

Notes

1. Accounting Policies & Methods

This quarterly financial report prepared in accordance with Financial Reporting Standard (“FRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of Bursa Malaysia Securities Berhad Listing Requirements should be read in conjunction with the Group's financial statements for the year ended 31 December 2009.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2009 except for the adoption of the following:

		Effective Date
FRS 7	<i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8	<i>Operating Segments</i>	1 July 2009
FRS 123	<i>Borrowing Costs</i>	1 January 2010
FRS 139	<i>Financial Instruments: Recognition and Measurement</i>	1 January 2010

Other than the new standards as stated above, the Group has also adopted the various amendments and interpretations to the existing standards adopted by the Group in the past.

The adoption of the above standards, amendments and interpretations do not have significant impact on the financial statements of the Group, other than as explained below:

a) FRS 8: Operating Segments

FRS 8 requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Group's reportable segment is primarily based on long steel products, which nature of business, financial effects of the business activities, and economic environments in which it operates are similar. As such, the segmental information on revenue, results and assets is as disclosed in the condensed consolidated statements of comprehensive income.

b) FRS 117 : Lease

FRS 117 clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as finance or operating, using the principles of FRS 117. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. This change in accounting policy has been made retrospectively in accordance with the transitional provisions of this FRS amendment.

The following comparative figures have been restated following the adoption of the amendment to FRS 117:

	31 December 2009	
	As restated	As previously stated
Cost		
Property, plant and equipment	719,953	644,822
Prepaid lease payment	-	75,131

c) **FRS 139: Financial Instruments: Recognition and Measurement**

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. It also sets out the requirements for the application of hedge accounting.

Financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument. The Group determines the classification at initial recognition and re-evaluates this designation at end of each financial reporting date except for those financial instruments measured at "fair value through profit and loss".

Other Investment

Prior to 1 January 2010, other investments were accounted for at cost less impairment losses. Under FRS 139, other investments are classified as "fair value through profit and loss" financial asset, with subsequent change in fair value recognised as gains or losses in the Statement of Comprehensive Income.

Derivative Financial Instruments

Prior to 1 January 2010, derivatives were not recognised in the financial statements. Under FRS 139, derivatives are required to be initially recognised at fair value on the date the derivative contract is entered into and subsequently at fair value at end of each financial reporting date. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised in the Statement of Comprehensive Income.

In accordance with the transitional provisions of FRS 139, when the above changes are first applied, the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the Statement of Financial Position as at 1 January 2010.

	As at 1 January 2010
	RM'000
Increase in Other Investments	2,232
Increase in Derivative Financial Instruments (asset)	9
Increase in Reserves	2,241

In addition, these changes in accounting policies have the effect of decreasing the profit for the current period by RM 0.3 million.

2. Audit Report

The preceding financial year's audit report was not qualified.

3. Seasonal or Cyclical Factors

The business operations of the Group are affected by both cyclical factors in the construction industry as well as festive seasons.

4. Unusual Items

There were no items of unusual nature, size, or incidence which affect assets, liabilities, equity, net income or cash flows.

5. Changes in estimates

There have been no changes in estimates of amounts reported in the prior financial year.

6. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial period to date.

7. Dividends

The total dividend declared and paid for the current financial period to date is as follows:

- (a) First interim dividend of 5% tax exempt (2009: 1st interim 2.5%) was paid on 17 September 2010.
 (b) Second interim dividend of 5% tax exempt (2009: 2nd interim 2.5%) was paid on 15 December 2010.

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

8. Valuation of Lands and Buildings

Lands and buildings are stated at cost less accumulated depreciation.

9. Material Subsequent Events

There were no material subsequent events that have not been reflected at the date of issue of this announcement.

10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period-to-date except as follows:

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

11. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or assets since the last annual Statement of Financial Position date.

12. Tax (Charge) / Credit

- (a) Taxation comprises the following:

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

- (b) Reconciliation of income tax expense:

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

13. Sale of Unquoted Investments and/or Properties

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

14. Quoted Securities (classified as Other Investments)

(a) The Group's dealings in quoted securities for the current quarter and financial period to date are as follows:

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

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

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

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

16. Group Borrowings

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

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

17. Derivatives

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

Forward foreign currency exchange contracts are entered into by the Group to manage the exposures to fluctuation in foreign currency exchange rate on specific transactions only. As these contracts were executed with established financial institutions, the risk of default is low.

18. Changes in Material Litigation

Since the date of the last annual Statement of Financial Position date, there has not arisen any material litigation up to the date of issue of this report.

19. Related Party Transactions

Significant transactions with related parties are as follows:

		15 months period ended 31/03/11 RM'000
Sales of goods to :		
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	130,862
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	105,679
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	62,658
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	20,456
Associated company		
- Steel Industries (Sabah) Sdn. Bhd.	Enterprises in which the Company has significant influence	134,796
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise in which a former Director has significant influence	882,154
Service rendered by :		
Su Hock Group	Enterprises in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company	81

20. Review of Performance

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

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

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

22. Prospects

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

23. Earnings Per Share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders of RM44.915 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

The calculation of basic earnings per ordinary share for the current period to date is based on the net profit attributable to ordinary shareholders of RM160.583 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

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

Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current quarter/ period to date as there are no potential ordinary shares to be issued.

24. Realised and Unrealised Profits/Losses Disclosure

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

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