

THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

This Abridged Prospectus, together with the notice of provisional allotment and the rights subscription form ("RSF") (collectively, the "Documents"), will only be despatched to the shareholders of Southern Steel Berhad ("SSB" or "Company") who have a registered address in Malaysia and whose names appear in our Record of Depositors as at 5.00 p.m. on 19 December 2014 ("Entitled Shareholders"). The Documents are not intended to be (and will not be) issued, circulated or distributed in any country or jurisdiction other than Malaysia and no action has been or will be taken to ensure that the Rights Issue of RCULS (as defined in this Abridged Prospectus) complies with the laws related to public offerings of any country or jurisdiction where action for such purpose is required, other than the laws of Malaysia. Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal advisers as to whether the acceptance or renunciation (as the case may be) of their provisional allotment of Rights RCULS (as defined below) under the Rights Issue of RCULS ("Provisional Rights RCULS"), application for Excess Rights RCULS (as defined in this Abridged Prospectus), or the subscription, offer, sale, resale, pledge or other transfer of the Rights RCULS would result in the contravention of any laws of such countries or jurisdictions. Our Company and Hong Leong Investment Bank Berhad ("HLIB") shall not accept any responsibility or liability in the event that any acceptance or renunciation (as the case may be) of Provisional Rights RCULS, application for Excess Rights RCULS, or the subscription, offer, sale, resale, pledge or other transfer of the Rights RCULS made by any Entitled Shareholder and/or his renounee(s) and/or transferee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which the said Entitled Shareholder and/or his renounee(s) and/or transferee(s) (if applicable) is resident.

Our shareholders have approved the Rights Issue of RCULS at our Extraordinary General Meeting held on 21 November 2014. The Securities Commission Malaysia ("SC") has, on 17 October 2014, approved the issuance of the RCULS. Bursa Malaysia Securities Berhad ("Bursa Securities") has, on 15 October 2014, approved the admission of the Rights RCULS to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Rights RCULS and up to 209,708,604 new SSB Shares (as defined below) to be issued pursuant to the conversion of the Rights RCULS on the Main Market of Bursa Securities. Admission of the Rights RCULS to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Rights RCULS and the new SSB Shares to be issued pursuant to the conversion of the Rights RCULS on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue of RCULS. The official listing of and quotation for the Rights RCULS will commence after, amongst others, receipt of confirmation from Bursa Malaysia Depository Sdn Bhd that all Central Depository System accounts of the successful Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

A copy of this Abridged Prospectus has been registered with the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue of RCULS or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. A copy of this Abridged Prospectus, together with the RSF, has also been lodged with the Registrar of Companies of Malaysia, who takes no responsibility for their contents.

Our directors have seen and approved the Documents and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

HLIB, being the Principal Adviser for the Rights Issue of RCULS, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue of RCULS.

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Southern Steel Berhad (5283-X)

A Member of the Hong Leong Group

(Incorporated in Malaysia under the Companies Ordinances, 1940 to 1946)

RENOUNCEABLE RIGHTS ISSUE OF UP TO RM209,708,604 NOMINAL VALUE OF 5-YEAR 5% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") AT 100% OF ITS NOMINAL VALUE ("RIGHTS RCULS") ON THE BASIS OF RM1.00 NOMINAL VALUE OF RIGHTS RCULS FOR EVERY 2 EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN SSB ("SSB SHARES") AS AT 5.00 P.M. ON 19 DECEMBER 2014

Principal Adviser

 **HongLeong Investment Bank**

Hong Leong Investment Bank Berhad (10209-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)
(A Trading Participant of Bursa Malaysia Derivatives Berhad)

Trustee



AmTrustee

AmTrustee Berhad (163032-V)

IMPORTANT DATES AND TIMES:

Entitlement Date	:	Friday, 19 December 2014 at 5.00 p.m.
Last date and time for the sale of Provisional Rights RCULS	:	Friday, 9 January 2015 at 5.00 p.m.
Last date and time for the transfer of Provisional Rights RCULS	:	Wednesday, 14 January 2015 at 4.00 p.m.
Last date and time for acceptance and payment	:	Monday, 19 January 2015 at 5.00 p.m.*
Last date and time for excess application and payment	:	Monday, 19 January 2015 at 5.00 p.m.*

* or such later date and time as our Board of Directors may decide and announce not less than 2 Market Days (as defined in this Abridged Prospectus) before the stipulated date and time.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE RIGHTS ISSUE OF RCULS AND ANY INVESTMENT IN OUR COMPANY. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE AND MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE ISSUE FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA (SUCH AS OUR DIRECTORS AND PRINCIPAL ADVISER) ARE RESPONSIBLE.

THE DISTRIBUTION OF THIS ABRIDGED PROSPECTUS TOGETHER WITH THE NOTICE OF PROVISIONAL ALLOTMENT AND RIGHTS SUBSCRIPTION FORM (COLLECTIVELY, THE "DOCUMENTS") IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR PRINCIPAL ADVISER ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR PRINCIPAL ADVISER HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR PRINCIPAL ADVISER REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.

THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE OF RCULS UNDER THE LAWS OF MALAYSIA. WE AND OUR PRINCIPAL ADVISER HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.

ALL TERMS USED ARE AS DEFINED IN THE "DEFINITIONS" PAGE OF THIS ABRIDGED PROSPECTUS.

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:

“Act”	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
“AmTrustee” or “Trustee”	: AmTrustee Berhad, the trustee acting for the benefit of the RCULS Holders
“Board”	: Board of Directors of our Company
“Bursa Depository”	: Bursa Malaysia Depository Sdn Bhd
“Bursa Securities”	: Bursa Malaysia Securities Berhad
“Corporate Exercises”	: Rights Issue of RCULS and the Increase in Authorised Share Capital, collectively
“CDS”	: Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
“CDS Account”	: Account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by the said depositor
“Code”	: Malaysian Code on Take-Overs and Mergers, 2010, as amended from time to time and any re-enactment thereof
“Conversion Price”	: RM1.05, being the conversion price of the RCULS for every 1 new SSB Share
“Documents”	: This Abridged Prospectus and the accompanying NPA and RSF, collectively
“EGM”	: Extraordinary General Meeting
“Entitled Shareholders”	: Shareholders whose names appear in our Company's Record of Depositors on the Entitlement Date in order to be entitled under the Rights Issue of RCULS
“Entitlement Date”	: 5.00 p.m. on 19 December 2014, being the time and date on which our shareholders must be registered in our Company's Record of Depositors in order to be entitled under the Rights Issue of RCULS
“Entitlement Undertakings”	: Irrevocable undertakings from the Undertaking Shareholders to subscribe and/or procure the subscription in full of their entitlements under the Rights Issue of RCULS based on their shareholdings as at 21 May 2014
“EPS”	: Earnings per share
“ESS”	: The executive share scheme of our Company, which was implemented on 28 February 2014

DEFINITIONS (Cont'd)

"Excess Rights RCULS"	:	Rights RCULS which are not taken up or not validly taken up by our Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable) prior to excess application
"Foreign Addressed Shareholders"	:	Our shareholders on the Entitlement Date whose address in our Record of Depositors is not a Malaysian address
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ending, as the case may be
"Guidelines on PDS"	:	Guidelines on Private Debt Securities issued by the SC, as amended from time to time
"HLCM"	:	Hong Leong Company (Malaysia) Berhad
"HLIB"	:	Hong Leong Investment Bank Berhad
"HLMG"	:	Hong Leong Manufacturing Group Sdn Bhd
"HRC"	:	Hot-rolled coil
"Increase in Authorised Share Capital"	:	Increase in the authorised share capital of SSB from RM502,000,000 divided into 500,000,000 SSB Shares and 2,000,000 Preference Shares to RM802,000,000 divided into 800,000,000 SSB Shares and 2,000,000 Preference Shares
"LBT"	:	Loss before tax
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
"LPD"	:	21 November 2014, being the latest practicable date prior to the date of this Abridged Prospectus
"Market Day"	:	Any day on which Bursa Securities is open for trading in securities
"Maximum Subscription Level"	:	The maximum subscription level of RM209,708,604 nominal value of RCULS pursuant to the Rights Issue of RCULS, assuming the Rights RCULS is fully subscribed
"Minimum Subscription Level"	:	The minimum subscription level of RM147,080,154 nominal value of RCULS pursuant to the Rights Issue of RCULS, assuming only the Undertaking Shareholders subscribe for the Rights RCULS
"NA"	:	Net assets
"NPA"	:	Notice of provisional allotment in relation to the Rights Issue of RCULS
"PAT"	:	Profit after tax
"PATMI"	:	Profit after tax and minority interests
"PBT"	:	Profit before tax
"PC"	:	Pre-stressed concrete

DEFINITIONS (Cont'd)

"Preference Shares"	:	Preference shares of RM1.00 each in our Company
"Provisional Rights RCULS"	:	Rights RCULS provisionally allotted to our Entitled Shareholders
"RCULS"	:	5-year 5% redeemable convertible unsecured loan stocks
"RCULS Holders"	:	Holders of the RCULS
"Record of Depositors"	:	A record of securities holders established by Bursa Depository under the Rules of Bursa Depository
"Rights Issue of RCULS"	:	Renounceable rights issue of up to RM209,708,604 nominal value of RCULS at 100% of its nominal value on the basis of RM1.00 nominal value of Rights RCULS for every 2 existing SSB Shares held on the Entitlement Date
"Rights RCULS"	:	Up to RM209,708,604 nominal value of RCULS to be issued at 100% of its nominal value pursuant to the Rights Issue of RCULS
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"RSF"	:	Rights subscription form in relation to the Rights Issue of RCULS
"Rules of Bursa Depository"	:	The rules of Bursa Depository as defined in the SICDA, as amended from time to time
"SC"	:	Securities Commission Malaysia
"SGD"	:	Singapore Dollars, the lawful currency of the Republic of Singapore
"Share Registrar" or "RCULS Registrar" or "Paying Agent"	:	Hong Leong Share Registration Services Sdn Bhd
"SICDA"	:	Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
"Signaland"	:	Signaland Sdn Bhd
"SSB"	:	Southern Steel Berhad
"SSB Group"	:	Our Company and our subsidiaries, collectively
"SSB Shares"	:	Ordinary shares of RM1.00 each in our Company
"Trust Deed"	:	Trust deed dated 1 December 2014 constituting the RCULS entered into between our Company and AmTrustee
"Undertaking Shareholders"	:	HLMG and Signaland, collectively
"US"	:	United States of America
"USD"	:	US Dollars, the lawful currency of the US
"VWAMP"	:	Volume-weighted average market price

DEFINITIONS (Cont'd)

All references to "**our Company**" in this Abridged Prospectus are to SSB, and references to "**our Group**" are to our Company and our subsidiaries. References to "**we**", "**us**", "**our**" and "**ourselves**" are to our Company and, where the context requires otherwise, our Group.

All references to "**you**" in this Abridged Prospectus are to our Entitled Shareholders and/or, where the context requires otherwise, their renouncee(s) and/or transferee(s).

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and vice versa. Reference to persons shall include corporations.

Any reference in this Abridged Prospectus to any statute is a reference to that statute as for the time being amended or re-enacted. Any reference to a time of day or date in this Abridged Prospectus shall be a reference to Malaysian time and date respectively, unless otherwise specified.

Any discrepancies in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

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CORPORATE DIRECTORY**OUR BOARD**

Name (Designation)	Address	Nationality	Age	Occupation
YBhg Datuk Kwek Leng San (Chairman; Non-Executive/ Non-Independent)	Apt 27-1, 3 KiaPeng No. 3, Jalan Kia Peng 50450 Kuala Lumpur	Singaporean	59	Company Director
Mr Chow Chong Long (Group Managing Director/ Non-Independent)	26, USJ 20/1A 47630 Subang Jaya Selangor Darul Ehsan	Malaysian	62	Group Managing Director
YBhg Dato' Dr Tan Tat Wai (Executive Director/ Non-Independent)	31, Jesselton Crescent 10450 Penang	Malaysian	68	Executive Director
YM Raja Dato' Seri Abdul Aziz bin Raja Salim (Non-Executive Director/ Independent)	No. 36, Jalan Setia Raya Bukit Damansara 50490 Kuala Lumpur	Malaysian	76	Company Director
Mr Tang Hong Cheong (Non-Executive Director/ Non-Independent)	No. 18, Jalan 5/1 46000 Petaling Jaya Selangor Darul Ehsan	Malaysian	59	President / Finance Director, HL Management Co Sdn Bhd
Mr Ang Kong Hua (Non-Executive Director/ Independent)	6, Swettenham Close Singapore 248135	Singaporean	70	Company Director
Mr Seow Yoo Lin (Non-Executive Director/ Independent)	17 Elitis Gapura Senja Valencia 47000 Sungai Buloh Selangor Darul Ehsan	Malaysian	58	Company Director
Dr Kwa Lay Keng (Non-Executive Director/ Independent)	66, Hillcrest Road Singapore 288937	Malaysian	55	Company Director

BOARD AUDIT & RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	Chairman	Independent Non-Executive Director
Mr Tang Hong Cheong	Member	Non-Independent Non-Executive Director
Mr Ang Kong Hua	Member	Independent Non-Executive Director
Mr Seow Yoo Lin	Member	Independent Non-Executive Director

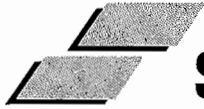
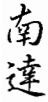
CORPORATE DIRECTORY (Cont'd)

- COMPANY SECRETARIES** : Joanne Leong Wei Yin (MAICSA 0877466)
44, Jalan BU11/2
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
- Lee Wui Kien (MAICSA 7007556)
No. 3, Jalan Putra Permai 9A
Taman Equine
43300 Seri Kembangan
Selangor Darul Ehsan
- REGISTERED OFFICE** : Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
- Tel. no.: +603 2164 2631
Fax no.: +603 2164 2514
- HEAD OFFICE** : 2723, Lorong Perusahaan 12
Prai Industrial Estate
13600 Prai
Penang
- Tel. no.: +604 390 6540
Fax no.: +604 390 8060
Website: www.southsteel.com
*(Information on this website does not constitute a part
of this Abridged Prospectus)*
- AUDITORS AND REPORTING
ACCOUNTANTS** : Messrs KPMG
Chartered Accountants
Level 18, Hunza Tower
163E Jalan Kelawei
10250 Penang
- Tel. no.: +604 238 2288
Fax no.: +604 238 2222
- SHARE REGISTRAR, RCULS
REGISTRAR AND PAYING AGENT
FOR THE RCULS** : Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
- Tel. no.: +603 2164 1818
Fax no.: +603 2164 3703
- PRINCIPAL BANKERS** : Malayan Banking Berhad
4277 Jalan Bagan Luar
Butterworth
12000 Penang
- Tel. no.: +604 324 5217
Fax no.: +604 331 0715

CORPORATE DIRECTORY (Cont'd)

- PRINCIPAL BANKERS (Cont'd)** : CIMB Bank Berhad
32, Jalan Mahsuri
Bandar Bayan Baru
11950 Penang
- Tel. no.: +604 644 4145
Fax no.: +604 641 4841
- RHB Bank Berhad
6774-6776 Jalan Kampung Gajah
Butterworth
12220 Penang
- Tel. no.: +604 323 5877
Fax no.: +604 332 3328
- SOLICITORS FOR THE RIGHTS
ISSUE OF RCULS** : Messrs Rahmat Lim & Partners
Suite 33.01, Level 33
The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
- Tel. no.: +603 2299 3888
Fax no.: +603 2287 1616
- PRINCIPAL ADVISER** : Hong Leong Investment Bank Berhad
Level 23, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur
- Tel. no.: +603 2168 1168
Fax no.: +603 2164 8880
- TRUSTEE** : AmTrustee Berhad
Level 22, Bangunan AmBank Group
No. 55, Jalan Raja Chulan
50200 Kuala Lumpur
- Tel. no.: +603 7954 6862
Fax no.: +603 7954 3712
- STOCK EXCHANGE LISTED AND
LISTING SOUGHT** : Main Market of Bursa Securities

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Southern Steel Berhad (5283-X)

A Member of the Hong Leong Group

(Incorporated in Malaysia under the Companies Ordinances, 1940 to 1946)

Registered Office

Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

19 December 2014

Board of Directors:

YBhg Datuk Kwek Leng San	<i>(Chairman; Non-Executive/Non-Independent)</i>
Mr Chow Chong Long	<i>(Group Managing Director/Non-Independent)</i>
YBhg Dato' Dr Tan Tat Wai	<i>(Executive Director/Non-Independent)</i>
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	<i>(Non-Executive Director/Independent)</i>
Mr Tang Hong Cheong	<i>(Non-Executive Director/Non-Independent)</i>
Mr Ang Kong Hua	<i>(Non-Executive Director/Independent)</i>
Mr Seow Yoo Lin	<i>(Non-Executive Director/Independent)</i>
Dr Kwa Lay Keng	<i>(Non-Executive Director/Independent)</i>

To: Our shareholders

Dear Sir/Madam,

RENOUNCEABLE RIGHTS ISSUE OF UP TO RM209,708,604 NOMINAL VALUE OF RCULS AT 100% OF ITS NOMINAL VALUE ON THE BASIS OF RM1.00 NOMINAL VALUE OF RIGHTS RCULS FOR EVERY 2 EXISTING SSB SHARES HELD ON THE ENTITLEMENT DATE

1. INTRODUCTION

On 30 April 2014, HLIB had, on behalf of our Board, announced that our Company proposed to undertake, *inter alia*, the Rights Issue of RCULS.

Subsequently, on 15 October 2014, HLIB had, on behalf of our Board, announced that Bursa Securities had, via its letter on the same date, approved the following:

- (i) admission of up to RM209,708,604 nominal value of RCULS to the Official List of the Main Market of Bursa Securities; and
- (ii) listing of and quotation for up to RM209,708,604 nominal value of RCULS to be issued pursuant to the Rights Issue of RCULS and up to 209,708,604 new SSB Shares to be issued pursuant to conversion of the Rights RCULS on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:

Conditions imposed	Status of compliance
(a) Our Company and HLIB must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Rights Issue of RCULS;	Noted.

Conditions imposed (cont'd)	Status of compliance
(b) Our Company and HLIB to inform Bursa Securities upon the completion of the Rights Issue of RCULS;	To be complied.
(c) Our Company to furnish Bursa Securities with a written confirmation of our compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue of RCULS is completed;	To be complied.
(d) Our Company to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the EGM for the Rights Issue of RCULS;	To be complied.
(e) Payment of additional listing fees. In this respect, our Company is required to furnish Bursa Securities on a quarterly basis a summary of the total number of SSB Shares listed pursuant to the conversion of RCULS as at the end of each quarter together with a detailed computation of listing fees payable;	To be complied.
(f) Our Company to obtain the SC's approval for the issuance of the RCULS and to furnish Bursa Securities with a copy of the approval letter from the Private Debt Securities Department of the SC on the issuance of the RCULS; and	Complied.
(g) Our Company to have measures to ensure that the non-compliance with public shareholding spread is not aggravated by our major shareholders.	Noted.

On 20 October 2014, HLIB had, on behalf of our Board, announced that the SC had, via its letter dated 17 October 2014, approved the issuance of the RCULS subject to the compliance with the standard conditions and continuing obligations as stipulated in the Guidelines on PDS. Prior to the issuance of the RCULS, HLIB is required to submit a checklist of compliance with the standard conditions and continuing obligations as stipulated in the Guidelines on PDS and any other condition imposed in any other letter issued in connection with the Rights Issue of RCULS.

Thereafter, at our EGM held on 21 November 2014, our shareholders had approved, *inter alia*, the Rights Issue of RCULS. A certified true extract of the ordinary resolution pertaining to the Rights Issue of RCULS passed at the said EGM is set out in Appendix I of this Abridged Prospectus.

On 5 December 2014, HLIB had, on behalf of our Board, announced the following:

- (i) the Conversion Price has been fixed at RM1.05; and
- (ii) the Entitlement Date for the Rights Issue of RCULS had been fixed at 5.00 p.m. on 19 December 2014.

The official listing of and quotation for the Rights RCULS to be issued pursuant to the Rights Issue of RCULS will commence after, amongst others, receipt of confirmation from Bursa Depository that all the CDS Accounts of our successful Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them.

No person is authorised to give any information or make any representation not contained in the Documents in connection with the Rights Issue of RCULS and if given or made, such information or representation must not be relied upon as having been authorised by us and/or HLIB.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

2. RIGHTS ISSUE OF RCULS AND OTHER CORPORATE EXERCISES

2.1 Details of the Rights Issue of RCULS

Our Company shall provisionally allot up to RM209,708,604 of Rights RCULS to our Entitled Shareholders on the basis of RM1.00 nominal value of Rights RCULS for every 2 existing SSB Shares held on the Entitlement Date.

The Rights Issue of RCULS is renounceable in full or in part. Accordingly, you can subscribe for and/or renounce your entitlements to the Rights RCULS in full or in part.

Any Rights RCULS which are not subscribed or validly subscribed shall be made available to other Entitled Shareholders and/or their renounee(s) and transferee(s) (if applicable) under the application for Excess Rights RCULS. Our Board intends to allocate the Excess Rights RCULS in the manner set out in Section 9.4 of this Abridged Prospectus.

In determining your entitlements to the Rights RCULS, any fractional entitlements under the Rights Issue of RCULS will be disregarded and will be included in the pool of Excess Rights RCULS to be made available for excess applications.

Any dealings in the Rights RCULS will be subject to the provisions of the SICDA and the Rules of Bursa Depository. Upon allotment and issue, the Rights RCULS will be credited directly into the respective CDS Account(s) of the successful applicants. No physical RCULS certificates will be issued but notices of allotment will be despatched to the successful applicants.

There is no restriction on our Company in respect of the creation or issuance of further securities ranking in priority or *pari passu* with the RCULS.

2.2 Basis and justification of arriving at the Conversion Price

The conversion price of the RCULS of RM1.05 for every 1 SSB Share has been determined by our Board after taking into consideration, amongst others, the following:

- (i) the prevailing market conditions on 5 December 2014, being the price-fixing date;
- (ii) the 5-day VWAMP of the SSB Shares up to and including 4 December 2014, being the last Market Day immediately preceding the price-fixing date, of RM1.32 ("**5-day VWAMP**"); and
- (iii) the par value of the SSB Shares of RM1.00 each.

The Conversion Price of RM1.05 represents a discount of RM0.27 or 20.45% to the 5-day VWAMP, and a discount of RM0.18 or 14.63% to the theoretical ex-rights price of RM1.23 (calculated based on the 5-day VWAMP).

The Conversion Price will provide all existing shareholders with an opportunity to further increase their equity participation in our Company at a discount to the prevailing market price of the SSB Shares.

The Conversion Price shall be subject to adjustments under certain circumstances in accordance with the provisions of the Trust Deed.

2.3 Ranking of the new SSB Shares arising from the conversion of the RCULS

The new SSB Shares to be issued pursuant to the conversion of the RCULS will, upon allotment and issue, rank *pari passu* in all respects with the then existing SSB Shares in issue except that they will not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is prior to the date of allotment of the new SSB Shares to be issued pursuant to the conversion of the RCULS.

2.4 Minimum subscription level and undertakings

The Rights Issue of RCULS will be undertaken on a minimum subscription basis, based on the Minimum Subscription Level. The Minimum Subscription Level was determined by our Board after taking into consideration, amongst others, the gearing position and the funding requirements of our Group as detailed in Section 3 of this Abridged Prospectus.

Our Company has procured the Entitlement Undertakings from the Undertaking Shareholders to meet the Minimum Subscription Level. The details of the Entitlement Undertakings are set out below:

Undertaking Shareholders	Direct shareholdings as at the LPD		Entitlements under the Rights Issue of RCULS		Entitlement Undertakings (RM '000)
	No. of SSB Shares ('000)	%	No. of Rights RCULS ('000)	%	
HLMG	173,879	41.46	86,940	41.46	86,940
Signaland	120,281	28.68	60,140	28.68	60,140
Total	294,160	70.14	147,080	70.14	147,080

Pursuant to the Entitlement Undertakings, HLMG has confirmed that it has sufficient financial resources to subscribe in full for its entitlement under the Rights Issue of RCULS, and to ensure or procure the subscription in full of the entitlement of Signaland under the Rights Issue of RCULS.

HLIB has verified the sufficiency of financial resources of the Undertaking Shareholders for the purpose of subscribing and/or procuring the subscription in full of their entitlements pursuant to the Rights Issue of RCULS.

In view of the Entitlement Undertakings, our Company will not enter into any underwriting arrangement for the remaining portion of 62,628,450 Rights RCULS representing 29.86% of the total Rights RCULS available for subscription.

In the event the Minimum Subscription Level is not achieved, our Company will not proceed with the implementation of the Rights Issue of RCULS. All subscription monies received pursuant to the Rights Issue of RCULS will be refunded without interest to the subscribing Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable). As at the LPD, our Company does not have any other alternative fund raising plan in the event that the Minimum Subscription Level is not achieved. Hence, in the event that the Rights Issue of RCULS is not implemented, our Company will continue to utilise our floating-rate bank borrowings and the proceeds to be utilised for working capital will continue to be funded via internally generated funds and/or other alternative source of external financing.

There will not be any immediate implications under the Code arising from the allotment and issuance of the RCULS pursuant to the Entitlement Undertakings as the RCULS do not carry voting rights in our Company until and unless they are converted into new SSB Shares. However, the conversion of all the RCULS held by the Undertaking Shareholders under the Minimum Scenario (as defined in Section 7 of this Abridged Prospectus and illustrated in Section 3 of Appendix III) may trigger the provisions of the Code.

In this regard, the Undertaking Shareholders have confirmed that they will observe and comply at all times with the provisions of the Code in relation to their Entitlement Undertakings as it is not their intention to undertake a general offer on our Company.

2.5 Details of other corporate exercises

As at the LPD, save for the Rights Issue of RCULS, our Company does not have any corporate exercise which has been approved but not yet completed.

3. UTILISATION OF PROCEEDS

The Rights Issue of RCULS is expected to raise gross proceeds of approximately RM147.1 million under the Minimum Subscription Level and up to RM209.7 million under the Maximum Subscription Level. The proceeds are expected to be utilised in the following manner:

	Minimum Subscription Level (RM '000)	Maximum Subscription Level (RM '000)	Estimated timeframe for utilisation of proceeds from completion of the Rights Issue of RCULS
Repayment of bank borrowings	74,000	105,000	Within 3 months
Working capital	72,180	103,809	Within 12 months
Estimated expenses in relation to the Corporate Exercises	900	900	Within 3 months
Total	147,080	209,709	

Details of the utilisation of proceeds are as follows:

(i) Repayment of bank borrowings

Our Group utilises floating-rate bank borrowings amounting to approximately RM883.9 million (including floating-rate term loans) based on our audited consolidated financial statements for the FYE 30 June 2014. As at the LPD, our floating-rate bank borrowings stood at RM1,027.2 million. Details of the floating-rate bank borrowings that our Group intends to repay are set out below:

Borrowings to be repaid	Outstanding as at the LPD (RM '000)	Minimum Subscription Level (RM '000)	Maximum Subscription Level (RM '000)
Term loan	301,317	35,000	35,000
Banker's acceptance	162,330	39,000	39,000
Trade facilities	102,414	-	31,000
Total		74,000	105,000

The part repayment of our Group's floating-rate bank borrowings of RM74.0 million under the Minimum Subscription Level and RM105.0 million under the Maximum Subscription Level is intended to rebalance our portfolio of bank borrowings with an appropriate mix of floating-rate bank borrowings and fixed-rate borrowings in line with our rationale for the Rights Issue of RCULS as set out in Section 4 of this Abridged Prospectus.

(ii) Working capital

The proceeds to be raised of approximately RM72.2 million under the Minimum Subscription Level and RM103.8 million under the Maximum Subscription Level will be used for the general working capital purposes of our Group, including but not limited to the payment of trade creditors, expansion of our Group's business as well as operating and administrative expenses. The exact proceeds to be utilised for each component of working capital has not been determined at this juncture as it would depend on the operating requirements of our Group at the time of utilisation. For illustration purposes only, the proceeds are anticipated to be utilised in the following manner:

	Minimum Subscription Level (RM '000)	Maximum Subscription Level (RM '000)
Payment of trade creditors	51,312	51,312
Expansion of our Group's business	9,837	41,466
Operating and administrative expenses	11,031	11,031
Total	72,180	103,809

The working capital for the expansion of our Group's business mainly relates to the purchase of equipment and machinery for our Group's new HRC plant (brief information on the HRC plant is set out in Section 5.3 of this Abridged Prospectus), while operating and administrative expenses include, amongst others, labour costs, electricity costs as well as other production costs.

(iii) Estimated expenses in relation to the Corporate Exercises

The estimated expenses relating to the Corporate Exercises comprise, amongst others, professional fees, fees payable to the relevant authorities, printing costs of the circular despatched to our shareholders and this Abridged Prospectus and other miscellaneous expenses. Any shortfall or surplus will be adjusted accordingly from/to the portion being earmarked for funding for working capital.

The actual gross proceeds to be raised from the Rights Issue of RCULS will depend on the number of Rights RCULS issued under the Rights Issue of RCULS.

Pending the utilisation of the proceeds from the Rights Issue of RCULS, the proceeds will be placed in interest-bearing deposit accounts or investments in money markets as our Board deems fit and in the best interest of our Company.

No proceeds will be raised from the conversion of RCULS into new SSB Shares as the conversion will not require any cash payment by the RCULS Holders and will be wholly satisfied through the surrender of RCULS with an aggregate nominal value equivalent to the Conversion Price for cancellation by our Company.

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4. RATIONALE FOR THE RIGHTS ISSUE OF RCULS

The Rights Issue of RCULS will enable our Company to raise funds for the repayment of bank borrowings and for general working capital purposes as set out in Section 3 of this Abridged Prospectus, which are expected to contribute positively to the future performance of our Group.

After due consideration of the various funding options available to our Company, our Board is of the opinion that the Rights Issue of RCULS is the most appropriate avenue of fund raising for our Company after taking into consideration, amongst others, the following factors:

- (i) the Rights Issue of RCULS will enable our Group to secure funding at a reasonable fixed funding cost for a period of 5 years, thereby reducing our Group's exposure to interest rate fluctuations, which in turn will enable our Group to manage our cashflow more efficiently;
- (ii) the issuance of Rights RCULS minimises the immediate dilution effect on the EPS of our Group, which would otherwise arise from a full equity issue, as the Rights RCULS are expected to be converted over a period of time; and
- (iii) the Rights Issue of RCULS will provide the shareholders of our Company with an opportunity to further increase their equity participation in our Company by converting the RCULS at the Conversion Price.

5. INDUSTRY OVERVIEW AND FUTURE PROSPECTS

5.1 The Malaysian economy

The Malaysian economy expanded further by 5.6% during the third quarter of 2014 (second quarter of 2014: 6.5%) supported by domestic activities amid a moderation in the external sector. On the supply side, the services sector remained as the key driver of growth, sustaining its pace at 6.1% (second quarter of 2014: 6.2%) spurred by the wholesale and retail, communication and business services subsectors.

The construction sector remained resilient with a strong growth of 9.6% in the third quarter of 2014 (second quarter of 2014: 9.9%). Growth was spearheaded by residential projects, which increased 18.6% (second quarter of 2014: 15.5%), mainly in the Klang Valley, Pulau Pinang and Johor. Non-residential building activity rose 7.9% (second quarter of 2014: 11.7%), supported by the construction of storage facilities and commercial buildings. The civil engineering subsector increased 4.2% (second quarter of 2014: 3.9%) supported by the ongoing implementation of infrastructure projects. During the quarter the value of construction works expanded 10.7% to RM25.3 billion with 9,835 construction projects registered. The highest share was contributed by the non-residential building subsector (34.5%), followed by the civil engineering (31%), residential building (30%) and special trade (4.5%) subsectors. Of the total projects, public sector works contributed 30% to the total value of construction work.

Value-added of the manufacturing sector moderated to 5.3% during the third quarter of 2014 (second quarter of 2014: 7.3%) amid slower output of both export-oriented and domestic-oriented industries. Manufacturing output grew 5.1% (second quarter of 2014: 7.4%) with most subsectors recording positive growth. Sales of manufacturing products expanded 3.5% to RM166 billion during the period (second quarter of 2014: 5.7%; RM159.7 billion). The capacity utilisation rate of the sector was slightly lower at 76.2% (second quarter of 2014: 80.4%), in line with the moderation in manufacturing activity. The construction-related subsector increased 5.7% (second quarter of 2014: 4.6%) in line with robust construction activity. This saw the production of non-metallic mineral, fabricated and basic metals increasing 9.1%, 3.2% and 4.8%, respectively (second quarter of 2014: 7.6%; 0.9%; 5.6%).

The Malaysian economy is expected to remain on a steady growth trajectory in the fourth quarter of 2014. Private sector spending will remain the key driver of growth, with private investment continuing to expand steadily. Federal Government development expenditure is expected to pick up amid a rebound in non-financial public enterprises' investment projects in utilities, oil and gas as well as infrastructure. On the supply side, all key sectors are envisaged to register positive growth. The services and manufacturing sectors will continue to lead growth, benefiting from resilient domestic private sector spending despite a moderating external sector.

(Source: Quarterly Update on the Malaysian Economy – Third Quarter 2014, Ministry of Finance, Malaysia)

5.2 Outlook of the steel industry

Due to the increasing surplus capacity in China, Chinese steel mills have reportedly reduced prices domestically as well as for the international markets. As a result, many Chinese and other steel mills around the world, including steel-producing companies in Malaysia, have reported losses in the last 2 years. The dumping of cheap steel has triggered trade actions in several Association of Southeast Asian Nations (“ASEAN”) countries as well as countries around the world. The Chinese Central Government also recognised the need to address the surplus capacity and related environmental issues, and has started to introduce measures such as tightening credit as well as imposing stricter environmental control. Nonetheless, our management expects that the full impact of this attempted restructuring will only bear fruit in the medium term.

5.3 Prospects of our Group

In the opinion of our management, steel demand in Malaysia is forecasted to increase in line with the continued rollout of infrastructure projects in the near term. Once trade remedies that have been approved by the Malaysian Government take hold, the imports of long steel products (including but not limited to steel bars, wire rods, PC strands, pipes and other wire products) and flat steel products (including HRC) should be reduced and domestic prices could potentially rise to a more reasonable level.

As at the LPD, our Group's new HRC plant has commenced hot commissioning. Our HRC plant is located on a 54.44-acre land in Prai, Penang and has a rated annual production capacity of 600,000 metric tonnes of HRC per annum.

Together with our existing factories, our new HRC plant should enable our Group to fully utilise our steelmaking capacity, capture some market share from our competitors and provide downstream customers in the market with an alternative domestic source of HRC supply. With full utilisation in our Group's steelmaking plants, the addition of a major third product (i.e. HRC in addition to our existing bar and wire rod steel products) and barring unforeseen circumstances, our Group's cost and profit structure is expected to improve, which should further enhance our Group's financial performance in the near future.

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6. RISK FACTORS

You should carefully consider, in addition to other information contained in this Abridged Prospectus, the following key risk factors before subscribing for or investing in the Rights Issue of RCULS.

6.1 Risks relating to our business

6.1.1 Competition and availability of substitutes

Our steel manufacturing, sale and trading business operates in a market characterised by strong competition resulting from the number of established market participants, potential new entrants as well as the volume of imported steel products. In particular, the influx of steel products from China had significantly increased the supply of steel products in Malaysia, which has resulted in depressed margins for local steel producers in Malaysia. Despite the trade actions implemented by the Malaysian Government, imports have largely circumvented these trade actions and the volume of imported steel products remains high.

Such competition, whether from local steel producers or imported steel products, may result in a loss of market share, reduction in the pricing of our steel products, or increase in expenditures, any one of which could have a material impact on our business.

Our Group had constructed a new HRC plant in order to expand our range of existing steel products to include HRC. The diversification into this new product is in line with our Group's efforts to enter into the flat steel product market and also provide downstream steel producers with an alternative domestic source of HRC supply. While our Group will endeavour to introduce our HRC products into the market and build our market share, there can be no assurance in terms of the timing of our HRC division achieving profitability and contributing to the overall financial results of our Group.

6.1.2 Plant performance risk and risk of equipment failure

As at the LPD, our Group's HRC plant has already commenced hot commissioning. However, as our HRC plant is a newly constructed facility, the long-term reliability and efficiency of the plant has yet to be proven. The plant's reliability and efficiency may have a significant impact on the profitability of our operations. Notwithstanding the foregoing, our management and production teams had carefully evaluated the design of our HRC plant in consultation with our plant and equipment supplier during the planning and implementation stages to reduce these technical risks. In addition, our Group has transferred some of our existing operations and maintenance personnel to our HRC plant. Their operating experience and technical knowledge are expected to enable our Group to reduce the risk of unforeseen machinery and/or equipment breakdown at our HRC plant.

Our manufacturing of bar, wire rod, mesh, PC strands and other wire products is conducted at various manufacturing plants mainly in the states of Penang, Selangor and Johor. Our manufacturing processes are dependent upon critical equipment including, amongst others, steel making plants, as well as electrical equipment such as transformers. Such equipment may be rendered inoperable or damaged due to accidents or incidents beyond our control. In addition, our facilities may also be subject to the risk of catastrophic loss due to *force majeure* events such as fires or floods. Any prolonged suspension of our production or damage to our facilities arising from unexpected failures, catastrophic events or similar events may affect our production schedules resulting in protracted business interruption periods as we may need time to restart our manufacturing processes at alternative manufacturing facilities, if available. This may have a material impact on our Group's financial performance.

While we have taken the necessary measures to ensure that all material assets are adequately insured in accordance with standard industry practice, there can be no assurance that such coverage would be adequate for the replacement cost of the assets or any loss of profits. Any losses or liabilities arising from the events mentioned above that are not covered by our standard insurance plan may have a material impact on our business, financial condition and results of our operations.

6.1.3 Dependence on domestic construction industry

Our Group's existing products, namely bar, wire rod, mesh, PC strands and other wire products are primarily used in the construction industry. HRC, which is expected to become the third major product manufactured by our Group, is utilised by downstream steel producers mainly for the manufacturing of products, such as steel pipes, for the construction industry.

Accordingly, the demand for our steel products is, to some extent, dependent on the domestic construction industry, which is sensitive to the overall economic conditions in Malaysia and is driven by factors beyond our control. A decline in economic conditions may result in delays and cancellations of construction projects, which may have a cascading effect on the demand of our steel products.

To mitigate our Group's dependence on the domestic construction industry, our Group exports steel products mainly to ASEAN countries. For the past 2 FYEs 30 June 2013 and 2014, 11.8% and 10.1% of our Group's total revenue was derived from export markets respectively.

6.1.4 Risk of increase in the prices of electricity, raw materials and other operating costs

Our Group consumes large quantities of electricity as our primary energy source. Beginning 1 January 2014, the average electricity tariff for industrial users was increased by approximately 17%, which has exerted cost pressure on the industry. However, our Group continuously undertakes energy saving and efficiency programmes to help mitigate some of these increases, such as investments in new equipment and optimisations to our manufacturing processes to improve the heating efficiency of the melting of steel as well as other initiatives. Notwithstanding the above, there is a risk that the price of electricity supplied to end-users in Malaysia (including our Group) may further increase in line with any possible increase in price of crude oil and/or natural gas in the future.

We are dependent solely on the national power supplier, Tenaga Nasional Berhad, to meet our daily electricity needs for our steel production. While there has been no material interruption to our electricity supply to date, there can be no assurance that the supply of electricity to our production facilities will not be subject to interruptions that may affect our operating results in the future.

In addition to the above, our Group uses scrap metal as the main feedstock for the production of our steel products. The price of scrap metal is largely dependent on factors affecting its supply and demand, which include, amongst others, the market condition for steel products, level of inventory as well as the availability and cost of substitutes (both locally and internationally). Accordingly, any increase in the price of scrap metal may have an impact on our operating results.

Our Group's operations are also exposed to increases in labour, overheads and other costs that may result in lower margins, which may culminate in a need to increase the prices of our steel products. Any material increase in the aforesaid costs may have an impact on our profit margins as there may be a delay in passing on these additional costs by increasing the prices of our products as the prices are primarily market driven. While our Group had managed to partially pass on cost increases for the past 3 FYEs 30 June 2012 to 2014, there can be no assurance that we can continue to pass on the effects of cost increases, whether fully or partially, in view of the highly competitive market.

6.1.5 Dependence on operating licences

Our Group has been granted various licences, permits and certificates from authorities including, amongst others, manufacturing licences issued by the Ministry of International Trade and Industry, permits for controlled goods issued by the Ministry of Domestic Trade, Co-operatives and Consumerism and certificates of fitness for equipment issued by the Department of Occupational Safety and Health. These licences, permits and certificates are necessary for our Group to conduct our day-to-day operations, some of which are subject to periodic renewals.

Any revocation or non-renewal of our licences, permits and certificates from authorities or failure by us to obtain new licenses, permits and certificates from authorities (if so required) may have a material impact on our Group's ability to continue our operations and hence may affect our profitability. To mitigate the risk of revocation or non-renewal, our Group will ensure continued compliance with the requirements of the licences, certificates and permits at all times.

6.1.6 Dependence on key management and personnel

The performance and success of our Group depend to a significant extent on the skills, abilities, experience and competencies of our directors and key management personnel. There can be no assurance that the loss of any of these persons without suitable and timely replacement would not affect the operations and financial performance of our business, financial conditions, results of operations and prospects.

6.1.7 Interest rate risk

As at the LPD, the total borrowings of our Group stood at approximately RM1,159.0 million, of which RM1,027.2 million is comprised of floating-rate bank borrowings. Significant fluctuations in interest rates could impact the financial performance of our Group. Any increase in the interest rates will increase the burden of our Group with respect to interest payments of the borrowings, depending on the total outstanding borrowings at that point in time.

In this regard, part of the proceeds to be raised under the Rights Issue of RCULS amounting to RM74.0 million under the Minimum Scenario and RM105.0 million under the Maximum Scenario is intended to be utilised to repay our Group's floating-rate bank borrowings. The replacement of part of our Group's floating-rate bank borrowings with the RCULS should enable our Group to reduce our exposure to fluctuations in interest rates.

Notwithstanding the above, our Board is of the opinion that, after taking into consideration the cash to be generated by our Group, credit facilities available as well as the net proceeds from the Rights Issue of RCULS, our Group will have sufficient working capital for our current and immediate requirements and are expected to be more than adequate to meet the repayment terms of our outstanding banking facilities and term loans. However, there can be no assurance that the performance of our Group will not be materially affected in the event of any increase in the interest rates and/or financing charges.

6.1.8 Currency risk

Our Group is exposed to foreign currency risk on sales and purchases that are denominated in USD, SGD and the Euro. As such, any fluctuations in foreign exchange rates may have an impact on our Group's profitability.

To mitigate our Group's exposure to currency risk, our management continuously monitors all foreign currency transactions entered into by our Group. Material foreign currency transactions are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case-by-case basis. For the past 2 FYEs 30 June 2013 and 2014, our Group has not encountered any significant foreign exchange fluctuations that had materially affected our Group's business and financial position.

6.1.9 Political, economic and regulatory conditions

Our business operations are subject to the jurisdiction of various governmental agencies or ministries. Any adverse development in the political, economic and regulatory conditions in Malaysia as well as in countries where our Group sells our products to could materially and adversely affect the financial and operational conditions and the overall profitability of our Group. Political and economic uncertainties include but are not limited to changes in general economic and business conditions, government legislations and policies affecting our industry, inflation, political or social development, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and currency exchange controls.

While we will continue to take precautionary measures such as exporting our products to new overseas markets, there can be no assurance that any material change in political, economic and regulatory conditions where our Group sells our products to will not materially affect our operations and financial performance.

6.2 Risks relating to the Rights Issue of RCULS

6.2.1 Credit risk

The RCULS bear a fixed coupon rate of 5% per annum calculated on the outstanding nominal value of the RCULS, payable in arrears on a semi-annual basis. However, there is no assurance that our Group will be able to maintain our financial performance and generate sufficient revenue and cash flow, which may affect our Company's ability to service the fixed coupon payments. In this respect, our Company will maintain prudent cash flow management and monitor our cash flow position to fulfill our obligation to service the coupon payments in order to mitigate the credit risk of the RCULS and minimise the risk of default.

However, upon the occurrence of an event of default pursuant to the Trust Deed, the outstanding nominal value of the RCULS and the coupon will immediately be due and payable by our Company to the RCULS Holders. In such an instance, there is no assurance that the financial performance of our Company would be able to sustain the financial condition of our Company at a satisfactory level to meet such obligations.

6.2.2 No prior market for the RCULS

The Rights Issue of RCULS involves an issuance of a new class of securities for which there is currently no trading market. No assurance can be given that an active market for the Rights RCULS will develop upon or subsequent to the listing of and quotation for the Rights RCULS on the Main Market of Bursa Securities or, if developed, that such a market will be sustainable or adequately liquid during the tenure of the Rights RCULS.

The market price of the Rights RCULS, like other securities traded on Bursa Securities, is subject to fluctuations and will be influenced by, amongst others, prevailing market sentiments, volatility of the stock market, interest rate movements, trades of substantial amount of the Rights RCULS on Bursa Securities in the future, corporate developments and future profitability of our Group, as well as the future prospects of the industry in which our Group operates.

There is also no assurance that the market price of the Rights RCULS will trade at or above the issue price of RM1.00 subsequent to their listing. In addition, there is no assurance that the market price of the SSB Shares will remain at or above the Conversion Price of the Rights RCULS during the tenure of the Rights RCULS.

6.2.3 Delay in or abortion of the Rights Issue of RCULS

There is a risk that the Rights Issue of RCULS may be delayed or aborted on the occurrence of *force majeure* events or material adverse change of events/circumstances which are beyond the control of our Company arising prior to or during the implementation of the Rights Issue of RCULS.

We will exercise our best endeavours to ensure that the Rights Issue of RCULS is successfully implemented. In the event the Rights Issue of RCULS is aborted, all the subscription/application monies for the Rights Issue of RCULS will be refunded without interest to the subscribing Entitled Shareholders and/or their renouncee(s) and/or transferee(s) (if applicable).

6.3 Forward-looking statements

This Abridged Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Abridged Prospectus including, amongst others, those regarding our financial position, business strategies, plans and objectives of our management for our future operations, are forward-looking statements. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". However, you should note that these words are not the exclusive means of identifying forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our Group's actual results, performance or achievements to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, *inter-alia*, general economic and business conditions, competition, the impact of new laws and regulations affecting us and the industry we operate in, changes in interest rates and changes in foreign exchange rates.

In light of these uncertainties, the inclusion of such forward-looking statements in this Abridged Prospectus should not be regarded as a representation or warranty by us or our Principal Adviser that such plans and objectives will be achieved.

7. EFFECTS OF THE RIGHTS ISSUE OF RCULS

The proforma effects of the Rights Issue of RCULS are illustrated in the following scenarios:

Minimum Scenario : Based on the assumption that:

- (i) no new SSB Shares are issued pursuant to the ESS prior to the Entitlement Date;
- (ii) the Rights Issue of RCULS will be implemented under the Minimum Subscription Level, whereby only the Undertaking Shareholders will subscribe for the Rights RCULS based on the their respective Entitlement Undertakings; and
- (iii) all RCULS are:
 - (a) fully redeemed upon maturity of the RCULS; or
 - (b) fully converted into new SSB Shares upon the maturity of the RCULS at the Conversion Price of RM1.05.

Maximum Scenario : Based on the assumption that:

- (i) no new SSB Shares are issued pursuant to the ESS prior to the Entitlement Date;
- (ii) the Rights Issue of RCULS will be implemented under Maximum Subscription Level, whereby the Rights RCULS will be fully subscribed; and
- (iii) all RCULS are:
 - (a) fully redeemed upon maturity of the RCULS; or
 - (b) fully converted into new SSB Shares upon the maturity of the RCULS at the Conversion Price of RM1.05.

7.1 Issued and paid-up share capital

For illustration purposes, assuming full conversion of the Rights RCULS into new SSB Shares under the respective scenarios below, the proforma effects of the Rights Issue of RCULS on the issued and paid-up share capital of our Company are shown below:

	Minimum Scenario		Maximum Scenario	
	No. of SSB Shares ('000)	RM '000	No. of SSB Shares ('000)	RM '000
Issued and paid-up share capital as at the LPD	419,417	419,417	419,417	419,417
Issuance of new SSB Shares pursuant to the conversion of Rights RCULS ⁽¹⁾	140,076	140,076	199,722	199,722
Enlarged issued and paid-up share capital	559,493	559,493	619,139	619,139

Note:

- (1) No new SSB Shares will be issued in the event the Rights RCULS are fully redeemed upon the maturity of the Rights RCULS.

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7.2 NA per share and gearing

For illustration purposes, the proforma effects of the Rights Issue of RCULS on the NA and gearing ratio of our Group, based on our audited consolidated balance sheet as at 30 June 2014, are shown below:

Minimum Scenario

	Proforma I		Proforma II(A)		Proforma II(B)	
	Audited as at 30 June 2014 RM '000	After the Rights Issue of RCULS RM '000	After Proforma I and redemption of the RCULS RM '000	After Proforma I and assuming full conversion of the RCULS RM '000	After Proforma I and assuming full conversion of the RCULS RM '000	After Proforma I and assuming full conversion of the RCULS RM '000
Share capital	419,417	419,417	419,417	419,417	419,417	559,493
Reserves:						
Share premium	35,852	35,852	35,852	35,852	35,852	35,852
Merger reserve	30,000	30,000	30,000	30,000	30,000	30,000
Capital redemption reserve	50	50	50	50	50	50
Fair value reserve	399	399	399	399	399	399
Foreign currency translation reserve	3,446	3,446	3,446	3,446	3,446	3,446
RCULS – equity component	-	(1)121,698	-	-	-	-
Retained earnings	375,676	(2)375,477	338,006	338,006	(3)345,010	(3)345,010
NA attributable to owners of our Company	864,840	986,339	827,170	827,170	974,250	974,250
No. of SSB Shares in issue ('000)	419,417	419,417	419,417	419,417	419,417	559,493
NA per SSB Share (RM)	2.06	2.35	1.97	1.97	1.74	1.74
Total borrowings (RM '000)	1,015,709	(4)974,184	(5)1,088,789	(5)1,088,789	(6)941,709	(6)941,709
Gearing ratio (times)	1.17	0.99	1.32	1.32	0.97	0.97

Maximum Scenario

	Audited as at 30 June 2014 RM '000	Proforma I After the Rights Issue of RCULS RM '000	Proforma II(A) After Proforma I and assuming full redemption of the RCULS RM '000	Proforma II(B) After Proforma I and assuming full conversion of the RCULS RM '000
Share capital	419,417	419,417	419,417	619,139
Reserves:				
Share premium	35,852	35,852	35,852	35,852
Merger reserve	30,000	30,000	30,000	30,000
Capital redemption reserve	50	50	50	50
Fair value reserve	399	399	399	399
Foreign currency translation reserve	3,446	3,446	3,446	3,446
RCULS – equity component	-	(1)173,818	-	-
Retained earnings	375,676	(2)375,477	322,349	(3)332,336
NA attributable to owners of our Company	864,840	1,038,459	811,513	1,021,222
No. of SSB Shares in issue ('000)	419,417	419,417	419,417	619,139
NA per SSB Share (RM)	2.06	2.48	1.93	1.65
Total borrowings (RM '000)	1,015,709	(4)957,012	(5)1,120,418	(6)910,709
Gearing ratio (times)	1.17	0.92	1.38	0.89

Notes:

- (1) The estimated equity component arising from the Rights Issue of RCULS is determined by deducting the fair value of the liability component of the RCULS and the estimated expenses attributable to the equity component of the RCULS from the gross proceeds raised through the Rights Issue of RCULS. The fair value of the liability component of the RCULS is arrived at by discounting the coupon payments over the tenure of 5 years at a discount rate of 5%, being the cost of debt of our Company. The resulting deferred tax asset arising on the initial recognition of the liability component of this RCULS is recognised based on the Malaysian statutory tax rate of 24%.
- (2) Less the estimated expenses attributable to the liability component of the RCULS of approximately RM199,000.

- (3) *After deducting the excess of nominal value over the carrying value of the RCULS upon conversion.*
- (4) *After deducting the repayment of floating-rate bank borrowings amounting to RM74.0 million and RM105.0 million under the Minimum Scenario and Maximum Scenario respectively and including the liability component of the RCULS amounting to RM32.5 million and RM46.3 million respectively.*
- (5) *Assuming the redemption of the RCULS is funded via additional non-current borrowings.*
- (6) *After deducting the liability component of the RCULS pursuant to the conversion of the RCULS.*

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7.3 Earnings and EPS

Part of the proceeds to be raised from the Rights Issue of RCULS will be utilised to repay our Group's floating-rate bank borrowings, which is expected to be repaid within 3 months from the completion date of the Rights Issue of RCULS. This will enable our Group to secure funding at a reasonable fixed funding cost for a period of 5 years thereby reducing our Group's exposure to interest rate fluctuations, which in turn will enable our Group to manage our cashflow more efficiently. Additionally, part of the proceeds from the Rights Issue of RCULS is intended to be utilised for working capital purposes which may contribute positively to the earnings of our Group for the FYE 30 June 2015 as well as the ensuing financial years.

The Rights Issue of RCULS may result in dilution of the EPS of our Group as a result of the increase in the number of SSB Shares in issue as and when the RCULS are converted into new SSB Shares. Nevertheless, the dilution impact on the EPS of our Group will also depend on the level of returns generated from the utilisation of proceeds as set out in Section 3 of this Abridged Prospectus.

8. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

8.1 Working capital

Our Board is of the opinion that after taking into consideration the amount to be raised from the Rights Issue of RCULS, funds generated from our operations and banking facilities available, our Group will have sufficient working capital for a period of 12 months from the date of this Abridged Prospectus.

8.2 Borrowings

As at the LPD, our Group had total outstanding borrowings of approximately RM1,159.0 million, all of which are interest-bearing, comprising the following:

	RM '000
Fixed-rate:	
• Short-term borrowings (payable within 12 months)	36,608
• Long-term borrowings (payable after 12 months)	95,179
Floating-rate:	
• Short-term borrowings (payable within 12 months)	697,416
• Long-term borrowings (payable after 12 months)	329,762
Total	1,158,965

As at the LPD, our Group does not have any foreign currency borrowings.

There has not been any default on payments of either interest and/or principal sums by our Group in respect of any borrowings throughout the past 1 financial year and for the subsequent financial period up to the LPD.

8.3 Contingent liabilities

As at the LPD, there are no contingent liabilities incurred or known to be incurred by our Group which, upon being enforced, may have a material adverse impact on the financial results or position of our Group.

8.4 Material commitments

Save as disclosed below, as at the LPD, there are no other material commitments incurred or known to be incurred by our Group which, upon being enforced, may have a material adverse impact on the financial results or position of our Group:

	<u>RM '000</u>
Property, plant and equipment:	
• Contracted but not provided for	10,813
• Approved but not contracted for	19,999
Total	<u>30,812</u>

The material commitments in respect of property, plant and equipment are expected to be funded through bank borrowings and/or internally generated funds.

9. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION

FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS RCULS PROVISIONALLY ALLOTTED TO YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) AND THE PROCEDURES TO BE FOLLOWED BY YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) SHOULD YOU AND/OR YOUR RENOUNCEE(S) AND/OR TRANSFEREE(S) (IF APPLICABLE) WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT(S) AS WELL AS INSTRUCTIONS FOR APPLICATION FOR EXCESS RIGHTS RCULS ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF.

YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE DOCUMENTS CAREFULLY.

UNLESS OTHERWISE STATED, ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL RIGHTS RCULS EITHER IN FULL OR IN PART MUST BE MADE ON THE RSF ISSUED TOGETHER WITH THIS ABRIDGED PROSPECTUS AND MUST BE COMPLETED IN ACCORDANCE WITH THE NOTES AND INSTRUCTIONS CONTAINED IN THE DOCUMENTS. ACCEPTANCES WHICH DO NOT STRICTLY CONFORM TO THE TERMS AND CONDITIONS AS WELL AS NOTES AND INSTRUCTIONS IN THE DOCUMENTS OR WHICH ARE ILLEGIBLE MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD.

9.1 General

The Provisional Rights RCULS are prescribed securities pursuant to Section 14(5) of the SICDA and therefore, all dealings in the Provisional Rights RCULS will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your renounee(s) and/or transferee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making applications to subscribe for the Rights RCULS.

If you are an Entitled Shareholder, you will find enclosed with this Abridged Prospectus the NPA notifying you of the crediting of such Provisional Rights RCULS into your CDS Account and the RSF to enable you to subscribe for such Rights RCULS that have been provisionally allotted to you, as well as to apply for Excess Rights RCULS, if you choose to do so.

9.2 Procedures for acceptance and payment

If you wish to accept your entitlement to the Provisional Rights RCULS, either in full or in part, please complete Parts I and III of the RSF in accordance with the notes and instructions contained in the RSF. Send each completed and signed RSF with the relevant payments in the reply envelope enclosed with this Abridged Prospectus, by the mode of despatch of your choice (at your own risk) to our Share Registrar at the following address:

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

Tel. no.: +603 2164 1818
Fax no.: +603 2164 3703

so as to arrive not later than 5.00 p.m. on 19 January 2015 (or such later date and time as our Board in its absolute discretion may decide and announce not less than 2 Market Days before the stipulated date and time).

If you have lost, misplaced or for any other reasons require another copy of the RSF, you may obtain additional copies from one of the following:

- (i) all Malaysian stockbroking companies;
- (ii) our registered office at:
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur;
- (iii) our Share Registrar at:
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur; or
- (iv) Bursa Securities' website at the following address:
www.bursamalaysia.com

1 RSF can only be used for acceptance of the Provisional Rights RCULS standing to the credit in 1 CDS Account. Separate RSFs must be used for the acceptance of Provisional Rights RCULS standing to the credit in more than 1 CDS Account. The Rights RCULS accepted by you will be credited into the CDS Account(s) where the Provisional Rights RCULS are credited.

The minimum number of Provisional Rights RCULS that can be accepted is 1 Rights RCULS. However, you should note that a trading board lot comprises 100 RCULS.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights RCULS accepted in the form of Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia and made payable to "**SSB RIGHTS RCULS ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address in block letters and your CDS Account number. The payment must be made for the exact amount. Any application accompanied by excess or insufficient payment or payment other than in the manner prescribed in this Abridged Prospectus may or may not be accepted at the absolute discretion of our Board.

If acceptance and payment for the Provisional Rights RCULS allotted to you (whether in full or in part) are not received by our Share Registrar by 5.00 p.m. on 19 January 2015 or such later date and time as our Board in its absolute discretion may decide and announce not less than 2 Market Days before the stipulated date and time, such provisional allotment to you will be deemed to have been declined and will be cancelled. Our Board will then have the right to allot such Rights RCULS not taken up to applicants who have applied for Excess Rights RCULS in the manner as set out in Section 9.4 of this Abridged Prospectus.

You should note that all RSFs lodged with our Share Registrar will be irrevocable and cannot be subsequently withdrawn.

Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. No acknowledgement of receipt of the RSF for the Rights RCULS application or the application monies will be issued by our Company or our Share Registrar.

Applications for Rights RCULS shall not be deemed to have been accepted by reason of the remittance being presented for payment. Our Board reserves the right not to accept any Rights RCULS application, in full or in part, without assigning any reason.

Notification on the outcome of your application for the Rights RCULS will be despatched to you by ordinary post to the address as shown on Bursa Depository's record at your own risk within the timelines as follows:

- (i) successful application – a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Rights RCULS; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Rights RCULS.

9.3 Procedures for sale or transfer of Provisional Rights RCULS

The Provisional Rights RCULS are renounceable securities and will be traded on Bursa Securities commencing from 22 December 2014 up to and including 9 January 2015. As such, you may sell/transfer all or part of your entitlements under the Rights Issue of RCULS during such period.

As the Provisional Rights RCULS are prescribed securities, should you wish to sell or transfer all or part of your entitlement to the Provisional Rights RCULS to one or more persons, you may do so through your stockbrokers without first having to request for a split of the Provisional Rights RCULS standing to the credit in your CDS Account.

You may sell such entitlement on Bursa Securities or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository, both for the period up to the last day and time for the sale or transfer of the Provisional Rights RCULS (in accordance with the Rules of Bursa Depository).

You are advised to read and adhere to the RSF and the notes and instructions contained in the RSF. In selling or transferring all or part of your Provisional Rights RCULS, you need not deliver any document (including the RSF) to your stockbrokers in respect of the portion of the Provisional Rights RCULS sold or transferred. However, you are advised to ensure that you must have sufficient number of Provisional Rights RCULS standing to the credit in your CDS Account before selling or transferring.

If you have sold or transferred only part of the Provisional Rights RCULS, you may still accept the balance of the Provisional Rights RCULS by completing Parts I and III of the RSF. Please refer to Section 9.2 of this Abridged Prospectus for the procedures for acceptance and payment.

9.4 Procedures for application for Excess Rights RCULS

If you wish to apply for additional Rights RCULS in excess of your entitlement, you may do so by completing Part II of the RSF (in addition to Parts I and III) in accordance with the notes and instructions contained in the RSF. Send each completed and signed RSF with a **separate remittance** for the full amount payable on the Excess Rights RCULS applied for in the reply envelope enclosed with this Abridged Prospectus by the mode of despatch of your choice (at your own risk) to our Share Registrar so as to arrive not later than 5.00 p.m. on 19 January 2015 (or such later date and time as our Board in its absolute discretion may decide and announce not less than 2 Market Days before the stipulated date and time).

The minimum number of Excess Rights RCULS that can be applied for is 1 Rights RCULS. However, you should note that a trading board lot comprises 100 RCULS.

Payment for the Excess Rights RCULS applied for should be made in the same manner described in Section 9.2 of this Abridged Prospectus except that the Banker's Draft or Cashier's Order or Money Order or Postal Order drawn on a bank or post office in Malaysia should be made payable to "**SSB EXCESS RIGHTS RCULS ACCOUNT**", crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address in block letters and your CDS Account number. The payment must be made for the exact amount. Any application accompanied by excess or insufficient payment or payment other than in the manner prescribed in this Abridged Prospectus may or may not be accepted at the absolute discretion of our Board.

It is the intention of our Board to allocate the Excess Rights RCULS, if any, in a fair and equitable manner to our Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who have applied for Excess Rights RCULS in the following priority:

- (i) firstly, to minimise the incidence of odd lots; and
- (ii) secondly, for allocation to our Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable) who have applied for Excess Rights RCULS on a pro-rata basis and in board lots, calculated based on the quantum of their respective Excess Rights RCULS application.

Nevertheless, our Board reserves the right to allot any Excess Rights RCULS applied for in such manner as it deems fit or expedient and in the best interest of our Company.

You should note that all RSFs lodged with our Share Registrar will be irrevocable and cannot be subsequently withdrawn.

Proof of time of postage shall not constitute proof of time of receipt by our Share Registrar. No acknowledgement of receipt of the RSF for the Excess Rights RCULS application or the application monies will be issued by our Company or our Share Registrar.

Applications for Excess Rights RCULS shall not be deemed to have been accepted by reason of the remittance being presented for payment. Our Board reserves the right not to accept any Excess Rights RCULS application, in full or in part, without assigning any reason.

Notification on the outcome of your application for the Excess Rights RCULS will be despatched to you by ordinary post to the address as shown on Bursa Depository's record at your own risk within the timelines as follows:

- (i) successful application – a notice of allotment will be despatched within 8 Market Days from the last day for application and payment for the Excess Rights RCULS; or
- (ii) unsuccessful/partially successful application – the full amount or the surplus application monies, as the case may be, will be refunded without interest within 15 Market Days from the last day for application and payment for the Excess Rights RCULS.

9.5 Procedures to be followed by renounees and transferees

If you are a renounee or transferee or if you had purchased any Provisional Rights RCULS, you may obtain a copy of this Abridged Prospectus and/or the accompanying RSF to enable you to accept the Rights RCULS, from one of the following:

- (i) all Malaysian stockbroking companies;
- (ii) our registered office at:
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur;
- (iii) our Share Registrar at:
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur; or
- (iv) Bursa Securities' website at the following address:
www.bursamalaysia.com

As a renounee or transferee, the procedures for acceptance, payment, selling or transferring of the Provisional Rights RCULS are the same as that which are applicable to our Entitled Shareholders as described in Sections 9.1 to 9.3 of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed.

Renounees and transferees are advised to read and adhere to the RSF and the notes and instructions contained in the RSF.

9.6 CDS Accounts

Bursa Securities has prescribed the RCULS listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights RCULS are prescribed securities and as such, all dealings in the Rights RCULS will be by book entries through CDS Accounts and will be subject to the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights RCULS.

Your subscription for the Rights RCULS shall mean consent to receiving such Rights RCULS as deposited securities which will be credited directly into your CDS Account. No physical RCULS certificates will be issued.

All Excess Rights RCULS allotted shall be credited directly into the CDS Account of successful applicants.

9.7 Foreign addressed shareholders and/or shareholders subject to laws of foreign jurisdictions

The Documents have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any jurisdiction other than Malaysia.

The Documents are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue of RCULS will not be made or offered or deemed to be made or offered for purchase or subscription, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue of RCULS to which this Abridged Prospectus relates is only available to persons receiving the Documents electronically or otherwise within Malaysia.

As a result, the Documents have not been (and will not be) sent to our Foreign Addressed Shareholders. However, Foreign Addressed Shareholders may collect the Documents from our Share Registrar, Hong Leong Share Registration Services Sdn Bhd at Level 5, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur, who will be entitled to request for such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting the Documents.

If you are a Foreign Addressed Shareholder, our Company will not make or be bound to make any enquiry as to whether you have a registered address in Malaysia as stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. Our Company will assume that the Rights Issue of RCULS and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue of RCULS and would not be in breach of the laws of any jurisdiction. Our Company will further assume that you have accepted the Rights Issue of RCULS in Malaysia and will at all applicable times be subject to the laws of Malaysia.

As an Entitled Shareholder, you and/or your renounee(s) and/or transferee(s) (if applicable) may only accept or renounce or transfer (as the case may be) all or any of the Rights RCULS to the extent that it would be lawful to do so, and our directors and officers of our Company and HLIB (collectively, "**Parties**"), would not in connection with the Rights Issue of RCULS, be in breach of the laws of any foreign country or jurisdiction to which you and/or your renounee(s) and/or transferee(s) (if applicable) is or might be subject to. You and/or your renounee(s) and/or transferee(s) (if applicable) shall be solely responsible to seek advice from your legal and/or professional advisers as to the laws of the countries or jurisdictions to which you are or might be subject to. The Parties shall not accept any responsibility or liability whatsoever to any party in the event that any acceptance and/or renunciation and/or transfer made by any Entitled Shareholder and/or his renounee(s) and/or transferee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction.

In addition, each person, by accepting the delivery of the Documents, accepting any Provisional Rights RCULS by signing any of the forms accompanying the Documents or subscribing for or acquiring any Rights RCULS, will be deemed to have represented, warranted, acknowledged and declared in favour of (and which representations, warranties, acknowledgements and declarations will be relied upon by) the Parties as follows:

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue of RCULS, be in breach of the laws of any jurisdiction to which you and/or your renounee(s) and/or transferee(s) (if applicable) are or might be subject to;

- (ii) you and/or your renounee(s) and/or transferee(s) (if applicable) have complied with the laws to which you and/or your renounee(s) and/or transferee(s) are or might be subject to in connection with the acceptance or renunciation;
- (iii) you and/or your renounee(s) and/or transferee(s) (if applicable) are not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Rights RCULS, be in breach of the laws of any jurisdiction to which that person is or might be subject to;
- (iv) you and/or your renounee(s) and/or transferee(s) (if applicable) are aware that the Provisional Rights RCULS can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged in accordance with all applicable laws in Malaysia;
- (v) you and/or your renounee(s) and/or transferee(s) (if applicable) have obtained a copy of this Abridged Prospectus and have had access to such financial and other information and have been provided the opportunity to ask such questions to the representatives of the Parties and receive answers thereto as you and/or your renounee(s) and/or transferee(s) (if applicable) deem necessary in connection with your and/or your renounee(s)' and/or transferee(s)' (if applicable) decision to subscribe for or purchase the Rights RCULS; and
- (vi) you and/or your renounee(s) and/or transferee(s) (if applicable) have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing for or purchasing the Rights RCULS, and are prepared to bear the economic and financial risks of investing in and holding the Rights RCULS.

Entitled Shareholders and any other person having possession of this Abridged Prospectus and/or its accompanying documents are advised to inform themselves of and to observe any legal requirements applicable thereto. No person in any territory outside of Malaysia receiving this Abridged Prospectus and/or its accompanying documents may treat the same as an offer, invitation or solicitation to subscribe for or acquire any Rights RCULS unless such offer, invitation or solicitation could lawfully be made without compliance with any registration or other regulatory or legal requirements in such territory.

We reserve the right, in our absolute discretion, to treat any acceptance as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Rights RCULS relating to any acceptance which is treated as invalid will be included in the pool of Excess Rights RCULS available for excess application by the other Entitled Shareholders and/or their renounee(s) and/or transferee(s) (if applicable). You and/or your renounee(s) and/or transferee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of your and/or your renounee(s)' and/or transferee(s)' (if applicable) entitlement under the Rights Issue of RCULS or to any net proceeds thereof.

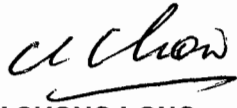
10. TERMS AND CONDITIONS

The issuance of the Rights RCULS pursuant to the Rights Issue of RCULS is governed by the terms and conditions as set out in the Documents and the Trust Deed.

11. FURTHER INFORMATION

You are requested to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board



CHOW CHONG LONG
Group Managing Director

CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF RCULS PASSED AT OUR EGM HELD ON 21 NOVEMBER 2014



Certified extract of the minutes of the Extraordinary General Meeting of SOUTHERN STEEL BERHAD ("the Company") held on 21 November 2014:

ORDINARY RESOLUTION 2

PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO RM209,708,604 NOMINAL VALUE OF FIVE (5)-YEAR 5% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS AT 100% OF ITS NOMINAL VALUE ("RCULS") ON THE BASIS OF RM1.00 NOMINAL VALUE OF RCULS FOR EVERY TWO (2) EXISTING ORDINARY SHARES OF RM1.00 EACH HELD IN SOUTHERN STEEL BERHAD ("SSB") ("SSB SHARES") ON AN ENTITLEMENT DATE TO BE DETERMINED LATER

"THAT, subject to the passing of Ordinary Resolution 1, the Special Resolution below and all relevant approvals being obtained from the relevant regulatory authorities, including the approval of Bursa Malaysia Securities Berhad ("Bursa Securities") for the admission of the RCULS to the Official List of Bursa Securities and the listing of and quotation for the RCULS and the new SSB Shares to be issued pursuant to conversion of the RCULS, the Board of Directors of the Company ("Board") be and is hereby authorised to issue and allot:

- (i) by way of a renounceable rights issue of up to RM209,708,604 nominal value of RCULS at 100% of its nominal value to persons who are registered as shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business on a date to be determined by the Board, on the basis of RM1.00 nominal value of RCULS for every two (2) existing SSB Shares held and that RCULS not allotted or validly taken up for any reason whatsoever shall be dealt with by the Board in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Company;
- (ii) such number of new SSB Shares credited as fully paid-up in the Company pursuant to the conversion of the RCULS at a conversion price to be determined by the Board and that such new SSB Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing SSB Shares in issue, save and except that they will not be entitled to any dividends, rights, allotments and/or other distributions, in respect of which the entitlement date is prior to the relevant date of allotment of the said new SSB Shares to be issued pursuant to the conversion of the RCULS; and
- (iii) such further number of new SSB Shares as may be required or permitted to be issued and allotted as a consequence of the adjustments under the provisions of the trust deed constituting the RCULS ("Trust Deed")

(hereinafter referred to as the "Proposed Rights Issue of RCULS"), upon such terms and conditions including without limitation as to interest and maturity thereof as the Board may determine and provide in the Trust Deed or other documents constituting the Proposed Rights Issue of RCULS;

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CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE OF RCULS PASSED AT OUR EGM HELD ON 21 NOVEMBER 2014 (Cont'd)

-2-

SSB
EGM – 21.11.2014

AND THAT the Board be and is hereby authorised to utilise the proceeds arising from the Proposed Rights Issue of RCULS for the purposes as set out in the circular to shareholders of the Company dated 30 October 2014;

AND THAT the Board be and is hereby authorised to enter into and execute all transaction documents or agreements in connection with the Proposed Rights Issue of RCULS, including but not limited to the Trust Deed, and to do all acts, deeds and things as the Board may deem fit or expedient in order to implement, finalise and give full effect to the aforesaid Trust Deed;

AND THAT fractional entitlements to the RCULS arising from the Proposed Rights Issue of RCULS, if any, will be disregarded and shall be dealt with in such manner as the Board shall in its absolute discretion deem fit or expedient and in the best interest of the Company;

AND THAT the Board be and is hereby further authorised to do all acts and things necessary to give full effect to the Proposed Right Issue of RCULS with full power to assent to any condition, modification, variation and/or amendment as the Board may deem fit or expedient and in the best interest of the Company and/or as may be imposed by the relevant governmental or regulatory authorities.”

Certified Correct



Chow Chong Long
Director

Leong Wei Yin
SecretaryDated this 21st day of November 2014

SALIENT TERMS OF THE RCULS

Issuer	:	SSB
Issue size/ Basis of allotment	:	Up to RM209,708,604 in nominal value of RCULS on the basis of RM1.00 nominal value of RCULS for every 2 existing SSB Shares held on the Entitlement Date.
Issue price	:	At 100% of the nominal value on the basis of RM1.00 nominal value of the RCULS.
Form and denomination	:	The RCULS will be issued in registrable form and in denominations and multiples of RM1.00 each.
Issue Date	:	The issue date for the RCULS shall be a business day and shall take place within the period commencing from the date of fulfilment of the conditions precedent for issuance of the RCULS and ending on a date falling 1 year from the date of approval by the SC.
Tenure/ Maturity Date	:	5 years from the Issue Date.
Interest/ Coupon rate	:	Fixed rate of 5% per annum calculated on the nominal value of the RCULS then outstanding.
Interest/ Coupon payment frequency	:	The payment of the coupon shall be in arrears on a semi-annual basis commencing 6 months from the Issue Date.
Conversion Rights	:	<p>The RCULS Holders shall have the right to convert all or any amount of the RCULS held by them into fully paid new SSB Shares at the Conversion Price at any time during the Conversion Period. Once delivered, the conversion notice shall be irrevocable.</p> <p>If any RCULS Holder exercises its right to convert all or any amount of the RCULS held by it into new SSB Shares, no coupon shall be payable on such RCULS as from the Issue Date or the coupon payment date immediately preceding the conversion date, whichever is the later.</p> <p>All the outstanding RCULS which have not been earlier converted on the Maturity Date, shall be automatically converted into new SSB Shares at the Conversion Price on the Maturity Date ("Automatic Conversion"). In the event of an Automatic Conversion, the RCULS Holders shall be deemed to have submitted a valid conversion notice on the Maturity Date for the purpose of converting such outstanding RCULS into fully paid new SSB Shares.</p> <p>Any fractional new SSB Shares arising from the Automatic Conversion shall be disregarded and be dealt with by our Board as it may deem fit and expedient in the best interest of our Company.</p>
Conversion Period	:	Any time after the Issue Date of the RCULS and up to the Maturity Date of the RCULS.
Conversion Price	:	RM1.05, being the conversion price of the RCULS for every 1 new SSB Share.

The Conversion Price is subject to adjustments set out below.

SALIENT TERMS OF THE RCULS (Cont'd)

- Conversion mode : The conversion of the RCULS will not require any cash payment by the RCULS Holders. The conversion shall be satisfied by surrendering the RCULS with an aggregate nominal value equivalent to the Conversion Price for cancellation by our Company. Any fraction of the new SSB Shares arising from the conversion of the RCULS shall be disregarded.
- Status and ranking : The RCULS constitute direct, unsubordinated and unsecured obligations of our Company, ranking *pari passu* without discrimination, preference or priority amongst themselves and *pari passu* with all present and future unsecured obligations of our Company from time to time (subject to those preferred by law).
- Redemption on the Maturity Date : Subject to our Company giving irrevocable notice to the RCULS Holders at least 30 days prior to the Maturity Date, our Company shall have the option to redeem the outstanding RCULS (if not earlier converted) in cash at 100% of the nominal amount of the RCULS, in whole or in part (but always in the same proportion in relation to each RCULS Holder), on the Maturity Date.
- During such notice period but not later than the 8th trading day prior to the Maturity Date, the RCULS Holders shall be entitled to exercise their Conversion Rights.
- Upon the exercise by our Company of the option to redeem the RCULS on the Maturity Date, our Company shall pay the RCULS Holders (no later than the Maturity Date) all unpaid coupon accruing from the immediately preceding coupon payment date until but excluding the Maturity Date.
- For the avoidance of doubt, the RCULS Holders shall not have the right to require our Company to redeem the RCULS on the Maturity Date.
- The RCULS which have been redeemed will be cancelled and cannot be re-sold.
- Adjustment in the Conversion Price and/or nominal value of RCULS in the event of alteration to the issued and paid-up share capital : Our Company shall make the necessary adjustments to the Conversion Price of the RCULS then outstanding in the event of any alteration in the issued and paid-up SSB Shares on or before the Maturity Date, whether by way of rights issue, capitalisation issue, consolidation of SSB Shares, subdivision of SSB Shares or reduction of capital howsoever being effected, in accordance with the provisions of the Trust Deed.
- RCULS Holders' rights to participate in any distribution and/or offer of further securities in our Company : The RCULS Holders are not entitled to participate in any distribution and/or offer of securities in our Company until and unless the RCULS have been validly converted into new SSB Shares, and such shares are allotted prior to the entitlement date of such distribution and/or offer of securities.
- Amendments to the RCULS Holders' rights : Save as otherwise provided in the Trust Deed, an extraordinary resolution of the RCULS Holders is required to sanction any modification, variation, abrogation or compromise of or arrangement in respect of the rights of the RCULS Holders against our Company.

SALIENT TERMS OF THE RCULS (Cont'd)

- Winding up/ liquidation : If a resolution is passed for a voluntary winding-up of our Company whilst any of the RCULS remain capable of being converted then:
- (i) if such winding-up is for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the RCULS Holders or some person designated by them for such purpose, shall be a party, the terms of such scheme of arrangement if approved by an extraordinary resolution shall be binding on all the RCULS Holders; and
 - (ii) in any other case every RCULS Holders shall be entitled to upon and subject to the Trust Deed at any time within 6 weeks after the passing of such resolution for a members' voluntary winding-up of our Company deliver to our Company a duly completed conversion notice in relation to the RCULS to elect to be treated as if he had on the last day of the month immediately before the commencement of such winding-up, exercised the Conversion Rights to the extent specified in the conversion notice(s) and be entitled to receive out of the assets of our Company which will be available in liquidation if he had on such date been the holder of the new SSB Shares to which he would have become entitled pursuant to such exercise and the liquidator of our Company shall give effect to such election accordingly. Upon such election taking effect, all RCULS converted under such election shall cease to carry any coupon as from the last day of the month immediately preceding the month in which the RCULS are converted or deemed converted under this provision.
- All Conversion Rights which have not been exercised at the expiry date of the said period of 6 weeks shall lapse and cease to be valid for any purpose.
- Listing status and types of listing, where applicable : Bursa Securities, via its letter dated 15 October 2014, had granted its approval for the admission of the RCULS to the Official List of Bursa Securities as well as the listing of and quotation for the RCULS and the new SSB Shares to be issued pursuant to the conversion of the RCULS on the Main Market of Bursa Securities.
- Selling restriction, including tradability (i.e. tradable or non-tradable) : The RCULS shall be tradable upon listing in board lots of 100 units of RCULS, or such other denomination as may be determined by Bursa Securities. No selling restriction is imposed on the RCULS.
- Trust Deed : The RCULS shall be constituted by the Trust Deed. The Trust Deed is in compliance with the Trust Deeds Guidelines issued by the SC effective 12 August 2011, as amended from time to time.
- Events of default : The events of default (each an "**Event of Default**") are as contained in the Trust Deed, and include, amongst others, the following:
- (i) our Company commits a default in payment of any principal or coupon under the RCULS;

SALIENT TERMS OF THE RCULS (Cont'd)

- Events of default (cont'd) :
- (ii) our Company is in breach of any provision, term or condition in the RCULS or the Trust Deed in respect of the RCULS and such other legal documents and agreements (if any) necessary in relation thereto in form and substance acceptable to our Principal Adviser, the Trustee and our Company (collectively, the "**Transaction Documents**") (other than those as set out in paragraph (i) above), or of any other document relating to the issue, offer or invitation in respect of the RCULS which, in the opinion of the Trustee, is not capable of being remedied or if capable of being remedied, is not remedied within a period of 30 days from the date of such breach; and
 - (iii) any step or action is taken for the winding up, dissolution or liquidation of our Company and/or any of the Material Subsidiaries (including but not limited to the presentation of a petition for the winding up against our Company and/or any of the Material Subsidiaries, or the making of any order or the passing of any resolution for the winding up, dissolution or liquidation of our Company and/or any of the Material Subsidiaries unless it is contested in good faith and set aside within 30 days (or such extended period as the Trustee may consent, which consent shall not be unreasonably withheld)) from the date of service of such winding up petition.

Upon occurrence of an Event of Default, the Trustee may at its discretion, or shall if so instructed by the RCULS Holders by way of an extraordinary resolution, declare that an Event of Default has occurred whereupon all the outstanding aggregate nominal value of the RCULS together with the coupon and all other amounts accrued or outstanding under the Transaction Documents shall become immediately due and payable by our Company to the RCULS Holders provided that the RCULS Holders shall be entitled within 30 days from the date of such declaration of Event of Default to exercise their Conversion Rights in respect of all or any part of their RCULS, and the Trustee shall be entitled to exercise its rights to enforce any provision under the Transaction Documents.

For the purposes of this Appendix, a subsidiary is a "**Material Subsidiary**" if:

- (i) its NA, based on its latest audited financial statements at company level, is or exceeds 5% of the NA of our Group (based on our latest audited consolidated financial statements); or
- (ii) its PAT, based on its latest audited financial statements at company level, is or exceeds 5% of the PAT of our Group (based on our latest audited consolidated financial statements),

but shall exclude Southern Steel Holdings Sdn Bhd and Starglow Investments Ltd.

- Rating :
- The RCULS are exempted from rating requirements pursuant to paragraph 4.11(c) of the Guidelines on PDS as this is an issuance of convertible loan stocks whereby:
 - (i) the RCULS Holders are given the right to convert the RCULS into new SSB Shares at any time during the tenure of the RCULS; and
 - (ii) the underlying SSB Shares will be listed on Bursa Securities.

SALIENT TERMS OF THE RCULS (Cont'd)

Governing law : The RCULS and the Transaction Documents shall be governed by the laws of Malaysia and be subject to the non-exclusive jurisdiction of the courts of Malaysia.

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INFORMATION ON OUR COMPANY**1. HISTORY AND BUSINESS**

Our Company was incorporated in Malaysia on 9 December 1963 as a private limited company under the name of Southern Iron & Steel Works Limited. On 15 April 1966, our Company changed its name to Southern Iron & Steel Works Sdn Bhd. Our Company was converted to a public company on 22 May 1992 under the name of Southern Iron & Steel Works Berhad before it assumed its present name, Southern Steel Berhad, on 28 September 1992. Our Company was listed on the Main Board of Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities) on 17 December 1993.

Our Company is principally involved in investment holding and manufacturing, sale and trading in billets, steel bars and wire rods. The principal activities of our subsidiaries are as stated in Section 5 of this Appendix.

2. SHARE CAPITAL**2.1 Authorised, issued and paid-up share capital**

The authorised and issued and paid-up share capital of our Company as at the LPD are as follows:

	<u>No. of shares</u>	<u>Par value</u> RM	<u>Total</u> RM
Authorised			
Ordinary shares	800,000,000	1.00	800,000,000
Preference shares	2,000,000	1.00	2,000,000
Issued and fully paid-up			
Ordinary shares	419,417,208	1.00	419,417,208

2.2 Changes in authorised share capital

There have been no changes in our Company's authorised share capital for the past 3 years up to the LPD, save for the increase in Authorised Share Capital which was effected on 21 November 2014.

2.3 Changes in issued and paid-up share capital

There have been no changes to our Company's issued and paid-up share capital for the past 3 years up to the LPD.

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INFORMATION ON OUR COMPANY (Cont'd)

3. SUBSTANTIAL SHAREHOLDERS

The Rights Issue of RCULS is not expected to have any immediate effect on the shareholdings of our Company's substantial shareholders until such time the RCULS are converted into new SSB Shares, the potential effect of which is also dependent on the total issued and paid-up share capital of our Company at the relevant point in time.

As at the LPD, the level of public shareholding spread of our Company was 19.55%, which was lower than the 20% level of public shareholding spread accepted by Bursa Securities as compliance with Paragraph 8.02(1) of the Listing Requirements via its letter dated 14 October 2010 ("Approved Spread"). Bursa Securities has granted an extension of time until 28 February 2015 for our Company to comply with the Approved Spread. The Rights Issue of RCULS is not expected to have any immediate effect on the public shareholding spread of our Company. In the event of any conversion of the RCULS into new SSB Shares by any RCULS Holder who is deemed to be non-public, our public shareholding spread will be reduced accordingly. Our Company shall continue to monitor our public shareholding spread and explore possible appropriate steps which can be taken to comply with the Approved Spread.

For illustration purposes, the proforma effects of the Rights Issue of RCULS on the shareholdings of our Company's substantial shareholders as at the LPD (based on our Register of Substantial Shareholders) are as follows:

Minimum Scenario

	As at the LPD			Proforma I			Proforma II(A)			Proforma II(B)					
	←---Direct--->	←---Indirect--->	←---Indirect--->	←---Direct--->	←---Indirect--->	←---Indirect--->	←---Direct--->	←---Indirect--->	←---Direct--->	←---Indirect--->	←---Indirect--->				
	No. of SSB Shares ('000)	No. of SSB Shares ('000)	%	No. of SSB Shares ('000)	No. of SSB Shares ('000)	%	No. of SSB Shares ('000)	No. of SSB Shares ('000)	No. of SSB Shares ('000)	No. of SSB Shares ('000)	%	No. of SSB Shares ('000)	%		
HLMG	173,879	41.46	(1)120,281	28.68	173,879	41.46	(1)120,281	28.68	173,879	41.46	(1)120,281	28.68	(1)177,558	31.74	
Signaland	120,281	28.68	-	-	120,281	28.68	-	-	120,281	28.68	-	-	177,558	31.74	
HLCM	-	-	(1)294,160	70.14	-	-	(1)294,160	70.14	-	-	(1)294,160	70.14	-	-	
HL Holdings Sdn Bhd	-	-	(2)294,160	70.14	-	-	(2)294,160	70.14	-	-	(2)294,160	70.14	-	(2)434,237	77.61
YBhg Tan Sri Quek Leng Chan	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	(3)441,618	78.93
Hong Leong Investment Holdings Pte. Ltd.	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	(3)441,618	78.93

INFORMATION ON OUR COMPANY (Cont'd)

	Proforma I						Proforma II(A)						Proforma II(B)						
	As at the LPD			After the Rights Issue of RCULS			After Proforma I and assuming full redemption of the RCULS			After Proforma I and assuming full conversion of the RCULS			After Proforma I and assuming full redemption of the RCULS			After Proforma I and assuming full conversion of the RCULS			
	← Direct →	← Indirect →	%	No. of SSB Shares ('000)	%	No. of SSB Shares ('000)	← Direct →	← Indirect →	%	No. of SSB Shares ('000)	%	No. of SSB Shares ('000)	← Direct →	← Indirect →	%	No. of SSB Shares ('000)	%	No. of SSB Shares ('000)	
Kwek Holdings Pte Ltd	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)441,618	78.93	-	-	(3)441,618	78.93
Kwek Leng Beng	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)441,618	78.93	-	-	(3)441,618	78.93
Davos Investment Holdings Private Limited	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)441,618	78.93	-	-	(3)441,618	78.93
Kwek Leng Kee	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)441,618	78.93	-	-	(3)441,618	78.93
Quek Leng Chye	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)441,618	78.93	-	-	(3)441,618	78.93
Hong Realty (Private) Limited	-	(3)301,532	71.89	-	-	(3)301,532	71.89	-	-	(3)301,532	71.89	-	-	(3)441,608	78.93	-	-	(3)441,608	78.93
Southern Amalgamated Co Sdn Bhd	32,488	7.75	-	-	32,488	7.75	-	-	-	32,488	5.81	-	-	-	-	-	-	-	-
Su Hock Company Sdn Bhd	973	0.23	(4)32,488	7.75	973	0.23	(4)32,488	7.75	-	973	0.17	(4)32,488	7.75	-	-	973	0.17	(4)32,488	5.81
YBhg Dato' Dr Tan Tat Wai	15	*	(5)34,742	8.28	15	*	(5)34,742	8.28	-	15	*	(5)34,742	8.28	-	-	15	*	(5)34,742	6.21

Notes:

- * Negligible.
- (1) Held through subsidiary(ies).
- (2) Held through HLCM.
- (3) Held through HLCM and company(ies) in which the substantial shareholder has interest.
- (4) Held through a company in which the substantial shareholder has interest.
- (5) Held through spouse and companies in which the substantial shareholder has interest.

INFORMATION ON OUR COMPANY (Cont'd)

Maximum Scenario

	Proforma I						Proforma II(A)						Proforma II(B)					
	As at the LPD			After the Rights Issue of RCULS			After Proforma I and assuming full redemption of the RCULS			After Proforma I and assuming full conversion of the RCULS			After Proforma I and assuming full redemption of the RCULS			After Proforma I and assuming full conversion of the RCULS		
	←---Direct---→ No. of SSB Shares (^{'000})	←---Indirect---→ No. of SSB Shares (^{'000})	%	←---Direct---→ No. of SSB Shares (^{'000})	←---Indirect---→ No. of SSB Shares (^{'000})	%	←---Direct---→ No. of SSB Shares (^{'000})	←---Indirect---→ No. of SSB Shares (^{'000})	%	←---Direct---→ No. of SSB Shares (^{'000})	←---Indirect---→ No. of SSB Shares (^{'000})	%	←---Direct---→ No. of SSB Shares (^{'000})	←---Indirect---→ No. of SSB Shares (^{'000})	%			
HLMG	173,879	41.46	(1)120,281	28.68	173,879	41.46	(1)120,281	28.68	173,879	41.46	(1)177,558	28.68	120,281	28.68	-			
Signaland	120,281	28.68	-	-	120,281	28.68	-	-	120,281	28.68	-	-	177,558	28.68	-			
HLCM	-	-	(1)294,160	70.14	-	-	(1)294,160	70.14	-	-	(1)434,237	70.14	-	-	(1)434,237			
HL Holdings Sdn Bhd	-	-	(2)294,160	70.14	-	-	(2)294,160	70.14	-	-	(2)434,237	70.14	-	-	(2)434,237			
YBhg Tan Sri Quek Leng Chan	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)445,132	71.90	-	-	(3)445,132			
Hong Leong Investment Holdings Pte. Ltd.	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)445,132	71.90	-	-	(3)445,132			
Kwek Holdings Pte Ltd	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)445,132	71.90	-	-	(3)445,132			
Kwek Leng Beng	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)445,132	71.90	-	-	(3)445,132			
Davos Investment Holdings Private Limited	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)445,132	71.90	-	-	(3)445,132			
Kwek Leng Kee	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)445,132	71.90	-	-	(3)445,132			
Quek Leng Chye	-	-	(3)301,541	71.90	-	-	(3)301,541	71.90	-	-	(3)445,132	71.90	-	-	(3)445,132			
Hong Realty (Private) Limited	-	-	(3)301,532	71.89	-	-	(3)301,532	71.89	-	-	(3)445,118	71.89	-	-	(3)445,118			
Southern Amalgamated Co Sdn Bhd	32,488	7.75	-	-	32,488	7.75	-	-	32,488	7.75	-	-	47,958	7.75	-			
Su Hock Company Sdn Bhd	973	0.23	(4)32,488	7.75	973	0.23	(4)32,488	7.75	973	0.23	(4)47,958	7.75	1,436	0.23	(4)47,958			
YBhg Dato' Dr Tan Tat Wai	15	*	(5)34,742	8.28	15	*	(5)34,742	8.28	15	*	(5)51,286	8.28	22	*	(5)51,286			

INFORMATION ON OUR COMPANY (Cont'd)

Notes:

- * Negligible.
- (1) Held through subsidiary(ies).
- (2) Held through HLCM.
- (3) Held through HLCM and company(ies) in which the substantial shareholder has interest.
- (4) Held through a company in which the substantial shareholder has interest.
- (5) Held through spouse and companies in which the substantial shareholder has interest.

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INFORMATION ON OUR COMPANY (Cont'd)
4. DIRECTORS

For illustration purposes, the proforma effects of the Rights Issue of RCULS on the shareholdings of our directors as at the LPD (based on our Register of Directors) are as follows:

Minimum Scenario

	As at the LPD				Proforma I				Proforma II(A)				Proforma II(B)			
	← Direct → No. of SSB Shares ('000)	← Indirect → No. of SSB Shares ('000)	%	← Indirect → No. of SSB Shares ('000)	← Direct → No. of SSB Shares ('000)	%	← Indirect → No. of SSB Shares ('000)	%	← Direct → No. of SSB Shares ('000)	%	← Indirect → No. of SSB Shares ('000)	%	← Direct → No. of SSB Shares ('000)	%	← Indirect → No. of SSB Shares ('000)	%
YBhg Datuk Kwek Leng San	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Mr Chow Chong Long	96	0.02	-	96	0.02	-	-	96	0.02	-	-	96	0.02	-	-	
YBhg Dato' Dr Tan Tat Wai	15	*	(1)34,742	8.28	15	*	(1)34,742	8.28	15	*	(1)34,742	8.28	15	*	(1)34,742	
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Mr Tang Hong Cheong	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Mr Ang Kong Hua	1,000	0.24	-	1,000	0.24	-	-	1,000	0.24	-	-	1,000	0.18	-	-	
Mr Seow Yoo Lin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Dr Kwa Lay Keng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

Notes:

* Negligible.

(1) Held through spouse and companies in which the director has interest.

INFORMATION ON OUR COMPANY (Cont'd)

Maximum Scenario

	As at the LPD				Proforma I After the Rights Issue of RCULS				Proforma II(A) After Proforma I and assuming full redemption of the RCULS				Proforma II(B) After Proforma I and assuming full conversion of the RCULS			
	←---Direct---→ No. of SSB Shares ('000)	%	←---Indirect---→ No. of SSB Shares ('000)	%	←---Direct---→ No. of SSB Shares ('000)	%	←---Indirect---→ No. of SSB Shares ('000)	%	←---Direct---→ No. of SSB Shares ('000)	%	←---Indirect---→ No. of SSB Shares ('000)	%	←---Direct---→ No. of SSB Shares ('000)	%	←---Indirect---→ No. of SSB Shares ('000)	%
YBhg Datuk Kwek Leng San	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr Chow Chong Long	96	0.02	-	-	96	0.02	-	-	96	0.02	-	-	141	0.02	-	-
YBhg Dato' Dr Tan Tat Wai	15	*	(1)34,742	8.28	15	*	(1)34,742	8.28	15	*	(1)34,742	8.28	22	*	(1)51,286	8.28
YM Raja Dato' Seri Abdul Aziz bin Raja Salim	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr Tang Hong Cheong	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mr Ang Kong Hua	1,000	0.24	-	-	1,000	0.24	-	-	-	-	-	-	1,476	0.24	-	-
Mr Seow Yoo Lin	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dr Kwa Lay Keng	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Notes:

* Negligible.

(1) Held through spouse and companies in which the director has interest.

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INFORMATION ON OUR COMPANY (Cont'd)

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The subsidiaries and associated companies of our Company as at the LPD are as follows:

Company	Date / Country of incorporation	Issued and paid-up share capital RM (unless stated otherwise)	Effective equity interest %	Principal activities
<u>Subsidiaries</u>				
Southern Steel Properties Sdn Bhd	14 March 1990 Malaysia	4	100.0	Rental of properties
Danstil Sdn Bhd	23 May 1974 Malaysia	2,200,000	100.0	Rental of properties
Southern Steel Holdings Sdn Bhd and its subsidiary:	29 August 1988 Malaysia	48,000,000	100.0	Investment holding
• Saint Sense Blu Sdn Bhd (<i>formerly known as Southern Steel Bar Sdn Bhd</i>) and its subsidiary:	11 October 1985 Malaysia	425,000	100.0	Investment holding
○ Starglow Investments Ltd	31 March 2011 Malaysia	USD140,000	100.0	Investment holding
Southern Steel Rod Sdn Bhd	9 April 1987 Malaysia	100,000	100.0	Dormant
Southern HRC Sdn Bhd	24 October 1996 Malaysia	22,000,000	100.0	Manufacture, sale and marketing of steel billet and hot rolled steel coils
Southern Steel Management Sdn Bhd	13 April 1996 Malaysia	2	100.0	Ceased operation
Southern PC Steel Sdn Bhd	27 February 1980 Malaysia	3,100,000	100.0	Manufacture and sale of pre-stressed concrete strands and wires
Southern Steel Mesh Sdn Bhd and its subsidiaries:	27 December 1980 Malaysia	3,524,658	100.0	Manufacture and marketing of steel wire mesh, concrete wires, cut and bend bars and trading in steel bar
• Southern Mesh Sdn Bhd	9 December 1974 Malaysia	7,500,000	100.0	Ceased operation

INFORMATION ON OUR COMPANY (Cont'd)

Company	Date / Country of incorporation	Issued and paid-up share capital RM (unless stated otherwise)	Effective equity interest %	Principal activities
• E-Tatt Steel Wires Sdn Bhd	17 July 1995 Malaysia	402	100.0	Trading in steel wire mesh and concrete wire
Southern Pipe Industry (Malaysia) Sdn Bhd and its subsidiary:	20 October 1967 Malaysia	130,050,000	91.4	Manufacture, sale and processing of steel pipes and other related products
• Southern Steel Pipe Sdn Bhd	2 April 1992 Malaysia	15,004,500	91.4	Manufacture, sale and processing of steel pipes and other related products
<u>Associated corporations</u>				
Super Othello Sdn Bhd	7 June 1993 Malaysia	20,270,000	50.0	Investment holding
Steel Industries (Sabah) Sdn Bhd	8 May 1993 Malaysia	20,000,000	27.5	Manufacture and sale of steel products
Bekaert Southern Wire Pte Ltd and its subsidiaries:	24 May 2012 Singapore	SGD51,422,400	45.0	Investment holding
• Bekaert Southern Speciality Wire Sdn Bhd	18 August 1997 Malaysia	16,000,000	45.0	Manufacture and sale of all types of tyre bead wire, welding wires, wire ropes, steel wires and strands
• PT Bekaert Southern Wire	24 May 2012 Indonesia	USD15,000,000	45.0	Manufacture and sale of steel wire, galvanised wire and fencing products
• Bekaert Southern Wire Sdn Bhd and its subsidiary:	8 January 1980 Malaysia	36,485,000	45.0	Manufacture and sale of bright and galvanised wire
○ Cempaka Raya Sdn Bhd	6 April 1990 Malaysia	25,000	45.0	Ceased operation

INFORMATION ON OUR COMPANY (Cont'd)**6. PROFIT AND DIVIDEND RECORDS**

Our profit and dividend records based on our audited consolidated financial statements for the last 3 FYEs 30 June 2012 to 30 June 2014 and our unaudited consolidated interim financial statements for the 3-month FPE 30 September 2014 are set out below:

	Audited FYE 30 June			Unaudited 3-month FPE 30 September	
	2012	2013	2014	2013	2014
	(Restated)				
	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	3,295,166	2,822,838	2,813,500	677,952	610,737
Cost of sales	(3,132,771)	(2,622,190)	(2,620,917)	(640,463)	(603,698)
Gross profit	162,395	200,648	192,583	37,489	7,039
Distribution costs	(78,137)	(71,499)	(74,316)	(17,851)	(16,243)
Administrative expenses	(68,765)	(68,567)	(64,851)	(15,557)	(15,497)
Other operating expenses	(7,558)	(18,124)	(25,991)	(5,466)	(4,240)
Other operating income	40,202	41,370	47,618	8,950	14,569
Profit/(Loss) from operation	48,137	83,828	75,043	7,565	(14,372)
Finance costs	(32,920)	(27,506)	(30,345)	(7,267)	(9,302)
Share of profit/(loss) in associated companies	79	(11,964)	(13,780)	(4,536)	(5,056)
PBT/(LBT)	15,296	44,358	30,918	(4,238)	(28,730)
Tax expense	(10,625)	(1,178)	(11,044)	243	7,315
PAT/(Loss after tax)	4,671	43,180	19,874	(3,995)	(21,415)
PAT/(Loss after tax) attributable to:					
Equity holders of our Company	6,180	42,177	18,952	(4,172)	(21,664)
Non-controlling interests	(1,509)	1,003	922	177	249
Earnings/(Loss) before interest, taxation, depreciation and amortisation	131,963	147,160	132,083	20,696	(2,245)
Number of SSB Shares in issue ('000)	419,417	419,417	419,417	419,417	419,417
Basic/Diluted EPS/(loss per share) (sen)	1.47	10.06	4.52	(0.99)	(5.17)
Net dividend per share declared (sen)	10.00	7.00	4.00	2.00	-
Profit/(Loss) margin:					
Gross profit margin (%)	4.93	7.11	6.84	5.53	1.15
Net profit/(loss) margin (%)	0.19	1.49	0.67	(0.62)	(3.55)

INFORMATION ON OUR COMPANY (Cont'd)**Commentary on financial performance:****FYE 30 June 2012**

Our Group recorded an increase in revenue of RM0.35 billion or 11.86% from the annualised revenue of RM2.95 billion for the 18-month FPE 30 June 2011 to RM3.30 billion for the FYE 30 June 2012. The increase in revenue was mainly due to higher sales volume driven by increased construction activities in the country.

The upward restatement of our Group's PBT for the FYE 30 June 2012 from RM13.77 million to RM15.30 million was the consequence of our Group's transition to the Malaysian Financial Reporting Standards, which had resulted in the recognition of amortisation of deferred income amounting to RM1.53 million. Excluding the effects of this restatement, our Group's PBT of RM13.77 million for the FYE 30 June 2012 represents a decrease of RM120.94 million or 89.78% from the annualised PBT of RM134.71 million for the 18-month FPE 30 June 2011. Despite the increase in revenue, our Group's decline in PBT is primarily due to the lower margins as a result of depressed steel prices arising from the influx of imported steel products.

FYE 30 June 2013

For the FYE 30 June 2013, our Group recorded revenue of RM2.82 billion, representing a decrease of RM0.48 billion or 14.55% from RM3.30 billion for the FYE 30 June 2012. During the FYE 30 June 2013, our Group had disposed of our former subsidiaries, Southern Speciality Wire Sdn Bhd (*now known as Bekaert Southern Speciality Wire Sdn Bhd*), Southern Wire Industries (Malaysia) Sdn Bhd (*now known as Bekaert Southern Wire Sdn Bhd*) and Cempaka Raya Sdn Bhd to Bekaert Southern Wire Pte Ltd, a joint venture company formed between our Company and NV Bekaert SA. Accordingly, the decline in our Group's revenue was mainly due to the revenue from these former subsidiaries no longer being consolidated for the FYE 30 June 2013. Further, the sales volume of our wire rod business had also declined as a consequence of the influx of imported wire rods.

Despite the decline in revenue, our Group had reported higher PBT of RM44.36 million for the FYE 30 June 2013, which represented an increase of RM29.06 million or 189.93% from RM15.30 million for the FYE 30 June 2012. The increase in PBT was mainly due to better margin arising from the softening of the price of raw materials.

FYE 30 June 2014

For the FYE 30 June 2014, our Group registered marginally lower revenue of RM2.81 billion, representing a decrease of RM0.01 billion or 0.35% from RM2.82 billion for the FYE 30 June 2013. Despite higher sales volume for the FYE 30 June 2014, our Group had recorded a slight decrease in revenue mainly due to lower steel prices as a result of higher imports of steel products from China.

Our Group had posted lower PBT of RM30.92 million for the FYE 30 June 2014, representing a decrease of RM13.44 million or 30.30% from a PBT of RM44.36 million for the FYE 30 June 2013. The lower PBT for the FYE 30 June 2014 was mainly attributable to compressed margins as a consequence of lower steel prices without corresponding decreases in raw material costs, coupled with a share of higher losses from our associated companies, which had increased by RM1.82 million or 15.22% from RM11.96 million for the FYE 30 June 2013 to RM13.78 million for the FYE 30 June 2014.

INFORMATION ON OUR COMPANY (Cont'd)**Unaudited 3-month FPE 30 September 2014**

Our Group recorded revenue of RM0.61 billion for the 3-month FPE 30 September 2014, representing a decrease of RM0.07 billion or 10.29% from RM0.68 billion for the corresponding period in the preceding financial year. The decrease in revenue is mainly attributed to lower sales volume achieved during the period, exacerbated by lower average selling prices of our bar and wire rod steel products as a result of increasing imports of these products into Malaysia.

In line with the decrease in revenue, our Group had incurred a LBT of RM28.73 million for the 3-month FPE 30 September 2014 compared to a LBT of RM4.24 million for the corresponding period in the preceding financial year, representing a decrease of RM24.49 million or 577.59%. The LBT incurred was mainly the result of lower profit margin as turnover for the period under review was inadequate to offset production overheads as well as fixed operating costs.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of SSB Shares traded on the Main Market of Bursa Securities for the past 12 months from December 2013 to November 2014 are set out below:

	<u>High</u> RM	<u>Low</u> RM
2013		
December	1.60	1.38
2014		
January	1.50	1.34
February	1.50	1.31
March	1.57	1.46
April	1.62	1.50
May	1.60	1.42
June	1.50	1.40
July	1.48	1.41
August	1.74	1.44
September	1.55	1.41
October	1.55	1.38
November	1.50	1.35

Last transacted market price of SSB Shares on 29 April 2014, being the last trading day prior to the date of announcement of, amongst others, the Rights Issue of RCULS RM1.60

Last transacted market price of SSB Shares on the LPD RM1.40

Last transacted market price of SSB Shares on 16 December 2014, being the last trading day prior to the ex-date for the Rights Issue of RCULS RM1.12

(Source: Bloomberg Finance L.P.)

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 18, Hunza Tower
163E, Jalan Kelawei,
10250 Penang.

Telephone +604-238 2288
Fax +604-238 2222
Internet www.kpmg.com.my

Assurance report on the compilation of proforma consolidated statements of financial position included in the Abridged Prospectus

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

**Southern Steel Berhad (“SSB” or “the Company”)
Report on the Compilation of Proforma Consolidated Statements of Financial Position as at 30 June 2014**

We have completed our assurance engagement to report on the compilation of Proforma Consolidated Statements of Financial Position of the Company and its subsidiaries (the “Group”) as at 30 June 2014. The Proforma Consolidated Statements of Financial Position as at 30 June 2014, and its related notes which are set out in Appendix A to this report have been compiled by the Board of Directors of the Company (“Board”) and stamped by us for identification purposes. The applicable criteria on the basis of which the Board has compiled the proforma consolidated statements of financial position are described in the Notes to the proforma consolidated statements of financial position.

The proforma consolidated statements of financial position has been compiled by the Board to illustrate the impact of the renounceable rights issue of up to RM209,708,604 nominal value of 5-year 5.00% Redeemable Convertible Unsecured Loan Stock (“RCULS”) at 100% of its nominal value (“Rights RCULS”) on the basis of RM1.00 nominal value of Rights RCULS for every two (2) existing ordinary shares of RM1.00 each held in SSB (“SSB Share(s) or Share(s)”) as at 5.00 p.m. on 19 December 2014 (“Entitlement Date”) (“Rights Issue of RCULS”), based on the Company’s statements of consolidated financial position as at 30 June 2014 as if the Rights Issue of RCULS was completed on that date.

As part of this process, information about the Company’s statements of consolidated financial position have been extracted by the Board from the Group’s financial statements for the year ended 30 June 2014, on which an audit report has been published.

The Board’s Responsibilities for the Proforma Consolidated Statements of Financial Position

The Board is responsible for the compilation of Proforma Consolidated Statements of Financial Position on the basis as set out in the Notes.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)*Our Responsibilities*

Our responsibility is to express an opinion about whether the Proforma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board on the basis as set out in Note 1 of Appendix A.

We conducted our engagement in accordance with International Standard on Assurance Engagements ("ISAE") 3420, *Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants ("MIA"). This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board has properly compiled, in all material respects, the Proforma Consolidated Statements of Financial Position on the basis as set out in Note 1 of Appendix A.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions made by us on any historical financial information used in compiling the Proforma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Proforma Consolidated Statements of Financial Position.

The purpose of these Proforma Consolidated Statements of Financial Position is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transactions had been undertaken at an earlier date selected for the purposes of illustrations. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the Proforma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the Proforma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether :

- The related proforma adjustments give appropriate effect to those criteria; and
- The Proforma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Proforma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)*Our Responsibilities (continued)*

The engagement also involves evaluating the overall presentation of the Proforma Consolidated Statements of Financial Position.

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

Opinion

In our opinion,

- (a) the Proforma Consolidated Statements of Financial Position have been properly compiled, in all material respects, on the basis stated in the Notes to the Proforma Consolidated Statements of Financial Position under Appendix A using the audited financial statements of the Group for the year ended 30 June 2014 prepared in accordance with the approved accounting standards as defined in the Financial Reporting Act 1997 and in a manner consistent with the format of the financial statements and the accounting policies adopted by the Group; and
- (b) each material adjustment made to the information used in the preparation of the Proforma Consolidated Statements of Financial Position is appropriate for the purpose of preparing the Proforma Consolidated Statements of Financial Position.

Other Matters

This letter is prepared at your request for the purpose of inclusion in the Abridged Prospectus in relation to the Rights Issue of RCULS. It is not intended to be used for any other purposes. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be 'W. M. M.', written over the KPMG logo.

KPMG
Firm No. AF 0758
Chartered Accountants
Penang

Date: 10 December 2014

PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)*Appendix A***Southern Steel Berhad (“SSB” or “the Company”)
Proforma Consolidated Statements of Financial Position as at 30 June 2014**

The Proforma Consolidated Statements of Financial Position of the SSB Group, are provided for illustration purposes only, to show the effects on the audited consolidated statements of financial position of SSB as at 30 June 2014 had the Rights Issue of RCULS as described in Note 1 been effected and completed on that date, and should be read in conjunction with the accompanying notes.

The proforma effects of the Rights Issue of RCULS are illustrated in the following scenarios:

1. Minimum Scenario (renounceable rights issue of RM147,080,154 nominal value of RCULS)

The Minimum Scenario is based on the assumptions that :-

- (a) No new SSB Shares are issued pursuant to the executive share scheme of the Company (“ESS”) prior to the Entitlement Date;
- (b) The Rights Issue of RCULS will be implemented under the minimum subscription level whereby only Hong Leong Manufacturing Group Sdn Bhd and Signaland Sdn Bhd (collectively, the “Undertaking Shareholders”) will subscribe and/or procure the subscription in full of their respective entitlements under the Rights Issue of RCULS based on their respective irrevocable undertakings; and
- (c) All RCULS are :-
 - (i) Fully redeemed upon maturity of the RCULS; or
 - (ii) Fully converted into new SSB Shares upon the maturity of the RCULS at the conversion price of RM1.05.

2. Maximum Scenario (renounceable rights issue of RM209,708,604 nominal value of RCULS)

The Maximum Scenario is based on the assumptions that :-

- (a) No new SSB Shares are issued pursuant to the ESS prior to the Entitlement Date;
- (b) The Rights Issue of RCULS will be implemented under the maximum subscription level whereby the RCULS will be fully subscribed; and
- (c) All RCULS are :-
 - (i) Fully redeemed upon maturity of the RCULS; or
 - (ii) Fully converted into new SSB Shares upon the maturity of the RCULS at the conversion price of RM1.05.



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

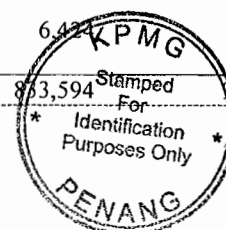
SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014

Appendix A

Minimum Scenario

The Proforma Consolidated Statements of Financial Position of SSB Group at 30 June 2014 as set out below are provided for illustrative purposes only to show the effects had the Rights Issue of RCULS referred to in Note 1 of the Notes to Proforma Consolidated Statements of Financial Position been completed on 30 June 2014 and based on the assumptions that it entails the renounceable rights issue of RM147,080,154 nominal value of RCULS.

	Note	Audited as at 30 June 2014 RM'000	Proforma I After the Rights Issue of RCULS RM'000	Proforma II (a) After Proforma I and full redemption of RCULS RM'000	Proforma II (b) After Proforma I and full conversion of RCULS RM'000
Assets					
Property, plant and equipment		1,309,298	1,309,298	1,309,298	1,309,298
Goodwill on consolidation		30,256	30,256	30,256	30,256
Investment in associated companies		65,545	65,545	65,545	65,545
Other investments		861	861	861	861
Deferred tax assets	2(a)	16,542	24,336	16,542	16,542
Tax credit receivable		16,637	16,637	16,637	16,637
Total non-current assets		1,439,139	1,446,933	1,439,139	1,439,139
Inventories		699,649	699,649	699,649	699,649
Trade and other receivables, including derivatives		202,877	202,877	202,877	202,877
Current tax assets		3,738	3,738	3,738	3,738
Cash and cash equivalents	2(b)	59,622	131,802	95,032	95,032
Total current assets		965,886	1,038,066	1,001,296	1,001,296
Total assets		2,405,025	2,484,999	2,440,435	2,440,435
Equity					
Share capital	2(c)	419,417	419,417	419,417	559,493
Share premium		35,852	35,852	35,852	35,852
Merger reserve		30,000	30,000	30,000	30,000
Capital redemption reserve		50	50	50	50
Fair value reserve		399	399	399	399
Foreign currency translation reserve		3,446	3,446	3,446	3,446
RCULS – equity component	2(d)	-	121,698	-	-
Retained earnings	2(e)	375,676	375,477	338,006	345,010
Total equity attributable to owners of the Company		864,840	986,339	827,170	974,250
Non-controlling interests		6,424	6,424	6,424	6,424
Total equity		871,264	992,763	833,594	980,674



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Minimum Scenario (continued)

	Note	Audited as at 30 June 2014 RM'000	Proforma I After the Rights Issue of RCULS RM'000	Proforma II (a) After Proforma I and full redemption of RCULS RM'000	Proforma II (b) After Proforma I and full conversion of RCULS RM'000
Liabilities					
Deferred tax liabilities		29,086	29,086	29,086	29,086
Deferred income		16,295	16,295	16,295	16,295
Retirement benefits		25,692	25,692	25,692	25,692
Trade and other payables		105,919	105,919	105,919	105,919
Borrowings	2(f)	438,378	364,378	511,458	364,378
RCULS – liability component	2(g)	-	25,316	-	-
Total non-current liabilities		615,370	566,686	688,450	541,370
Retirement benefits		275	275	275	275
Trade and other payables, including derivatives		340,192	340,192	340,192	340,192
Borrowings		577,331	577,331	577,331	577,331
Current tax liabilities		593	593	593	593
RCULS – liability component	2(g)	-	7,159	-	-
Total current liabilities		918,391	925,550	918,391	918,391
Total liabilities		1,533,761	1,492,236	1,606,841	1,459,761
Total equity and liabilities		2,405,025	2,484,999	2,440,435	2,440,435
Number of SSB Shares in issue (*000)		419,417	419,417	419,417	559,493
Total borrowings (RM'000)		1,015,709	974,184	1,088,789	941,709
Net assets per SSB share (RM)⁽ⁱ⁾		2.06	2.35	1.97	1.74
Gearing (times)		1.17	0.99	1.32	0.97

Note (i)

"Net assets" used in the above computations is defined as total equity attributable to owners of the Company.



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

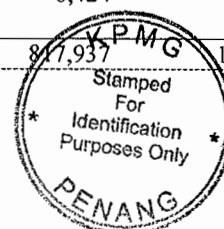
SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014

Appendix A

Maximum Scenario

The Proforma Consolidated Statements of Financial Position of SSB Group at 30 June 2014 as set out below are provided for illustrative purposes only to show the effects had the Rights Issue of RCULS referred to in Note 1 of the Notes to Proforma Consolidated Statements of Financial Position been completed on 30 June 2014 and based on the assumption that it entails the renounceable rights issue of RM209,708,604 nominal value of RCULS.

	Note	Audited as at 30 June 2014 RM'000	Proforma I After the Rights Issue of RCULS RM'000	Proforma II (a) After Proforma I and full redemption of RCULS RM'000	Proforma II (b) After Proforma I and full conversion of RCULS RM'000
Assets					
Property, plant and equipment		1,309,298	1,309,298	1,309,298	1,309,298
Goodwill on consolidation		30,256	30,256	30,256	30,256
Investment in associated companies		65,545	65,545	65,545	65,545
Other investments		861	861	861	861
Deferred tax assets	2(a)	16,542	27,655	16,542	16,542
Tax credit receivable		16,637	16,637	16,637	16,637
Total non-current assets		1,439,139	1,450,252	1,439,139	1,439,139
Inventories		699,649	699,649	699,649	699,649
Trade and other receivables, including derivatives		202,877	202,877	202,877	202,877
Current tax assets		3,738	3,738	3,738	3,738
Cash and cash equivalents	2(b)	59,622	163,431	111,004	111,004
Total current assets		965,886	1,069,695	1,017,268	1,017,268
Total assets		2,405,025	2,519,947	2,456,407	2,456,407
Equity					
Share capital	2(c)	419,417	419,417	419,417	619,139
Share premium		35,852	35,852	35,852	35,852
Merger reserve		30,000	30,000	30,000	30,000
Capital redemption reserve		50	50	50	50
Fair value reserve		399	399	399	399
Foreign currency translation reserve		3,446	3,446	3,446	3,446
RCULS – equity component	2(d)	-	173,818	-	-
Retained earnings	2(e)	375,676	375,477	322,349	332,336
Total equity attributable to owners of the Company		864,840	1,038,459	811,513	1,021,222
Non-controlling interests		6,424	6,424	6,424	6,424
Total equity		871,264	1,044,883	817,937	1,027,646



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014

Maximum Scenario (continued)

	Note	Audited as at 30 June 2014 RM'000	Proforma I After the Rights Issue of RCULS RM'000	Proforma II (a) After Proforma I and full redemption of RCULS RM'000	Proforma II (b) After Proforma I and full conversion of RCULS RM'000
Liabilities					
Deferred tax liabilities		29,086	29,086	29,086	29,086
Deferred income		16,295	16,295	16,295	16,295
Retirement benefits		25,692	25,692	25,692	25,692
Trade and other payables		105,919	105,919	105,919	105,919
Borrowings	2(f)	438,378	333,378	543,087	333,378
RCULS – liability component	2(g)	-	36,096	-	-
Total non-current liabilities		615,370	546,466	720,079	510,370
Retirement benefits		275	275	275	275
Trade and other payables, including derivatives		340,192	340,192	340,192	340,192
Borrowings		577,331	577,331	577,331	577,331
Current tax liabilities		593	593	593	593
RCULS – liability component	2(g)	-	10,207	-	-
Total current liabilities		918,391	928,598	918,391	918,391
Total liabilities		1,533,761	1,475,064	1,638,470	1,428,761
Total equity and liabilities		2,405,025	2,519,947	2,456,407	2,456,407
Number of SSB Shares in issue ('000)		419,417	419,417	419,417	619,139
Total borrowings (RM'000)		1,015,709	957,012	1,120,418	910,709
Net assets per SSB share (RM)⁽ⁱ⁾		2.06	2.48	1.93	1.65
Gearing (times)		1.17	0.92	1.38	0.89

Note (i)

"Net assets" used in the above computations is defined as total equity attributable to owners of the Company.



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Notes to the Proforma Consolidated Statements of Financial Position

1. Basis of preparation

The Proforma Consolidated Statements of Financial Position have been properly compiled in accordance with the basis stated below using financial statements prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of the SSB Group as disclosed in its audited financial statements for the financial year ended 30 June 2014.

The Proforma Consolidated Statements of Financial Position do not include the effects of the adoption of Malaysian Financial Reporting Standards and International Financial Reporting Standards which are effective for annual periods beginning on or after 1 July 2014.

The Proforma Consolidated Statements of Financial Position have been prepared solely for illustrative purposes, to show the effects of the following:

Minimum Scenario (Issuance of RM147,080,154 nominal value of RCULS)

Proforma I – After the Rights Issue of RCULS

The Proforma Consolidated Statements of Financial Position is stated after incorporating the effects of the following:

- Renounceable rights issue of RM147,080,154 nominal value of 5-year 5.00% RCULS at 100% of its nominal value of RM1.00 each on the basis of RM1.00 nominal value of RCULS for every two (2) existing SSB Shares subscribed by the Undertaking Shareholders of SSB.
- The Rights Issue of RCULS is segregated into equity and liability components of RM114,605,649 and RM32,474,505 respectively. The fair value of the liability component of the Rights Issue of RCULS is arrived at by discounting the coupon payments over the tenure of 5 years at a discount rate of 5%, the average cost of debt of the Group. The deferred tax assets are computed based on the statutory tax rate of 24% on the initial recognition of liability component of the RCULS.
- The estimated expenses to be incurred for the Rights Issue of RCULS will be approximately RM900,000 and these expenses will be set off against the RCULS equity and retained earnings by RM701,000 and RM199,000 respectively.



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Notes to the Proforma Consolidated Statements of Financial Position (continued)

1. Basis of preparation (continued)

**Minimum Scenario (Issuance of RM147,080,154 nominal value of RCULS)
(continued)**

Proforma I – After the Rights Issue of RCULS (continued)

- The gross proceeds from the Rights Issue of RCULS are expected to be utilised in the following manner:

	RM'000
Repayment of bank borrowings	74,000
Working capital	72,180
Estimated expenses in relation to the Rights Issue of RCULS	900
	147,080

Proforma II (a) - After Proforma I and full redemption of RCULS

The Proforma Consolidated Statements of Financial Position are stated after Proforma I and incorporating the effects of the full redemption of RM147,080,154 nominal value of RCULS.

Upon the completion of full redemption of the RCULS, the non-current borrowings of SSB will be increased by RM147,080,000 to RM511,458,000 based on the assumption that additional borrowings will be obtained to redeem the RCULS, whilst the retained earnings will be reduced by RM37,471,000 to RM338,006,000. Correspondingly, the RCULS - liability component, RCULS - equity component and deferred tax assets arising from this issuance of RCULS will be reversed in full.

Proforma II (b) - After Proforma I and full conversion of RCULS

The Proforma Consolidated Statements of Financial Position are stated after Proforma I and incorporating the effects of the full conversion of RM147,080,154 nominal value of RCULS.

Upon the completion of full conversion of the RCULS, the issued and paid-up share capital of SSB will be increased by RM140,076,000 to RM559,493,000 whilst the retained earnings will be reduced by RM30,467,000 to RM345,010,000. Correspondingly, the RCULS - liability component, RCULS - equity component and deferred tax assets arising from this issuance of RCULS will be reversed in full.



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Notes to the Proforma Consolidated Statements of Financial Position (continued)

1. Basis of preparation (continued)

Maximum Scenario (Issuance of RM209,708,604 nominal value of RCULS)

Proforma I – After the Rights Issue of RCULS

The Proforma Consolidated Statements of Financial Position are stated after incorporating the effects of the following:

- Renounceable rights issue of RM209,708,604 nominal value of 5-year 5.00% RCULS at 100% of its nominal value of RM1.00 each on the basis of RM1.00 nominal value of RCULS for every two (2) existing SSB Shares fully subscribed by the entitled shareholders of SSB.
- The Rights Issue of RCULS is segregated into equity and liability components of RM163,406,075 and RM46,302,529 respectively. The fair value of the liability component of the Rights Issue of RCULS is arrived at by discounting the coupon payments over the tenure of 5 years at a discount rate of 5%, the average cost of debt of the Group. The deferred tax assets are computed based on the statutory tax rate of 24% on the initial recognition of liability component of the RCULS.
- The estimated expenses to be incurred for the Rights Issue of RCULS will be approximately RM900,000 and these expenses will be set off against the RCULS equity and retained earnings by RM701,000 and RM199,000 respectively.
- The gross proceeds from the Rights Issue of RCULS are expected to be utilised in the following manner:

	RM'000
Repayment of bank borrowings	105,000
Working capital	103,809
Estimated expenses in relation to the Rights Issue of RCULS	900
	209,709



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)*Appendix A*

SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014

Notes to the Proforma Consolidated Statements of Financial Position (continued)**1. Basis of preparation (continued)****Maximum Scenario (Issuance of RM209,708,604 nominal value of RCULS)**
(continued)**Proforma II (a) - After Proforma I and full redemption of RCULS**

The Proforma Consolidated Statements of Financial Position are stated after Proforma I and incorporating the effects of the full redemption of RM209,708,604 nominal value of RCULS.

Upon the completion of full redemption of the RCULS, the non-current borrowings of SSB will be increased by RM209,709,000 to RM543,087,000 based on the assumption that additional borrowings will be obtained to redeem the RCULS, whilst the retained earnings will be reduced by RM53,128,000 to RM322,349,000. Correspondingly, the RCULS - liability component, RCULS - equity component and deferred tax assets arising from this issuance of RCULS will be reversed in full.

Proforma II (b) - After Proforma I and full conversion of RCULS

The Proforma Consolidated Statements of Financial Position are stated after Proforma I and incorporating the effects of the full conversion of RM209,708,604 nominal value of RCULS.

Upon the completion of full conversion of the RCULS, the issued and paid-up share capital of SSB will be increased by RM199,722,000 to RM619,139,000 whilst the retained earnings will be reduced by RM43,141,000 to RM332,336,000. Correspondingly, the RCULS - liability component, RCULS - equity component and deferred tax assets arising from this issuance of RCULS will be reversed in full.



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Notes to the Proforma Consolidated Statements of Financial Position (continued)

2. Effects on the Proforma Consolidated Statements of Financial Position

(a) Movements in deferred tax assets

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance as at 30 June 2014	16,542	16,542
Effect of Proforma I:- - Issuance of RCULS	7,794	11,113
<i>Proforma I</i>	24,336	27,655
Effect of Proforma II (a) and II (b):- - Realisation of deferred tax asset upon full redemption/conversion of RCULS	(7,794)	(11,113)
<i>Proforma II (a) and II (b)</i>	16,542	16,542

(b) Movements in cash and cash equivalents

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance as at 30 June 2014	59,622	59,622
Effects of Proforma I:- - Proceeds from issuance of RCULS	147,080	209,709
- Repayment of borrowings	(74,000)	(105,000)
- Payment of estimated expenses for corporate exercise	(900)	(900)
<i>Proforma I</i>	131,802	163,431
Effect of Proforma II (a) and II (b):- - RCULS coupon payment	(36,770)	(52,427)
<i>Proforma II (a) and II (b)</i>	95,032	111,004



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Notes to the Proforma Consolidated Statements of Financial Position (continued)

2. Effects on the Proforma Consolidated Statements of Financial Position (continued)

(c) Movements in share capital

	Minimum scenario			Maximum scenario		
	No of SSB Shares '000	Par value RM	Share capital RM'000	No of SSB Shares '000	Par value RM	Share capital RM'000
Balance as at 30 June 2014	419,417	1.00	419,417	419,417	1.00	419,417
Issuance of RCULS	-		-	-		-
<i>Proforma I</i>	<u>419,417</u>	<u>1.00</u>	<u>419,417</u>	<u>419,417</u>	<u>1.00</u>	<u>419,417</u>
Effect of Proforma II (a) - Full redemption of RCULS	-		-	-		-
<i>Proforma II (a)</i>	<u>419,417</u>	<u>1.00</u>	<u>419,417</u>	<u>419,417</u>	<u>1.00</u>	<u>419,417</u>
Effect of Proforma II (b) - Full conversion of RCULS	140,076	1.00	140,076	199,722	1.00	199,722
<i>Proforma II (b)</i>	<u>559,493</u>	<u>1.00</u>	<u>559,493</u>	<u>619,139</u>	<u>1.00</u>	<u>619,139</u>



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Notes to the Proforma Consolidated Statements of Financial Position (continued)

2. Effects on the Proforma Consolidated Statements of Financial Position (continued)

(d) Movements in RCULS - equity component

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance as at 30 June 2014	-	-
Effects of Proforma I:-		
- Issuance of RCULS	114,605	163,406
- Deferred tax assets arising on the liability component	7,794	11,113
- Estimated expenses for corporate exercise	(701)	(701)
<i>Proforma I</i>	121,698	173,818
Effect of Proforma II (a) and II (b):-		
- Full redemption/conversion of RCULS	(121,698)	(173,818)
<i>Proforma II (a) and II (b)</i>	-	-



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014

Appendix A

Notes to the Proforma Consolidated Statements of Financial Position (continued)

2. Effects on the Proforma Consolidated Statements of Financial Position (continued)

(e) Movements in retained earnings

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance as at 30 June 2014	375,676	375,676
Effect of Proforma I :-		
- Estimated expenses for corporate exercise	(199)	(199)
<i>Proforma I</i>	375,477	375,477
Effect of Proforma II (a) :-		
- Accretion of interest expense	(4,296)	(6,124)
- Realisation of deferred tax asset	(7,794)	(11,113)
- Excess of nominal value over carrying amount of RCULS charged to retained earnings upon redemption	(25,381)	(35,891)
Total effect on full redemption of RCULS	(37,471)	(53,128)
<i>Proforma II (a)</i>	338,006	322,349
Balance as at 30 June 2014	375,676	375,676
Effect of Proforma I :-		
- Estimated expenses for corporate exercise	(199)	(199)
<i>Proforma I</i>	375,477	375,477
Effect of Proforma II (b) :-		
- Accretion of interest expense	(4,296)	(6,124)
- Realisation of deferred tax asset	(7,794)	(11,113)
- Excess of nominal value over carrying amount of RCULS charged to retained earnings upon conversion	(18,377)	(25,904)
Total effect on full conversion of RCULS	(30,467)	(43,141)
<i>Proforma II (b)</i>	345,010	332,336



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

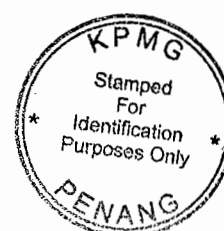
**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Notes to the Proforma Consolidated Statements of Financial Position (continued)

2. Effects on the Proforma Consolidated Statements of Financial Position (continued)

(f) Movements in non-current borrowings

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance as at 30 June 2014	438,378	438,378
Effect of Proforma I:-		
- Repayment of non-current borrowings using proceeds raised through issuance of RCULS	(74,000)	(105,000)
<i>Proforma I</i>	<u>364,378</u>	<u>333,378</u>
Effect of Proforma II (a) :-		
- Full redemption of RCULS	147,080	209,709
<i>Proforma II (a)</i>	<u>511,458</u>	<u>543,087</u>
Balance as at 30 June 2014	438,378	438,378
Effect of Proforma I :-		
- Repayment of non-current borrowings using proceeds raised through issuance of RCULS	(74,000)	(105,000)
<i>Proforma I</i>	<u>364,378</u>	<u>333,378</u>
Effect of Proforma II (b):-		
- Full conversion of RCULS	-	-
<i>Proforma II (b)</i>	<u>364,378</u>	<u>333,378</u>



PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF OUR GROUP AS AT 30 JUNE 2014 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (Cont'd)

Appendix A

**SSB Group
Proforma Consolidated Statements of Financial Position
as at 30 June 2014**

Notes to the Proforma Consolidated Statements of Financial Position (continued)

2. Effects on the Proforma Consolidated Statements of Financial Position (continued)

(g) Movements in RCULS - liability component

	Minimum Scenario RM'000	Maximum Scenario RM'000
Balance as at 30 June 2014	-	-
Effect of Proforma I:-		
- Issuance of RCULS		
- Current liability	7,159	10,207
- Non-current liability	25,316	36,096
<i>Proforma I</i>	32,475	46,303
Effect of Proforma II (a) and II (b):-		
- Full redemption/conversion of RCULS	(32,475)	(46,303)
<i>Proforma II (a) and II (b)</i>	-	-



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30
JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON**

Southern Steel Berhad
(Company No. 5283 - X)
(Incorporated in Malaysia)
and its subsidiaries

**Financial statements for the financial year
ended 30 June 2014**

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

1

Southern Steel Berhad

(Company No. 5283 - X)
(Incorporated in Malaysia)

and its subsidiaries

Directors' report for the financial year ended 30 June 2014

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2014.

Principal activities

The principal activities of the Company are investment holding, manufacturing, sale and trading in billets, steel bars and wire rods whilst the principal activities of the subsidiary companies and associated companies are as stated in Note 3 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit for the year attributable to:		
Owners of the Company	18,952	82,299
Non-controlling interests	922	-
	<u>19,874</u>	<u>82,299</u>

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid:

- i) a first interim dividend of 2.0 sen per share tax exempt amounting to RM8,388,344 in respect of the financial year ended 30 June 2014 on 27 December 2013; and
- ii) a second interim dividend of 2.0 sen per share tax exempt amounting to RM8,388,344 in respect of the financial year ended 30 June 2014 on 30 May 2014.

The Directors do not recommend a final dividend for the financial year ended 30 June 2014.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

2

Directors of the Company

Directors who served since the date of the last report are:

YBhg Datuk Kwek Leng San, Chairman
 Mr Chow Chong Long, Group Managing Director
 YBhg Dato' Dr Tan Tat Wai, Executive Director
 YM Raja Dato' Seri Abdul Aziz bin Raja Salim
 Mr Tang Hong Cheong
 Mr Ang Kong Hua
 Mr Seow Yoo Lin
 Dr Kwa Lay Keng

Directors' interests

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or options over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2014 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	Nominal value per share RM	Number of ordinary shares/ * shares to be issued or acquired arising from the exercise of options			At 30.6.2014
		At 1.7.2013	Acquired	Sold	
<i>Shareholdings in which Directors have direct interests</i>					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	1.00	117,500	-	-	117,500
Hong Leong Industries Berhad	0.50	2,520,000	-	-	2,520,000
Malaysian Pacific Industries Berhad	0.50	1,260,000	-	-	1,260,000
Hong Leong Bank Berhad	1.00	462,000	-	-	462,000
Hong Leong Financial Group Berhad	1.00	600,000	-	-	600,000
The Rank Group Plc	GBP13 ^{8/9} p	-	45,800 [#]	-	45,800
Guoco Group Limited	US\$0.50	209,120	-	-	209,120

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

3

Directors' interests (continued)

	Nominal value per share RM	Number of ordinary shares/ * shares to be issued or acquired arising from the exercise of options			At 30.6.2014
		At 1.7.2013	Acquired	Sold	
Interest of YBhg Dato' Dr Tan Tat Wai in:					
Southern Steel Berhad	1.00	14,854	-	-	14,854
Interests of Mr Tang Hong Cheong in:					
Hong Leong Financial Group Berhad	1.00	192,300	140,000 [@]	(76,200)	256,100
	-	140,000*	100,000*	(140,000)* [@]	100,000*
Hong Leong Industries Berhad	0.50	-	219,900	-	419,900
	-	-	200,000 [@]	-	-
	-	200,000*	-	(200,000)* [@]	-
GuocoLand Limited	-	100,000*	-	-	100,000*
GuocoLeisure Limited	-	300,000*	-	-	300,000*
GuocoLand (Malaysia) Berhad	-	-	300,000*	-	300,000*
Malaysian Pacific Industries Berhad	-	-	200,000*	-	200,000*
Interest of Mr Chow Chong Long in:					
Southern Steel Berhad	1.00	95,563	-	-	95,563
Interest of Mr Ang Kong Hua in:					
Southern Steel Berhad	1.00	-	1,000,000	-	1,000,000
<i>Shareholdings in which Directors have indirect interests</i>					
Interest of YBhg Dato' Dr Tan Tat Wai in:					
Southern Steel Berhad	1.00	35,742,238	-	(1,000,000)	34,742,238
Interests of Mr Tang Hong Cheong in:					
Hong Leong Industries Berhad	0.50	-	6,000 ^{<}	-	6,000 ^{<}
Malaysian Pacific Industries Berhad	0.50	-	75,000 ^{<}	(75,000) ^{<}	-
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13 ^{8/9} p	-	10,661 ^{#<}	-	10,661 ^{<}

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

4

Directors' interests in shares (continued)

Legend:

- @ Exercise of share options.
- < Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member.
- # Entitlement pursuant to the distribution of shares in The Rank Group Plc by Guoco Group Limited to its shareholders as special interim dividend in specie.

Directors' benefits

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements or as fixed salary of full-time employees of the Company or of related corporations) 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, except for YBhg Dato' Dr Tan Tat Wai who may be deemed to derive a benefit in respect of the trading transactions, contracts and agreements between related corporations and companies in which YBhg Dato' Dr Tan Tat Wai has interests.

There were no arrangements during and at the end of the financial year which has the object of enabling 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.

Executive Share Scheme ("ESS")

The Company has, on 28 February 2014 ("Effective Date"), terminated the existing Executive Share Option Scheme ("ESOS") which was implemented in 2008 ("Termination") and implemented a new ESS of up to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company, comprising an ESOS and an executive share grant scheme ("ESGS") for the benefit of eligible executives. The ESS will be in force for a period of 10 years from the Effective Date.

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

1. Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors of the Group. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options or grants.
2. The aggregate number of shares comprised in:
 - (i) exercised options;
 - (ii) unexercised options;
 - (iii) unexpired option offers and unexpired grant offers pending acceptances by eligible executives;
 - (iv) outstanding grants;
 - (v) completed grants; and
 - (vi) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting,

shall not exceed 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Executive Share Scheme (“ESS”) (continued)

3. The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.
4. The exercise of the options or vesting of shares may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares of RM1.00 each in the Company (unless otherwise adjusted), transfer of existing shares; or a combination of both new shares and existing shares.
5. At any point in time during the existence of the ESS, the allocation to an eligible executive who, either singly or collectively through persons connected with the eligible executive, holds 20% or more of the issued and paid-up ordinary share capital (excluding treasury shares) of the Company, must not exceed 10% of the Maximum Aggregate.
6. The option offered to an option holder under the ESOS is exercisable by the option holder or the shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and within the option exercise period of ESOS subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

There were no options and/or grant of shares under the ESS of the Company during the financial year.

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and the Company has not issued any debentures during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Other statutory information (continued)

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

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent; or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or
- iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

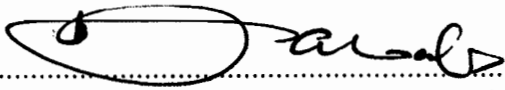
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

On behalf of the Board,



.....
Raja Dato' Seri Abdul Aziz bin Raja Salim



.....
Chow Chong Long

Kuala Lumpur
26 August 2014

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

8

Southern Steel Berhad

(Company No. 5283 - X)

(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 30 June 2014

	Note	Group		Company	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	4	1,309,298	977,108	334,304	489,183
Goodwill on consolidation	5	30,256	30,256	-	-
Investments in subsidiary companies	6	-	-	631,784	346,785
Investments in associated companies	7	65,545	79,325	78,941	78,941
Other investments	8	861	1,294	747	1,173
Deferred tax assets	9	16,542	10,944	8,019	-
Tax credit receivable	10	16,637	17,015	12,976	17,015
Total non-current assets		<u>1,439,139</u>	<u>1,115,942</u>	<u>1,066,771</u>	<u>933,097</u>
Inventories	11	699,649	753,946	532,884	611,828
Trade and other receivables, including derivatives	12	202,877	232,003	210,594	273,703
Current tax assets		3,738	11,672	2,899	7,104
Cash and cash equivalents	13	59,622	86,840	28,502	20,125
Total current assets		<u>965,886</u>	<u>1,084,461</u>	<u>774,879</u>	<u>912,760</u>
Total assets		<u>2,405,025</u>	<u>2,200,403</u>	<u>1,841,650</u>	<u>1,845,857</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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**Statements of financial position as at 30 June 2014
(continued)**

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Equity					
Share capital	14	419,417	419,417	419,417	419,417
Reserves	15	445,423	441,942	483,587	418,490
Total equity attributable to owners of the Company		<u>864,840</u>	<u>861,359</u>	<u>903,004</u>	<u>837,907</u>
Non-controlling interests		6,424	5,502	-	-
Total equity		<u>871,264</u>	<u>866,861</u>	<u>903,004</u>	<u>837,907</u>
Liabilities					
Deferred tax liabilities	9	29,086	22,837	-	18,784
Deferred income	16	16,295	19,087	14,254	16,932
Retirement benefits	17	25,692	23,993	14,423	13,824
Trade and other payables	18	105,919	-	-	-
Borrowings	19	438,378	228,124	213,625	-
Total non-current liabilities		<u>615,370</u>	<u>294,041</u>	<u>242,302</u>	<u>49,540</u>
Retirement benefits	17	275	405	71	61
Trade and other payables, including derivatives	18	340,192	232,110	289,905	276,228
Borrowings	19	577,331	806,986	406,368	682,121
Current tax liabilities		593	-	-	-
Total current liabilities		<u>918,391</u>	<u>1,039,501</u>	<u>696,344</u>	<u>958,410</u>
Total liabilities		<u>1,533,761</u>	<u>1,333,542</u>	<u>938,646</u>	<u>1,007,950</u>
Total equity and liabilities		<u>2,405,025</u>	<u>2,200,403</u>	<u>1,841,650</u>	<u>1,845,857</u>

The notes on pages 18 to 106 are an integral part of these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

10

Southern Steel Berhad

(Company No. 5283 - X)
(Incorporated in Malaysia)

and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 30 June 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Revenue	20	2,813,500	2,822,838	2,406,206	2,435,576
Cost of sales		(2,620,917)	(2,622,190)	(2,296,758)	(2,314,020)
Gross profit		<u>192,583</u>	<u>200,648</u>	<u>109,448</u>	<u>121,556</u>
Distribution costs		(74,316)	(71,499)	(59,969)	(53,340)
Administrative expenses		(64,851)	(68,567)	(35,946)	(34,625)
Other operating expenses		(25,991)	(18,124)	(22,070)	(68,673)
Other operating income		47,618	41,370	96,651	43,151
Results from operations		<u>75,043</u>	<u>83,828</u>	<u>88,114</u>	<u>8,069</u>
Finance costs	21	(30,345)	(27,506)	(26,568)	(21,074)
Share of loss in associated companies, net of tax		(13,780)	(11,964)	-	-
Profit/(Loss) before taxation	22	<u>30,918</u>	<u>44,358</u>	<u>61,546</u>	<u>(13,005)</u>
Taxation	23	(11,044)	(1,178)	20,753	(5,404)
Profit/(Loss) for the year		<u>19,874</u>	<u>43,180</u>	<u>82,299</u>	<u>(18,409)</u>
Profit/(Loss) attributable to:					
Owners of the Company		18,952	42,177	82,299	(18,409)
Non-controlling interests		922	1,003	-	-
		<u>19,874</u>	<u>43,180</u>	<u>82,299</u>	<u>(18,409)</u>
Basic earnings per ordinary share (sen)	24	<u>4.52</u>	<u>10.06</u>		

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Statements of profit or loss and other comprehensive income for the year ended 30 June 2014 (continued)

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) for the year		19,874	43,180	82,299	(18,409)
Other comprehensive income/(expense), net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
- Loss on fair value of available-for-sale financial assets		(433)	(288)	(426)	(288)
- Reversal of fair value reserve upon disposal of available-for-sale financial assets		-	6,676	-	-
- Foreign currency translation differences for foreign operation		1,738	(297)	-	-
Total other comprehensive income/(expense) for the year		<u>1,305</u>	<u>6,091</u>	<u>(426)</u>	<u>(288)</u>
Total comprehensive income/(expense) for the year		<u>21,179</u>	<u>49,271</u>	<u>81,873</u>	<u>(18,697)</u>
Total comprehensive income/(expense) attributable to:					
Owners of the Company		20,257	48,268	81,873	(18,697)
Non-controlling interests		922	1,003	-	-
		<u>21,179</u>	<u>49,271</u>	<u>81,873</u>	<u>(18,697)</u>

The notes on pages 18 to 106 are an integral part of these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Southern Steel Berhad
(Company No. 5283 - X)
(Incorporated in Malaysia)
and its subsidiaries

Statements of changes in equity for the year ended 30 June 2014

	← Attributable to owners of the Company		→ Distributable		Total equity RM'000					
	Share capital RM'000	Non-distributable	Foreign currency translation reserve RM'000	Retained earnings RM'000		Non-controlling interests RM'000				
Group										
At 1 July 2012	419,417	35,852	30,000	50	(5,556)	2,005	366,149	847,917	(1,527)	846,390
Profit for the year	-	-	-	-	-	-	42,177	42,177	1,003	43,180
<i>Other comprehensive income/(expense):</i>										
- Foreign currency translation differences	-	-	-	-	(297)	(297)	-	(297)	-	(297)
- Loss on fair value of available-for-sale financial assets	-	-	-	(288)	(288)	(288)	-	(288)	-	(288)
- Reversal of fair value reserve upon disposal of available-for-sale financial assets	-	-	-	6,676	6,676	6,676	-	6,676	-	6,676
Total comprehensive income/(expense) for the year	-	-	-	6,388	(297)	(297)	42,177	48,268	1,003	49,271
<i>Distribution to owners of the Company</i>										
- Dividends (Note 25)	-	-	-	-	-	-	(29,359)	(29,359)	-	(29,359)
- Issuance of shares to non-controlling interests	-	-	-	-	-	-	(5,467)	(5,467)	6,026	559
At 30 June 2013/1 July 2013	419,417	35,852	30,000	50	832	1,708	373,500	861,359	5,502	866,861

Note 14

Note 15

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

13

Statements of changes in equity for the year ended 30 June 2014 (continued)

Group	Attributable to owners of the Company		Non-distributable			Distributable		Total equity RM'000		
	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000			
At 30 June 2013/1 July 2013	419,417	35,852	30,000	50	832	1,708	373,500	861,359	5,502	866,861
Profit for the year	-	-	-	-	-	-	18,952	18,952	922	19,874
<i>Other comprehensive income/ (expense):</i>										
- Foreign currency translation differences	-	-	-	-	-	1,738	-	1,738	-	1,738
- Loss on fair value of available-for-sale financial assets	-	-	-	-	(433)	-	-	(433)	-	(433)
Total comprehensive (expense)/ income for the year	-	-	-	-	(433)	1,738	18,952	20,257	922	21,179
<i>Distribution to owners of the Company</i>										
- Dividends (Note 25)	-	-	-	-	-	-	(16,776)	(16,776)	-	(16,776)
At 30 June 2014	419,417	35,852	30,000	50	399	3,446	375,676	864,840	6,424	871,264

Note 14

Note 15

The notes on pages 18 to 106 are an integral part of these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Southern Steel Berhad

(Company No. 5283 - X)
(Incorporated in Malaysia)

and its subsidiaries

Statements of changes in equity for the year ended 30 June 2014 (continued)

	← Attributable to owners of the Company →					Total equity RM'000
	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Company						
At 1 July 2012	419,417	35,852	33,600	1,060	396,034	885,963
Loss for the year	-	-	-	-	(18,409)	(18,409)
Other comprehensive expense:						
- Loss on fair value of available-for-sale financial assets	-	-	-	(288)	-	(288)
Total comprehensive expense for the year	-	-	-	(288)	(18,409)	(18,697)
Distribution to owners of the Company						
- Dividends (Note 25)	-	-	-	-	(29,359)	(29,359)
At 30 June 2013/1 July 2013	419,417	35,852	33,600	772	348,266	837,907
Profit for the year	-	-	-	-	82,299	82,299
Other comprehensive expense:						
- Loss on fair value of available-for-sale financial assets	-	-	-	(426)	-	(426)
Total comprehensive (expense)/ income for the year	-	-	-	(426)	82,299	81,873
Distribution to owners of the Company						
- Dividends (Note 25)	-	-	-	-	(16,776)	(16,776)
At 30 June 2014	419,417	35,852	33,600	346	413,789	903,004
	Note 14	← Note 15 →				

The notes on pages 18 to 106 are an integral part of these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

15

Southern Steel Berhad

(Company No. 5283 - X)

(Incorporated in Malaysia)

and its subsidiaries

Statements of cash flows for the year ended 30 June 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities					
Profit/(Loss) before taxation		30,918	44,358	61,546	(13,005)
Adjustments for:					
Property, plant and equipment:-					
- depreciation		71,668	75,859	52,801	65,452
- (gain)/loss on disposal		(81)	322	(21)	322
- write-off		653	57	284	53
Gain on disposal of other investments		-	(1,772)	-	-
(Gain)/Loss on disposal of subsidiaries		-	(4,221)	-	83,545
Loss on liquidation of subsidiaries		-	-	73	-
Fair value loss/(gain) on derivative instruments		97	(184)	550	77
Retirement benefits expense		1,969	1,839	812	1,470
Dividend income		(245)	(1,069)	(52,526)	(42,348)
Interest income		(848)	(563)	(6,702)	(281)
Share of loss in associated companies		13,780	11,964	-	-
Finance costs		30,345	27,506	26,568	21,074
Amortisation of deferred income		(5,186)	(1,524)	(1,411)	(1,411)
Unrealised (gain)/loss on foreign exchange		(5,060)	533	(942)	923
Operating profit before working capital changes		138,010	153,105	81,032	115,871
Inventories		54,297	(80,724)	78,944	(73,624)
Trade and other receivables		30,158	(32,369)	16,725	(22,596)
Trade and other payables		51,047	(28,835)	28,081	(34,008)
Cash generated from/(used in) operations		273,512	11,177	204,782	(14,357)
Retirement benefits paid		(400)	(1,273)	(203)	(584)
Finance costs paid		(58,890)	(40,570)	(26,568)	(21,074)
Dividends income received		245	1,069	52,526	42,348
Interest income received		848	563	6,702	281
Taxation refund/(paid)		906	(5,673)	927	(5,443)
Net cash generated from/(used in) operating activities		216,221	(34,707)	238,166	1,171

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

16

**Statements of cash flows for the year ended 30 June 2014
(continued)**

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	A	(209,245)	(287,515)	(4,465)	(45,970)
Additional investment in subsidiary companies		-	-	(300,000)	(64,440)
Proceeds from redemption of Redeemable Convertible Cumulative Preference Shares ("RCCPS") by a subsidiary company		-	-	-	20,000
Proceeds from disposal of plant and equipment		245	33	106,280	33
Acquisition of other investments		-	(1,178)	-	-
Proceeds from disposal of other investments		-	39,553	-	-
Proceeds from disposal of subsidiaries		-	7,780	-	-
Proceeds from disposal of investment in subsidiary companies		-	-	14,928	16,987
Acquisition of investment in associated companies		-	(361)	-	(361)
Net cash used in investing activities		(209,000)	(241,688)	(183,257)	(73,751)
Cash flows from financing activities					
Dividends paid to owners of the Company		(16,776)	(29,359)	(16,776)	(29,359)
Drawdown of borrowings		3,361,277	4,187,786	2,884,065	3,058,879
Repayment of borrowings		(3,379,139)	(3,855,969)	(2,944,104)	(2,857,173)
Issuance of shares to non-controlling interest		-	559	-	-
Repayment from/(Advances to) subsidiary companies		-	-	32,372	(113,163)
Net cash (used in)/generated from financing activities		(34,638)	303,017	(44,443)	59,184

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

17

**Statements of cash flows for the year ended 30 June 2014
(continued)**

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net change in cash and cash equivalents		(27,417)	26,622	10,466	(13,396)
Effect of exchange rate fluctuations on cash held		1,738	(297)	-	-
Cash and cash equivalents at 1 July		84,227	57,902	18,036	31,432
Cash and cash equivalents at 30 June	B	<u>58,548</u>	<u>84,227</u>	<u>28,502</u>	<u>18,036</u>

NOTES

A. Payments for acquisition of property, plant and equipment include:-

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Additions of property, plant and equipment	(404,675)	(300,579)	(4,465)	(45,970)
Interest capitalised in property, plant and equipment shown as finance cost	28,545	13,064	-	-
Amount payable to supplier of hot rolled coil plant	166,885	-	-	-
	<u>(209,245)</u>	<u>(287,515)</u>	<u>(4,465)</u>	<u>(45,970)</u>

B. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and bank balances	37,872	68,260	21,574	10,125
Deposits placed with licensed banks	21,750	18,580	6,928	10,000
Bank overdrafts	(1,074)	(2,613)	-	(2,089)
	<u>58,548</u>	<u>84,227</u>	<u>28,502</u>	<u>18,036</u>

The notes on pages 18 to 106 are an integral part of these financial statements.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

18

Southern Steel Berhad

(Company No. 5283 - X)
(Incorporated in Malaysia)

and its subsidiaries**Notes to the financial statements****1. Corporate information**

Southern Steel Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office

Level 9, Wisma Hong Leong
18, Jalan Perak
50450 Kuala Lumpur

Principal place of business

2435, Lorong Perusahaan 12
Prai Industrial Estate
13600 Prai, Penang.

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements as at and for the financial year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 30 June 2014 do not include other entities.

The Company is principally engaged in the investment holding, and manufacturing, sale and trading in billets, steel bars and wire rods. The principal activities of the subsidiary companies and associated companies are as stated in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 August 2014.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis other than as disclosed in Note 2.2(e) to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the Companies Act, 1965 in Malaysia.

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- i) Note 5 - Impairment of goodwill
- ii) Note 9 and 23 - Income taxes
- iii) Note 11 - Net realisable value of inventories

These financial statements are presented in Ringgit Malaysia (“RM”), which is the Company’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM’000), unless otherwise stated.

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(a) Basis of consolidation****(i) Subsidiaries**

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.
- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(a) Basis of consolidation (continued)****(i) Subsidiaries (continued)**

The results of all 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 MFRS 3 *Business Combination* prospectively. Accordingly, the business combination entered into prior to 1 January 2002 has not been restated to comply with the aforesaid MFRS.

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.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(a) Basis of consolidation (continued)****(ii) Business combinations (continued)**

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any 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 Group reserves.

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established: for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(a) Basis of consolidation (continued)****(v) Loss of control**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(a) Basis of consolidation (continued)****(vi) Associates (continued)**

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(b) Property, plant and equipment****(i) Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after making proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(b) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is calculated based on the cost of an asset less its residual value, if any. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Capital work-in-progress is not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

	%
Leasehold land	1.0 - 3.3
Buildings	2 - 12
Plant and machinery	5 - 50
Office equipment	5 - 50
Motor vehicles	20 - 25

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

(c) Leased assets

(i) Finance leases

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(c) Leased assets (continued)

(i) Finance leases (continued)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised in the statement of financial position.

Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both is classified as investment property.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(d) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(e) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(e) Financial instruments (continued)****(ii) Financial instrument categories and subsequent measurement (continued)****Financial assets (continued)****(c) Available-for-sale financial assets**

Available-for-sale category comprises investments in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2.2(f)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(e) Financial instruments (continued)****(iii) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(f) Impairment****(i) Financial assets**

All financial assets (except for financial assets categorised as fair value through profit or loss, investment in subsidiaries and investment in associates) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument 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, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(f) Impairment (continued)****(ii) Other assets**

The carrying amounts of other assets (except for deferred tax assets and inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(f) Impairment (continued)****(ii) Other assets (continued)**

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on weighted average cost formula, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

2. Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) Contingencies

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(l) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(I) Foreign currency (continued)****(i) Foreign currency transactions (continued)**

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the FCTR within equity.

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(m) Revenue and other income****(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, and trade discount and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(n) Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(o) Income tax (continued)**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax incentives that include the allowances for significant increase in export, that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax assets to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

The Group and the Company regard the unutilised reinvestment allowances as investment tax credits ("ITCs") and these ITCs are recognised using accounting treatment similar to that of a government grant. Unutilised reinvestment allowances to the extent that it is probable that future taxable profit will be available against which the unutilised reinvestment allowance can be utilised are recognised as a tax credit receivable and correspondingly deferred income. The tax credit receivable will be charged out to profit or loss based on the utilisation of reinvestment allowances in each financial period. Deferred income, on the other hand, will be amortised over the estimated remaining useful lives of the assets concerned.

(p) Earnings per share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held, if any.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(q) Employee benefits****(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(ii) Post-employment benefits

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 which ended on 31 December 2012. The unfunded defined benefits plan obligations are provided for based on triennial actuarial valuations last carried out in June 2013, using the projected unit credit method.

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 June 2013.

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 unfunded old plans was 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 reporting date.

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(q) Employee benefits (continued)****(ii) Post-employment benefits (continued)**

As a result of adopting MFRS 119 (2011), Employee Benefits, with effect from this financial year, the Group has changed its accounting policy in respect of the basis for determining the income or expense relating to its post employment defined benefit plans.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed in the interval of every 3 years by a qualified actuary using the projected unit credit method and the last actuarial valuation was carried out in August 2013. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The change in accounting policy has been made retrospectively. The adoption of MFRS 119 (2011) has no significant impact to the financial statements of the Group.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(q) Employee benefits (continued)****(iii) Share-based payments**

The Group operates equity-settled, share-based compensation plans for the employees of the Group under the Southern Steel Berhad (“SSB”)’s Executive Share Scheme (“ESS”).

In connection with the ESS, trusts have been set up and are administered by an appointed trustee (“ESS Trust”). The trustee will be entitled from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree to purchase the ordinary shares of the Company from the open market for the ESS Trusts (“Trust Shares”).

The fair value of the share options or grant offers granted to employees is recognised as an employment cost with a corresponding increase in the executive share scheme reserve over the vesting period. When the share options are exercised or grant offers are completed, the amount from the executive share scheme reserve is transferred to share premium. When the share options not exercised or grant offers not completed are expired, the amount from the executive share scheme reserve is transferred to retained earnings.

The fair value of the share options or grant offers is measured using Black Scholes 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). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The ESS Trusts for SSB will be consolidated into the Group’s consolidated financial statements as a deduction from equity and classified as reserves for own shares. Any dividends received by the ESS Trusts will be eliminated against the Company’s dividend payment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)**2.2 Summary of significant accounting policies (continued)****(r) Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(s) Fair value measurement

From 1 July 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)

2.3 Statement of compliance

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*
- Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*
- Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*
- Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*
- Amendments to MFRS 136, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*
- Amendments to MFRS 139, *Financial Instruments, Recognition and measurement - Novation of Derivatives and Continuation of Hedge Accounting*
- IC Interpretation 21, *Levies*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits - Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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2. Significant accounting policies (continued)

2.3 Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferred Accounts*
- Amendments to MFRS 116, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation*
- Amendments to MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Amortisation*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisition of Interest in Joint Operations*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- MFRS 9, *Financial Instruments* (2009)
- MFRS 9, *Financial Instruments* (2010)
- MFRS 9, *Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*
- Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations, where applicable:

- from the annual period beginning on 1 July 2014 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014 and 1 July 2014; and
- from the annual period beginning on 1 July 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts on the financial statements of the Group and Company.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Companies in the Group

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Southern Steel Berhad are as shown below:

Name of Company Subsidiary Companies	Country of incorporation	Principal activities	Effective ownership interest	
			2014 %	2013 %
Southern Steel Properties Sdn Bhd	Malaysia	Rental of properties	100.0	100.0
Danstil Sdn Bhd	Malaysia	Rental of properties	100.0	100.0
Southern Steel Holdings Sdn Bhd	Malaysia	Investment holding	100.0	100.0
• Sound Industries Sdn Bhd	Malaysia	Dissolved	-	100.0
• Southern Steel Bar Sdn Bhd	Malaysia	Investment holding	100.0	100.0
• Starglow Investment Ltd #	Malaysia	Investment holding	100.0	100.0
Southern Steel Rod Sdn Bhd	Malaysia	Dormant	100.0	100.0
Centimeter Wire Sdn Bhd*	Malaysia	In member's voluntary liquidation	100.0	100.0
Southern HRC Sdn Bhd	Malaysia	Construction of plant-in- progress. Intended activities are manufacture, sale and marketing of steel billet and hot rolled steel coils.	100.0	100.0
Steady Solution Sdn Bhd	Malaysia	Dissolved	-	100.0
Southern Steel Management Sdn Bhd	Malaysia	Management service for Group's manpower, development and planning	100.0	100.0
Southern PC Steel Sdn Bhd	Malaysia	Manufacture and sale of pre-stressed concrete strands and wires	100.0	100.0
Terus Staples Sdn Bhd*	Malaysia	In member's voluntary liquidation	100.0	100.0

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Companies in the Group (Continued)

Name of Company Subsidiary Companies	Country of incorporation	Principal activities	Effective ownership interest	
			2014 %	2013 %
Southern Steel Mesh Sdn Bhd	Malaysia	Manufacture and marketing of steel wire mesh, concrete wires, cut and bend bars and trading in steel bar	100.0	100.0
• Southern Mesh Sdn Bhd	Malaysia	Management service for the supply of labour	100.0	100.0
• E-Tatt Steel Wires Sdn Bhd	Malaysia	Trading in steel wire mesh and concrete wire	100.0	100.0
Southern Pipe Industry (Malaysia) Sdn Bhd ("SPIM")	Malaysia	Manufacture, sale and processing of steel pipes and other related products	91.4	91.4
• Southern Steel Pipe Sdn Bhd	Malaysia	Manufacture, sale and processing of steel pipes and other related products	91.4	91.4
Associated Companies				
Super Othello Sdn Bhd#	Malaysia	Investment holding	50.0	50.0
Steel Industries (Sabah) Sdn Bhd	Malaysia	Manufacture and sale of steel products	27.5	27.5
Bekaert Southern Wire Pte Ltd#	Singapore	Investment holding	45.0	45.0
• Bekaert Southern Speciality Wire Sdn Bhd#	Malaysia	Manufacture and sale of all types of fine steel wire	45.0	45.0
• PT Bekaert Southern Wire#	Indonesia	Manufacture and sale of steel wire, wire ropes, tyre bead wire and welding wire, galvanised wire and strand	45.0	45.0
• Bekaert Southern Wire Sdn Bhd#	Malaysia	Manufacture and sale of steel wire, wire ropes, tyre bead wire and welding wire, galvanised wire and strand	45.0	45.0
• Cempaka Raya Sdn Bhd#	Malaysia	Ceased operation	45.0	45.0

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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3. Companies in the Group (Continued)

The financial year end of all the subsidiaries companies is co-terminous with the Company.

The financial year end of all associated companies is on 31 December.

Notes:

- Sub-subsidiary companies.
- # The financial statements of these subsidiary and associated companies are not audited by member firms of KPMG International.
- * Terus Staples Sdn Bhd and Centimeter Wire Sdn Bhd were dissolved on 2 July 2014 and 22 August 2014 respectively.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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4. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Cost								
At 1 July 2012	25,331	147,119	307,863	1,535,936	63,713	12,591	129,803	2,222,356
Additions	-	29,421	445	13,870	1,165	473	255,205	300,579
Write-off	-	-	(54)	(5,073)	(289)	(7)	-	(5,423)
Disposal	-	-	(1,041)	-	(3)	(553)	-	(1,597)
Reclassification	-	-	-	6,168	-	-	(6,168)	-
Disposal of subsidiaries	-	(19,150)	(36,114)	(169,437)	(4,287)	(172)	-	(229,160)
At 30 June 2013/1 July 2013	25,331	157,390	271,099	1,381,464	60,299	12,332	378,840	2,286,755
Additions	-	157	777	2,941	1,486	5	399,309	404,675
Write-off	-	-	-	(2,132)	(96)	-	-	(2,228)
Disposal	-	-	(112)	(447)	(33)	(349)	-	(941)
Reclassification	-	-	145	1,312	-	-	(1,457)	-
At 30 June 2014	25,331	157,547	271,909	1,383,138	61,656	11,988	776,692	2,688,261

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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4. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in- progress RM'000	Total RM'000
Accumulated depreciation and impairment loss								
At 1 July 2012								
- Accumulated depreciation	-	25,662	180,831	1,119,337	56,193	11,180	-	1,393,203
- Accumulated impairment loss	-	-	4,955	26,014	-	-	-	30,969
	-	25,662	185,786	1,145,351	56,193	11,180	-	1,424,172
Charge for the year	-	3,133	10,537	58,542	3,181	466	-	75,859
Write-off	-	-	(35)	(5,038)	(289)	(4)	-	(5,366)
Disposal	-	-	(686)	-	(3)	(553)	-	(1,242)
Disposal of subsidiaries	-	-	-	-	-	-	-	-
- Accumulated depreciation	-	(3,874)	(18,884)	(153,729)	(3,866)	(172)	-	(180,525)
- Accumulated impairment loss	-	-	-	(3,251)	-	-	-	(3,251)
	-	24,921	171,763	1,019,112	55,216	10,917	-	1,281,929
At 30 June 2013/1 July 2013	-	-	4,955	22,763	-	-	-	27,718
- Accumulated depreciation	-	24,921	176,718	1,041,875	55,216	10,917	-	1,309,647
- Accumulated impairment loss	-	-	-	-	-	-	-	-
Charge for the year	-	3,355	10,179	55,405	2,315	414	-	71,668
Write-off	-	-	-	(1,480)	(95)	-	-	(1,575)
Disposal	-	-	(32)	(363)	(33)	(349)	-	(777)
	-	28,276	181,910	1,072,674	57,403	10,982	-	1,351,245
At 30 June 2014	-	-	4,955	22,763	-	-	-	27,718
- Accumulated depreciation	-	28,276	186,865	1,095,437	57,403	10,982	-	1,378,963
- Accumulated impairment loss	-	-	-	-	-	-	-	-

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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4. Property, plant and equipment (continued)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount								
At 1 July 2012	25,331	121,457	122,077	390,585	7,520	1,411	129,803	798,184
At 30 June 2013	25,331	132,469	94,381	339,589	5,083	1,415	378,840	977,108
At 30 June 2014	25,331	129,271	85,044	287,701	4,253	1,006	776,692	1,309,298
Company								
Cost								
At 1 July 2012	6,997	108,715	205,383	1,089,867	46,291	11,804	8,421	1,477,478
Additions	-	29,421	307	13,754	1,089	171	1,228	45,970
Write-off	-	-	(54)	(61)	(136)	(3)	-	(254)
Disposal	-	-	(1,041)	-	(3)	(553)	-	(1,597)
Reclassification	-	-	-	5,920	-	-	(5,920)	-
At 30 June 2013/1 July 2013	6,997	138,136	204,595	1,109,480	47,241	11,419	3,729	1,521,597
Additions	-	238	631	2,127	704	-	765	4,465
Write-off	-	-	-	(1,200)	(13)	-	-	(1,213)
Disposal	-	-	(112)	(115)	(33)	(349)	-	(609)
Transfer to a subsidiary	-	-	-	(352,850)	(1,852)	(491)	-	(355,193)
At 30 June 2014	6,997	138,374	205,114	757,442	46,047	10,579	4,494	1,169,047

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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4. Property, plant and equipment (continued)

Company	Freehold	Leasehold	Buildings	Plant and	Office	Motor	Capital	Total
	land	land					work-in-	
	RM'000	RM'000	RM'000	machinery	equipment	vehicles	RM'000	RM'000
At 1 July 2012								
- Accumulated depreciation	-	19,150	144,737	725,432	40,939	10,429	-	940,687
- Accumulated impairment loss	-	-	4,955	22,763	-	-	-	27,718
	-	19,150	149,692	748,195	40,939	10,429	-	968,405
Charge for the year	-	2,768	8,797	50,985	2,546	356	-	65,452
Write-off	-	-	(35)	(27)	(136)	(3)	-	(201)
Disposal	-	-	(686)	-	(3)	(553)	-	(1,242)
At 30 June 2013/1 July 2013								
- Accumulated depreciation	-	21,918	152,813	776,390	43,346	10,229	-	1,004,696
- Accumulated impairment loss	-	-	4,955	22,763	-	-	-	27,718
	-	21,918	157,768	799,153	43,346	10,229	-	1,032,414
Charge for the year	-	3,042	8,414	39,219	1,754	372	-	52,801
Write-off	-	-	-	(916)	(13)	-	-	(929)
Disposal	-	-	(32)	(32)	(33)	(349)	-	(446)
Transfer to a subsidiary	-	-	-	(246,799)	(1,807)	(491)	-	(249,097)
At 30 June 2014								
- Accumulated depreciation	-	24,960	161,195	567,862	43,247	9,761	-	807,025
- Accumulated impairment loss	-	-	4,955	22,763	-	-	-	27,718
	-	24,960	166,150	590,625	43,247	9,761	-	834,743

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4. Property, plant and equipment (continued)

Company	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount								
At 1 July 2012	6,997	89,565	55,691	341,672	5,352	1,375	8,421	509,073
At 30 June 2013	6,997	116,218	46,827	310,327	3,895	1,190	3,729	489,183
At 30 June 2014	6,997	113,414	38,964	166,817	2,800	818	4,494	334,304

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4. Property, plant and equipment (continued)

4.1 Leasehold land

Included in the carrying amount of leasehold land are:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Leasehold land with unexpired lease period of less than 50 years	78,548	81,165	68,854	71,270
Leasehold land with unexpired lease period of more than 50 years	50,723	51,304	44,560	44,948
	<u>129,271</u>	<u>132,469</u>	<u>113,414</u>	<u>116,218</u>

The legal titles to the leasehold land acquired by the Group and the Company of RM29,421,000 during the previous financial year has been issued by the authorities during the financial year.

4.2 Capital work-in-progress

Capital work-in-progress of the Group above includes an amount of RM772,064,000 (2013: RM373,930,000) representing the costs incurred to-date of constructing the new production facility of hot rolled coils undertaken by the subsidiary, Southern HRC Sdn Bhd.

A total of RM7,009,000 (2013: RM NIL) representing direct attributable costs which include among others, initial delivery and handling costs, installation and assembly costs as well as costs of testing the assets were capitalised as of part of the capital work-in-progress of the Group.

5. Goodwill on consolidation

	Group	
	2014 RM'000	2013 RM'000
At cost:		
At beginning and end of financial year	<u>30,256</u>	<u>30,256</u>

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5. Goodwill on consolidation (continued)

(a) Impairment test of goodwill

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

	2014 RM'000	2013 RM'000
Southern PC Steel Sdn Bhd	9,684	9,684
Danstil Sdn Bhd	805	805
Southern Steel Mesh Sdn Bhd	19,767	19,767
	<u>30,256</u>	<u>30,256</u>

The Group undertakes an annual test for impairment. No impairment loss was identified for the carrying amount of goodwill assessed at the reporting date as their recoverable amounts were in excess of their carrying amounts.

(b) Recoverable amount based on value in use

The recoverable amounts of cash generating units containing the above goodwill is determined based on value in use calculations. These calculations use pre-tax cash flow projections that have been projected to perpetuity based on a five year financial budgets and projections prepared by the management and approved by the Board of Directors. 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 8.69% (2013: 8.41%) is a pre-tax rate that is applied to the cash flow projections and represents the estimated industry's 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.

6. Investments in subsidiary companies

	Company	
	2014 RM'000	2013 RM'000
At cost:		
Unquoted shares	311,784	326,785
Investment in Redeemable Convertible Cumulative Preference Shares in a subsidiary	20,000	20,000
Investment in Irredeemable Convertible Unsecured Loan Stock in a subsidiary	300,000	-
	<u>631,784</u>	<u>346,785</u>

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7. Investment in associated companies

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unquoted shares, at cost	89,076	89,076	89,076	89,076
Accumulated impairment loss	-	-	(10,135)	(10,135)
	<u>89,076</u>	<u>89,076</u>	<u>78,941</u>	<u>78,941</u>
Share of post-acquisition reserves	(23,531)	(9,751)	-	-
	<u>65,545</u>	<u>79,325</u>	<u>78,941</u>	<u>78,941</u>

The following table summarises the information of the Group's material associated companies, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associated companies.

	Bekaert Southern Wire Pte Ltd RM'000	Other individually immaterial associates RM'000	Total RM'000
Group 2014			
Summarised financial information As at 30 June			
Non-current assets	109,101	30,958	140,059
Current assets	203,331	77,723	281,054
Non-current liabilities	(6,751)	-	(6,751)
Current liabilities	(244,955)	(55,052)	(300,007)
Net assets	<u>60,726</u>	<u>53,629</u>	<u>114,355</u>

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7. Investment in associated companies (continued)

	Bekaert Southern Wire Pte Ltd RM'000	Other individually immaterial associates RM'000	Total RM'000
Group 2014			
Year ended 30 June			
(Loss)/Profit for the year representing total comprehensive (expense)/income	(33,737)	4,988	(28,749)
Included in the total comprehensive income is:			
Revenue	362,456	199,213	561,669
Reconciliation of net assets to carrying amount As at 30 June			
Group's share of net assets	27,326	14,748	42,074
Goodwill	23,441	-	23,441
Elimination of unrealised profits	30	-	30
Carrying amount in the statement of financial position	50,797	14,748	65,545
Group's share of results Year ended 30 June			
Group's share of profit or loss for the year representing total comprehensive (expense)/income	(15,152)	1,372	(13,780)
2013			
Summarised financial information As at 30 June			
Non-current assets	92,273	32,624	124,897
Current assets	157,574	69,489	227,063
Non-current liabilities	(7,130)	-	(7,130)
Current liabilities	(148,254)	(53,559)	(201,813)
Net assets	94,463	48,554	143,017
Year ended 30 June			
Loss for the year representing total comprehensive expense	(16,629)	(16,263)	(32,892)
Included in the total comprehensive income is:			
Revenue	313,775	108,681	422,456

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7. Investment in associated companies (continued)

	Bekaert Southern Wire Pte Ltd RM'000	Other individually immaterial associates RM'000	Total RM'000
Group 2013			
Reconciliation of net assets to carrying amount As at 30 June			
Group's share of net assets	42,508	13,376	55,884
Goodwill	23,441	-	23,441
Carrying amount in the statement of financial position	65,949	13,376	79,325
Group's share of results Year ended 30 June			
Group's share of profit or loss for the year representing total comprehensive expense	(7,483)	(4,481)	(11,964)

Impairment test of investment in associated companies

The carrying amounts of investment in associated companies attributed to each cash generating units are as follows:-

	Group	
	2014 RM'000	2013 RM'000
Steel Industries (Sabah) Sdn. Bhd.	14,748	13,376
Bekaert Southern Wire Pte Ltd Group	50,797	65,949
	65,545	79,325

The recoverable amount of each cash generating unit is determined based on value in use calculations. These calculations use pre-tax cash flow projections that have been projected to perpetuity based on five year financial budgets and projections prepared by the management and approved by the Board of Directors. The key assumptions of 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 8.69% (2013: 8.41%) is a pre-tax rate that is applied to the cash flow projections and represents the estimated industry's weighted average cost of capital.

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8. Other investments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<i>Available-for-sale financial assets</i>				
Shares quoted in Malaysia	861	1,294	747	1,173

9. Deferred tax assets/(liabilities)

Deferred tax assets and liabilities, are attributable to the following:

	Assets		Liabilities		Net	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Group						
Property, plant and equipment	-	-	(55,479)	(60,209)	(55,479)	(60,209)
Unabsorbed capital allowances	1,130	3,931	-	-	1,130	3,931
Unutilised tax losses	6,387	6,031	-	-	6,387	6,031
Provisions	11,596	11,015	-	-	11,596	11,015
Unutilised increased export allowance	22,428	26,497	-	-	22,428	26,497
Other deductible temporary differences	1,394	842	-	-	1,394	842
Deferred tax assets/(liabilities)	42,935	48,316	(55,479)	(60,209)	(12,544)	(11,893)
Set off of tax	(26,393)	(37,372)	26,393	37,372	-	-
Net tax assets/(liabilities)	16,542	10,944	(29,086)	(22,837)	(12,544)	(11,893)

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9. Deferred tax assets/(liabilities) (continued)

Company	Assets		Liabilities		Net	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment	-	-	(22,811)	(54,167)	(22,811)	(54,167)
Provisions	8,402	8,886	-	-	8,402	8,886
Unutilised increased export allowance	22,428	26,497	-	-	22,428	26,497
Deferred tax assets/(liabilities)	30,830	35,383	(22,811)	(54,167)	8,019	(18,784)
Set off of tax	(22,811)	(35,383)	22,811	35,383	-	-
Net tax assets/(liabilities)	8,019	-	-	(18,784)	8,019	(18,784)

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9. Deferred tax assets/(liabilities) (continued)

Movements in temporary differences during the financial year

Group	At	Disposal of subsidiaries	At	Recognised in profit or loss (Note 23)	At
	1.7.2012		30.6.2013/1.7.2013		30.6.2014
	RM'000	RM'000	RM'000	RM'000	RM'000
Excess of capital allowances over depreciation	(65,932)	2,798	(60,209)	4,730	(55,479)
Unutilised increased export allowance	37,048	(3,731)	26,497	(4,069)	22,428
Unabsorbed capital allowances	5,389	(3,626)	3,931	(2,801)	1,130
Unutilised tax losses	5,284	(5,143)	6,031	356	6,387
Provisions	12,538	(1,932)	11,015	581	11,596
Others	563	321	842	552	1,394
	(5,110)	(11,313)	(11,893)	(651)	(12,544)
Company					
Excess of capital allowances over depreciation	(56,477)	-	(54,167)	31,356	(22,811)
Unutilised increased export allowances	33,316	-	26,497	(4,069)	22,428
Provisions	8,210	-	8,886	(484)	8,402
	(14,951)	(3,833)	(18,784)	26,803	8,019

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9. Deferred tax assets/(liabilities) (continued)

Deferred tax assets (net) have not been recognised in respect of the following items (stated at gross):

	Group	
	2014 RM'000	2013 RM'000
Unutilised tax losses	88,021	92,992
Temporary differences		
- Property, plant and equipment	(7,662)	(5,207)
	80,359	87,785

The unutilised tax losses and temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Group entities can utilise the benefits there from.

10. Tax credit receivable

Tax credit receivable is attributable to the following:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Unutilised reinvestment allowances	16,637	17,015	12,976	17,015

Tax credit receivable is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Movements in tax credit receivable during the financial year

	At 1.7.2012 RM'000	Recognised in profit or loss (Note 23) RM'000	At 30.6.2013/ 1.7.2013 RM'000	Recognised in profit or loss (Note 23) RM'000	Recognition of unutilised reinvestment allowance RM'000	Unutilised reinvestment allowance clawback RM'000	At 30.6.2014 RM'000
Group							
Unutilised reinvestment allowances	18,044	(1,029)	17,015	(2,772)	3,661	(1,267)	16,637
Company							
Unutilised reinvestment allowances	15,736	1,279	17,015	(2,772)	-	(1,267)	12,976

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11. Inventories

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Raw materials	409,461	485,453	327,712	414,469
Work-in-progress	14,191	17,002	1,107	1,203
Finished goods	191,910	176,102	154,805	134,489
General consumables and other stores	84,087	75,389	49,260	61,667
	<u>699,649</u>	<u>753,946</u>	<u>532,884</u>	<u>611,828</u>

Included in the inventories are goods-in-transit as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Raw materials	36,443	112,339	35,440	110,891
General consumables and other stores	1,742	1,181	1,742	1,181
	<u>38,185</u>	<u>113,520</u>	<u>37,182</u>	<u>112,072</u>

The amount of write-down of inventories for the Group during the financial year is RM226,000 (2013: RM5,217,000) and the reversal of write-down for the Company is RM1,048,000 (2013: write-down of RM4,585,000). All the write-down and reversal of write-down are included in cost of sales.

12. Trade and other receivables, including derivatives

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Trade				
Trade receivables				
- Third parties	173,298	193,490	81,607	74,419
- Subsidiaries	-	-	22,467	39,344
- Related parties	12,865	9,065	5,501	5,638
- Associated companies	4,082	4,087	4,075	3,752
	<u>190,245</u>	<u>206,642</u>	<u>113,650</u>	<u>123,153</u>

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12. Trade and other receivables, including derivatives (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-trade				
Amounts due from:				
- Subsidiaries	-	-	89,526	136,852
- Associated companies	1,382	1,120	1,316	1,051
Other receivables	9,117	5,944	5,312	3,588
Deposits	1,113	885	498	465
Prepayments	14,162	22,221	8,336	8,777
Derivative financial assets				
- Interest rate swap	673	224	-	-
	<u>26,447</u>	<u>30,394</u>	<u>104,988</u>	<u>150,733</u>
Less: Allowance for impairment losses				
- trade	(5,970)	(5,033)	(199)	(183)
- non-trade	(7,845)	-	(7,845)	-
	<u>(13,815)</u>	<u>(5,033)</u>	<u>(8,044)</u>	<u>(183)</u>
	<u>202,877</u>	<u>232,003</u>	<u>210,594</u>	<u>273,703</u>

The trade amounts due from subsidiaries, related parties and associated companies are subject to normal trade terms.

The non-trade amounts due from subsidiaries and associated companies are unsecured and repayable on demand. Non-trade amounts due from subsidiary companies of approximately RM2,543,000 (2013: RM2,654,000) at the reporting date carried an interest rate ranging from 3.92% to 5.07% (2013: 3.13% to 3.60%) per annum. The remaining balance of amount due from subsidiaries and amount due from associated companies at the end of each reporting date are interest-free.

13. Cash and cash equivalents

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits placed with licensed banks	21,750	18,580	6,928	10,000
Cash and bank balances	37,872	68,260	21,574	10,125
	<u>59,622</u>	<u>86,840</u>	<u>28,502</u>	<u>20,125</u>

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14. Share capital

	Group and Company			
	2014		2013	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
<i>Authorised:</i>				
Ordinary shares of RM1.00 each	500,000	500,000	500,000	500,000
Preference shares of RM1.00 each	2,000	2,000	2,000	2,000
	<u>502,000</u>	<u>502,000</u>	<u>502,000</u>	<u>502,000</u>
<i>Issued and fully paid:</i>				
Ordinary shares of RM1.00 each	<u>419,417</u>	<u>419,417</u>	<u>419,417</u>	<u>419,417</u>

15. Reserves

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<i>Non-distributable</i>				
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	-	-
Fair value reserve	399	832	346	772
Foreign currency translation reserve	3,446	1,708	-	-
<i>Distributable</i>				
Retained earnings	375,676	373,500	413,789	348,266
	<u>445,423</u>	<u>441,942</u>	<u>483,587</u>	<u>418,490</u>

Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Merger reserve

Merger reserve is the difference between the cost of acquisition and the nominal value of the share capital and reserves of the merged subsidiary companies.

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15. Reserves (continued)

Capital redemption reserve

The capital redemption reserve is in respect of redeemable preference shares that were redeemed out of retained earnings.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16. Deferred income

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
Reinvestment allowance	<u>16,295</u>	<u>19,087</u>	<u>14,254</u>	<u>16,932</u>

The tax benefits arising from reinvestment allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which reinvestment allowances were claimed. During the financial year, a total of RM5,186,000 (2013: RM1,524,000) and RM1,411,000 (2013: RM1,411,000) have been amortised and recognised as other operating income in profit or loss of the Group and of the Company respectively. A total of RM1,267,000 (2013: RM Nil) of the Group and of the Company has been clawed back when the assets were transferred to its subsidiary during the financial year.

17. Retirement benefits

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current	25,692	23,993	14,423	13,824
Current	275	405	71	61
	<u>25,967</u>	<u>24,398</u>	<u>14,494</u>	<u>13,885</u>

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17. Retirement benefits (continued)

The amounts recognised on the statements of financial position are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Funded plan				
- Present value of obligations	564	536	-	-
- Fair value of plan assets	(360)	(360)	-	-
	204	176	-	-
Unfunded plans				
Present value and recognised liability of unfunded obligation	25,763	24,222	14,494	13,885
	25,967	24,398	14,494	13,885

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17. Retirement benefits (continued)

Movements in the present value of the defined benefit obligations

Group	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance at 1 July	24,758	31,715	(360)	(1,447)	24,398	30,268
Included in profit or loss						
Current service cost	1,481	1,362	-	-	1,481	1,362
Interest cost	488	1,117	-	-	488	1,117
Actuarial loss on plan assets	-	(116)	-	116	-	-
Expected return on plan assets	-	-	-	(29)	-	(29)
Adjustment for limit on net assets	-	(611)	-	-	-	(611)
	1,969	1,752	-	87	1,969	1,839
Included in other comprehensive income						
Remeasurement loss/(gain)	-	-	-	-	-	-
Other						
Benefits paid	(400)	(2,273)	-	1,000	(400)	(1,273)
Disposal of subsidiaries	-	(6,436)	-	-	-	(6,436)
	(400)	(8,709)	-	1,000	(400)	(7,709)
Balance at 30 June	26,327	24,758	(360)	(360)	25,967	24,398

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17. Retirement benefits (continued)

Movements in the present value of the defined benefit obligations (continued)

Company	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance at 1 July	13,885	12,999	-	-	13,885	12,999
Included in profit or loss						
Current service cost	788	825	-	-	788	825
Past service cost	(788)	-	-	-	(788)	-
Interest cost	812	645	-	-	812	645
	812	1,470	-	-	812	1,470
Included in other comprehensive income						
Remeasurement loss/(gain)	-	-	-	-	-	-
Other						
Benefits paid	(203)	(584)	-	-	(203)	(584)
	(203)	(584)	-	-	(203)	(584)
Balance at 30 June	14,494	13,885	-	-	14,494	13,885

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17. Retirement benefits (continued)

Plan assets consist of :

	Group	
	2014 %	2013 %
Cash and cash equivalents	<u>100</u>	<u>100</u>

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 was paid to the funded plan subsequent to the change in defined benefit plans effective 1 April 2002 as disclosed in Note 2.2(q)(ii) to the financial statements.

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Discount rate	4.75-5.75	4.75 - 5.75	5.25	5.25
Expected rates of salary increases	3.10-5.00	3.10 - 5.00	5.00	5.00
Expected return on plan assets	<u>5.00</u>	<u>5.00</u>	<u>-</u>	<u>-</u>

At 30 June 2014, the weighted-average duration of the defined benefit obligations was 9 years (2013: 9.3 years).

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	Defined benefit obligation			
	Group		Company	
	Increase RM'000	Decrease RM'000	Increase RM'000	Decrease RM'000
2014				
Discount rate (1% movement)	(3,997)	3,997	(2,439)	2,439
Future salary growth (1% movement)	<u>3,777</u>	<u>(3,777)</u>	<u>2,282</u>	<u>(2,282)</u>

Although the analysis does not account for the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

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18. Trade and other payables, including derivatives

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current				
Trade				
Trade payables				
- Third parties	151,610	125,372	136,085	118,784
- Subsidiaries	-	-	2,790	3,124
- Related parties	-	489	-	489
- Associated companies	21	53	-	51
	<u>151,631</u>	<u>125,914</u>	<u>138,875</u>	<u>122,448</u>
Non-trade				
Amount due to				
- Subsidiaries	-	-	63,969	78,923
- Associated companies	1,218	489	-	-
Other payables and accrued expenses	186,679	105,589	86,397	74,743
Derivative financial liabilities				
- Forward currency contracts	664	118	664	114
	<u>188,561</u>	<u>106,196</u>	<u>151,030</u>	<u>153,780</u>
	<u>340,192</u>	<u>232,110</u>	<u>289,905</u>	<u>276,228</u>
Non-current				
Other payables	<u>105,919</u>	<u>-</u>	<u>-</u>	<u>-</u>

The trade amounts due to subsidiaries, related parties and associated companies are subject to normal trade terms.

The non-trade amount due to subsidiaries and associated companies are unsecured, interest free and repayable on demand.

Included in other payables and accrued expenses are:

- i) Provision for expenses relating to cleaning of industrial waste of RM12,000,000 (2013: RM12,000,000). The provision is analysed as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 July/30 June	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>

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18. Trade and other payables (continued)

- ii) An amount owing to a supplier of plant and machinery by a subsidiary company of RM162,408,000 (2013: RMNil) and out of which RM105,919,000 (2013: RMNil) is not due and not payable within a year.

19. Borrowings

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Non-current				
<i>Unsecured</i>				
Term loan	438,378	228,124	213,625	-
Current				
<i>Unsecured</i>				
Bank overdrafts	1,074	2,613	-	2,089
Bankers' acceptances	413,808	794,373	335,919	672,032
Revolving credit	2,000	10,000	-	8,000
Term loan	160,449	-	70,449	-
	577,331	806,986	406,368	682,121
Total	<u>1,015,709</u>	<u>1,035,110</u>	<u>619,993</u>	<u>682,121</u>

20. Revenue - Group/Company

Revenue represents the invoiced value of goods sold less discounts and returns.

21. Finance costs

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest expense on:				
Borrowings	58,838	40,518	26,568	21,073
Others	52	52	-	1
	<u>58,890</u>	<u>40,570</u>	<u>26,568</u>	<u>21,074</u>

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21. Finance costs (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Recognised in profit or loss	30,345	27,506	26,568	21,074
Capitalised on qualifying assets:				
- Capital work-in-progress	28,545	13,064	-	-
	<u>58,890</u>	<u>40,570</u>	<u>26,568</u>	<u>21,074</u>

22. Profit/(Loss) before taxation

Profit/(Loss) before taxation is arrived at after charging/(crediting):

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Auditors' remuneration				
Statutory audits				
- Holding company's auditors	260	224	120	100
- Other auditors	7	6	-	-
Other services				
- Holding company's auditors	6	6	6	6
Directors' remunerations				
- Executive Directors of the Company				
- Fee	20	-	-	-
- Salaries and bonuses	2,750	2,622	2,750	2,622
- Contribution to Employees' Provident Fund	177	315	177	315
- Non-Executive Directors of the Company				
- Fees	281	250	280	238
- Other emoluments	113	106	113	106
Staff costs				
- Salaries and other expenses	125,347	116,789	70,314	71,928
- Contribution to Employees' Provident Fund	11,525	10,390	6,772	6,413
- Retirement benefits expense	1,969	1,839	812	1,470
Rental of premises	652	626	269	269
Rental of equipment	1,526	573	1,356	573
Inventories				
- Write-down	226	5,217	-	4,585
- Reversal of write down	-	-	(1,048)	-
Property, plant and equipment				
- Depreciation	71,668	75,859	52,801	65,452
- Write-off	653	57	284	53
- (Gain)/Loss on disposal	(81)	322	(21)	322

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22. Profit/(Loss) before taxation (continued)

Profit/(Loss) before taxation is arrived at after charging/(crediting): (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(Gain)/Loss on disposal of subsidiaries	-	(4,221)	-	83,545
Loss on liquidation of subsidiaries	-	-	73	-
Gain on disposal of other investments	-	(1,772)	-	-
Fair value loss/(gain) on derivative instruments	97	(184)	550	77
Impairment loss/(Reversal of impairment loss) on receivables	8,782	(138)	7,861	183
(Gain)/Loss on foreign exchange				
- realised	(2,580)	893	(2,638)	696
- unrealised	(5,060)	533	(942)	923
Bad debts written off	-	89	-	74
Amortisation of deferred income	(5,186)	(1,524)	(1,411)	(1,411)
Dividend income				
- Quoted investment in Malaysia	(245)	(19)	(238)	(12)
- Quoted investment outside Malaysia	-	(1,050)	-	-
- Subsidiaries	-	-	(52,288)	(42,336)
Interest income	(848)	(563)	(6,702)	(281)
Rental income	(406)	(410)	(982)	(982)

23. Taxation

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current taxation				
- Current year	(8,286)	(6,843)	(3,566)	(4,724)
- Prior year	665	2,164	288	1,874
	(7,621)	(4,679)	(3,278)	(2,850)
Deferred taxation				
- Current year	(776)	3,121	26,377	706
- Prior year	125	1,409	426	(4,539)
	(651)	4,530	26,803	(3,833)

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23. Taxation (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- current year	(2,922)	(6,149)	(2,922)	(3,939)
- prior year	150	5,120	150	5,218
	(2,772)	(1,029)	(2,772)	1,279
	<u>(11,044)</u>	<u>(1,178)</u>	<u>20,753</u>	<u>(5,404)</u>

The reconciliation of income tax applicable to profit/(loss) before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit/(Loss) before taxation	<u>30,918</u>	<u>44,358</u>	<u>61,546</u>	<u>(13,005)</u>
Taxation at Malaysian statutory tax rates of 25%	(7,729)	(11,089)	(15,387)	3,251
Non allowable expenses	(6,315)	(1,059)	(3,119)	(16,714)
Non taxable income	2,927	2,166	13,435	5,506
Effect of tax incentive	58	5	-	-
Difference attributable to associated companies	(3,445)	(2,991)	-	-
Deferred tax assets recognised	1,857	3,048	-	-
Derecognition of deferred tax liability arising from assets transferred to a subsidiary	-	-	24,960	-
Others	663	49	-	-
	<u>(11,984)</u>	<u>(9,871)</u>	<u>19,889</u>	<u>(7,957)</u>
Over provision in prior years	940	8,693	864	2,553
	<u>(11,044)</u>	<u>(1,178)</u>	<u>20,753</u>	<u>(5,404)</u>

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24. Earnings per ordinary share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is calculated by dividing the Group's profit attributable to owners of the Company of RM18,952,000 (2013: RM42,177,000) by the weighted average number of ordinary shares outstanding during the financial year of 419,417,208 (2013: 419,417,208).

Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share as there are no dilutive potential ordinary shares during the financial year and the previous financial year.

25. Dividends

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
First interim				
2 sen per share tax exempt (2013: 2 sen per share tax exempt)	8,388	8,388	8,388	8,388
Second interim				
2 sen per share tax exempt (2013: 5 sen per share tax exempt)	8,388	20,971	8,388	20,971
	<u>16,776</u>	<u>29,359</u>	<u>16,776</u>	<u>29,359</u>

26. Related parties

26.1 Identity of related parties

The Group and the Company have related party relationships with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:

- (a) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and a major shareholder of HLCM. YBhg Datuk Kwek Leng San is a Director and a shareholder of the Company and HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Quek Leng Chye and Mr Kwek Leng Kee are major shareholders of the Company and HLCM. YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San and Mr Quek Leng Chye are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

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26. Related parties (continued)
26.1 Identity of related parties (continued)

- (b) Hong Bee Hardware Company, Sdn Berhad (“HBH”) and Hong Bee Engineering Sdn Bhd (“HBE”) are persons connected with Mr Chuah Chuan Thye, a Director of a subsidiary of the Company, YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Quek Leng Chye, Mr Kwek Leng Kee and Mr Kwek Leng Beng;
- (c) Cheah Hong Inn Sdn Bhd (“CHI”) is a person connected with Mr Cheah Cheng Leng, a Director of a subsidiary of the Company;
- (d) Kim Company Sdn Bhd (“Kim Co”) is a person connected with YBhg Tan Sri Dato’ Ong Gim Huat, a Director of a subsidiary of the Company; and
- (e) Su Hock Company Sdn Bhd and its subsidiary (“SHG”) are persons connected with YBhg Dato’ Dr Tan Tat Wai, a Director and major shareholder of the Company.

26.2 Significant transactions with related parties are as follows:

- (i) Transactions with subsidiaries

Company	2014 RM’000	2013 RM’000
Sale of goods	1,198,791	707,854
Purchase of goods	<u>681,219</u>	<u>39,075</u>

- (ii) Transactions with related parties

	Related party	Group		Company	
		2014 RM’000	2013 RM’000	2014 RM’000	2013 RM’000
Receipt of Group management and/or support services	Subsidiary of HLCM	2,657	1,842	2,149	1,842
Sale of goods	HBH & HBE	75,950	85,028	49,810	56,551
	Subsidiary of HLCM	100,626	145,118	57,723	89,390
	CHI	31,877	28,025	-	-

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26. Related parties (continued)
26.2 Significant transactions with related parties are as follows: (continued)

(ii) Transactions with related parties (continued)

	Related party	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Sale of goods	Kim Co	19,710	19,058	-	-
	Associated companies of SSB	109,804	203,636	109,804	203,636
Purchase of goods	- HBH	2,432	2,128	2,451	2,127
	- Subsidiary of HLCM	55	43	18	43
	- Associated companies of SSB	1,729	-	1,729	-
Purchase of insurance	Subsidiary of HLCM	83	206	-	-
Receipt of services	Subsidiary of HLCM	5	102	-	-
Royalty receivable	Associated companies of SSB	1,218	1,407	1,218	1,407
Reimbursement of IT, security and other services	Associated companies of SSB	-	1,520	-	1,520
Freight charges	SHG	<u>84</u>	<u>109</u>	<u>84</u>	<u>109</u>

Significant balances with related parties at the reporting date are disclosed in Note 12 and Note 18.

The above transactions have been carried out on commercial terms consistent with the usual business practices and policies of the Group and of the Company.

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26. Related parties (continued)

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group entities either directly or indirectly. The key management personnel includes all the Directors of the Group.

There were no transactions with any key management personnel during the year other than Directors' remunerations as disclosed in Note 22.

27. Operating segments

The Board of Directors reviews financial reports at least on a quarterly basis. Operating segments are components in which separate financial information that is available and is evaluated by the Board of Directors on resource allocation and in assessing performance.

The Group comprises the following reportable segments:

- a) Steel products
- b) Investment holding and others

Segment profit

Performance is measured based on segment profit before interest income, finance costs, share of profit of associated companies and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors and hence, no disclosure is made on the segment asset.

Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence, no disclosure is made on the segment liability.

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27. Operating segments (continued)

	Steel Products RM'000	Investment holding and others RM'000	Total RM'000
2014			
Segment Profit	74,095	100	74,195
Interest income			848
Finance costs			(30,345)
Share of loss in associated companies, net of tax			(13,780)
Consolidated profit before taxation			<u>30,918</u>
Included in the measure of segment profit are:			
Revenue from external customers	2,813,166	334	2,813,500
Depreciation	(71,644)	(24)	(71,668)
2013			
Segment Profit	79,762	3,503	83,265
Interest income			563
Finance costs			(27,506)
Share of loss in associated companies, net of tax			(11,964)
Consolidated profit before taxation			<u>44,358</u>
Included in the measure of segment profit are:			
Revenue from external customers	2,821,434	1,404	2,822,838
Depreciation	(75,836)	(23)	(75,859)

Geographical information

The Group's operations are located in Malaysia. Segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of assets. The amounts of non-current assets do not include financial instruments (including investment in associated companies).

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27. Operating segments (continued)

Geographical information (continued)

	Revenue RM'000	Non-current assets RM'000
2014		
Malaysia	2,528,407	1,372,733
ASEAN countries	222,247	-
Others	62,846	-
	<u>2,813,500</u>	<u>1,372,733</u>
2013		
Malaysia	2,490,347	1,035,323
ASEAN countries	272,924	-
Others	59,567	-
	<u>2,822,838</u>	<u>1,035,323</u>

28. Capital commitments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment				
- Contracted but not provided for in the financial statements	45,953	307,002	6,784	1,560
- Approved but not contracted for in the financial statements	31,039	166,154	6,493	31,098
	<u>76,992</u>	<u>473,156</u>	<u>13,277</u>	<u>32,658</u>

29. Financial instruments

29.1 Categories of financial instruments

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

- (a) Loans and receivables (L&R);
- (b) Fair value through profit or loss (FVTPL): - Held for trading (HFT);
- (c) Available-for-sale financial assets (AFS); and
- (d) Other financial liabilities measured at amortised cost (OL).

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29. Financial instruments (continued)
29.1 Categories of financial instruments (continued)

	Carrying amount RM'000	L&R RM'000	FVTPL - HFT RM'000	AFS RM'000
Financial assets				
2014				
Group				
Other investments	861	-	-	861
Trade and other receivables, including derivatives (excluding deposits and prepayments)	195,447	194,774	673	-
Cash and cash equivalents	59,622	59,622	-	-
	<u>255,930</u>	<u>254,396</u>	<u>673</u>	<u>861</u>
Company				
Other investments	747	-	-	747
Trade and other receivables, including derivatives (excluding deposits and prepayments)	209,605	209,605	-	-
Cash and cash equivalents	28,502	28,502	-	-
	<u>238,854</u>	<u>238,107</u>	<u>-</u>	<u>747</u>
2013				
Group				
Other investments	1,294	-	-	1,294
Trade and other receivables, including derivatives (excluding deposits and prepayments)	208,897	208,673	224	-
Cash and cash equivalents	86,840	86,840	-	-
	<u>297,031</u>	<u>295,513</u>	<u>224</u>	<u>1,294</u>
Company				
Other investments	1,173	-	-	1,173
Trade and other receivables, including derivatives (excluding deposits and prepayments)	264,461	264,461	-	-
Cash and cash equivalents	20,125	20,125	-	-
	<u>285,759</u>	<u>284,586</u>	<u>-</u>	<u>1,173</u>

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29. Financial instruments (continued)
29.1 Categories of financial instruments (continued)

	Carrying amount RM'000	OL RM'000	FVTPL - HFT RM'000
Financial liabilities			
2014			
Group			
Borrowings	1,015,709	1,015,709	-
Trade and other payables, including derivatives	446,111	445,447	664
	<u>1,461,820</u>	<u>1,461,156</u>	<u>664</u>
Company			
Borrowings	619,993	619,993	-
Trade and other payables, including derivatives	289,905	289,241	664
	<u>909,898</u>	<u>909,234</u>	<u>664</u>
2013			
Group			
Borrowings	1,035,110	1,035,110	-
Trade and other payables, including derivatives	232,110	231,992	118
	<u>1,267,220</u>	<u>1,267,102</u>	<u>118</u>
Company			
Borrowings	682,121	682,121	-
Trade and other payables, including derivatives	276,228	276,114	114
	<u>958,349</u>	<u>958,235</u>	<u>114</u>

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29. Financial instruments (continued)

29.2 Net gains and losses arising from financial instruments

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net (loss)/gain arising on:				
Loans and receivables	2,638	612	10,266	24
Other liabilities	(25,432)	(27,506)	(26,568)	(21,074)
Fair value through profit or loss	(97)	184	(550)	(77)
Available-for-sale financial assets				
- recognised in profit or loss	245	2,841	238	12
- recognised in other comprehensive income/(expenses)	(433)	6,388	(426)	(288)
	<u>(23,079)</u>	<u>(17,481)</u>	<u>(17,040)</u>	<u>(21,403)</u>

29.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

29.4 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Group's and the Company's exposure to credit risk arises principally from its bank balances, deposits placed with licensed banks and receivables from customers. The Company's exposure to credit risk arises principally from financial guarantees given to banks for credit facilities granted to subsidiaries. The Group does not specifically monitor the ageing of other receivables. Nevertheless, other receivables are not considered to be overdue.

Receivables

Risk management objectives, policies and processes for managing the risk

The Group and the Company seek to control credit risk by applying due credit control procedures on a regular basis to review and monitor the financial viability of its customers. Sale 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.

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29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade and other receivables (excluding deposits and prepayments) is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due which are deemed to have higher credit risk are monitored individually.

The exposure of credit risk for trade receivables, net of allowance for impairment losses, as at the end of the reporting period by geographic region was:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Malaysia	148,091	175,918	98,707	116,126
ASEAN countries	32,428	23,553	14,474	6,844
Others	3,756	2,138	270	-
	<u>184,275</u>	<u>201,609</u>	<u>113,451</u>	<u>122,970</u>

Impairment losses

The ageing of trade receivables as at end of the reporting period was:

Group	Gross	Individual	Net
	RM'000	impairment RM'000	RM'000
2014			
Not past due	164,579	-	164,579
Past due 1 - 30 days	14,864	-	14,864
Past due 31 - 120 days	4,795	(199)	4,596
Past due more than 120 days	6,007	(5,771)	236
	<u>190,245</u>	<u>(5,970)</u>	<u>184,275</u>

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29. Financial instruments (continued)

29.4 Credit risk (continued)

Receivables (continued)

Impairment losses (continued)

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2013			
Not past due	175,013	-	175,013
Past due 1 - 30 days	21,993	(183)	21,810
Past due 31 - 120 days	4,653	-	4,653
Past due more than 120 days	4,983	(4,850)	133
	<u>206,642</u>	<u>(5,033)</u>	<u>201,609</u>
Company			
2014			
Not past due	101,380	-	101,380
Past due 1 - 30 days	10,524	-	10,524
Past due 31 - 120 days	1,746	(199)	1,547
	<u>113,650</u>	<u>(199)</u>	<u>113,451</u>
2013			
Not past due	113,737	-	113,737
Past due 1 - 30 days	8,965	(183)	8,782
Past due 31 - 120 days	451	-	451
	<u>123,153</u>	<u>(183)</u>	<u>122,970</u>

The movements in the impairment losses of trade receivables during the financial year were:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 July	5,033	5,960	183	722
Disposal of subsidiaries	-	(67)	-	-
Write-off	-	(722)	-	(722)
Addition/(Reversal)	937	(138)	16	183
At 30 June	<u>5,970</u>	<u>5,033</u>	<u>199</u>	<u>183</u>

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

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29. Financial instruments (continued)**29.4 Credit risk (continued)****Intercompany balances*****Risk management objectives, policies and processes for managing the risk***

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

Exposure to credit risk, credit quality and collateral

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

Impairment losses

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

Cash and cash equivalents***Risk management objectives, policies and processes for managing the risk***

The Group's and Company's short term deposits are placed as fixed rates investments and upon which management endeavours to obtain the best rate available in the market.

Cash and cash equivalents are placed with reputable financial institutions.

Exposure to credit risk, credit quality and collateral

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

Impairment losses

As at the end of the reporting period, there was no indication that cash and cash equivalents were not recoverable.

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29. Financial instruments (continued)**29.4 Credit risk (continued)****Financial guarantees*****Risk management objectives, policies and processes for managing the risk***

The Company provides unsecured financial guarantees to a bank in respect of banking facilities granted to a subsidiary company. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk for the Company amounted to about RM316 million (2013: RM231 million) representing the outstanding banking facilities of the subsidiary as at the end of the reporting period.

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The fair values of the financial guarantees have not been recognised since the fair value was not material.

Investments and other financial assets***Risk management objectives, policies and processes for managing the risk***

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group and the Company. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company has invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group and the Company do not have overdue investments that have not been impaired.

Impairment losses

As at the end of the reporting period, there were no significant financial difficulties being experienced by the issuer.

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29. Financial instruments (continued)**29.5 Liquidity risk**

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

The Group and the Company manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that 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.

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29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
<i>Non-derivative financial liabilities</i>						
Borrowings	1,015,709	3.75 - 7.60	1,094,439	588,695	228,328	277,416
Trade and other payables	292,390	-	292,390	292,390	-	-
Other payables	153,057	5.00	162,410	54,400	108,010	-
	<u>1,461,156</u>		<u>1,549,239</u>	<u>935,485</u>	<u>336,338</u>	<u>277,416</u>
<i>Derivative financial liabilities</i>						
Forward exchange contracts:						
- outflow	664	-	255,158	255,158	-	-
- inflow	-	-	(254,494)	(254,494)	-	-
	<u>1,461,820</u>		<u>1,549,903</u>	<u>936,149</u>	<u>336,338</u>	<u>277,416</u>

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29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
2013						
<i>Non-derivative financial liabilities</i>						
Borrowings	1,035,110	3.55 - 7.60	1,087,340	820,704	87,985	178,651
Trade and other payables	231,992	-	231,992	231,992	-	-
	<u>1,267,102</u>		<u>1,319,332</u>	<u>1,052,696</u>	<u>87,985</u>	<u>178,651</u>
<i>Derivative financial liabilities</i>						
Forward exchange contracts:						
- outflow	118	-	118,607	118,607	-	-
- inflow	-	-	(118,489)	(118,489)	-	-
	<u>1,267,220</u>		<u>1,319,450</u>	<u>1,052,814</u>	<u>87,985</u>	<u>178,651</u>

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29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
2014						
<i>Non-derivative financial liabilities</i>						
Borrowings	619,993	3.81 - 5.13	650,373	419,747	102,131	128,495
Trade and other payables	289,241	-	289,241	289,241	-	-
	909,234		939,614	708,988	102,131	128,495
<i>Derivative financial liabilities</i>						
Forward exchange contracts:						
- outflow	664	-	255,158	255,158	-	-
- inflow	-	-	(254,494)	(254,494)	-	-
	909,898		940,278	709,652	102,131	128,495

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29. Financial instruments (continued)

29.5 Liquidity risk (continued)

Maturity analysis (continued)

Company	Carrying amount RM'000	Contractual interest rates %	Contractual cash flows RM'000	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000
2013						
<i>Non-derivative financial liabilities</i>						
Borrowings	682,121	3.70 - 7.10	682,121	682,121	-	-
Trade and other payables	276,114	-	276,114	276,114	-	-
	<u>958,235</u>		<u>958,235</u>	<u>958,235</u>	<u>-</u>	<u>-</u>
<i>Derivative financial liabilities</i>						
Forward exchange contracts:						
- outflow	114	-	114,003	114,003	-	-
- inflow	-	-	(113,889)	(113,889)	-	-
	<u>958,349</u>		<u>958,349</u>	<u>958,349</u>	<u>-</u>	<u>-</u>

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29. Financial instruments (continued)

29.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices will affect the Group's and the Company's financial position or cash flows.

29.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Group entities. The currencies giving rise to this risk are primarily U.S. Dollar (USD), Singapore Dollar (SGD) and European Dollar (EURO).

Risk management objectives, policies and processes for managing the risk

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

Exposure to foreign currency risk

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount denominated in USD:				
Trade and other receivables	23,111	11,299	16,826	6,845
Trade and other payables	(34,857)	(37,500)	(34,652)	(35,771)
Cash and bank balances	8,289	46,843	3,214	2,113
Forward exchange contracts	(670)	(150)	(670)	(146)
Net exposure	<u>(4,127)</u>	<u>20,492</u>	<u>(15,282)</u>	<u>(26,959)</u>
Amount denominated in SGD:				
Trade and other receivables	14,343	462	-	-
Trade and other payables	(420)	(13,447)	(420)	(95)
Forward exchange contracts	14	32	14	32
Net exposure	<u>13,937</u>	<u>(12,953)</u>	<u>(406)</u>	<u>(63)</u>

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29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.1 Currency risk (continued)

Exposure to foreign currency risk (continued)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount denominated in EURO:				
Trade and other payables	(163,308)	(1,326)	(662)	(1,044)
Forward exchange contracts	(8)	-	(8)	-
Net exposure	<u>(163,316)</u>	<u>(1,326)</u>	<u>(670)</u>	<u>(1,044)</u>

Currency risk sensitivity analysis

A 5% (2013: 5%) strengthening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss			
	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
USD	206	(1,024)	764	1,348
SGD	(697)	648	20	3
EURO	<u>8,166</u>	<u>66</u>	<u>33</u>	<u>52</u>

A 5% (2013: 5%) weakening of the RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

29.6.2 Interest rate risk

The Group and the Company manage the interest rate exposure by maintaining available lines of fixed and floating rate borrowings.

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29. Financial instruments (continued)

29.6 Market risk (continued)

29.6.2 Interest rate risk (continued)

Exposure to interest rate risk

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fixed rate instruments				
Financial assets	21,750	18,580	9,471	12,654
Financial liabilities	(568,865)	(804,373)	(335,919)	(680,032)
	<u>(547,115)</u>	<u>(785,793)</u>	<u>(326,448)</u>	<u>(667,378)</u>
Floating rate instrument				
Financial liabilities	<u>(599,901)</u>	<u>(230,737)</u>	<u>(284,074)</u>	<u>(2,089)</u>

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

An increase/(decrease) of 50 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased profit before taxation of the Group and the Company by RM3,000,000 (2013: RM1,153,000) and RM1,420,000 (2013: RM10,400) respectively without impact on equity. This analysis assumes that all other variables remain constant.

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29. Financial instruments (continued)**29.6 Market risk (continued)****29.6.3 Other price risk**

Equity price risk arises from the Group's and the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on an individual basis and all buy and sell decisions are approved by the Risk Management Committee of the Group.

Equity price risk sensitivity analysis

This analysis assumes that all other variables remained constant and the Group's equity investments moved in correlation with the related stock exchange markets.

A 10% (2013: 10%) strengthening in share prices on the related stock exchange markets at the end of the reporting period would have increased total equity of the Group and of the Company by RM86,000 (2013: RM129,000) and RM74,000 (2013: RM117,000) respectively. A 10% (2013: 10%) weakening in the related stock exchange markets would have had equal but opposite effect on the total equity.

29.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings approximate their fair values due to the relatively short term nature of these financial instruments. Accordingly, the fair value and fair value hierarchy levels have not been presented for these instruments.

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29. Financial instruments (continued)

29.7 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
Group								
2014								
Financial assets								
Investment in quoted shares	861	-	-	-	-	-	861	861
Interest rate swap	-	673	-	-	-	-	673	673
Financial liabilities								
Forward exchange contracts	-	664	-	-	-	-	664	664
Term loan	-	-	-	-	-	598,827	598,827	598,827

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29. Financial instruments (continued)

29.7 Fair value information (continued)

Group	Fair value of financial instruments carried at fair value			Total	Fair value of financial instruments not carried at fair value *		Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		RM'000	RM'000		
2013								
Financial assets								
Investment in quoted shares	1,294	-	-	1,294	-	-	1,294	1,294
Interest rate swap	-	224	-	224	-	-	224	224
Financial liabilities								
Forward exchange contracts	-	118	-	118	-	-	118	118
Term loan	-	-	-	-	228,124	-	228,124	228,124

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29. Financial instruments (continued)

29.7 Fair value information (continued)

Company	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
2014								
Financial assets								
Investment in quoted shares	747	-	-	-	-	-	747	747
Financial liabilities								
Forward exchange contracts	-	664	-	-	-	-	664	664
Term loans	-	-	-	-	-	284,074	284,074	284,074

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29. Financial instruments (continued)

29.7 Fair value information (continued)

Company	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value *		Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Total RM		
2013							
Financial assets							
Investment in quoted shares	1,173	-	-	1,173	-	1,173	1,173
Financial liabilities							
Forward exchange contracts	-	114	-	114	-	114	114

* Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.

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29. Financial instruments (continued)**29.7 Fair value information (continued)****Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of derivatives are obtained from observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year. (2013: no transfer in either directions)

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

In respect of financial instruments not carried at fair value, the fair value is derived based on the discounted cash flow valuation method.

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30. Capital management

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and determine to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios are as follows:

	Group	
	2014 RM'000	2013 RM'000
Total borrowings	1,015,709	1,035,110
Less: Cash and cash equivalents	(59,622)	(86,840)
Net debt	956,087	948,270
Total equity	871,264	866,861
Debt-to-equity ratio	1.10 : 1	1.09 : 1

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

31. Significant events

Redeemable Convertible Unsecured Loan Stock

On 30 April 2014, Hong Leong Investment Bank Berhad ("HLB") announced, on behalf of the Company, that the Company proposed to undertake the following:

- (i) a renounceable rights issue of up to RM209,708,604 nominal value of five (5)-year 5% redeemable convertible unsecured loan stocks at 100% of its nominal value ("RCULS") on the basis of RM1.00 nominal value of RCULS for every two (2) existing ordinary shares of RM1.00 each held in the Company ("Shares") on an entitlement date to be determined later by the Board ("Proposed Rights Issue of RCULS"); and
- (ii) an increase in the authorised share capital of the Company from RM502,000,000 comprising 500,000,000 Shares and 2,000,000 preference shares of RM1.00 each in the Company ("Preference Shares") to RM802,000,000 comprising 800,000,000 Shares and 2,000,000 Preference Shares ("Proposed Increase in Authorised Share Capital").

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31. Significant events (continued)**Redeemable Convertible Unsecured Loan Stock (continued)**

(The Proposed Rights Issue of RCULS and the Proposed Increase in Authorised Share Capital are collectively referred to as the "Proposals")

The Proposals are conditional upon approvals being obtained from the following:

- (i) the Securities Commission Malaysia ("SC") for the issuance of the RCULS;
- (ii) Bursa Malaysia Securities Berhad ("Bursa Securities") for the following:
 - (a) admission of the RCULS to the Official List of Bursa Securities; and
 - (b) listing of and quotation for the RCULS to be issued pursuant to the Proposed Rights Issue of RCULS and the new Shares to be issued pursuant to the conversion of RCULS, on the Main Market of Bursa Securities;
- (iii) the shareholders of the Company at an extraordinary general meeting to be convened; and
- (iv) other relevant authorities/parties, if required.

HLIB had, on behalf of the Company, submitted an application on 25 August 2014 for the listing of and quotation for the RCULS to be issued pursuant to the Proposed Rights Issue of RCULS and the new Shares to be issued pursuant to the conversion of RCULS to the Bursa Securities. HLIB had also, on even date, submitted an application to the SC for the issuance of RCULS pursuant to the Proposed Rights Issue of RCULS.

The Proposed Rights Issue of RCULS is conditional upon the Proposed Increase in Authorised Share Capital. The Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

For the avoidance of doubt, upon receipt of all relevant approvals, the Proposals will be implemented separately and are not meant to be completed simultaneously.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be completed in the fourth quarter of 2014.

32. Disposal of subsidiaries

During the previous financial year,

- (a) the Company completed the sale of its entire equity interests in its wholly-owned subsidiaries, Southern Speciality Wire Sdn Bhd (now known as Bekaert Southern Speciality Wire Sdn Bhd) ("SSW") and Southern Wire Industries (Malaysia) Sdn Bhd (now known as Bekaert Southern Wire Sdn Bhd) ("SWIM"), together with the wholly-owned subsidiary of SWIM, Cempaka Raya Sdn Bhd ("CR"), to Bekaert Southern Wire Pte Ltd ("Bekaert Singapore"), NV Bekaert SA ("NV BK") had also completed the sale of its entire galvanized and multi-coated wire business in Indonesia to Bekaert Singapore. Both disposals were transacted for an aggregate consideration of SGD51,102,400 (equivalent to USD41,000,000), resulting in the Company and NV BK holding 64% and 36% of the existing share capital of Bekaert Singapore respectively; and

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32. Disposal of subsidiaries (continued)

- (b) the Company disposed of 19% of its equity interests in Bekaert Singapore to NV BK for a cash consideration of SGD9,472,640 (equivalent to USD7,600,000), resulting in a participation ratio of Southern Steel Berhad 45% : NV BK 55% in Bekaert Singapore. Accordingly, SSW, SWIM and CR ceased to be subsidiaries of the Company and remain as indirect associated companies of the Company.

The following summarises the major class of considerations received and, the amounts of assets and liabilities derecognised on the date of disposal during the previous financial year:

	2013 RM'000
Fair value of considerations received	
Share swap for investment in associated company, Bekaert Southern Wire Pte Ltd	73,080
Cash and bank balances	16,987
Total Considerations	<u>90,067</u>
Assets and liabilities derecognised	
Property, plant and equipment	45,384
Goodwill	18,735
Deferred tax assets	11,313
Inventories	30,510
Trade and other receivables	31,465
Current tax asset	354
Cash and bank balances	9,207
Trade and other payables	(11,485)
Provision for retirement benefits	(6,436)
Borrowings	(43,201)
Total net identifiable assets	<u>85,846</u>
Gain on disposal of subsidiaries	4,221
Net cash received from disposal	
Considerations received	16,987
Cash and bank balances derecognised	(9,207)
Cash inflows from disposal of subsidiaries	<u>7,780</u>

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33. Acquisition of non-controlling interest

During the previous financial year, the shareholding of the Company in Southern Pipe Industry (Malaysia) Sdn Bhd ("SPIM") was increased from 83.7% to 91.4% following its acquisition of 64,439,860 new ordinary shares of RM1.00 each in SPIM pursuant to the rights issue of SPIM of up to 65,000,000 new ordinary shares of RM1.00 each ("Right Shares") on the basis of 1 Rights Share for every 1 existing ordinary shares of RM1.00 each held in the Company.

The carrying amount of SPIM's net assets in the Group's financial statements on the date of the acquisition was RM61,465,000. The Group recognised an increase in non-controlling interests of RM5,466,000 and a decrease in retained earnings of RM5,466,000.

The following summarises the effect of changes in the equity interest in SPIM that is attributable to owners of the Company:

	Group 30.6.2013 RM'000
Equity interest at 1 July 2012	(7,823)
Effect of increase in Company's ownership interest	(5,466)
Issuance of share by the subsidiary	64,440
Share of comprehensive income	7,343
Equity interest at 30 June 2013	<u>58,494</u>

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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34. Supplementary information on the breakdown of realised and unrealised profits or losses

The breakdown of the retained earnings of the Group and of the Company as at 30 June, into realised and unrealised profits/(losses) is as follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of the Company and its subsidiaries:				
- Realised	461,395	445,110	419,083	380,087
- Unrealised	14,694	(13,559)	(5,294)	(31,821)
	<u>476,089</u>	<u>431,551</u>	<u>413,789</u>	<u>348,266</u>
Total share of retained earnings from associated companies				
- Realised	(23,562)	(9,653)	-	-
- Unrealised	30	(98)	-	-
	<u>(23,532)</u>	<u>(9,751)</u>	-	-
	<u>452,557</u>	<u>421,800</u>	<u>413,789</u>	<u>348,266</u>
Consolidation adjustments	(76,881)	(48,300)	-	-
Total retained earnings	<u><u>375,676</u></u>	<u><u>373,500</u></u>	<u><u>413,789</u></u>	<u><u>348,266</u></u>

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

The disclosure of realised and unrealised profits or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and should not be applied for any other purpose.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Southern Steel Berhad

(Company No. 5283 - X)
(Incorporated in Malaysia)

and its subsidiaries**Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965**

In the opinion of the Directors, the financial statements set out on pages 8 to 105 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2014 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 34 on page 106 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,



.....
Raja Dato' Seri Abdul Aziz bin Raja Salim



.....
Chow Chong Long

Kuala Lumpur
26 August 2014

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Southern Steel Berhad

(Company No. 5283 - X)
(Incorporated in Malaysia)

and its subsidiaries

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Goh Eng Tatt, the officer primarily responsible for the financial management of Southern Steel Berhad, do solemnly and sincerely declare that the financial statements set out on pages 8 to 106 are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the above named, Goh Eng Tatt at Kuala Lumpur in the Federal Territory on 26 August 2014.



.....
Goh Eng Tatt

Before me:



Commissioner for Oaths

Kuala Lumpur

No. 50, Jalan Hang Lekir
50100 Kuala Lumpur.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

KPMG (Firm No. AF 0758)
Chartered Accountants
Level 18, Hunza Tower
163E, Jalan Kelawei,
10250 Penang.

Telephone +604-238 2288
Fax +604-238 2222
Internet www.kpmg.com.my

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Independent auditors' report to the members of Southern Steel Berhad

(Company No. 5283 - X)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Southern Steel Berhad, which comprise the statements of financial position as at 30 June 2014 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 105.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the 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 a 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 the 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.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)

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Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 accounts and the auditors' reports of the subsidiary of which we have not acted as auditors, which is indicated in Note 3 to the financial statements.
- c) We are satisfied that the accounts 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 accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 34 on page 106 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards or International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF OUR COMPANY FOR THE FYE 30 JUNE 2014 TOGETHER WITH THE AUDITORS' REPORT THEREON (Cont'd)



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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.

A stylized signature in black ink, appearing to be 'KPMG'.

KPMG
AF 0758
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Ooi Kok Seng'.

Ooi Kok Seng
2432/05/15 (J)
Chartered Accountant

Date: 26 August 2014

Penang

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2014

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Revenue	610,737	677,952	610,737	677,952
Cost of sales	(603,698)	(640,463)	(603,698)	(640,463)
Gross profit	7,039	37,489	7,039	37,489
Operating expenses	(31,740)	(33,408)	(31,740)	(33,408)
Other operating income	10,329	3,484	10,329	3,484
(Loss)/Profit from operation	(14,372)	7,565	(14,372)	7,565
Finance costs	(9,302)	(7,267)	(9,302)	(7,267)
Share of loss in associated companies, net of tax	(5,056)	(4,536)	(5,056)	(4,536)
Loss before taxation	(28,730)	(4,238)	(28,730)	(4,238)
Taxation	7,315	243	7,315	243
Loss for the period	(21,415)	(3,995)	(21,415)	(3,995)
Loss attributable to:				
Owners of the Company	(21,664)	(4,172)	(21,664)	(4,172)
Non-controlling interests	249	177	249	177
Loss for the period	(21,415)	(3,995)	(21,415)	(3,995)
Loss per ordinary share (sen): -				
(a) Basic	(5.2)	(1.0)	(5.2)	(1.0)
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2014 (CONTINUED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Loss for the period	(21,415)	(3,995)	(21,415)	(3,995)
Gain/(Loss) on fair value of available-for-sale financial assets	15	(112)	15	(112)
Foreign currency translation differences for foreign operation	286	1,748	286	1,748
Total comprehensive expense for the period	(21,114)	(2,359)	(21,114)	(2,359)
Total comprehensive expense attributable to:				
Owners of the Company	(21,363)	(2,536)	(21,363)	(2,536)
Non-controlling interests	249	177	249	177
Total comprehensive expense for the period	(21,114)	(2,359)	(21,114)	(2,359)

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	As At End of Current Quarter	As at End of Preceding Financial Year
	30/09/2014 RM'000	30/06/2014 RM'000
ASSETS		
Property, plant and equipment	1,332,897	1,309,298
Goodwill on consolidation	30,256	30,256
Investment in associated companies	60,486	65,545
Other investments	882	861
Deferred tax assets	21,944	16,542
Tax credit receivables	16,637	16,637
Total non-current assets	1,463,102	1,439,139
Inventories	748,527	699,649
Trade and other receivables	196,079	202,204
Current tax assets	5,457	3,738
Derivative financial assets	673	673
Cash and cash equivalents	54,686	59,622
Total current assets	1,005,422	965,886
TOTAL ASSETS	2,468,524	2,405,025
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	419,417	419,417
Reserves	424,060	445,423
	843,477	864,840
Non-controlling interests	6,673	6,424
TOTAL EQUITY	850,150	871,264
LIABILITIES		
Deferred tax liabilities	26,868	29,086
Deferred income	15,914	16,295
Retirement benefits	26,343	25,692
Other payables	78,494	105,919
Borrowings	458,643	438,378
Total non-current liabilities	606,262	615,370
Retirement benefits	275	275
Trade and other payables	281,517	339,528
Borrowings	730,177	577,331
Derivative financial liabilities	103	664
Current tax liabilities	40	593
Total current liabilities	1,012,112	918,391
TOTAL LIABILITIES	1,618,374	1,533,761
TOTAL EQUITY AND LIABILITIES	2,468,524	2,405,025
Net assets per share attributable to owners of the Company (RM)	2.01	2.06

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

Southern Steel Berhad
A Member of the Hong Leong Group

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Exchange fluctuation reserve			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 30 September 2014	419,417	35,852	30,000	50	399	3,446	375,676	864,840	6,424
At 1 July 2014	-	-	-	-	-	-	(21,664)	(21,664)	249
(Loss)/Profit for the period	-	-	-	-	15	-	-	15	-
Other comprehensive income:									
- Gain on fair value of available-for-sale financial assets	-	-	-	-	-	-	-	15	-
- Foreign currency translation differences	-	-	-	-	-	286	-	286	-
Total comprehensive income/ (expenses) for the period	-	-	-	-	15	286	(21,664)	(21,363)	249
At 30 September 2014	419,417	35,852	30,000	50	414	3,732	354,012	843,477	6,673
									850,150

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)


Southern Steel Berhad
 A Member of the Hong Leong Group
QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (CONTINUED)

	Attributable to owners of the Company						Total equity			
	Share capital	Share premium	Merger reserve	Non-distributable Capital reserve	Fair value reserve	Exchange fluctuation reserve		Distributable Retained earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2013	419,417	35,852	30,000	50	832	1,708	373,500	861,359	5,502	866,861
Preceding year corresponding period ended 30 September 2013	-	-	-	-	-	-	(4,172)	(4,172)	177	(3,995)
(Loss)/Profit for the period	-	-	-	-	(112)	-	-	(112)	-	(112)
Other comprehensive (expense)/income:										
- Loss on fair value of available-for-sale financial assets	-	-	-	-	(112)	-	-	(112)	-	(112)
- Foreign currency translation differences	-	-	-	-	-	1,748	-	1,748	-	1,748
Total comprehensive (expense)/income for the period	-	-	-	-	(112)	1,748	(4,172)	(2,536)	177	(2,359)
At 30 September 2013	419,417	35,852	30,000	50	720	3,456	369,328	858,823	5,679	864,502

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2014

	Current Year To-date 30/09/2014 RM'000	Preceding Year Corresponding Period 30/09/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(28,730)	(4,238)
Adjustments for:-		
Depreciation and amortisation	17,330	17,818
Net finance costs	9,548	7,267
Share of loss in associated companies, net of tax	5,056	4,536
Other non-cash items	8,078	5,792
Operating profit before changes in working capital	11,282	31,175
Changes in working capital		
Net change in current assets	(54,785)	121,640
Net change in current liabilities	(99,485)	(50,906)
Taxation (paid)/refunded	(2,576)	6,991
Net finance costs paid	(9,132)	(6,811)
Retirement benefits paid	(79)	(137)
Dividend income received	7	7
Net cash (used in)/generated from operating activities	(154,768)	101,959
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(39,706)	(75,264)
Proceeds from disposal of property, plant and equipment	35	-
Net cash used in investing activities	(39,671)	(75,264)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of borrowings	173,130	(48,586)
Net cash generated from/(used in) financing activities	173,130	(48,586)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(21,309)	(21,891)
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	286	1,747
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	58,548	83,410
CASH & CASH EQUIVALENTS AT END OF PERIOD	37,525	63,266

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (CONTINUED)

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statements of financial position amounts:

	30/09/2014 RM'000	30/09/2013 RM'000
Deposits placed with licensed banks	17,900	53,995
Cash and bank balances	36,786	29,165
Bank overdrafts	(17,161)	(19,894)
	<u>37,525</u>	<u>63,266</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 "Interim Financial Reporting" and the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2014. This interim financial report also complies with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2014.

The Group has adopted the MFRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2014 and 1 July 2014 where applicable to the Group. The initial adoption of these applicable MFRS, amendments and interpretations do not have any material impact on the financial statements of the Group.

2. Qualification of audit report of the preceding annual financial statements

The audit report for the preceding annual financial statements was not qualified.

3. Seasonality or cyclicity of interim operations

The business operations of the Group are affected by both cyclical factors in the construction industry as well as festive seasons.

4. Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the quarter under review and financial year-to-date.

5. Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years

There were no changes in estimates of amounts reported in the prior financial years.

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuance of shares, share buy-back, share cancellations, resale of treasury shares and repayments of debts or equity securities during the quarter under review and financial year-to-date.

7. Dividend paid

There was no dividend paid during the quarter under review and financial year-to-date.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

8. Operating Segments

The Group's segmental report for the financial year-to-date is as follows: -

	Steel products RM'000	Investment holding and others RM'000	Total RM'000
Segment loss	(14,092)	(280)	(14,372)

Included in the measure of segment loss are:

Revenue from external customers	610,737	-	610,737
Depreciation and amortisation	17,324	6	17,330

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(14,372)
Finance costs	(9,302)
Share of loss in associated companies, net of tax	(5,056)
Consolidated loss before taxation	(28,730)

9. Material events not reflected in the financial statements

Except for the Corporate Proposals as disclosed in Note 17, there are no material subsequent events to be disclosed as at the date of this report.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

11. Review of performance

For the quarter under review, the Group recorded a lower revenue of RM610.7 million and a higher loss before taxation ("LBT") of RM28.7 million as compared with a revenue of RM678.0 million and LBT of RM4.2 million in the corresponding quarter of the preceding year ended 30 June 2014. The decline in revenue and higher LBT were mainly due to lower selling price and lower volume caused by surging imports at low prices.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited**12. Material changes in profit before taxation against the immediate preceding quarter**

For the quarter under review, the Group posted a LBT of RM28.7 million as against a profit before taxation of RM20.1 million in the preceding quarter. The LBT was mainly due to lower volume and lower margin as a result of dumping price of cheap imports.

13. Prospects

While the Malaysian Government is in the process of reviewing the effectiveness of various anti-dumping actions, cheap Chinese imports continue to be dumped into Malaysia. Unless effective actions are taken by the authorities to curb such rampant dumping activities, the Board expects the current difficult conditions to continue. The Company is taking various steps to cushion the adverse impact of this challenge.

14. Profit forecast/Profit guarantee

This note is not applicable.

15. Loss before taxation

	Current Year Quarter 30/09/2014 RM'000	Current Year To-date 30/09/2014 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Interest income	(147)	(147)
Gross dividend income from other investments	(7)	(7)
Depreciation and amortisation	17,330	17,330
Impairment loss on trade receivables	650	650
Inventories written down	8,650	8,650
Gain on foreign exchange	(8,506)	(8,506)
Fair value gain on derivative instruments	(607)	(607)
Gain on disposal of quoted/unquoted investments or properties	-	-
Impairment of properties, plant and equipment	-	-

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Current taxation (Malaysian):				
- Current year	305	1,898	305	1,898
Deferred taxation:				
- Current year	(7,620)	(2,356)	(7,620)	(2,356)
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	215	-	215
	(7,315)	(243)	(7,315)	(243)

The Group's effective tax rate for the financial year-to-date was higher than statutory tax rate mainly due to certain income is not subject to tax.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited**17. Corporate proposals**

Save as disclosed below, there are no corporate proposals announced but not completed as at the date of this report.

On 30 April 2014, Hong Leong Investment Bank Berhad (“HLIB”) announced, on behalf of Southern Steel Berhad (“SSB” or the “Company”), that the Company proposed to undertake the following:

- (i) a renounceable rights issue of up to RM209,708,604 nominal value of five (5)-year 5% redeemable convertible unsecured loan stocks at 100% of its nominal value (“RCULS”) on the basis of RM1.00 nominal value of RCULS for every two (2) existing ordinary shares of RM1.00 each held in SSB (“SSB Shares”) on an entitlement date to be determined later by the Board (“Proposed Rights Issue of RCULS”); and
- (ii) an increase in the authorised share capital of SSB from RM502,000,000 comprising 500,000,000 SSB Shares and 2,000,000 preference shares of RM1.00 each in SSB (“Preference Shares”) to RM802,000,000 comprising 800,000,000 SSB Shares and 2,000,000 Preference Shares (“Proposed Increase in Authorised Share Capital”)

(the Proposed Rights Issue of RCULS and the Proposed Increase in Authorised Share Capital are collectively referred to as the “Proposals”).

The Proposals are conditional upon approvals being obtained from the following:

- (i) The Securities Commission Malaysia (“SC”) for the issuance of the RCULS, of which was obtained via its letter dated 17 October 2014.
- (ii) Bursa Malaysia Securities Berhad (“Bursa Securities”) for the following:
 - (a) admission of the RCULS to the Official List of Bursa Securities; and
 - (b) listing of and quotation for the RCULS to be issued pursuant to the Proposed Rights Issue of RCULS and the new SSB Shares to be issued pursuant to the conversion of RCULS on the Main Market of Bursa Securities;

The approval of Bursa Securities was obtained via its letter dated 15 October 2014.

- (iii) The shareholders of SSB at an extraordinary general meeting; and
- (iv) Other relevant authorities/parties, if required.

The Proposed Rights Issue of RCULS is conditional upon the Proposed Increase in Authorised Share Capital. The Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

For the avoidance of doubt, upon receipt of all relevant approvals, the Proposals will be implemented separately and are not meant to be completed simultaneously.

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Rights Issue of RCULS is expected to be completed by the first quarter of 2015.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 September 2014 are as follows: -

	RM'000
Unsecured long term borrowings	458,643
Unsecured short term borrowings	730,177
	1,188,820

There were no borrowings denominated in foreign currencies as at 30 September 2014.

19. Changes in material litigation

There are no material litigations as at the date of this report.

20. Dividend

(a) The Board does not recommend any interim dividend for the quarter ended 30 September 2014 of the financial year ending 30 June 2015 (1st quarter 2013/2014: 2.0 sen per share tax exempt).

(b) For the financial year-to-date, no dividend (2013/2014: 2.0 sen per share tax exempt) has been declared.

21. Loss per ordinary share

(a) Basic loss per ordinary share

The basic loss per ordinary share for the quarter under review/financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM21,664,000 (1st quarter 2013/2014 : RM4,172,000) by the weighted average number of ordinary shares during the quarter of 419,417,208 (1st quarter 2013/2014 : 419,417,208).

(b) Diluted loss per ordinary share

The Group has no dilution in its loss per ordinary share in the quarter under review/financial year-to-date and preceding year corresponding quarter/period as there were no dilutive potential ordinary shares.

UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF OUR COMPANY FOR THE 3-MONTH FPE 30 SEPTEMBER 2014 (Cont'd)

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

The figures have not been audited

22. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained earnings of the Group, into realised and unrealised profits/(losses) are as follows:

	As At End of Current Quarter 30/09/2014 RM'000	As At End of Preceding Financial Year 30/06/2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	427,016	461,395
-unrealised	31,484	14,694
	458,500	476,089
Total share of retained earnings of associated companies:		
-realised	(28,603)	(23,562)
-unrealised	13	30
	(28,590)	(23,532)
Less: Consolidation adjustments	(75,898)	(76,881)
Group retained earnings	354,012	375,676

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Penang
21 November 2014

DIRECTORS' REPORT

Registered Office
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur

10 December 2014

To: The Shareholders of Southern Steel Berhad

Dear Sir/Madam,

On behalf of the Board of Directors of Southern Steel Berhad ("**SSB**") ("**Board**"), I wish to report that, after due enquiry in relation to the period between 30 June 2014 (being the date to which the last audited financial statements of SSB and its subsidiaries ("**SSB Group**") have been made up) and the date hereof (being a date not earlier than 14 days before the date of issuance of this Abridged Prospectus), that:

- (i) the business of the SSB Group has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the SSB Group which have adversely affected the trading or the value of the assets of the SSB Group;
- (iii) the current assets of the SSB Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities by reason of any guarantee or indemnity given by the SSB Group;
- (v) since the last audited financial statements of the SSB Group, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums for any borrowing of the SSB Group; and
- (vi) since the last audited financial statements of the SSB Group, there has been no material change in the published reserves or any unusual factor affecting the profits of the SSB Group.

Yours faithfully,
For and on behalf of the Board


CHOW CHONG LONG
Group Managing Director

南達鋼鐵
Southern Steel Berhad (5283-X)
2723, Lorong Perusahaan 12,
Prai Industrial Estate,
13600 Prai, Pulau Pinang, Malaysia.
t : +(604) 3906540
f : +(604) 3908060

FURTHER INFORMATION

1. SHARE CAPITAL

Save for the new SSB Shares to be issued pursuant to the conversion of the RCULS, no securities shall be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of this Abridged Prospectus.

As at the LPD, save as disclosed below, no person has been or would be entitled to be granted an option to subscribe for any securities in our Company:

- (i) our Entitled Shareholders who shall be provisionally allotted the Rights RCULS to be issued pursuant to the Rights Issue of RCULS; and
- (ii) the executives of our Company or any of our subsidiaries ("**Member of our Group**") who have been confirmed in service and/or directors of a Member of our Group who are eligible to participate in the ESS in accordance with the bye-laws of the ESS ("**Eligible Executives**").

Under the ESS, the Eligible Executives may be offered options to subscribe for/purchase such number of SSB Shares ("**Options**") at an exercise price to be determined ("**Option Price**") and/or grants comprising such number of SSB Shares without any consideration payable ("**Grants**"). The Option Price shall be determined by our Board or the board of directors of the relevant subsidiary of our Company (as the case may be, in respect of Eligible Executives in the said subsidiary only) or a duly authorised committee thereof or an individual authorised by the board of directors, provided that the Option Price so fixed shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day VWAMP of the SSB Shares preceding the date of offer of the Option and shall in no event be less than the par value of the SSB Shares.

The aggregate number of SSB Shares comprised in Options and/or Grants (whether in exercised and/or unexercised Options, outstanding and/or completed Grants and unexpired offers of Options and/or Grants pending acceptances) under any other executive share schemes established by our Company that are still subsisting (including the ESS) shall not exceed 10% of the total issued and paid-up ordinary share capital (excluding treasury shares) of our Company at any one time. The ESS is currently in force for a period of 10 years from 28 February 2014.

As at the LPD, no Options or Grants have been offered by our Company under the ESS.

2. ARTICLES OF ASSOCIATION

The provisions in our Company's Articles of Association in relation to the remuneration of our Directors are as follows:

Article 90

"The directors shall be paid by way of remuneration for their services such fixed sum (if any) as shall from time to time be determined by the Company in general meeting, and such remuneration shall be divided among the directors in such proportions and manner as the directors may determine. Provided always that:

- (a) *Fees payable to directors who hold no executive office in the Company shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;*

FURTHER INFORMATION (Cont'd)

- (b) *Fees payable to directors shall not be increased except pursuant to a resolution passed at a general meeting where notice of the proposed increase has been given in the notice convening the meeting;*
- (c) *Any fee paid to an alternate director shall be such as shall be agreed between himself and the director nominating him and shall be paid out of the remuneration of the latter.*

Save as provided herein, an Executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way or partly in another) as the Directors may determine. Salaries payable to executive directors may not include a commission on or percentage of turnover."

Article 91

- "(1) The directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board Meetings of the Company.*
- (2) If any director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors. Any extra remuneration payable to a non-executive director shall not include a commission or percentage of profits or turnover."*

3. CONSENTS

Our Principal Adviser, principal bankers, company secretaries, Share Registrar, RCULS Registrar, Paying Agent, solicitors and Trustee for the Rights Issue of RCULS have given and have not subsequently withdrawn their written consents for the inclusion of their names and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Messrs KPMG, our auditors and reporting accountants, have given and have not subsequently withdrawn their written consent for the inclusion of their name, the reporting accountants' letter relating to our proforma consolidated statement of financial position as at 30 June 2014 and our audited consolidated financial statements for the FYE 30 June 2014 together with the auditors' report thereon, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

Bloomberg Finance L.P. has given and has not subsequently withdrawn its written consent for the inclusion of its name as the source of historical share prices of our Company, and all references thereto in the form and context in which they appear in this Abridged Prospectus.

FURTHER INFORMATION (Cont'd)

4. CONFLICT OF INTEREST**4.1 Principal Adviser**

HLIB has confirmed that no conflict of interest exists or is likely to exist in relation to the Rights Issue of RCULS arising from its appointment as the Principal Adviser for the Rights Issue of RCULS, apart from it being related to our Company by virtue of the common ultimate holding company, HLCM. Notwithstanding the above, HLIB is a licensed investment bank and its appointment as the Principal Adviser to our Company for the Rights Issue of RCULS is in its ordinary course of business. Furthermore, the conduct of HLIB is regulated strictly by the Financial Services Act 2013, the Capital Markets and Services Act 2007 and its internal control policies and procedures.

In order to further mitigate or address any such potential conflict of interest, the following measures have been taken:

- (i) the potential conflict of interest situation has been brought to the attention of our Board, our Board has acknowledged the same and our Board is agreeable to proceed with the implementation of the Rights Issue of RCULS based on the arrangement and terms as disclosed in this Abridged Prospectus; and
- (ii) Messrs Rahmat Lim & Partners have been appointed by our Company as solicitors to conduct a legal due diligence inquiry on our Company.

4.2 Reporting accountants

Messrs KPMG have confirmed that no conflict of interest exists or is likely to exist in relation to the Rights Issue of RCULS arising from their appointment as the reporting accountants for the Rights Issue of RCULS.

4.3 Share Registrar, RCULS Registrar and Paying Agent

Hong Leong Share Registration Services Sdn Bhd has confirmed that no conflict of interest exists or is likely to exist in relation to the Rights Issue of RCULS arising from its appointment as the Share Registrar, RCULS Registrar and Paying Agent for the RCULS, apart from it being related to our Company by virtue of the common ultimate holding company, HLCM. The roles of Hong Leong Share Registration Services Sdn Bhd as Share Registrar, RCULS Registrar and Paying Agent for the RCULS are purely administrative in nature and do not involve any discretionary decision making.

4.4 Solicitors

Messrs Rahmat Lim & Partners have confirmed that no conflict of interest exists or is likely to exist in relation to the Rights Issue of RCULS arising from their appointment as the solicitors for the Rights Issue of RCULS.

FURTHER INFORMATION (Cont'd)

4.5 Trustee

Save as disclosed below, AmTrustee has confirmed that no conflict of interest exists or is likely to exist in relation to the Rights Issue of RCULS arising from its appointment as the Trustee for the Rights Issue of RCULS.

AmTrustee and AmBank (M) Berhad ("**AmBank**") are subsidiaries of AMMB Holdings Berhad. AmBank has, in its ordinary course of business, extended trade facilities to our Company. Notwithstanding the above, AmTrustee has considered the factors involved and it believes that its objectivity and independence in carrying out its role as the Trustee for the Rights Issue of RCULS have been and will be maintained at all times due to the following reasons:

- (i) AmTrustee is a registered trustee and its appointment as the Trustee for the Rights Issue of RCULS is in its ordinary course of business;
- (ii) the role of AmTrustee will be governed by the relevant agreements and documentation which shall clearly set out the rights, duties and responsibilities of AmTrustee in its capacity as the Trustee for the Rights Issue of RCULS;
- (iii) save for the fees charged in relation to its role as the Trustee for the Rights Issue of RCULS, AmTrustee will not be deriving any other monetary benefit from the Rights Issue of RCULS outside its aforesaid capacity;
- (iv) AmTrustee and AmBank are separate legal entities and at least one third of the Board of Directors of AmTrustee comprises independent directors;
- (v) the officers carrying out the functions of AmTrustee are subject only to the direction of its management and directors; and
- (vi) the non-financial resources provided by AmBank and its subsidiaries to AmTrustee (if any) are provided under binding arm's length agreements on normal commercial terms which do not diminish AmTrustee's independence.

In order to further mitigate or address any such potential conflict of interest, the following measures have been taken:

- (i) the potential conflict of interest situation has been brought to the attention of our Board, our Board has acknowledged the same and our Board is agreeable to proceed with the implementation of the Rights Issue of RCULS based on the arrangement and terms as disclosed in this Abridged Prospectus; and
- (ii) Messrs Rahmat Lim & Partners have been appointed by our Company as solicitors to conduct a legal due diligence inquiry on our Company.

5. MATERIAL CONTRACTS

Save for the Trust Deed entered into between our Company and AmTrustee constituting the RCULS, there are no contracts which are material (not being contracts entered into in the ordinary course of business) which have been entered into by our Group within the 2 years immediately preceding the date of this Abridged Prospectus.

FURTHER INFORMATION (Cont'd)**6. MATERIAL LITIGATION**

As at the LPD, our Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Board has no knowledge of any proceeding pending or threatened against our Group or of any facts likely to give rise to any proceeding which may materially affect the financial position or business of our Group.

7. GENERAL

- (i) There are no existing or proposed service contracts between our directors and our Company or our subsidiaries, other than those which are expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within 1 year from the date of this Abridged Prospectus.
- (ii) Save as disclosed in this Abridged Prospectus and to the best knowledge of our Board, the financial condition and operations of our Group are not affected by any of the following:
 - (a) material information including special trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group;
 - (b) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease our Group's liquidity;
 - (c) material commitments for capital expenditure;
 - (d) unusual, infrequent events or transactions or significant economic changes that materially affect the amount of reported income from our operations; and
 - (e) known trends or uncertainties that have had, or that our Group reasonably expects to have, a material favourable or unfavourable impact on our Group's revenues or operating income.

8. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur during normal business hours from Monday to Friday (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:

- (i) our Memorandum and Articles of Association;
- (ii) our audited consolidated financial statements for the past 2 FYEs 30 June 2013 and 30 June 2014 and our unaudited consolidated interim financial statements for the 3-month FPE 30 September 2014;
- (iii) the proforma consolidated statements of financial position of our Group as at 30 June 2014 together with the Reporting Accountants' letter as set out in Appendix IV of this Abridged Prospectus;
- (iv) the Directors' Report as set out in Appendix VII of this Abridged Prospectus;
- (v) the consent letters referred to in Section 3 of this Appendix;
- (vi) the Trust Deed; and

FURTHER INFORMATION (Cont'd)

- (vii) the letters in relation to the Entitlement Undertakings from the Undertaking Shareholders as referred to in Section 2.4 of this Abridged Prospectus.

9. RESPONSIBILITY STATEMENT

Our Board has seen and approved the Documents. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

HLIB, being our Principal Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue of RCULS.

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