 the transactions contemplated and/or authorised by this ordinary resolution." (Resolution 11)

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

By Order of the Board

Ting Kok Keong
Company Secretary

Penang
5 October 2011

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 at Level 3, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang not less than forty-eight (48) hours before the time of the meeting or adjourned meeting.

Explanatory Notes on Special Business.

1 Authority To Directors To Issue Shares

The proposed ordinary resolution, if passed, will give a renewed mandate to the Directors of the Company to issue ordinary shares of the Company from time to time provided the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being ("Renewed Mandate"). The Renewed Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 3 May 2010 and which will lapse at the conclusion of the Forty-Ninth Annual General Meeting.

The Renewed Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issue of new shares, and to avoid delay and cost in convening general meetings to approve such issue of shares.

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

The proposed ordinary resolutions, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the SSB Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company.

Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 5 October 2011 which is despatched together with the Company's Annual Report.

- Details of individuals who are standing for election as Directors

  No individual is seeking election as a Director at the Forty-Ninth Annual General Meeting of the Company.

ANNEXURE

Hong Leong Manufacturing Group
A Member of the Hong Leong Group

26 August 2011

The Board of Directors
Southern Steel Berhad
Level 3, 2723 Lorong Perusahaan 12
Prai Industrial Estate
13600 Prai, Penang

Dear Sirs

NOMINATION OF AUDITORS

Pursuant to Section 172(11) of the Companies Act, 1965, we, Hong Leong Manufacturing Group Sdn Bhd, being a shareholder of Southern Steel Berhad ("SSB"), hereby give notice of our intention to nominate Messrs KPMG for appointment as Auditors of SSB in place of the retiring Auditors, Messrs PricewaterhouseCoopers, at the forthcoming Annual General Meeting ("AGM") of SSB.

Accordingly, we propose that the following ordinary resolution be tabled at the forthcoming AGM of SSB:

"**THAT** Messrs KPMG be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs PricewaterhouseCoopers, to hold office until the conclusion of the next Annual General Meeting at a remuneration to be determined by the Directors."

Yours faithfully
For and on behalf of
Hong Leong Manufacturing Group Sdn Bhd
(formerly known as Spectrum Arrangement Sdn Bhd)

DATUK KWEK LENG SAN
President & Chief Executive Office

Hong Leong Manufacturing Group Sdn Bhd (747140-U)
(fka Spectrum Arrangement Sdn Bhd)
Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, Malaysia.
Tel: 03-2164 2631 Fax: 03-2164 2514 (Legal & Secretarial) / 03-2715 4808 (Finance) / 03-2164 2593 (Human Resources)
www.hongleong.com.my

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