

**Southern Steel Berhad**  
**Unaudited Condensed Consolidated Income Statements**

|   | <b>Current<br/>Qtr ended<br/>30/6/06<br/>RM'000</b> | <b>Current<br/>Qtr ended<br/>30/6/05<br/>RM'000</b> | <b>6 months<br/>Cumulative<br/>30/6/06<br/>RM'000</b> | <b>6 months<br/>Cumulative<br/>30/6/05<br/>RM'000</b> |
|---|---|---|---|---|
| Revenue                                     | 611,945   | 668,435   | 1,134,746   | 1,254,320   |
| Cost Of Sales                               | <u>(550,825)</u>                                    | <u>(625,525)</u>                                    | <u>(1,052,204)</u>                                    | <u>(1,173,971)</u>                                    |
| <b>Gross Profit</b>                         | <b>61,120</b>                                       | <b>42,910</b>                                       | <b>82,542</b>   | <b>80,349</b>   |
| Other Operating Expenses                    | (29,897)  | (30,897)  | (57,772)  | (59,378)  |
| Other Operating Income                      | 4,749   | 3,171   | 16,141  | 4,602   |
| Finance cost                                | (11,227)  | (11,075)  | (22,139)  | (21,254)  |
| Share of results of<br>associated companies | <u>(330)</u>  | <u>(946)</u>  | <u>(1,932)</u>  | <u>3,480</u>  |
| Profit before tax                           | 24,415  | 3,163   | 16,840  | 7,799   |
| Taxation                                    | (7,130)   | (3,108)   | (4,617)   | (3,528)   |
| <b>Profit for the period</b>                | <b><u>17,285</u></b>                                | <b><u>55</u></b>                                    | <b><u>12,223</u></b>                                  | <b><u>4,271</u></b>                                   |
| Attributable to :                           |   |   |   |   |
| Equity holders of the Company               | 16,883  | 553   | 12,152  | 4,848   |
| Minority Interests                          | 402   | (498)   | 71  | (577)   |
| <b>Profit for the period</b>                | <b><u>17,285</u></b>                                | <b><u>55</u></b>                                    | <b><u>12,223</u></b>                                  | <b><u>4,271</u></b>                                   |
| EPS – Basic (sen)                           | <u>4.7</u>  | <u>0.2</u>  | <u>3.4</u>  | <u>1.5</u>  |
| - Diluted (sen)                             | <u>4.0</u>  | <u>0.2</u>  | <u>2.9</u>  | <u>1.3</u>  |

**Southern Steel Berhad**  
**Unaudited Condensed Consolidated Balance Sheets**

|   | Unaudited<br>Quarter ended<br>30/6/06<br>RM'000 | Audited<br>Year ended<br>31/12/05<br>RM'000 |
|---|---|---|
| <b>NET ASSETS</b>   |   |   |
| <b>Non Current Assets</b>                                   |   |   |
| Property, Plant & Equipment                                 | 888,151   | 928,977                                     |
| Goodwill On Consolidation                                   | 48,984  | 48,991                                      |
| Investments in Associates                                   | 76,488  | 80,345                                      |
| Other Investments   | 860   | 860   |
|   | 1,014,483                                       | 1,059,173                                   |
| <b>Current Assets</b>                                       |   |   |
| Inventories   | 450,878   | 581,690                                     |
| Receivables   | 227,651   | 155,545                                     |
| Investment  | 319   | 319   |
| Bank & Cash balances  | 42,021  | 51,288                                      |
|   | 720,869   | 788,842                                     |
| <b>Current Liabilities</b>                                  |   |   |
| Payables  | 224,326   | 212,201                                     |
| Short Term Borrowings                                       | 597,556   | 696,771                                     |
| Current Income Tax Liabilities                              | 658   | 1,319                                       |
|   | 822,540   | 910,291                                     |
| <b>Net Current Liabilities</b>                              | <b>(101,671)</b>                                | <b>(121,449)</b>                            |
| <b>Non Current Liabilities</b>                              |   |   |
| Borrowings  | 221,521   | 263,655                                     |
| ICULS (Liability Component)                                 | 5,956   | 4,571                                       |
| Deferred tax liabilities                                    | 106,320   | 102,118                                     |
| Other deferred liabilities                                  | 25,380  | 24,588                                      |
|   | 359,177   | 394,932                                     |
| <b>Total Net Assets</b>                                     | <b>553,635</b>                                  | <b>542,792</b>                              |
| <b>EQUITY</b>   |   |   |
| Share Capital   | 361,780   | 361,780                                     |
| Reserves  | 142,265   | 131,493                                     |
| ICULS (Equity Component)                                    | 47,174  | 47,174                                      |
| <b>Equity attributable to equity holders of the Company</b> | <b>551,219</b>                                  | <b>540,447</b>                              |
| <b>Minority Interest</b>                                    | <b>2,416</b>                                    | <b>2,345</b>                                |
| <b>Total equity</b>   | <b>553,635</b>                                  | <b>542,792</b>                              |

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

|  | 6 months<br>Cumulative<br>30/6/06<br>RM'000 | 6 months<br>Cumulative<br>30/6/05<br>RM'000 |
|--|---|---|
| <b>OPERATING ACTIVITIES</b>                          |   |   |
| Profit/(Loss) before taxation                        | 16,840                                      | 7,799                                       |
| Adjustments for:                                     |   |   |
| Depreciation & amortization                          | 42,641                                      | 45,803                                      |
| Interest expense                                     | 22,139                                      | 21,254                                      |
| Share of results of associated companies             | 1,932                                       | (3,480)                                     |
| Provisions for inventories, doubtful debts & others  | (4,662)                                     | 9,936                                       |
| Operating profit before working capital changes      | <u>78,890</u>                               | <u>81,312</u>                               |
| Changes in working capital                           | 66,300                                      | (84,360)                                    |
| Cash generated from / (used in) operations           | <u>145,190</u>                              | <u>(3,048)</u>                              |
| Retirement benefits/other provision paid             | (706)                                       | (610)                                       |
| Interest paid  | (22,271)                                    | (24,229)                                    |
| Income tax paid                                      | (1,477)                                     | (2,688)                                     |
| Net cash flows from / (used in) operating activities | <u>120,736</u>                              | <u>(30,575)</u>                             |
| <b>INVESTING ACTIVITIES</b>                          |   |   |
| Dividend income                                      | 571   | 550   |
| Purchase of property, plant & equipment              | (2,069)                                     | (20,382)                                    |
| Others   | 223   | 3,110                                       |
| Net cash flow used in investing activities           | <u>(1,275)</u>                              | <u>(16,722)</u>                             |
| <b>FINANCING ACTIVITIES</b>                          |   |   |
| Term loan repayment                                  | (34,558)                                    | (25,016)                                    |
| Short term borrowings                                | (90,768)                                    | 45,593                                      |
| Proceeds from issuance of shares                     | -   | 1,875                                       |
| Dividends paid                                       | -   | (17,524)                                    |
| Net cash flows (used in) / from financing activities | <u>(125,326)</u>                            | <u>4,928</u>                                |
| Net change in cash and cash equivalents              | (5,865)                                     | (42,369)                                    |
| Cash & cash equivalents at beginning of period       | 34,049                                      | 57,611                                      |
| Cash & cash equivalents at end of period             | <u>28,184</u>                               | <u>15,242</u>                               |
| Cash & cash equivalents :                            |   |   |
| Cash in hand and at bank                             | 29,521                                      | 16,946                                      |
| Short term deposits                                  | 12,500                                      | 26,400                                      |
| Bank Overdraft                                       | (13,837)                                    | (28,104)                                    |
|  | <u>28,184</u>                               | <u>15,242</u>                               |

Southern Steel Berhad  
 Unaudited Condensed Consolidated Statements of Changes in Equity

|  | < ----- Attributable to Equity Holders of the Company ----- > |                    |   |                            |                 |                                |                           |
|--|---|--------------------|---|----------------------------|-----------------|--------------------------------|---------------------------|
|  | Share Capital<br>RM'000                                       | Reserves<br>RM'000 | Retained Profit /<br>(Accumulated Losses)<br>RM'000 | ICULS-<br>Equity<br>RM'000 | Total<br>RM'000 | Minority<br>Interest<br>RM'000 | Total<br>Equity<br>RM'000 |
| Balance at 1.1.05  | 318,700   | 152,562            | 35,773  | 83,005                     | 590,040         | 4,453                          | 594,493                   |
| Movements during the period  | 31,776  | (177)              | 4,848   | (26,188)                   | 10,259          | (577)                          | 9,682                     |
| Dividend   | -   | -                  | (17,524)  | -                          | (17,524)        | -                              | (17,524)                  |
| Accretion arising from additional<br>Shares issued by a subsidiary | -   | -                  | 12  | -                          | 12              | 1,863                          | 1,875                     |
| Balance at 30.6.05   | <u>350,476</u>  | <u>152,385</u>     | <u>23,109</u>                                       | <u>56,817</u>              | <u>582,787</u>  | <u>5,739</u>                   | <u>588,526</u>            |
| Balance at 1.1.06  | 361,780   | 153,175            | (21,682)  | 47,174                     | 540,447         | 2,345                          | 542,792                   |
| Reclassified upon adoption<br>Of FRS 3                             | -   | (3,383)            | 3,383   | -                          | -               | -                              | -                         |
| Movements during the period  | -   | (1,380)            | 12,152  | -                          | 10,772          | 71                             | 10,843                    |
| Balance at 30.6.06   | <u>361,780</u>  | <u>148,412</u>     | <u>(6,147)</u>                                      | <u>47,174</u>              | <u>551,219</u>  | <u>2,416</u>                   | <u>553,635</u>            |