Southern Steel Berhad

A Member of the Hong Leong Group

ANNUAL REPORT 2015

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COMPANY PROFILE

Southern Steel Berhad ("SSB")

is a public listed company and its shares are traded on the Main Market of Bursa Malaysia Securities Berhad.

SSB is principally an investment holding company and involved in the manufacturing, sale and trading in billets, steel bars and wire rods whilst the principal activities engaged by its subsidiaries are that of manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete bars and wires, hot-rolled steel coils, steel pipes, steel wires and fencing panels, and investment holding.

SSB also has an associated company which is involved in the manufacturing and trading of steel bars.

CORPORATE INFORMATION

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

Mr Chow Chong Long
(Group Managing Director)

YBhg Dato' Dr Tan Tat Wai
(Executive Director)

Mr Tang Hong Cheong

Mr Ang Kong Hua

Mr Seow Yoo Lin

Dr Kwa Lay Keng

COMPANY SECRETARIES

Ms Joanne Leong Wei Yin

Ms Lee Wui Kien

AUDITORS

KPMG
Level 18, Hunza Tower
163E Jalan Kelawei
10250 Penang
Tel: 04-238 2288
Fax: 04-238 2222

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel: 03-2164 1818
Fax: 03-2164 3703

REGISTERED OFFICE

Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel: 03-2164 2631
Fax: 03-2164 2514

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-third Annual General Meeting of Southern Steel Berhad ("the Company") will be held at Training Room B, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Wednesday, 11 November 2015 at 2.00 p.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2015.

2. To approve the payment of Director fees of RM257,178/- for the financial year ended 30 June 2015 (2014: RM280,000/-), to be divided amongst the Directors in such manner as the Directors may determine. **Resolution 1**

3. To re-elect the following retiring Directors:

   (a) YBhg Dato' Dr Tan Tat Wai **Resolution 2**
   (b) Mr Seow Yoo Lin. **Resolution 3**

4. To pass the following motion as an Ordinary Resolution:

   "**THAT** Mr Ang Kong Hua, a Director who retires in compliance with Section 129 of the Companies Act, 1965, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **Resolution 4**

5. To re-appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

6. **Ordinary Resolution**
   -Authority To Directors To Issue Shares

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and are hereby empowered to issue shares in the Company, at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued capital of the Company for the time being; **AND THAT** the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 6**

7. **Ordinary Resolution**
   -Proposed Renewal Of And New Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM") And Persons Connected With HLCM

   "**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 (A) of the Circular to Shareholders dated 20 October 2015 with HLCM and persons connected with HLCM ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

NOTICE OF ANNUAL GENERAL MEETING
... continued

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

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

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

whichever is the earlier;

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

Resolution 7

8. **Ordinary Resolution**
-Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Su Hock Company Sdn Bhd ("Su Hock") And Its Subsidiary

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 (B) of the Circular to Shareholders dated 20 October 2015 with Su Hock and its subsidiary ("Su Hock Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Su Hock Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

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

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

whichever is the earlier;

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

Resolution 8

NOTICE OF ANNUAL GENERAL MEETING
... continued

9. **Ordinary Resolution**
-Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") And Hong Bee Engineering Sdn Bhd ("Hong Bee Engineering")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 (B) of the Circular to Shareholders dated 20 October 2015 with Hong Bee Hardware and Hong Bee Engineering provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Hong Bee Hardware and Hong Bee Engineering than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

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

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

whichever is the earlier;

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

Resolution 9

10. **Ordinary Resolution**
-Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Cheah Hong Inn Sdn Bhd ("Cheah Hong Inn")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 (B) of the Circular to Shareholders dated 20 October 2015 with Cheah Hong Inn provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Cheah Hong Inn than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

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

NOTICE OF ANNUAL GENERAL MEETING
... continued

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 10**

11. **Ordinary Resolution**
-Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Kim Company Sdn Bhd ("Kim Co")

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3 (B) of the Circular to Shareholders dated 20 October 2015 with Kim Co provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to Kim Co than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

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

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or

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

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

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution." **Resolution 11**

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

By Order of the Board

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
20 October 2015

NOTICE OF ANNUAL GENERAL MEETING
... continued

Notes

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 4 November 2015 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

2. *Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. A member who is an authorised nominee may appoint not more than two proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*

3. *Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.*

4. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than 48 hours before the time appointed for holding of the meeting or adjourned meeting.*

Explanatory Notes

1. Resolution 6 - Authority To Directors To Issue Shares

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

   As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 21 November 2014 and which will lapse at the conclusion of the Fifty-third Annual General Meeting.

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

NOTICE OF ANNUAL GENERAL MEETING
... continued

2. Resolutions 7 to 11 - Proposed Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature ("Proposed Shareholders' Mandate")

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

Detailed information on the Proposed Shareholders' Mandate are set out in the Circular to Shareholders dated 20 October 2015 which is despatched together with the Company's Annual Report.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors

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

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

   Details of the general mandate to issue securities in the Company pursuant to Section 132D of the Companies Act, 1965 are set out in Explanatory Note 1 of the Notice of Fifty-third Annual General Meeting.

DIRECTORS' PROFILE

YBHG DATUK KWEK LENG SAN
Chairman; Non-Executive/Non-Independent

Datuk Kwek Leng San, aged 60, a Singaporean, graduated from University of London with a Bachelor of Science (Engineering) degree. He also holds a Master of Science (Finance) degree from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek was appointed to the Board of Directors ("Board") of Southern Steel Berhad ("SSB") on 27 October 1992 and assumed the position of Chairman on 18 June 2003. He is also the Chairman of the Remuneration Committee, and a member of the Nominating Committee and Research & Development Commitee of SSB.

He is the Chairman of Malaysian Pacific Industries Berhad, Hume Industries Berhad (formerly known as Narra Industries Berhad) ("HIB") and Hong Leong Industries Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a Director of Hong Leong Company (Malaysia) Berhad and Hong Leong Foundation.

MR CHOW CHONG LONG
Group Managing Director/Non-Independent

Mr Chow Chong Long, aged 63, a Malaysian, graduated from University of Canterbury, New Zealand with a Bachelor of Engineering (Electrical) degree.

Mr Chow has over 27 years of working experience in management of engineering and project works, and general management. He joined SSB Group in 1990 as Deputy General Manager. He was appointed as Chief Operating Officer in 2001, a position he held until 2009. On 1 January 2010, he assumed the position of Group Chief Operating Officer until 2012 when he became the Deputy Group Managing Director of SSB. Mr Chow was appointed as the Group Managing Director of SSB on 1 January 2014. He does not sit on any committee of SSB.

He is a Director of Malaysian Iron & Steel Industry Federation.

YBHG DATO' DR TAN TAT WAI
Executive Director/Non-Independent

Dato' Dr Tan Tat Wai, aged 68, a Malaysian, holds a Bachelor of Science degree in Electrical Engineering and Economics from the Massachusetts Institute of Technology, a Master of Economics degree from University of Wisconsin (Madison) and a PhD in Economics from Harvard University.

He started his career with Bank Negara Malaysia ("BNM") in 1978, undertaking research in economic policies and subsequently as consultant to BNM, World Bank and the United Nations University for several years. He served as the Secretary and a member on the Council of Malaysian Invisible Trade set up to formulate policies to reduce Malaysia's deficit in service trade. He was a member of the Government appointed Malaysian Business Council, APEC Business Advisory Council, the Penang Industrial Council, the Industrial Co-ordination Council (ICC) and the National Committee on Business Competitiveness (NCBC) set up by the Ministry of International Trade and Industry. Currently, he is a Council member of Wawasan Open University.

On 18 May 1984, Dato' Dr Tan was appointed as the Chief Executive Officer as well as a Director of SSB. He was appointed as the Managing Director of SSB in September 1990 and assumed the position of Group Managing Director in December 1993 until 1 January 2014 when he was re-designated as Executive Director of SSB. Dato' Dr Tan is also a member of the Remuneration Committee and Research & Development Commitee of SSB.

He is a Director of Shangri-La Hotels (Malaysia) Berhad and Malayan Banking Berhad, companies listed on the Main Market of Bursa Securities, and a Director of Maybank Trustees Berhad. He is also a Director of NSL Ltd ("NSL"), a public company listed on the Singapore Stock Exchange.

DIRECTORS' PROFILE
... continued

MR TANG HONG CHEONG
Non-Executive Director/Non-Independent

Mr Tang Hong Cheong, aged 60, a Malaysian, is a member of the Malaysian Institute of Accountants. He has over 30 years of working experience in finance, treasury and risk management, operation and strategic planning in which he has held various positions including senior management positions in various companies within the Hong Leong Group. He is currently holding the position of President/Finance Director of HL Management Co Sdn Bhd.

Mr Tang was appointed to the Board of SSB on 15 January 2010. He is a member of the Board Audit & Risk Management Committee of SSB.

He is the Chairman of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust which is listed on the Main Market of Bursa Securities.

MR ANG KONG HUA
Non-Executive Director/Independent

Mr Ang Kong Hua, aged 71, a Singaporean, graduated from University of Hull, United Kingdom with a Bachelor of Science (Economics) Upper II Honours degree in 1966.

Following stints at the Economic Development Board from 1966 to 1967 and DBS Bank from 1968 to 1974, Mr Ang spent 28 years as the Chief Executive Officer ("CEO") of NSL. He retired as CEO from NSL in 2003 and as Executive Director in 2010. Mr Ang currently serves as the Chairman of Sembcorp Industries Ltd ("Sembcorp"), an industrial conglomerate listed on the Singapore Stock Exchange. Mr Ang is a Director of GIC Private Limited.

Mr Ang was appointed to the Board of SSB on 3 May 2011. He is the Chairman of the Nominating Committee. He is also a member of the Board Audit & Risk Management Committee, Remuneration Committee and Research & Development Commitee of SSB.

MR SEOW YOO LIN
Non-Executive Director/Independent

Mr Seow Yoo Lin, aged 59, a Malaysian, qualified as a Certified Public Accountant in 1981. He holds a Master in Business Administration from The International Management Centre, Buckingham, United Kingdom.

Mr Seow joined KPMG Malaysia in 1977. In 1983, he was seconded to KPMG United States to gain overseas experience. He returned in 1985 and was admitted as Partner in 1990.

He has been the audit partner on a wide range of companies including public listed companies and multinationals in banking and finance, manufacturing, trading and services. He was the Managing Partner of KPMG Malaysia from 2007 to 2010. He retired from the firm in 2011.

He was a member of the Executive Committee of the Malaysian Institute of Certified Public Accountants from 2009 to 2011 and was a Council member of the Malaysian Institute of Accountants from 2007 to 2011.

Mr Seow was appointed to the Board of SSB on 31 January 2012. He is the Chairman of the Board Audit & Risk Management Committee and a member of the Nominating Committee of SSB.

Mr Seow is a Director of HIB and Dolomite Corporation Berhad, companies listed on the Main Market of Bursa Securities. He is also a Director of HSBC Amanah Malaysia Berhad.

DIRECTORS' PROFILE
... continued

DR KWA LAY KENG
Non-Executive Director/Independent

Dr Kwa Lay Keng, aged 56, a Malaysian, graduated from University of Leeds, Leeds, United Kingdom with a Bachelor of Science in Mechanical Engineering (Honours) degree and a PhD.

Dr Kwa currently serves as the Chairman of Raffles Marina Holdings Ltd. She is a Director of the Management Board of Energy Studies Institute in Singapore and a member of the SIM University Education Fund Committee. She is a member of the Technology Advisory Panel of Sembcorp. Dr Kwa started her career as a Senior Officer with the Singapore Economic Development Board in 1983. She joined NSL in 1988 and was appointed the Group Chief Operating Officer of NSL in July 2005. She was appointed as the Chief Executive Officer of NSL in January 2011 and retired in the same year.

Dr Kwa was appointed to the Board of SSB on 4 February 2013. She is the Chairman of the Research & Development Committee and a member of the Board Audit & Risk Management Committee of SSB.

Notes:

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

2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with SSB.

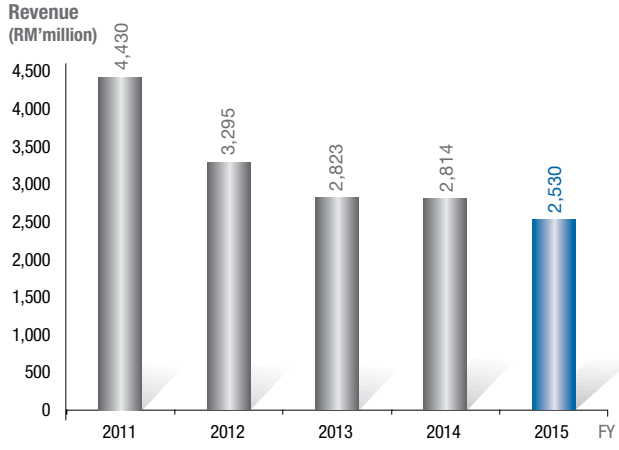
3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences within the past 10 years.

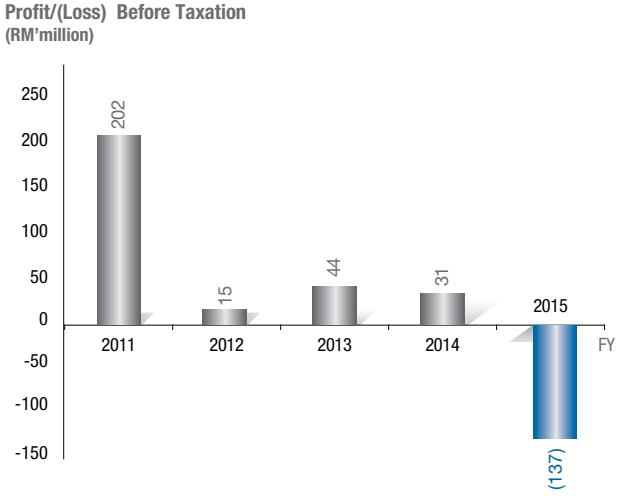
4. ***Attendance of Directors***
   Details of Board meeting attendance of each Director are disclosed in the Statement on Corporate Governance, Risk Management and Internal Control in the Annual Report.

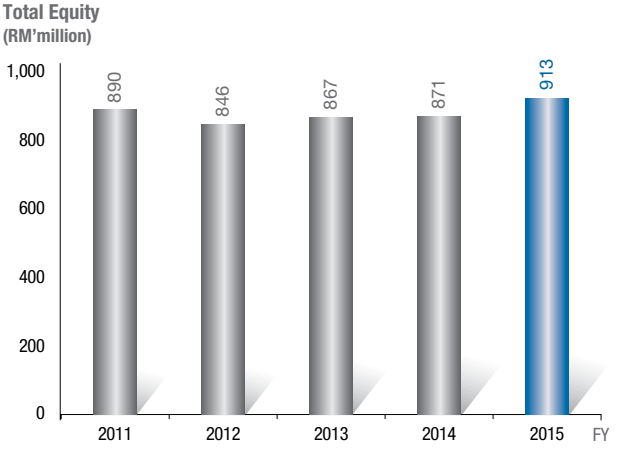
GROUP FINANCIAL HIGHLIGHTS

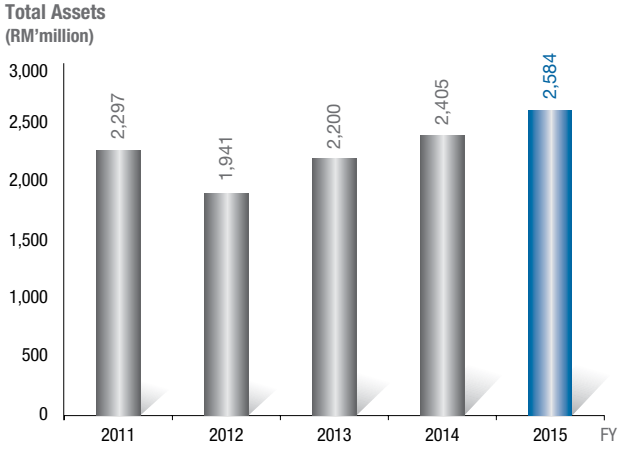
RM'million	2011*	FY 2012	FY 2013	FY 2014	FY 2015
REVENUE	4,430	3,295	2,823	2,814	2,530
PROFIT/(LOSS) BEFORE TAXATION	202	15	44	31	(137)
PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY	210	6	42	19	(118)
NET EARNING/(LOSS) PER SHARE (SEN)	50	1	10	5	(28)
NET DIVIDEND PER SHARE (SEN)	20	10	7	4	–
TOTAL EQUITY	890	846	867	871	913
TOTAL ASSETS	2,297	1,941	2,200	2,405	2,584
CAPITAL EXPENDITURE	101	197	288	376	122

* *Financial period from 1 January 2010 to 30 June 2011*



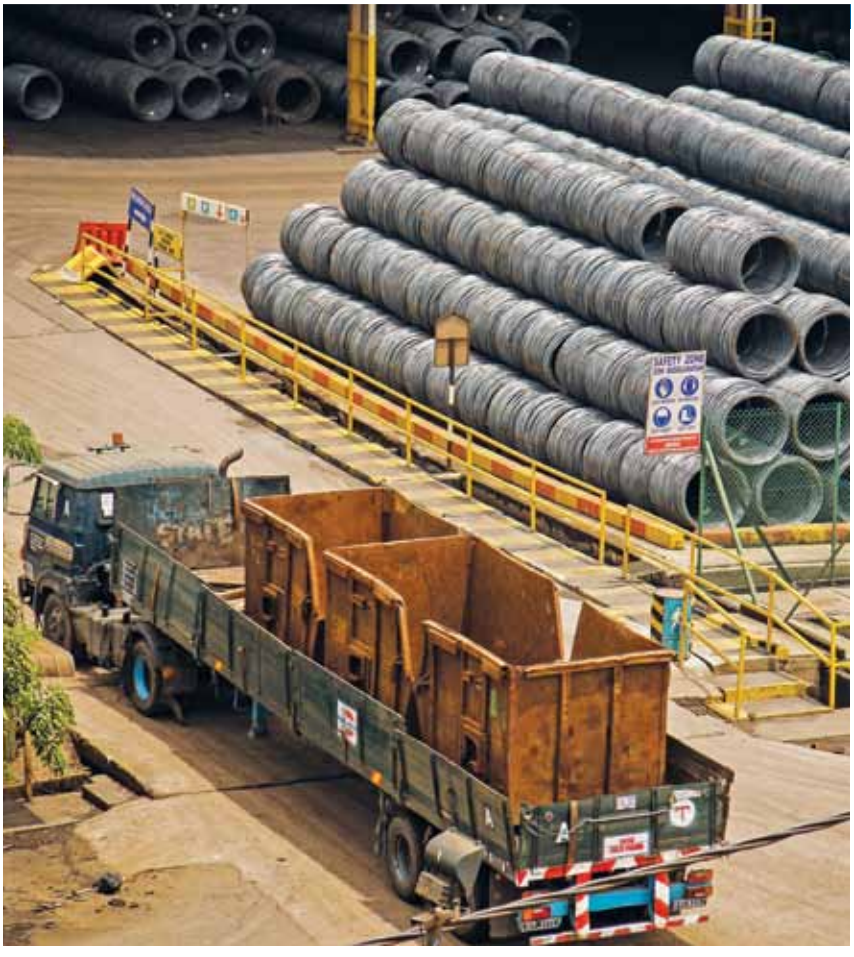






CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Southern Steel Berhad ("SSB" or the "Company"), I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2015 ("FY 2015").



BUSINESS ENVIRONMENT

The steel industry continues to face challenging market conditions, with China's over capacity and steel exports contributing to a depression in world steel prices. Although Malaysia recorded positive growth in steel demand during the financial year, the influx of imports at unsustainable low prices has put tremendous pressure on local steel manufacturers.

FINANCIAL REVIEW

For FY 2015, the Group's revenue decreased from RM2,813.5 million to RM2,529.6 million due to lower prices, with a loss of RM117.0 million as compared with a profit of RM19.9 million in the previous financial year. Besides the aforesaid challenging environment, the reported loss included the weak operating results of our associate downstream wire company which led the Group to record a total impairment of RM51.0 million in FY 2015 on the value of its investment in this associate company which was subsequently disposed of in September 2015; and a loss related to the start-up of our new venture into hot-rolled coil.

PROSPECTS

Although the Malaysian economy is expected to be healthy with a Gross Domestic Product growth of 5%, steel industry will continue to be affected by the very low prices due to the massive amount of imports.

DIVIDEND

In light of the weak operating results achieved during the period under review, the Board does not recommend a final dividend for FY 2015.

CHAIRMAN'S STATEMENT
... continued

ACKNOWLEDGMENT

The Board of Directors was deeply saddened by the demise of the late YM Raja Dato' Seri Abdul Aziz bin Raja Salim on 4 March 2015. On behalf of the Board, I would like to express our gratitude and appreciation for his contribution and support towards the growth of SSB. We further extend our deepest sympathy and condolences to the bereaved members of his family.

I would like to extend my sincere appreciation to each and every member of the Board, management team, and staff for their contributions, commitments and dedication to the Group. My appreciation goes also to our valued customers, business associates, vendors, financiers, shareholders and the Government for their continuous support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman

GROUP MANAGING DIRECTOR'S REVIEW

Numerous trade measures implemented have failed to curb import of steel from China at dumping prices into Malaysia. Expansion of iron ore/coke supply and negative growth in China's steel demand contributed to a lower raw material cost and inevitably further drop in steel prices as compared with the previous year. This double whammy effect culminated in steel products prices dropping more than the raw material prices. By and large, most local steel companies are operating at a loss despite positive growth registered for the construction sector.

Notwithstanding comparable volume was sustained for the financial year ("FY") ended 30 June 2015 ("FY 2015"), the Group recorded a lower turnover mainly due to depressed selling prices. From a profit of RM19.9 million in the last financial year, the Group recorded a loss of RM117.0 million in FY 2015.

OPERATION REVIEW

Southern Steel Berhad ("SSB")

In FY ended 30 June 2014 ("FY 2014"), selling prices of steel products were highly volatile in a declining trend. Steel prices came down by as much as 15% since the beginning of the year, whilst raw material prices softened to a lesser extent. Consequently, in FY 2015, the Rod Division recorded a wider loss margin and the Bar Division registered a reduced profit, thus resulting in SSB reporting a loss before taxation ("LBT") of RM88.1 million (Company level). The LBT was inclusive of a one-off impairment of RM73.4 million of the Company's investment in an associate company which was subsequently disposed of in September 2015.

Towards the end of FY 2015, the Group further restructured its business operation. SSB transferred its Rod business to a wholly-owned subsidiary, Southern Steel Rod Sdn Bhd, to focus on development of high grade wire rod whilst the Reinforced Steel Division will focus on steel opportunity in the construction sector.

Southern Steel Mesh Sdn Bhd ("SSM") & Southern PC Steel Sdn Bhd ("SPC")

For FY 2015, SSM's profit of RM9.9 million was higher as compared with a profit of RM8.9 million for FY 2014 due

GROUP MANAGING DIRECTOR'S REVIEW
.... continued

to changes in strategy in response to market challenges. Meanwhile, SPC improved its profit marginally from RM7.7 million in FY 2014 to RM7.8 million in FY 2015. Overall, the strategy to provide a complete and integrated solution, with value-added services through cut and bent bars and cut-to-size mesh, has helped to maintain profit level. Our production bases in various major towns in the Klang Valley, Penang, Johor and Pahang, and sale offices in Ipoh, Kota Bahru, Malacca and Bintulu have continued to serve our customers and market well.

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

Although the focus on niche products and expansion into the export markets continued to have positive contribution, external challenging environment has resulted in lower profit recorded for SPIM this year. Profit has reduced to RM8.9 million in FY 2015 as compared with RM13.1 million in FY 2014.

Southern HRC Sdn Bhd ("SHRC")

Whilst SHRC has started to produce commercial quality hot-rolled coil from its new thin strip mill, teething problems have yet to be fully resolved, and we are closely working with the supplier to resolve the issues.

OUTLOOK

In the World Steel Short Range Outlook 2015-2016 published by Worldsteel Association, it was stated that the rebalancing of the Chinese economy "has global consequences for the steel industry in terms of trade flows and possible intensification of trade frictions". Latest measures introduced by the Chinese Government to monitor environmental control and energy efficiency may plausibly have a gradual and indirect impact with only slight ramifications. As such, we expect the influx of Chinese steel products in the market to continue in the near future. Nevertheless, the local construction industry should continue its strong momentum and result in higher demand.

To counter the deep compression in steel making margin in the midst of robust Malaysian steel demand, the Group made a major adjustment as a short to medium term strategy by reducing its own steel manufacturing and importing instead. We will continue to review our strategy to counter act against the dumping import, and with the Government's support, adopt a more effective approach against unfair trade practices in the industry. We are cautiously optimistic of an improved performance in the FY ending 30 June 2016.

CHOW CHONG LONG
Group Managing Director

CORPORATE SOCIAL RESPONSIBILITY

The Group strives to go beyond Corporate Social Responsibility ("CSR") and integrate sustainability in everything that we do. We need to move away from a list of check boxes to meaningful actions to ensure impact to create real change for the better. This has impacted our actions this past year and will continue to affect thinking moving forward. We take this effort seriously and are not simply motivated by trying to enhance our corporate image.

We need to genuinely transform by integrating sustainability into the heart of our businesses and we are slowly making inroads into this. We believe in serving our communities, which include our employees, customers, business partners and the environment, as our partners. We have a common understanding that without the community, there is no company. The Group sees CSR, or more accurately, sustainability, as integral to its mission. The Group contributes to the socio-economic development of the nation through its business growth, promoting education, providing aid to marginalised communities, supporting and developing local talent, propagating green practices and practicing sustainable supply-chain in its operations.

Below is our commitment to each of the focus areas under the Group Sustainability Plan:

WORKPLACE

The Group is committed to upholding the human rights of our employees and treating them with dignity and respect. We strive to deliver innovative solutions as well as to create an inspiring and conducive working environment.

The Group also aims to ensure that the health, safety and welfare of our employees are well taken care of and we acknowledge our responsibility towards employees who may be affected by our activities. In this respect, we have set up various workplace safety standards, monitored daily by a dedicated team. Annually, we conduct Safety Awareness Programme with participation from various government agencies, and also conduct safety and competency training for employees who handle chemical, forklift and cranes. Employees are also encouraged to report any unsafe condition or any unsafe act being conducted in their workplace.

The Group identifies and hires local talent through our Graduate Development Programme – a programme in which we hire fresh local graduates to undergo a training programme. This programme aims to identify and develop young graduates into relevant fields of talents to support the growth of the Group. It entails classroom training, on-the-job familiarisation, learning assignments as well as mentoring. For the non-executives, various in-house and external programmes were conducted to enhance their technical competencies as well as supervisory skills in order to develop a competent workforce that is knowledgeable and highly motivated.

Since its founding, the Group has demonstrated an on-going commitment to people and to fair employment practices. The Group's growth and expansion throughout the region have created a more diverse work force by tapping on our people who have different experiences, perspectives and cultures. This has allowed the Group to build on its creativity and innovation which helps the organisation to realise its full potential.

We believe that a well-managed, diverse and inclusive work force expands the Group's base of knowledge, skills and cross-cultural understanding, which in turn, enables us to understand, relate and respond to our diverse and changing customers throughout the world. Our overall commitment is reflected in our diversity and inclusion philosophy.

Consistent with our Best Work Environment practices, we maintain a work environment free from discrimination and we comply with all applicable laws pertaining to non-discrimination and equal opportunity. This is evidenced by the diverse ethnic and social backgrounds of members, staff and clients.

CORPORATE SOCIAL RESPONSIBILITY
... continued

ENVIRONMENT

The Group endeavours to identify and minimise the negative environmental impacts of our products and business activities. We take steps to reduce environmental impact wherever possible.

Our environmental initiatives include smart and careful consumption of resources, water, emissions to air, waste generation, energy use and procurement processes. We are committed to minimising our environmental impact and encouraging greater sustainability throughout our business. We have continued to work closely with an external party on the possibility to extract zinc and iron from the metal dust generated for recycling purpose.

Our commitment to the environment has guided us to continually strive to reduce our waste in our manufacturing plants in Malaysia and elsewhere in the world by offering more environmentally friendly and sustainable operations.

MARKETPLACE

The Group is committed to good business ethics and integrity. For many years now, the Group has had in place internally generated best practices to ensure the economic sustainability of all its companies. Some of these best practices are:

- Established Financial Management Disciplines intended to drive excellence in financial management with the objective of preserving and enhancing the quality of the business as an on-going concern.
- An established Enterprise Risk Management structure to ensure that a systematic process and delegation of responsibility are clearly set out to guide management.
- A code of business conduct and ethics of financial reports which contains disclosures that are true and fair.
- In choosing its directors, the Group seeks individuals of high integrity, and with shareholder orientation and a genuine interest in their respective company's businesses. They are tasked with the responsibility of exercising their business judgment to act in what they reasonably believe to be in the best interest of the company and the shareholders they represent.
- The practice of responsible selling and marketing of products and services.

COMMUNITY

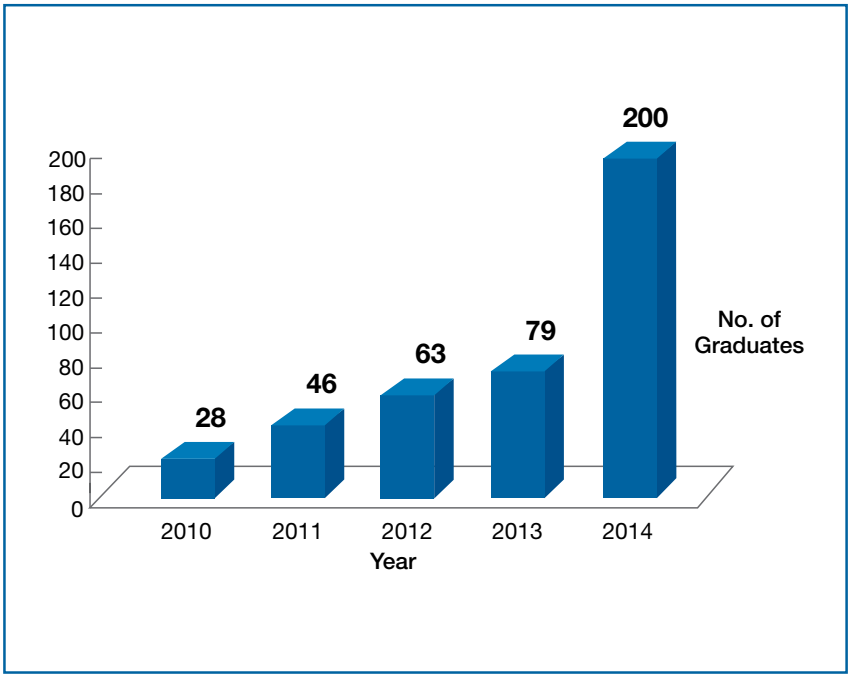
The Group conducts most of its philanthropic activities through Hong Leong Foundation, the charitable arm of the Hong Leong Group.

Incorporated in 1992, Hong Leong Foundation is a corporate foundation driven by the interest and passion of the Hong Leong Group. It is funded by contributions from Hong Leong Group Malaysia companies and is effectively its charitable arm through which most of the Group's philanthropic activities are conducted. The Foundation expended a total of RM26.9 million over the last 3 years and has the following programmes in place working with our Community Partners:

- Community Welfare Programme to address the daily needs of homes, shelters and community centres.
- Towards Self-Sufficiency:
  - Tertiary Scholarship Programme
  - Reach out and Rise Education Development Programme
  - The Hong Leong Masters Scholarship Programme
  - After School Care Programme

CORPORATE SOCIAL RESPONSIBILITY
... continued

Hong Leong Foundation Scholarship Graduates by Year:



COMMUNITY *cont'd*

- Community Partner Programme to enable furtherance of the charity's mission and vision:
  - Good Jobs: Employment Development Programme
  - Better Homes: Welfare Home Transformation Programme
  - Hong Leong Foundation NGO Accelerator Programme
  - Community Welfare Programme

The total funds disbursed by the Foundation in the financial year ended 30 June 2015 were RM6.9 million, benefiting 30 charity organisations. During the year, the Foundation disbursed RM3.2 million in scholarships to benefit around 200 scholars studying in various universities, all of whom are from financially-challenged families. Because gaps of opportunity exist along the entire spectrum of education development, the Foundation has set up a comprehensive programme to empower its scholars: enrichment camps and workshops, internships, mentorships and other supports to help them excel in their formative years at university and beyond.

Since 1993, Hong Leong Foundation has awarded more than RM29.5 million in scholarships to 1,204 scholars via its scholarship programmes for diplomas, degrees or masters.

This Corporate Social Responsibility Statement is made in accordance with the resolution of the Board of Directors.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL

"CORPORATE GOVERNANCE IS THE PROCESS AND STRUCTURE USED TO DIRECT AND MANAGE THE BUSINESS AND AFFAIRS OF THE COMPANY TOWARDS ENHANCING BUSINESS PROSPERITY AND CORPORATE ACCOUNTABILITY WITH THE ULTIMATE OBJECTIVE OF REALISING LONG TERM SHAREHOLDER VALUE, WHILST TAKING INTO ACCOUNT THE INTEREST OF OTHER STAKEHOLDERS."

~ Finance Committee on Corporate Governance

The Board of Directors ("Board") has reviewed the manner in which the Malaysian Code on Corporate Governance 2012 ("Code") is applied in the Group as set out below. The Board is pleased to report compliance of the Group with the principles and recommendations as set out in the Code except where otherwise stated.

A. ROLES AND RESPONSIBILITIES OF THE BOARD

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

The roles and responsibilities of the Board are set out in the Board Charter which is published on the Company's website, and broadly cover formulation of corporate policies and strategies; overseeing and evaluating the conduct of the Group's businesses; identifying principal risks and ensuring the implementation of appropriate systems to manage those risks; and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

There is a clear division of responsibilities between the Chairman and the Group Managing Director, which are distinct and separate. Although the Chairman is not an independent director, this segregation of responsibilities between the Chairman and the Group Managing Director ensures an appropriate balance of role, responsibility and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

The Group Managing Director is responsible for the vision and strategic direction of the Group, implementing the policies and decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, setting the benchmark and targets for operating companies, overseeing the day-to-day operations and tracking compliance and business progress.

Independent Non-Executive Directors ("INEDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. INEDs do not participate in the day-to-day management of the Company and there are no relationships or circumstances that could interfere with or are likely to affect the exercise of their independent judgment or the ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group's key corporate social responsibility activities or sustainability plan are set out in the Corporate Social Responsibility Statement of this Annual Report.

The Board observes the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which is available at CCM's website at www.ssm.com.my. In addition, the Group also has a Code of Ethics that sets out sound principles and standards of good practice which are observed by the employees. The Group has in place procedures and rules for employees to raise responsibly, in confidence, concerns about serious misconduct and other possible improprieties which pose a financial, legal, reputational or operational risks to the Group.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

B. BOARD COMPOSITION

The Board comprises 7 directors, 5 of whom are non-executive. Of the non-executive directors, 3 are independent. The profiles of the members of the Board are provided in the Annual Report.

The Company is guided by the Policy on Board Composition adopted by the Company in determining its board composition. The Policy includes the following:

- The Board shall determine the appropriate size of the board to enable an efficient and effective conduct of board deliberation.
- The Board shall have a balance of skills and experience commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of independent directors comprising at least one third of the board.
- The Board shall also include a balanced composition of executive and non-executive directors.
- Board members should have the ability to commit time and effort to carry out duties and responsibilities effectively.
- The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board.

The Board will consider appropriate targets in Board diversity including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

The Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

C. BOARD COMMITTEES

Board Committees have been established by the Board to assist in the effective discharge of its duties.

I Board Audit & Risk Management Committee ("BARMC")

The composition of the BARMC, its TOR and a summary of its activities are set out in the Board Audit & Risk Management Committee Report of this Annual Report.

II Nominating Committee ("NC")

The NC was established on 29 April 2013 and the members are as follows:

Mr Ang Kong Hua
Chairman, Independent Non-Executive Director

Mr Seow Yoo Lin
Independent Non-Executive Director

YBhg Datuk Kwek Leng San
Non-Independent Non-Executive Director

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

C. BOARD COMMITTEES *cont'd*

II Nominating Committee ("NC") *cont'd*

The NC's functions and responsibilities are set out in the TOR as follows:

- To review and propose to the Board, all appointments, re-appointments, re-elections and removals of directors; appointments of Board committees and chief executive; and to review the criteria to be used.
- To assess annually the independence of the independent directors.
- To propose for the Board's approval, objective performance criteria for evaluation of the performance of the Board as a whole, the Board committees and the contribution and performance of each individual director and Board committee member, including the chief executive and chief financial officer.
- To evaluate the Board's performance by carrying out the assessment process implemented by the Board for assessing the effectiveness of the Board as a whole, Board committees and the contribution and performance of each individual director and Board committee member, including the chief executive and chief financial officer.
- To review and propose appropriate training programmes for the Board.
- To carry out such other functions and duties as may be delegated by the Board from time to time.

The NC carried out its duties in accordance with its TOR.

The Company has in place the process and procedure for assessment of new appointment, re-appointment, re-election and removal of directors, and the appointment of chief executive, and the criteria used.

A formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, the Board committees and the contribution and performance of each individual director, Board committee member and the chief financial officer.

Having reviewed the annual assessments in respect of the financial year ended 30 June 2015 ("FY 2015"), the NC is satisfied that the Board, Board committees, each individual director, each Board committee member and the Group Financial Controller have effectively discharged their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

The NC meets at least once in each financial year and additional meetings may be called at any time as and when necessary.

The NC met once during FY 2015 where all the NC members attended.

During FY 2015, the NC has considered and reviewed the following:

- composition of the Board and Board committees;
- professional qualification and experience of the directors;
- independence of independent directors and their tenure;
- trainings undertaken by directors; and
- re-election and re-appointment of directors.

The NC has also evaluated the performance of the Board and Board committees, benchmarking against their respective TOR.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

C. BOARD COMMITTEES *cont'd*

III Remuneration Committee ("RC")

The RC was established on 9 May 2005 and the members are as follows:

YBhg Datuk Kwek Leng San
Chairman, Non-Independent Non-Executive Director

YBhg Dato' Dr Tan Tat Wai
Non-Independent Executive Director

Mr Ang Kong Hua
Independent Non-Executive Director

The RC's functions and responsibilities are set out in the TOR as follows:

- To recommend to the Board a framework of remuneration of executive directors and key senior management officers.
- To review, assess and determine the remuneration packages of executive directors and key senior management officers.
- To consider appropriate long term incentive schemes for executive directors and key senior management officers.
- To review and approve performance based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.
- To review and approve the compensation payable to executive directors and key senior management officers in connection with any loss or termination of their office or appointment.

The RC met once during FY 2015 where all the RC members attended.

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

The level of remuneration of non-executive directors reflects the level of responsibilities undertaken by them.

The remuneration packages of executive directors are reviewed by the RC. The executive director concerned shall not participate in the deliberations and shall vacate the meeting room during deliberations of his remuneration package.

The RC, in assessing and reviewing the remuneration packages of executive directors, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

The fees of directors are recommended and endorsed by the Board for approval by the shareholders of the Company at its annual general meeting ("AGM").

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

C. BOARD COMMITTEES *cont'd*

III Remuneration Committee ("RC") *cont'd*

The aggregate remuneration of directors (including remuneration of a director who passed away during FY 2015 and remuneration earned as a director of a subsidiary) for FY 2015 is as follows:

	Fees (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	20,000	2,795,622	2,815,622
Non-Executive Directors	257,178	234,069	491,247

The number of directors whose remuneration falls into the following bands is as follows:

Range of Remuneration (RM)	Executive	Non-Executive
50,000 and below	–	–
50,001 – 100,000	–	1
100,001 – 150,000	–	2
150,001 – 200,000	–	1
200,001 – 1,100,000	–	–
1,100,001 – 1,150,000	1	–
1,150,001 – 1,650,000	–	–
1,650,001 – 1,700,000	1	–

IV Research and Development Committee ("R&D")

The R&D was established on 21 November 2014 and the members are as follows:

Dr Kwa Lay Keng
Chairman, Independent Non-Executive Director

YBhg Datuk Kwek Leng San
Non-Independent Non-Executive Director

YBhg Dato' Dr Tan Tat Wai
Non-Independent Executive Director

Mr Ang Kong Hua
Independent Non-Executive Director

The R&D's functions and responsibilities are set out in the TOR as follows:

- To research and propose to the Board any significant/or emerging technology and products which can enhance the Company's position as a leading steel manufacturer.
- To ensure the appropriate management of specialised R&D projects and systems for Intellectual Property Management, and to review and recommend to the Board, suitable competent manpower to undertake R&D activities.
- To review and approve the vision and strategy for technological development, and to recommend to the Board the strategic direction of R&D.
- To recommend to the Board appropriate training programmes with a view to develop an innovative and knowledge intensive culture.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

D. INDEPENDENCE

The Company has in place, an Independence of Directors Policy which sets out the criteria for assessing the independence of independent directors. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops.

The independent directors have declared their independence, and the NC and the Board have determined, at the annual assessment, that they remain objective and have continued to bring independent and objective judgment to Board deliberations and decision-making.

The Board further takes cognisance of Recommendations 3.2 and 3.3 of the Code that the tenure of an independent director should not exceed a cumulative term of 9 years. However, the Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. Although a longer tenure of directorship may be perceived as relevant to the determination of a director's independence, the Board recognises that an individual's independence should not be determined solely based on tenure of service. Further, the continued tenure of directorship brings considerable stability to the Board, and the Company benefits from directors who have, over time, gained valuable insight into the Group, its market and the industry. Currently, the tenure of all directors on the Board has not exceeded 9 years.

Both the independent directors and non-independent directors are required to submit themselves for re-election at the AGM every 3 years under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") ["MMLR"] and Articles of Association of the Company. In addition, the re-appointment of directors who have attained 70 years of age and above is subject to shareholders' approval at the AGM under Section 129 of the Companies Act, 1965. In respect of the independent directors who have served a tenure of 9 years and above, and who are due for re-election or re-appointment, justification for their re-election or re-appointment, as the case may be, will be set out in the explanatory notes of the notice of AGM.

E. COMMITMENT

The directors are aware of their responsibilities and will devote sufficient time to carry out such responsibilities. In line with the MMLR, directors are required to comply with the restrictions on the number of directorships in public listed companies. Directors provide notifications to the Board for acceptance of any new Board appointment. This ensures that their commitment, resources and time are focused on the affairs of the Company to enable them to discharge their duties effectively. Board meetings are scheduled a year ahead in order to enable full attendance at Board meetings. Directors are required to attend at least 50% of Board meetings pursuant to the MMLR.

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

All Board members are supplied with information in a timely manner. Board reports are circulated prior to Board meetings and the reports provide, amongst others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

All directors have access to the advice and services of qualified and competent Company Secretaries and internal auditors. All directors also have access to independent professional advice at the Company's expense, in consultation with the Chairman of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Any director who has an interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meetings.

The Board met 4 times during FY 2015.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

E. COMMITMENT *cont'd*

Details of attendance of each director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Mr Chow Chong Long	4/4
YBhg Dato' Dr Tan Tat Wai	4/4
Mr Tang Hong Cheong	4/4
Mr Ang Kong Hua	3/4
Mr Seow Yoo Lin	4/4
Dr Kwa Lay Keng	3/4
The late YM Raja Dato' Seri Abdul Aziz bin Raja Salim *(Passed away on 4 March 2015)*	3/3

The Board recognises the importance of continuous professional development and training for directors.

The Company is guided by a Directors' Training Policy which covers an Induction Programme and Continuing Professional Development ("CPD") for directors of the Company. The Induction Programme which includes visits to the Group's various business operations and meetings with senior management is organised for newly appointed directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to the industry or businesses of the Group, governance, risk management and regulations through a combination of courses and conferences.

All directors of the Company have completed the Mandatory Accreditation Programme.

The Company regularly organises in-house programmes, briefings and updates by its in-house professionals. The directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

The Company has prepared for the use of its directors, a Director Manual which highlights, amongst others, the major duties and responsibilities of a director vis-à-vis various laws, regulations and guidelines governing the same.

In assessing the training needs of directors, the Board has determined that appropriate training programmes covering matters on corporate governance, finance, legal, risk management and/or statutory/regulatory compliance, be recommended and arranged for the directors to enhance their contributions to the Board.

During FY 2015, the directors received regular briefings and updates on the Group's businesses, operations, risk management, internal controls, corporate governance, finance and any changes to relevant legislation, rules and regulations from in-house professionals. The Company also organised an in-house programme for its directors and senior management.

The directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as directors.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

E. COMMITMENT *cont'd*

During FY 2015, the directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- HKEx Consultation and IPO updates
- HKEx Consultation Conclusion on Risk Management and Internal Control
- Price Control and Anti-Profiteering (Mechanism to Determine Unreasonably High Profit) (Net Profit Margin) Regulations 2014
- Shaking Things Up: Technology that Transforms and How to Keep Pace
- Elements of Risk Management and Roles & Responsibilities in respect of Risk Management
- HSBC Forum: China Globalising RMB Rising
- FIDE Forum: Risk From Whereof
- FIDE Forum: Managing Cybersecurity Risk in Financial Institution
- Leadership Energy Summit Asia 2014
- Nominating Committee Programme Part 2: Effective Board Evaluations
- Tax Seminar
- The Impact of Cyber Security at Board Level
- FIDE Forum: Financial Services in Turbulent Times
- Audit Committee Conference 2015
- Audit Oversight Board: Conversations with Audit Committee
- FIDE Forum: Impact of New Accounting Standards on Banks
- Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

F. ACCOUNTABILITY AND AUDIT

The financial reporting and internal control system of the Group is overseen by the BARMC which comprises all non-executive directors with a majority independent. The primary responsibilities of the BARMC are set out in the Board Audit & Risk Management Committee Report.

The BARMC is supported by the Internal Audit Department whose principal responsibilities are to conduct risk-based audits to ensure that adequate and effective controls are in place to mitigate risks; operational audits to identify opportunities for operational improvement; and also ensure compliance with standard operating procedures of the Group. Investigation or special review will be carried out at the request of the BARMC and senior management on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I Financial Reporting

The Board is responsible for ensuring the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC which assesses the financial statements with the assistance of the external auditors.

II Risk Management and Internal Control

The Statement on Risk Management and Internal Control ("SORMIC") as detailed under paragraph I of this Statement provides an overview of the system of internal controls and risk management framework of the Group.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

F. ACCOUNTABILITY AND AUDIT *cont'd*

III Relationship with Auditors

The appointment of external auditors is recommended by the BARMC which determines the remuneration of the external auditors. The BARMC reviews the suitability and independence of the external auditors annually. The external auditors meet with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit as well as the management letter after the conclusion of the audit.

At least twice a year, the BARMC will have a separate session with the external auditors without the presence of management.

G. DISCLOSURE

The Company has in place a corporate disclosure policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the website after release to Bursa.

H. SHAREHOLDERS

I Dialogue with Shareholders and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, circulars to shareholders and quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Company website, Bursa website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate either in person, by corporate representative, by proxy or by attorney.

Shareholders have the right to demand to vote by way of a poll at the general meetings for resolutions and the voting results will be announced at the meetings and through Bursa.

The Company has a website at http://www.southsteel.com which the shareholders can access for information which includes the Board Charter, corporate information, announcements/press releases/briefings, financial information, products information and investor relations.

In addition, shareholders and investors can have a channel of communication with the Chief Financial Officer to direct queries and provide feedback to the Group.

Queries may be conveyed to the following person:

Name	:	Mr Soon Seong Keat
Tel No.	:	03-2164 2631
Fax No.	:	03-2715 4808
Email address	:	IRelations@southsteel.com

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

H. SHAREHOLDERS *cont'd*

II AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to meet and communicate with the Board at the AGM and to vote on all resolutions. Senior management and the external auditors are also available to respond to shareholders' queries during the AGM.

I. SORMIC

The Responsibility of the Board

The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets.

Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the Group's Internal Audit Department in this role.

The Risk Management Framework

For FY 2015, management has maintained the risk management framework in accordance with MS ISO 31000: 2010. The framework serves to:

- establish the context of risk in relation to the Group's risk appetite;
- identify the risks faced by the Group in the operating environment;
- assess the likelihood and impact of such risks identified and hence their risk levels;
- evaluate the priority to be given to managing each risk based on its respective risk level;
- assess the adequacy and effectiveness of the existing risk mitigating measures;
- evaluate risk treatment options (i.e. changing the likelihood or consequence of the risk; and sharing, retaining or avoiding the risk) in relation to the Group's context of risk;
- develop any necessary further measures to manage these risks; and
- monitor and review risk mitigating measures, risk levels and emerging risks.

On an on-going basis, each operating company has clear accountabilities to:

- monitor its existing risks, identify emerging risks and hence update the enterprise-wide risk registers;
- maintain the adequacy, effectiveness and relevance of action plans and control systems developed to manage risks; and
- periodically prepare risk management report for reporting to the BARMC.

The System of Internal Controls

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

- A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations.
- Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
- Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
- Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
- Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies.
- Risk-based internal audits carried out by the Group's Internal Audit Department focusing on key risk areas.
- Recurring periodic reporting to the BARMC on the results of control assurance and audit activities and also the management of risks throughout the Group.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND INTERNAL CONTROL
... continued

I. SORMIC *cont'd*

Management and Decision-Making Processes

The internal control and risk management processes of the Group are in place for the year under review and up to the date of approval of the SORMIC for inclusion in the annual report; and reviewed periodically by the BARMC. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board has received assurance from the Group Managing Director and Group Financial Controller that the Group's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of the Group.

This Statement has not dealt with or included the state of risk management and internal control of the associates.

Review of the SORMIC by External Auditors

Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants for inclusion in the 2015 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. RPG 5 (Revised) does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

J. DIRECTORS' RESPONSIBILITY IN FINANCIAL REPORTING

The MMLR requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and of the Company as at the end of the financial year and of the financial performance and cash flows of the Group and of the Company for the financial year.

The directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2015 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

This Statement on Corporate Governance, Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT

CONSTITUTION

The Board Audit & Risk Management Committee ("the Committee") of Southern Steel Berhad ("SSB" or "the Company") has been established since 29 October 1993.

COMPOSITION

The Committee has been re-constituted as follows:

Mr Seow Yoo Lin
Chairman, Independent Non-Executive Director
(Appointed as Chairman on 6 May 2015)

Mr Tang Hong Cheong
Non-Independent Non-Executive Director

Mr Ang Kong Hua
Independent Non-Executive Director

Dr Kwa Lay Keng
Independent Non-Executive Director
(Appointed on 1 September 2015)

The late YM Raja Dato' Seri Abdul Aziz bin Raja Salim
Independent Non-Executive Director
(Passed away on 4 March 2015)

SECRETARY

The Secretary to the Committee is Ms Joanne Leong Wei Yin who is the Company Secretary of SSB.

TERMS OF REFERENCE

- To consider and recommend the nomination, appointment and/or re-appointment of a person or persons as external auditor(s), and to consider any resignation or dismissal of the external auditors.
- To review the independence and objectivity of the external auditors and their services, including non-audit services.
- To review the external audit fees.
- To review, with the external auditors, the audit scope and plan.
- To review, with the external auditors, the audit report and audit findings and the management's response thereto.
- To review the assistance given by the Group's officers to the external auditors.
- To review the quarterly reports and annual financial statements of the Company and of the Group prior to the approval by the Board.
- To review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
... continued

TERMS OF REFERENCE *cont'd*

- To review the report and findings of the Internal Audit Department, including any findings of internal investigations and the management's response thereto.
- To review the adequacy and integrity of internal control systems, including risk management and management information system.
- To review the risk management framework adopted by the Group and the processes employed to identify, evaluate and manage key business risks.
- To review related party transactions that may arise within the Company or the Group, where any one of the percentage ratios (as defined in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) of a related party transaction triggers the requirement of announcement to Bursa Malaysia Securities Berhad.
- To review other conflict of interest situations that may arise within the Company or the Group, including any transaction, procedure or course of conduct that may raise questions of management integrity.
- Other functions as may be agreed to by the Committee and the Board.

AUTHORITY

The Committee is authorised by the Board to review any activity of the Group within its Terms of Reference. It is authorised to seek any information it requires from any director or member of management and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The Committee meets at least 4 times a year and additional meetings may be called at any time as and when necessary. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit, chief risk officer, Group Managing Director and senior management may attend Committee meetings, on the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

2 members of the Committee, who shall be independent shall constitute a quorum.

After each Committee meeting, the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
... continued

ACTIVITIES

The Committee carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 June 2015 ("FY 2015"), 4 Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Mr Seow Yoo Lin	4/4
Mr Tang Hong Cheong	4/4
Mr Ang Kong Hua	3/4
The late YM Raja Dato' Seri Abdul Aziz bin Raja Salim *(Passed away on 4 March 2015)*	3/3

The Committee had 2 separate sessions with the external auditors without the presence of management.

The Committee reviewed the quarterly reports and annual financial statements of the Group. The Committee met with the external auditors and discussed the nature and scope of the audit, considered any significant changes in accounting and auditing issues, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards. The Committee reviewed the internal auditor's audit findings and recommendations.

In addition, the Committee reviewed the adequacy and integrity of internal control systems, including risk management and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risk encountered by the Group.

The Committee reviewed various related party transactions carried out by the Group.

INTERNAL AUDIT

The Internal Audit ("IA") function is carried out in-house by the IA Department. The total cost incurred by the IA Department for FY 2015 amounted to RM814,016.

The IA Department reports to the Committee of SSB. The IA function is performed with impartiality, proficiency and due professional care. The IA Department supports the Committee of SSB in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group.

Audit plans developed by the IA Department are submitted to the Committee for review and agreement. Internal audits are carried out as agreed. Any resulting salient control concerns are reviewed by the Committee; and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis.

The IA Department also facilitates the implementation and maintenance of the risk management framework of the Group on an on-going basis.

This Board Audit & Risk Management Committee Report is made in accordance with the resolution of the Board of Directors.

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DIRECTORS' REPORT
for the financial year ended 30 June 2015

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2015.

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.

The Company transferred its operations in relation to the manufacturing and sale of billets, wire rods and deformed bar in coils to one of its subsidiary companies during the financial year.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(117,581)	(58,946)
Non-controlling interests	622	–
	(116,959)	(58,946)

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

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2015.

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
Mr Seow Yoo Lin
Mr Tang Hong Cheong
Mr Ang Kong Hua
Dr Kwa Lay Keng
The late YM Raja Dato' Seri Abdul Aziz bin Raja Salim (Passed away on 4 March 2015)

DIRECTORS' REPORT
for the financial year ended 30 June 2015
... continued

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who had beneficial interests in the ordinary shares and/or options and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2015 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

		Number of ordinary shares / ordinary shares to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks**/ ordinary shares received# or to be received## arising from vesting of share grant			
	Nominal value per share RM	**At 1.7.2014**	**Acquired**	**Sold**	**At 30.6.2015**
Shareholdings in which Directors have direct interests					
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**
Hume Industries Berhad (formerly known as Narra Industries Berhad)	1.00	–	2,721,600(1) 397,351#	–	**3,118,951**
	–	–	802,649##	–	**802,649##**
Interests of YBhg Dato' Dr Tan Tat Wai in:					
Southern Steel Berhad	1.00	14,854	–	–	**14,854**
		–	7,073**(2)	–	**7,073****

DIRECTORS' REPORT

for the financial year ended 30 June 2015

... continued

DIRECTORS' INTERESTS *cont'd*

	Nominal value per share RM	Number of ordinary shares / ordinary shares to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks**/ ordinary shares received# or to be received## arising from vesting of share grant			
		At 1.7.2014	Acquired	Sold	At 30.6.2015
Interests of Mr Tang Hong Cheong in:					
Hong Leong Financial Group Berhad	1.00	256,100	–	64,300	**191,800**
	–	100,000*	–	–	**100,000***
Hong Leong Industries Berhad	0.50	419,900	225,000	–	**644,900**
Hume Industries Berhad (formerly known as Narra Industries Berhad)	1.00	–	40,000	–	**736,492**
			696,492(1)		
		–	200,000*	–	**200,000***
GuocoLeisure Limited	US$0.20	–	195,000(4)	–	**195,000**
	–	300,000*	200,000*	195,000*(4)	**305,000***
GuocoLand Limited	(5)	–	65,000(4)	–	**65,000**
	–	100,000*	–	65,000*(4)	**35,000***
Malaysian Pacific Industries Berhad	–	200,000*	–	–	**200,000***
GuocoLand (Malaysia) Berhad	–	300,000*	–	–	**300,000***
The Rank Group Plc	–	–	200,000*	–	**200,000***
Southern Steel Berhad	–	–	200,000*	–	**200,000***
Interest of Mr Chow Chong Long in:					
Southern Steel Berhad	1.00	95,563	–	–	**95,563**
		–	45,505**(2)	–	**45,505****
Interest of Mr Ang Kong Hua in:					
Southern Steel Berhad	1.00	1,000,000	–	–	**1,000,000**
		–	476,190**(2)	–	**476,190****
Shareholdings in which Directors have indirect interests					
Interest of YBhg Datuk Kwek Leng San in:					
The Rank Group Plc	GBP13$^{8/9}$p	10,661(3)	–	–	**10,661(3)**
Interest of YBhg Dato' Dr Tan Tat Wai in:					
Southern Steel Berhad	1.00	34,742,238	–	–	**34,742,238**
		–	15,866,283**(2)	–	**15,866,283****
Interests of Mr Tang Hong Cheong in:					
Hong Leong Industries Berhad	0.50	6,000(3)	15,000(3)	–	**21,000(3)**
Hume Industries Berhad (formerly known as Narra Industries Berhad)	1.00	–	22,680(1)(3)	–	**22,680(3)**

DIRECTORS' REPORT
for the financial year ended 30 June 2015
... continued

DIRECTORS' INTERESTS *cont'd*

	Nominal value per share RM	Number of ordinary shares / ordinary shares to be issued or acquired arising from the exercise of options*/ conversion of redeemable convertible unsecured loan stocks**/ ordinary shares received# or to be received## arising from vesting of share grant			
		At 1.7.2014	Acquired	Sold	At 30.6.2015
Interest of Mr Chow Chong Long in:					
Southern Steel Berhad	1.00	–	5,000[3]	–	**5,000[3]**
		–	2,380**[2][3]	–	**2,380**[3]

Legend:

(1) Entitlement to new ordinary shares of RM1.00 each in Hume Industries Berhad (formerly known as Narra Industries Berhad) ("HIB") (HIB Shares) pursuant to the capital distribution by Hong Leong Industries Berhad ("HLI") to entitled shareholders of HLI on the basis of 1,080 new HIB Shares for every 1,000 ordinary shares held in HLI.

(2) Subscription of renounceable rights issue of redeemable convertible unsecured loan stocks in the Company ("RCULS") on the basis of RM1.00 nominal value of rights RCULS for every 2 existing ordinary shares held in the Company.

(3) Interest pursuant to Section 134(12)(c) of the Companies Act, 1965 in shares held by family member.

(4) Exercise of share options.

(5) Concept of par value was abolished with effect from 30 January 2006 pursuant to the Singapore Companies (Amendment) Act, 2005.

DIRECTORS' BENEFITS

No Director of the Company has since the end of 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.

DIRECTORS' REPORT

for the financial year ended 30 June 2015

... continued

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 and implemented a new ESS of up to 10% of the issued and paid-up ordinary share capital of the Company, comprising an ESOS and an executive share grant scheme ("ESGS") for the benefit of eligible executives. The ESS would 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 the 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").

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 the ESOS, subject to any maximum limit as may be determined by the Board under the Bye-Laws of the ESS.

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

DIRECTORS' REPORT
for the financial year ended 30 June 2015
... continued

REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

During the financial year ended 30 June 2015, the Company issued RM185,741,250 nominal value of 5-year 5% Redeemable Convertible Unsecured Loan Stocks ("RCULS") at 100% of its nominal value on the basis of RM1.00 nominal value of RCULS for every 2 existing ordinary shares of RM1.00 each held in the Company. The RCULS were listed on the Main Market of Bursa Malaysia Securities Berhad during the financial year.

The proceeds raised from the rights issue of RCULS have been utilised for repayment of borrowings, working capital and expenses in relation to the issuance of RCULS.

Details of the RCULS are set out in Note 16 to the financial statements.

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.

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.

DIRECTORS' REPORT

for the financial year ended 30 June 2015

... continued

OTHER STATUTORY INFORMATION *cont'd*

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, except for the impairment loss on investment in associate as disclosed in Note 23 the financial statements, the financial performance of the Group and of the Company for the financial year ended 30 June 2015 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.

AUDITORS

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

On behalf of the Board,

Seow Yoo Lin

Chow Chong Long

20 August 2015

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets					
Property, plant and equipment	4	**1,377,138**	1,309,298	**188,070**	334,304
Goodwill on consolidation	5	**30,256**	30,256	**–**	–
Investments in subsidiary companies	6	**–**	–	**1,041,784**	631,784
Investments in associated companies	7	**15,823**	65,545	**5,500**	78,941
Other investments	8	**525**	861	**427**	747
Deferred tax assets	9	**47,915**	16,542	**50,477**	8,019
Tax credit receivable	10	**18,351**	16,637	**13,367**	12,976
Total non-current assets		**1,490,008**	1,439,139	**1,299,625**	1,066,771
Inventories	11	**783,866**	699,649	**403,840**	532,884
Trade and other receivables, including derivatives	12	**254,256**	202,877	**303,879**	210,594
Current tax assets		**2,195**	3,738	**119**	2,899
Cash and cash equivalents	13	**53,666**	59,622	**21,921**	28,502
Total current assets		**1,093,983**	965,886	**729,759**	774,879
Total assets		**2,583,991**	2,405,025	**2,029,384**	1,841,650

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2015

... continued

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Equity					
Share capital	14	**419,417**	419,417	**419,417**	419,417
Reserves	15	**332,561**	445,423	**426,495**	483,587
RCULS – equity portion	16	**153,900**	–	**153,900**	–
Total equity attributable to owners of the Company		**905,878**	864,840	**999,812**	903,004
Non-controlling interests		**7,046**	6,424	**–**	–
Total equity		**912,924**	871,264	**999,812**	903,004
Liabilities					
Deferred tax liabilities	9	**21,912**	29,086	**–**	–
RCULS – liability portion	16	**37,869**	–	**37,869**	–
Deferred income	17	**14,771**	16,295	**12,843**	14,254
Retirement benefits	18	**25,358**	25,692	**13,246**	14,423
Trade and other payables, including derivatives	19	**103,502**	105,919	**–**	–
Borrowings	20	**278,946**	438,378	**121,212**	213,625
Total non-current liabilities		**482,358**	615,370	**185,170**	242,302
Retirement benefits	18	**241**	275	**69**	71
Trade and other payables, including derivatives	19	**370,161**	340,192	**232,651**	289,905
Borrowings	20	**817,919**	577,331	**611,682**	406,368
Current tax liabilities		**388**	593	**–**	–
Total current liabilities		**1,188,709**	918,391	**844,402**	696,344
Total liabilities		**1,671,067**	1,533,761	**1,029,572**	938,646
Total equity and liabilities		**2,583,991**	2,405,025	**2,029,384**	1,841,650

The notes on pages 53 to 124 are an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
for the year ended 30 June 2015

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Revenue	21	**2,529,605**	2,813,500	**2,119,636**	2,406,206
Cost of sales		**(2,467,352)**	(2,620,917)	**(2,063,832)**	(2,296,758)
Gross profit		**62,253**	192,583	**55,804**	109,448
Distribution expenses		**(68,279)**	(74,316)	**(51,846)**	(59,969)
Administrative expenses		**(63,410)**	(64,851)	**(34,708)**	(35,946)
Other operating expenses		**(26,368)**	(25,991)	**(76,812)**	(22,070)
Other operating income		**28,756**	46,770	**35,562**	89,949
Results from operations		**(67,048)**	74,195	**(72,000)**	81,412
Interest income		**923**	848	**18,460**	6,702
Finance costs	22	**(38,249)**	(30,345)	**(34,605)**	(26,568)
Share of loss in associated companies, net of tax		**(32,369)**	(13,780)	**–**	–
(Loss)/Profit before taxation	23	**(136,743)**	30,918	**(88,145)**	61,546
Taxation	24	**19,784**	(11,044)	**29,199**	20,753
(Loss)/Profit for the year		**(116,959)**	19,874	**(58,946)**	82,299
(Loss)/Profit attributable to:					
Owners of the Company		**(117,581)**	18,952	**(58,946)**	82,299
Non-controlling interests		**622**	922	**–**	–
		(116,959)	19,874	**(58,946)**	82,299
Basic (loss)/earnings per ordinary share (sen)	25	**(28.03)**	4.52		
Diluted earnings per ordinary share (sen)	25	**N/A**	N/A		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2015

... continued

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
(Loss)/Profit for the year		**(116,959)**	19,874	**(58,946)**	82,299
Other comprehensive income/ (expense), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Re-measurement of defined benefit liability		**3,034**	–	**2,174**	–
Items that are or may be reclassified subsequently to profit or loss					
Loss on fair value of available-for-sale financial assets		**(336)**	(433)	**(320)**	(426)
Foreign currency translation differences for foreign operation		**2,021**	1,738	**–**	–
Total other comprehensive income/ (expense) for the year		**4,719**	1,305	**1,854**	(426)
Total comprehensive (expense)/ income for the year		**(112,240)**	21,179	**(57,092)**	81,873
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		**(112,862)**	20,257	**(57,092)**	81,873
Non-controlling interests		**622**	922	**–**	–
		(112,240)	21,179	**(57,092)**	81,873

The notes on pages 53 to 124 are an integral part of these financial statements.

	← Attributable to owners of the Company →									
	← Non-distributable →						Distributable			
Group	**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**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 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
Other comprehensive income/ (expense):										
- Loss on fair value of available-for-sale financial assets	–	–	–	–	(433)	–	–	(433)	–	(433)
- Foreign currency translation differences	–	–	–	–	–	1,738	–	1,738	–	1,738
Total comprehensive (expense)/ income for the year	–	–	–	–	(433)	1,738	18,952	20,257	922	21,179
Distribution to owners of the Company										
- Dividends (Note 26)	–	–	–	–	–	–	(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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2015

... continued

	← Attributable to owners of the Company →										
	← Non-distributable →							Distributable			
Group	**Share capital RM'000**	**Redeemable convertible unsecured loan stocks ("RCULS") - Equity portion 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**	**Total RM'000**	**Non-controlling interests RM'000**	**Total equity RM'000**
At 30 June 2014/1 July 2014	419,417	–	35,852	30,000	50	399	3,446	375,676	864,840	6,424	871,264
(Loss)/Profit for the year	–	–	–	–	–	–	–	(117,581)	(117,581)	622	(116,959)
Other comprehensive income/ (expense):											
- Re-measurement of defined benefit liability	–	–	–	–	–	–	–	3,034	3,034	–	3,034
- Loss on fair value of available-for-sale financial assets	–	–	–	–	–	(336)	–	–	(336)	–	(336)
- Foreign currency translation differences	–	–	–	–	–	–	2,021	–	2,021	–	2,021
Total comprehensive (expense)/ income for the year	–	–	–	–	–	(336)	2,021	(114,547)	(112,862)	622	(112,240)
Contribution from owners of the Company											
- Issuance of RCULS (Note 16)	–	153,900	–	–	–	–	–	–	153,900	–	153,900
At 30 June 2015	**419,417**	**153,900**	**35,852**	**30,000**	**50**	**63**	**5,467**	**261,129**	**905,878**	**7,046**	**912,924**

The notes on pages 53 to 124 are an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2015

... continued

	Attributable to owners of the Company					
	Non-distributable				*Distributable*	
Company	**Share capital RM'000**	**Share premium RM'000**	**Merger reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 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 26)	–	–	–	–	(16,776)	(16,776)
At 30 June 2014	419,417	35,852	33,600	346	413,789	903,004

	Attributable to owners of the Company						
	Non-distributable					*Distributable*	
Company	**Share capital RM'000**	**Redeemable convertible unsecured loan stocks ("RCULS") (equity portion) RM'000**	**Share premium RM'000**	**Merger reserve RM'000**	**Fair value reserve RM'000**	**Retained earnings RM'000**	**Total equity RM'000**
At 30 June 2014/1 July 2014	419,417	–	35,852	33,600	346	413,789	903,004
Loss for the year	–	–	–	–	–	(58,946)	(58,946)
Other comprehensive (expense)/income:							
- Re-measurement of defined benefit liability	–	–	–	–	–	2,174	2,174
- Loss on fair value of available-for-sale financial assets	–	–	–	–	(320)	–	(320)
Total comprehensive loss for the year	–	–	–	–	(320)	(56,772)	(57,092)
Contribution from owners of the Company							
- Issuance of RCULS (Note 16)	–	153,900	–	–	–	–	153,900
At 30 June 2015	**419,417**	**153,900**	**35,852**	**33,600**	**26**	**357,017**	**999,812**

The notes on pages 53 to 124 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from operating activities				
(Loss)/Profit before taxation	**(136,743)**	30,918	**(88,145)**	61,546
Adjustments for:				
Property, plant and equipment:-				
- depreciation	**68,328**	71,668	**38,797**	52,801
- gain on disposal	**(35)**	(81)	**(35)**	(21)
- write-off	**51**	653	**28**	284
Loss on liquidation of subsidiaries	**–**	–	**–**	73
Fair value (gain)/loss on derivative instruments	**(466)**	97	**(466)**	550
Retirement benefits expense	**3,079**	1,969	**1,270**	812
Dividend income	**(607)**	(245)	**(14,401)**	(52,526)
Interest income	**(923)**	(848)	**(18,460)**	(6,702)
Share of loss in associated companies	**32,369**	13,780	**–**	–
Finance costs	**38,249**	30,345	**34,605**	26,568
Amortisation of deferred income	**(2,847)**	(5,186)	**(1,411)**	(1,411)
Unrealised (gain)/loss on foreign exchange	**(5,573)**	(5,060)	**79**	(942)
Impairment loss on investment in an associated company	**17,353**	–	**73,441**	–
Operating profit before working capital changes	**12,235**	138,010	**25,302**	81,032
Inventories	**(84,217)**	54,297	**35,361**	78,944
Trade and other receivables	**(51,379)**	30,158	**(93,285)**	16,725
Trade and other payables	**30,423**	51,047	**(60,035)**	28,081
Cash (used in)/ generated from operations	**(92,938)**	273,512	**(92,657)**	204,782
Retirement benefits paid	**(413)**	(400)	**(275)**	(203)
Finance costs paid	**(52,744)**	(45,825)	**(34,605)**	(26,568)
Dividend income received	**607**	245	**14,401**	52,526
Interest income received	**923**	848	**18,460**	6,702
Taxation (paid)/refund	**(7,966)**	906	**(1,020)**	927
Net cash (used in)/generated from operating activities	**(152,531)**	229,286	**(95,696)**	238,166

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2015

... continued

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash flows from investing activities					
Acquisition of property, plant and equipment	A	**(121,724)**	(222,310)	**(8,908)**	(4,465)
Additional investments in subsidiary companies, net	B	**–**	–	**(200,000)**	(300,000)
Proceeds from disposal of plant and equipment		**35**	245	**35**	106,280
Proceeds from disposal of investment in subsidiary companies		**–**	–	**–**	14,928
Net cash used in investing activities		**(121,689)**	(222,065)	**(208,873)**	(183,257)
Cash flows from financing activities					
Dividends paid to owners of the Company		**–**	(16,776)	**–**	(16,776)
Draw-down/(Repayment) of trade borrowings, net		**194,164**	(388,565)	**179,510**	(344,113)
Repayment of term loan		**(140,449)**	(31,564)	**(70,449)**	(31,564)
Drawdown of term loan		**22,981**	402,267	**–**	315,638
Net proceeds from issuance of Redeemable Convertible Unsecured Loan Stock ("RCULS")		**185,087**	–	**185,087**	–
Repayment from subsidiary companies		**–**	–	**–**	32,372
Net cash generated from/ (used in) financing activities		**261,783**	(34,638)	**294,148**	(44,443)
Net change in cash and cash equivalents		**(12,437)**	(27,417)	**(10,421)**	10,466
Effect of exchange rate fluctuations on cash held		**2,021**	1,738	**–**	–
Cash and cash equivalents at 1 July		**58,548**	84,227	**28,502**	18,036
Cash and cash equivalents at 30 June	C	**48,132**	58,548	**18,081**	28,502

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2015

... continued

NOTES

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Additions of property, plant and equipment	**(136,219)**	(404,675)	**(8,908)**	(4,465)
Interest capitalised in property, plant and equipment shown as finance cost	**14,495**	15,480	**–**	–
Amount payable to supplier of hot rolled coil plant	**–**	166,885	**–**	–
	(121,724)	(222,310)	**(8,908)**	(4,465)

B. Additional investments in subsidiary companies include:-

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Additional investments in subsidiary companies	**–**	–	**(410,000)**	(300,000)
Additions through transfer of:-				
- inventories	**–**	–	**93,683**	–
- property, plant and equipment	**–**	–	**116,317**	–
Net outflow on investments in subsidiary companies	**–**	–	**(200,000)**	(300,000)

C. 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Deposits placed with licensed banks	**26,533**	21,750	**7,380**	6,928
Cash and bank balances	**27,133**	37,872	**14,541**	21,574
Bank overdrafts	**(5,534)**	(1,074)	**(3,840)**	–
	48,132	58,548	**18,081**	28,502

The notes on pages 53 to 124 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Southern Steel Berhad ("the Company") 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 of the Company as at and for the financial year ended 30 June 2015 comprise the Company, its subsidiaries (together referred to as "the Group") and the Group's interest in associates. The financial statements of the Company as at and for the financial year ended 30 June 2015 do not include other entities.

The Company is principally engaged in investment holding, and 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.

The financial statements were approved and authorised for issue by the Board of Directors on 20 August 2015.

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 those disclosed in Note 2.2 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 ("IFRSs") and 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 estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.1 Basis of preparation *cont'd*

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 7 - Impairment of investments in associated companies
ii) Note 9 - Income taxes
iii) Note 11 - Net realisable value of inventories

The Board of Directors has considered the cyclical factor of the industry, adequacy of existing banking facilities/ limits and availability of cash flows from future operations to meet its liabilities as and when they fall due in their assessment of the going concern assumption used in the preparation of financial statements.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company and all value are 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.

(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 controls an entity when it 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. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(i) Subsidiaries *cont'd*

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.

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 accounts for 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(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.

(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 from the consolidated statement of financial position. 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 (or included in a disposal group that 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(a) Basis of consolidation *cont'd*

(vi) Associates *cont'd*

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 owners 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 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.

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less any 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 accounting policy on borrowing costs.

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

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(b) Property, plant and equipment *cont'd*

(i) Recognition and measurement *cont'd*

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 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 component 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 component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component 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.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. 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 from the date they are available for use. 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. Property, plant and equipment under construction are 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(c) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the 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.

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. Leasehold land, which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(d) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(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 designated and effective hedging instrument) or financial assets 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.

Other 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.

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

(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)).

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(ii) Financial instrument categories and subsequent measurement *cont'd*

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 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 that do not have a quoted price in an active market for identified instruments and whose fair values otherwise cannot be reliably measured are measured at cost.

Other 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(v) Hedge accounting

Cash flow hedge
A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

Fair value hedge
A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorized as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(e) Financial instruments *cont'd*

(vi) 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 control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial assets are transferred to another party. 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, 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.

(f) Impairment

(i) Financial asset

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and 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 impairment loss of the financial asset 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(f) Impairment *cont'd*

(i) Financial asset *cont'd*

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.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) 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 a cash-generating unit or a 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 amount of the other assets in the cash-generating unit (group of cash-generating units) on a *pro rata* basis.

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(g) Inventories

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

The cost of inventories is calculated using the weighted average method, 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. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(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. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(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 not recognised in the statement of financial position and 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.

Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(k) Compound financial instruments

A compound financial instrument is a non-derivative financial instrument that contains both a liability and an equity component.

Compound financial instruments issued by the Company comprise redeemable convertible unsecured loan stock ("RCULS") that can be converted to share capital at the option of the holder, when the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially based on the discounted stream of coupon payments over the duration of RCULS, using the borrowing rate of the Company. The equity component is recognised initially as the difference between the proceeds raised of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest and losses and gains relating to the financial liability are recognised in profit or loss. On conversion, the financial liability is reclassified to equity; no gain or loss is recognised on conversion.

(l) 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.

(m) 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(m) Foreign currency *cont'd*

(i) Foreign currency transactions *cont'd*

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.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur 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 foreign currency translation reserve within equity.

(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, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 which are reported using the exchange rates at the date of acquisition. 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 gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, 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 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.

(n) 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, trade discounts 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, 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(n) Revenue and other income *cont'd*

(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 an accual basis.

(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.

(o) 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.

(p) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation 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 taxation is the expected tax payable on the taxable income for the 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(p) Taxation *cont'd*

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 taxation is not recognised for the following temporary differences: the initial recognition of goodwill, 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 taxation 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.

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 assets and liabilities 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.

A tax incentives that include the allowance for signficant 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 asset 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 allowance ("RA") and unutilised investment tax allowance ("ITA") as investment tax credits ("ITCs") and these ITCs are recognised using accounting treatment similar to that of a government grant. Unutilised RA and ITA to the extent that it is probable that future taxable profit will be available against the unutilised RA and ITA can be utilised are recognised as a tax credit receivable and correspondingly deferred income.

The tax credit receivable will be charged out to the profit or loss based on the utilisation of RA and ITA in each financial period. Deferred income, on the other hand, will be amortised over the estimated remaining useful lives of the assets concerned.

(q) Earnings per ordinary share ("EPS")

The Group presents basic and diluted 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.

Diluted EPS is determined by adjusting the profit or loss attributable to owners of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible loan stocks and share options granted to employees.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(r) 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 2015, 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 2015.

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.

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 June 2015. 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(r) Employee benefits *cont'd*

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

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.

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.

(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 retained earnings as applicable. 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. Dividends received by the ESS Trusts will be eliminated against the Company's dividend payment.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.2 Summary of significant accounting policies *cont'd*

(s) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) Fair value measurement

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.

When measuring the fair value of an asset and liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS
... continued

2. SIGNIFICANT ACCOUNTING POLICIES *cont'd*

2.3 Statement of compliance

The following are accounting standards, amendments and interpretations of the MFRSs 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 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisition of Interest in Joint Operations*
- MFRS 14, *Regulatory Deferred Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation*
- Amendments to MFRS 116, *Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

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

- 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.

- from the annual period beginning on 1 July 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.

- from the annual period beginning on 1 July 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The Group is currently assessing the financial impact that may arise from the initial application of the abovementioned accounting standards, amendment or interpretations.

NOTES TO THE FINANCIAL STATEMENTS
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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	Country of incorporation	Effective interest 2015 %	Effective interest 2014 %	Principal activities
Subsidiary Companies				
Southern Steel Properties Sdn Bhd	Malaysia	100.0	100.0	Rental of properties
Danstil Sdn Bhd	Malaysia	100.0	100.0	Rental of properties
Southern Steel Holdings Sdn Bhd	Malaysia	100.0	100.0	Investment holding
• Saint Sense Blu Sdn Bhd (formerly known as Southern Steel Bar Sdn Bhd)	Malaysia	100.0	100.0	In member's voluntary liquidation
• Starglow Investments Ltd #	Malaysia	100.0	100.0	Investment holding
Southern Steel Rod Sdn Bhd	Malaysia	100.0	100.0	Manufacture, sale and trading of billets, wire rods, deformed bar in coils and other related products
Centimeter Wire Sdn Bhd	Malaysia	–	100.0	Dissolved
Southern HRC Sdn Bhd	Malaysia	100.0	100.0	Manufacture, sale and marketing of steel billets and hot rolled steel coils
Solid Samphire Motif Sdn Bhd (formerly known as Southern Steel Management Sdn Bhd)	Malaysia	100.0	100.0	Ceased operation
Southern PC Steel Sdn Bhd	Malaysia	100.0	100.0	Manufacture and sale of pre-stressed concrete strands, wires and bars
Terus Staples Sdn Bhd	Malaysia	–	100.0	Dissolved
Southern Steel Mesh Sdn Bhd	Malaysia	100.0	100.0	Manufacture and marketing of steel wire mesh, concrete wires, fencing panels and cut and bend bars, and trading in steel bars

NOTES TO THE FINANCIAL STATEMENTS
... continued

3. COMPANIES IN THE GROUP *cont'd*

Name of Company	Country of incorporation	Effective interest 2015 %	Effective interest 2014 %	Principal activities
Subsidiary Companies				
• E-Tatt Steel Wires Sdn Bhd	Malaysia	100.0	100.0	Trading in steel wire mesh
• Smart Motive Sdn Bhd (formerly known as Sourthern Mesh Sdn Bhd)	Malaysia	100.0	100.0	Ceased operation
Southern Pipe Industry (Malaysia) Sdn Bhd	Malaysia	91.4	91.4	Manufacture, sale and processing of steel pipes and other related products
Southern Steel Pipe Sdn Bhd	Malaysia	91.4	91.4	Manufacture, sale and processing of steel pipes and other related products
Associated Companies				
Super Othello Sdn Bhd #	Malaysia	50.0	50.0	Ceased to engage in investment holding
Steel Industries (Sabah) Sdn Bhd	Malaysia	27.5	27.5	Manufacture and trading of steel bars
Bekaert Southern Wire Pte Ltd #	Singapore	45.0	45.0	Investment holding
• Bekaert Southern Speciality Wire Sdn Bhd #	Malaysia	45.0	45.0	Manufacture and sale of all types of fine steel wire
• PT Bekaert Southern Wire #	Indonesia	45.0	45.0	Manufacture and sale of wire products
• Bekaert Southern Wire Sdn Bhd #	Malaysia	45.0	45.0	Manufacture and sale of all types of galvanised wires
• Cempaka Raya Sdn Bhd #	Malaysia	45.0	45.0	Ceased operation

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.

4. PROPERTY, PLANT AND EQUIPMENT

	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
Group								
Cost								
At 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)
Disposals	–	–	(112)	(447)	(33)	(349)	–	(941)
Reclassification	–	–	145	1,312	–	–	(1,457)	–
At 30 June 2014/1 July 2014	25,331	157,547	271,909	1,383,138	61,656	11,988	776,692	2,688,261
Additions	–	–	630	4,800	2,775	768	127,246	136,219
Write-off	–	–	–	(830)	(210)	–	–	(1,040)
Disposals	–	–	–	–	–	(271)	–	(271)
Reclassification	–	–	4,401	4,404	–	–	(8,805)	–
At 30 June 2015	**25,331**	**157,547**	**276,940**	**1,391,512**	**64,221**	**12,485**	**895,133**	**2,823,169**

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	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
Group								
Accumulated depreciation and impairment loss								
At 1 July 2013								
- Accumulated depreciation	–	24,921	171,763	1,019,112	55,216	10,917	–	1,281,929
- Accumulated impairment loss	–	–	4,955	22,763	–	–	–	27,718
	–	24,921	176,718	1,041,875	55,216	10,917	–	1,309,647
Charge for the year	–	3,355	10,179	55,405	2,315	414	–	71,668
Write-off	–	–	–	(1,480)	(95)	-	–	(1,575)
Disposals	–	–	(32)	(363)	(33)	(349)	–	(777)
At 30 June 2014/1 July 2014								
- Accumulated depreciation	–	28,276	181,910	1,072,674	57,403	10,982	–	1,351,245
- Accumulated impairment loss	–	–	4,955	22,763	–	–	–	27,718
	–	28,276	186,865	1,095,437	57,403	10,982	–	1,378,963
Charge for the year	–	3,357	9,765	52,590	2,102	514	–	68,328
Write-off	–	–	–	(783)	(206)	–	–	(989)
Disposals	–	–	–	–	–	(271)	–	(271)
At 30 June 2015								
- Accumulated depreciation	–	31,633	191,675	1,124,481	59,299	11,225	–	1,418,313
- Accumulated impairment loss	–	–	4,955	22,763	–	–	–	27,718
	–	**31,633**	**196,630**	**1,147,244**	**59,299**	**11,225**	**–**	**1,446,031**

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	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
Group								
Carrying amounts								
At 1 July 2013	25,331	132,469	94,381	339,589	5,083	1,415	378,840	977,108
At 30 June 2014/1 July 2014	25,331	129,271	85,044	287,701	4,253	1,006	776,692	1,309,298
At 30 June 2015	**25,331**	**125,914**	**80,310**	**244,268**	**4,922**	**1,260**	**895,133**	**1,377,138**
Company								
Cost								
At 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)
Disposals	–	–	(112)	(115)	(33)	(349)	–	(609)
Transfer to a subsidiary	–	–	–	(352,850)	(1,852)	(491)	–	(355,193)
At 30 June 2014/1 July 2014	6,997	138,374	205,114	757,442	46,047	10,579	4,494	1,169,047
Additions	–	–	259	3,365	1,477	768	3,039	8,908
Write-off	–	–	–	(75)	(7)	–	–	(82)
Disposals	–	–	–	–	–	(271)	–	(271)
Transfer to a subsidiary	–	–	–	(601,188)	(2,546)	(2,183)	–	(605,917)
Reclassification	–	–	4,116	3,417	–	–	(7,533)	–
At 30 June 2015	**6,997**	**138,374**	**209,489**	**162,961**	**44,971**	**8,893**	**–**	**571,685**

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	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
Company								
Accumulated depreciation and impairment loss								
At 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)
Disposals	–	–	(32)	(32)	(33)	(349)	–	(446)
Transfer to a subsidiary	–	–	–	(246,799)	(1,807)	(491)	–	(249,097)
At 30 June 2014/1 July 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
Charge for the year	–	3,061	8,035	25,891	1,340	470	–	38,797
Write-off	–	–	–	(49)	(5)	–	–	(54)
Disposals	–	–	–	–	–	(271)	–	(271)
Transfer to a subsidiary	–	–	–	(485,113)	(2,446)	(2,041)	–	(489,600)
At 30 June 2015								
- Accumulated depreciation	–	28,021	169,230	108,591	42,136	7,919	–	355,897
- Accumulated impairment loss	–	–	4,955	22,763	–	–	–	27,718
	–	**28,021**	**174,185**	**131,354**	**42,136**	**7,919**	**–**	**383,615**

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

	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 2013	6,997	116,218	46,827	310,327	3,895	1,190	3,729	489,183
At 30 June 2014/1 July 2014	6,997	113,414	38,964	166,817	2,800	818	4,494	334,304
At 30 June 2015	**6,997**	**110,353**	**35,304**	**31,607**	**2,835**	**974**	**–**	**188,070**

NOTES TO THE FINANCIAL STATEMENTS
... continued

4. PROPERTY, PLANT AND EQUIPMENT *cont'd*

4.1 Leasehold land

Included in the carrying amount of leasehold land are:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Leasehold land with unexpired lease period of less than 50 years	**76,864**	78,548	**67,355**	68,854
Leasehold land with unexpired lease period of more than 50 years	**49,050**	50,723	**42,998**	44,560
	125,914	129,271	**110,353**	113,414

4.2 Capital work-in-progress

Capital work-in-progress of the Group above includes an amount of RM892,300,000 (2014: RM772,064,000) 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 RM76,953,000 (2014: RM7,009,000) 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 part of the capital work-in-progress of the Group. Meanwhile, a total of RM42,004,000 (2014 : RM27,509,000) representing borrowing costs incurred was also capitalised under capital work-in-progress of the Group.

5. GOODWILL ON CONSOLIDATION

	Group	
	2015 RM'000	2014 RM'000
At cost:		
At 1 July/30 June	**30,256**	30,256

NOTES TO THE FINANCIAL STATEMENTS
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5. GOODWILL ON CONSOLIDATION *cont'd*

(a) Impairment test of goodwill

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

	2015 RM'000	2014 RM'000
Southern Steel Mesh Sdn Bhd	**19,767**	19,767
Southern PC Steel Sdn Bhd	**9,684**	9,684
Danstil Sdn Bhd	**805**	805
	30,256	30,256

The Group undertakes an annual test for impairment. No impairment loss was identified for the aforesaid 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 used of 10% (2014: 8.69%) is a pre-tax rate that is applied to the cash flow projections and represents the industry's estimated weighted average cost of capital used.

(c) Impact of possible change in key assumptions

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

6. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2015 RM'000	2014 RM'000
At cost:		
Redeemable Preference Shares	**120,000**	–
Unquoted shares	**433,348**	311,784
Redeemable Convertible Cumulative Preference Shares	**20,000**	20,000
Irredeemable Convertible Unsecured Loan Stock	**268,436**	300,000
Redeemable Convertible Unsecured Loan Stock	**200,000**	–
	1,041,784	631,784

The subsidiary companies and their principal activities are disclosed in Note 3 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
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7. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At cost:				
Unquoted shares	**89,076**	89,076	**89,076**	89,076
Less: Impairment losses	**(17,353)**	–	**(83,576)**	(10,135)
	71,723	89,076	**5,500**	78,941
Share of post-acquisition reserves	**(55,900)**	(23,531)	**–**	–
	15,823	65,545	**5,500**	78,941

The associated companies and their principal activities are disclosed in Note 3 to the financial statements.

Summary financial information for associates, not adjusted for the percentage ownership held by the Group:

	Bekaert Southern Wire Pte Ltd RM'000	Other individually immaterial associates RM'000	Total RM'000
Group			
2015			
Summarised financial information			
As at 30 June			
Non-current assets	**101,257**	**31,478**	**132,735**
Current assets	**156,196**	**58,501**	**214,697**
Non-current liabilities	**(6,697)**	**–**	**(6,697)**
Current liabilities	**(274,971)**	**(32,441)**	**(307,412)**
Net (liabilities)/assets	**(24,215)**	**57,538**	**33,323**
Year ended 30 June			
(Loss)/Profit for the year representing total comprehensive (expense)/income	**(84,941)**	**3,904**	**(81,037)**
Included in the total comprehensive income is:			
Revenue	**374,548**	**154,513**	**529,061**

NOTES TO THE FINANCIAL STATEMENTS
... continued

7. INVESTMENTS IN ASSOCIATED COMPANIES *cont'd*

	Bekaert Southern Wire Pte Ltd RM'000	Other individually immaterial associates RM'000	Total RM'000
Group			
2015			
Reconciliation of net assets to carrying amount			
As at 30 June			
Group's share of net (liabilities)/assets	**(10,897)**	**15,823**	**4,926**
Goodwill	**23,441**	**–**	**23,441**
Elimination of unrealised profits	**11**	**–**	**11**
Impairment loss	**(17,353)**	**–**	**(17,353)**
Further losses not equity accounted for	**4,798**	**–**	**4,798**
Carrying amount in the statement of financial position	**–**	**15,823**	**15,823**
Group's share of results			
Year ended 30 June			
Group's share of profit or loss for the year representing total comprehensive (expense)/income	**(33,444)**	**1,075**	**(32,369)**
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	60,726	53,629	114,355
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

NOTES TO THE FINANCIAL STATEMENTS
... continued

7. INVESTMENTS IN ASSOCIATED COMPANIES *cont'd*

	Bekaert Southern Wire Pte Ltd RM'000	Other individually immaterial associates RM'000	Total RM'000
Group			
2014			
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)

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	
	2015 RM'000	2014 RM'000
Steel Industries (Sabah) Sdn. Bhd.	**15,823**	14,748
Bekaert Southern Wire Pte Ltd Group	**–**	50,797
	15,823	65,545

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 a five-year financial budget 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 10% (2014: 8.69%) is a pre-tax rate that is applied to the cash flow projections and represents the industry's estimated weighted average cost of capital.

NOTES TO THE FINANCIAL STATEMENTS
... continued

8. OTHER INVESTMENTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Available-for-sale financial assets				
Shares quoted in Malaysia	**525**	861	**427**	747

9. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group						
Property, plant and equipment	**–**	–	**(65,516)**	(63,245)	**(65,516)**	(63,245)
Unabsorbed capital allowances	**5,011**	1,130	**–**	–	**5,011**	1,130
Unutilised tax losses	**41,655**	14,153	**–**	–	**41,655**	14,153
Provisions	**12,761**	11,596	**–**	–	**12,761**	11,596
Unutilised increased export allowance	**22,122**	22,428	**–**	–	**22,122**	22,428
Other deductible temporary differences	**881**	1,394	**–**	–	**881**	1,394
RCULS interests	**9,089**	–	**–**	–	**9,089**	–
Deferred tax assets/(liabilities)	**91,519**	50,701	**(65,516)**	(63,245)	**26,003**	(12,544)
Set off of tax	**(43,604)**	(34,159)	**43,604**	34,159	**–**	–
Net tax assets/(liabilities)	**47,915**	16,542	**(21,912)**	(29,086)	**26,003**	(12,544)
Company						
Property, plant and equipment	**7,428**	–	**–**	(22,811)	**7,428**	(22,811)
Unabsorbed capital allowances	**3,600**	–	**–**	–	**3,600**	–
Provisions	**8,238**	8,402	**–**	–	**8,238**	8,402
Unutilised increased export allowance	**22,122**	22,428	**–**	–	**22,122**	22,428
RCULS interests	**9,089**	–	**–**	–	**9,089**	–
Deferred tax assets/(liabilities)	**50,477**	30,830	**–**	(22,811)	**50,477**	8,019
Set off of tax	**–**	(22,811)	**–**	22,811	**–**	–
Net tax assets	**50,477**	8,019	**–**	–	**50,477**	8,019

NOTES TO THE FINANCIAL STATEMENTS
... continued

9. DEFERRED TAX ASSETS/(LIABILITIES) *cont'd*

Movements in temporary differences during the financial year are as follows:

	At 1.7.2013 RM'000	Recognised in profit or loss (Note 24) RM'000	At 30.6.2014/ 1.7.2014 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognised in RCULS equity portion RM'000	At 30.6.2015 RM'000
Group						
Property, plant and equipment	(60,209)	(3,036)	(63,245)	(2,271)	–	(65,516)
Unutilised increased export allowance	26,497	(4,069)	22,428	(306)	–	22,122
Unabsorbed capital allowances	3,931	(2,801)	1,130	3,881	–	5,011
Unutilised tax losses	6,031	8,122	14,153	27,502	–	41,655
Provisions	11,015	581	11,596	1,165	–	12,761
Others	842	552	1,394	(513)	–	881
RCULS interests	–	–	–	(761)	9,850	9,089
	(11,893)	(651)	(12,544)	28,697	9,850	26,003
Company						
Property, plant and equipment	(54,167)	31,356	(22,811)	30,239	–	7,428
Unutilised increased export allowances	26,497	(4,069)	22,428	(306)	–	22,122
Unabsorbed capital allowances	–	–	–	3,600	–	3,600
Provisions	8,886	(484)	8,402	(164)	–	8,238
RCULS interests	–	–	–	(761)	9,850	9,089
	(18,784)	26,803	8,019	32,608	9,850	50,477

Unrecognised deferred tax assets

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

	Group	
	2015 RM'000	**2014 RM'000**
Unutilised tax losses	**72,987**	80,359

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

NOTES TO THE FINANCIAL STATEMENTS
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10. TAX CREDIT RECEIVABLE

Tax credit receivable is attributable to the following:

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unutilised reinvestment allowances	**18,351**	16,637	**13,367**	12,976

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 are as follows:

	At 1.7.2013 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognition of unutilised reinvestment allowance RM'000	Unutilised reinvestment allowance clawback RM'000	At 30.6.2014/ 1.7.2014 RM'000	Recognised in profit or loss (Note 24) RM'000	Recognition of unutilised reinvestment allowance RM'000	At 30.6.2015 RM'000
Group								
Unutilised reinvestment allowances	17,015	(2,772)	3,661	(1,267)	16,637	391	1,323	18,351
Company								
Unutilised reinvestment allowances	17,015	(2,772)	–	(1,267)	12,976	391	–	13,367

11. INVENTORIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Raw materials	**415,150**	409,461	**245,278**	327,712
Work-in-progress	**17,929**	14,191	**418**	1,107
Finished goods	**247,106**	191,910	**139,566**	154,805
General consumables and other stores	**103,681**	84,087	**18,578**	49,260
	783,866	699,649	**403,840**	532,884

NOTES TO THE FINANCIAL STATEMENTS
... continued

12. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group		Company	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Trade					
Trade receivables					
- Third parties		**162,933**	173,298	**50,777**	81,607
- Subsidiaries	12.1	**–**	–	**108,996**	22,467
- Related parties	12.1	**14,370**	12,865	**9,544**	5,501
- Associated companies	12.1	**1,961**	4,082	**478**	4,075
		179,264	190,245	**169,795**	113,650
Non-trade					
Amounts due from:					
- Subsidiaries	12.2	**–**	–	**119,329**	89,526
- Associated companies	12.2	**1,300**	1,382	**1,274**	1,316
Other receivables	12.3	**71,756**	9,117	**11,773**	5,312
Deposits		**1,272**	1,113	**500**	498
Prepayments		**13,806**	14,162	**9,252**	8,336
Derivative financial assets					
- Interest rate swap contracts		**673**	673	**–**	–
		88,807	26,447	**142,128**	104,988
Less: Impairment losses					
- trade		**(5,970)**	(5,970)	**(199)**	(199)
- non-trade		**(7,845)**	(7,845)	**(7,845)**	(7,845)
		(13,815)	(13,815)	**(8,044)**	(8,044)
		254,256	202,877	**303,879**	210,594

Note 12.1
The trade amounts due from subsidiaries, related parties and associated companies are subject to normal trade terms.

Note 12.2
The non-trade amounts due from subsidiaries and associated companies are unsecured and repayable on demand. Non-trade amounts due from subsidiaries of approximately RM2,425,000 (2014: RM2,543,000) at the reporting date carried an interest rate ranging from 5.49% to 5.61% (2014: 3.92% to 5.07%) per annum. The remaining balance of amount due from subsidiaries and amount due from associated companies at the end of the reporting date are interest-free.

Note 12.3
Included in other receivables is an amount of RM42,100,000 (2014: RM Nil) representing refundable deposit from supplier which was subsequently refunded after year end.

NOTES TO THE FINANCIAL STATEMENTS
... continued

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Deposits with licensed banks	**26,533**	21,750	**7,380**	6,928
Cash and bank balances	**27,133**	37,872	**14,541**	21,574
	53,666	59,622	**21,921**	28,502

14. SHARE CAPITAL

	Group and Company			
	2015		**2014**	
	Number of shares '000	**Amount RM'000**	**Number of shares '000**	**Amount RM'000**
Ordinary shares of RM1.00 each				
Authorised:				
At 1 July	**500,000**	500,000	**500,000**	500,000
Addition	**300,000**	300,000	**–**	–
At 30 June	**800,000**	800,000	**500,000**	500,000
Preference shares of RM1.00 each	**2,000**	2,000	**2,000**	2,000
Ordinary shares of RM1.00 each				
Issued and fully paid:				
At 1 July/30 June	**419,417**	419,417	**419,417**	419,417

NOTES TO THE FINANCIAL STATEMENTS
... continued

15. RESERVES

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Share premium	15.1	**35,852**	35,852	**35,852**	35,852
Merger reserve	15.2	**30,000**	30,000	**33,600**	33,600
Capital redemption reserve	15.3	**50**	50	**–**	–
Fair value reserve	15.4	**63**	399	**26**	346
Foreign currency translation reserve	15.5	**5,467**	3,446	**–**	–
Retained earnings		**261,129**	375,676	**357,017**	413,789
		332,561	445,423	**426,495**	483,587

Note 15.1
Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

Note 15.2
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.

Note 15.3
Capital redemption reserve represent a transfer from the retained earnings arising from the redemption of redeemable preference shares by a subsidiries of the Company.

Note 15.4
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.

Note 15.5
Foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS

	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
RCULS – Equity portion	**153,900**	–	**153,900**	–
RCULS – Liability portion	**37,869**	–	**37,869**	–
	191,769	–	**191,769**	–

NOTES TO THE FINANCIAL STATEMENTS
... continued

16. REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS *cont'd*

During the financial year ended 30 June 2015, the Company issued RM185,741,250 nominal value of 5-year 5% Redeemable Convertible Unsecured Loan Stocks ("RCULS") at 100% of its nominal value by way of a renounceable rights issue to shareholders on the basis of RM1.00 nominal value of rights RCULS for every 2 existing ordinary shares of RM1.00 each held in the Company ("SSB Shares").

The RCULS were issued on 27 January 2015 ("Issue Date") and officially listed on Bursa Malaysia Securities Berhad on 30 January 2015.

The RCULS are constituted by a Trust Deed dated 1 December 2014.

The RCULS have a maturity date of 24 January 2020 ("Maturity Date"). The coupon rate of the RCULS is 5% per annum calculated on the nominal value of the RCULS then outstanding and payable semi-annually in arrears each year. The RCULS holders have the right to convert all or any amount of the RCULS held by them into SSB Shares at any time from the Issue Date up to and including the Maturity Date. All outstanding RCULS which have not been earlier converted or redeemed on the Maturity Date will be automatically converted into new SSB Shares on the Maturity Date. The conversion price has been fixed at RM1.05 per SSB Share to be satisfied by surrendering the RCULS with an aggregate nominal value equivalent to the conversion price for cancellation by the Company. 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 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.

Subject to the Company giving irrevocable notice to the RCULS holders at least 30 days prior to the Maturity Date, the Company has 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.

	2015 RM'000
Proceeds from the issuance of RM185,741,250 nominal value of RCULS	**185,741**
Transaction cost	**(654)**
Net proceeds	**185,087**
(Less)/Add:	
Discounted stream of coupon payments classified as liability component	**(37,869)**
Accrued coupon payment	**(3,996)**
Interest accreted	**828**
RCULS – equity portion	**144,050**
Provision of deferred tax asset against the equity portion of RCULS	**9,850**
RCULS – equity portion at 30 June	**153,900**

NOTES TO THE FINANCIAL STATEMENTS
... continued

17. DEFERRED INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current				
Reinvestment allowance	**14,771**	16,295	**12,843**	14,254

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 RM2,847,000 (2014: RM5,186,000) and RM1,411,000 (2014: RM1,411,000) have been amortised and recognised as other operating income in profit or loss of the Group and of the Company respectively. Reinvestment allowance with tax effect of RM1,267,000 of the Group and of the Company were clawed back when the assets were transferred to its subsidiary during the previous financial year.

18. RETIREMENT BENEFITS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current	**25,358**	25,692	**13,246**	14,423
Current	**241**	275	**69**	71
	25,599	25,967	**13,315**	14,494
Funded plan				
- Present value of obligations	**564**	564	**–**	–
- Fair value of plan assets	**(360)**	(360)	**–**	–
	204	204	**–**	–
Unfunded plans				
Present value of recognised liability of unfunded obligation	**25,395**	25,763	**13,315**	14,494
	25,599	25,967	**13,315**	14,494

NOTES TO THE FINANCIAL STATEMENTS
... continued

18. RETIREMENT BENEFITS *cont'd*

Movements in net defined benefit liability

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group						
At 1 July	**26,327**	24,758	**(360)**	(360)	**25,967**	24,398
Included in profit or loss						
Current service cost	**1,729**	1,481	**–**	–	**1,729**	1,481
Interest cost	**1,350**	488	**–**	–	**1,350**	488
	3,079	1,969	**–**	–	**3,079**	1,969
Included in other comprehensive income						
Re-measurement (gain)/loss						
- Actuarial (gain)/loss arising from:						
- Demographic assumptions	**(2,240)**	–	**–**	–	**(2,240)**	–
- Financial assumptions	**(1,139)**	–	**–**	–	**(1,139)**	–
- Experience adjustment	**345**	–	**–**	–	**345**	–
	(3,034)	–	**–**	–	**(3,034)**	–
Others						
Benefits paid	**(413)**	(400)	**–**	–	**(413)**	(400)
At 30 June	**25,959**	26,327	**(360)**	(360)	**25,599**	25,967

NOTES TO THE FINANCIAL STATEMENTS
... continued

18. RETIREMENT BENEFITS *cont'd*

Movements in net defined benefit liability *cont'd*

	Defined benefit obligations		Fair value of plan assets		Net defined benefit liability	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Company						
At 1 July	**14,494**	13,885	**–**	–	**14,494**	13,885
Included in profit or loss						
Current service cost	**717**	788	**–**	–	**717**	788
Past service cost	**(34)**	(788)	**–**	–	**(34)**	(788)
Interest cost	**587**	812	**–**	–	**587**	812
	1,270	812	**–**	–	**1,270**	812
Included in other comprehensive income						
Re-measurement gain						
- Actuarial gain arising from:						
- Demographic assumptions	**(899)**	–	**–**	–	**(899)**	–
- Financial assumptions	**(857)**	–	**–**	–	**(857)**	–
- Experience adjustment	**(418)**	–	**–**	–	**(418)**	–
	(2,174)	–	**–**	–	**(2,174)**	–
Others						
Benefits paid	**(275)**	(203)	**–**	–	**(275)**	(203)
At 30 June	**13,315**	14,494	**–**	–	**13,315**	14,494

Plan assets consist of:

	Group	
	2015 %	2014 %
Cash and cash equivalents	**100**	100

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

No further contribution was paid to the funded plan subsequent to the change in defined benefit plans effective 1 April 2002 as disclosed in Note 2.2(r)(ii) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
... continued

18. RETIREMENT BENEFITS *cont'd*

Actuarial assumptions

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	%	**%**	**%**	**%**
Discount rate	**4.75-5.75**	4.75-5.75	**5.75**	5.25
Expected rates of salary increases	**3.10-5.00**	3.10-5.00	**5.00**	5.00
Expected return on plan assets	**5.00**	5.00	**–**	–
Weighted-average duration	**10 - 13 years**	9 years	**13 years**	9 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	**Decrease**	**Increase**	**Decrease**
	RM'000	**RM'000**	**RM'000**	**RM'000**
2015				
Discount rate (1% movement)	**(3,353)**	**2,234**	**(1,488)**	**1,743**
Future salary growth (1% movement)	**2,798**	**(2,202)**	**1,468**	**(1,269)**
2014				
Discount rate (1% movement)	(3,997)	3,997	(2,439)	2,439
Future salary growth (1% movement)	3,777	(3,777)	2,282	(2,282)

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

19. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Non-current					
Other payables		**103,502**	105,919	**–**	–
Current					
Trade					
Trade payables					
- Third parties		**166,870**	151,610	**97,023**	136,085
- Subsidiaries	19.1	**–**	–	**718**	2,790
- Associated companies	19.1	**–**	21	**–**	–
		166,870	151,631	**97,741**	138,875
Non-trade					
Amount due to					
- Subsidiaries	19.2	**–**	–	**61,431**	63,969
- Associated companies	19.2	**72**	1,218	**–**	–
Other payables and accrued expenses		**202,926**	186,679	**73,281**	86,397
Derivative financial liabilities					
- Forward exchange contracts		**293**	664	**198**	664
		203,291	188,561	**134,910**	151,030
		370,161	340,192	**232,651**	289,905

Note 19.1
The trade amounts due to subsidiaries and associated companies are subject to normal trade terms.

Note 19.2
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 (2014: RM12,000,000) of the Group and of the Company.

ii) An amount owing to a supplier of plant and machinery by a subsidiary company of RM186,418,000 (2014: RM153,057,000) and out of which RM103,502,000 (2014: RM105,919,000) is not due and not payable within a year.

NOTES TO THE FINANCIAL STATEMENTS
... continued

20. BORROWINGS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Non-current (Unsecured)				
Term loan	**278,946**	438,378	**121,212**	213,625
Current (Unsecured)				
Bank overdrafts	**5,534**	1,074	**3,840**	–
Bankers' acceptances	**596,972**	413,808	**507,429**	335,919
Revolving credit	**13,000**	2,000	**8,000**	–
Term loan	**202,413**	160,449	**92,413**	70,449
	817,919	577,331	**611,682**	406,368
	1,096,865	1,015,709	**732,894**	619,993

21. REVENUE - GROUP/COMPANY

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

22. FINANCE COSTS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest expense on:				
Borrowings	**51,903**	45,773	**33,764**	26,568
RCULS	**828**	–	**828**	–
Others	**13**	52	**13**	–
	52,744	45,825	**34,605**	26,568
Recognised in profit or loss	**38,249**	30,345	**34,605**	26,568
Capitalised on qualifying assets:				
Capital work-in-progress	**14,495**	15,480	**–**	–
	52,744	45,825	**34,605**	26,568

NOTES TO THE FINANCIAL STATEMENTS
... continued

23. (LOSS)/PROFIT BEFORE TAXATION

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Auditors' remuneration				
Statutory audits				
- Holding company's auditors				
- current year	**307**	260	**166**	120
- prior year	**50**	–	**50**	–
- Other auditors	**7**	7	**–**	–
Other services				
- Holding company's auditors	**6**	6	**6**	6
Amortisation of deferred income	**(2,847)**	(5,186)	**(1,411)**	(1,411)
Dividend income				
- Quoted investment in Malaysia	**(607)**	(245)	**(325)**	(238)
- Subsidiaries	**–**	–	**(14,076)**	(52,288)
Employee benefit expense				
- Directors' remunerations				
- Executive Directors of the Company				
- Fee	**60**	20	**–**	–
- Salaries and bonuses	**2,650**	2,750	**2,650**	2,750
- Contribution to Employees Provident Fund	**146**	177	**146**	177
	2,856	2,947	**2,796**	2,927
- Non-Executive Directors of the Company				
- Fees	**257**	280	**257**	280
- Other emoluments	**234**	113	**234**	113
	491	393	**491**	393
- Staff costs				
- Salaries and other expenses	**120,944**	125,347	**54,099**	70,314
- Contribution to Employees Provident Fund	**12,282**	11,525	**5,590**	6,772
- Retirement benefits	**3,079**	1,969	**1,270**	812
	136,305	138,841	**60,959**	77,898
Fair value (gain)/loss on derivative instruments	**(466)**	97	**(466)**	550
(Gain)/Loss on foreign exchange				
- realised	**(288)**	(2,580)	**(1,643)**	(2,638)
- unrealised	**(5,573)**	(5,060)	**79**	(942)
Impairment loss on investment in an associated company	**17,353**	–	**73,441**	–
Impairment loss on receivables	**–**	8,782	**–**	7,861
Interest income	**(923)**	(848)	**(18,460)**	(6,702)

NOTES TO THE FINANCIAL STATEMENTS
... continued

23. (LOSS)/PROFIT BEFORE TAXATION *cont'd*

(Loss)/Profit before taxation is arrived at after charging/(crediting): *cont'd*

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Inventories				
- Write-down	**23,273**	226	**18,668**	–
- Reversal of write down	**–**	–	**–**	(1,048)
Loss on liquidation of subsidiary companies	**–**	–	**–**	73
Property, plant and equipment				
- Depreciation	**68,328**	71,668	**38,797**	52,801
- Gain on disposal	**(35)**	(81)	**(35)**	(21)
- Write-off	**51**	653	**28**	284
Rental of equipment	**986**	1,526	**599**	1,356
Rental income from premises	**(862)**	(406)	**(1,203)**	(982)
Rental of premises	**745**	652	**269**	269

24. TAXATION

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Current taxation				
- Current year	**(7,510)**	(8,286)	**(2,825)**	(3,566)
- Prior year	**(1,794)**	665	**(975)**	288
Deferred taxation				
- Current year	**27,681**	(776)	**31,521**	26,377
- Prior year	**1,016**	125	**1,087**	426
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	**–**	(2,922)	**–**	(2,922)
- Prior year	**391**	150	**391**	150
	19,784	(11,044)	**29,199**	20,753

NOTES TO THE FINANCIAL STATEMENTS
... continued

24. TAXATION *cont'd*

The reconciliation of income tax applicable to profit 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
(Loss)/Profit before taxation	**(136,743)**	30,918	**(88,145)**	61,546
Taxation at Malaysian statutory tax rates of 25%	**34,186**	(7,729)	**22,036**	(15,387)
Non-deductible expenses	**(8,020)**	(6,315)	**(21,714)**	(3,119)
Non-taxable income	**1,731**	2,927	**3,953**	13,435
Effect of tax incentive	**58**	58	**–**	–
Difference attributable to associated companies	**(8,091)**	(3,445)	**–**	–
Deferred tax assets recognised	**1,843**	1,857	**–**	–
Derecognition of deferred tax liability arising from assets transferred to subsidiaries	**–**	–	**25,099**	24,960
RCULS coupon payment	**(761)**	–	**(761)**	–
Others	**(775)**	663	**83**	–
	20,171	(11,984)	**28,696**	19,889
(Under)/Over provision in prior years	**(387)**	940	**503**	864
	19,784	(11,044)	**29,199**	20,753

25. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share

The basic (loss)/earnings per ordinary share is calculated by dividing the Group's losses attributable to owners of the Company of RM117,581,000 (2014: Group's profit attributable to owners of the Company of RM18,952,000) by the weighted average number of ordinary shares outstanding during the financial year of 419,417,208 (2014: 419,417,208).

Diluted earnings per ordinary share

The Group's diluted loss per ordinary share is not presented as the assumed potential new ordinary shares are anti-dilutive. The Group had no dilution in its loss per ordinary share in the preceding year as there were no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
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26. DIVIDENDS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
First interim				
2 sen per share tax exempt	–	8,388	–	8,388
Second interim				
2 sen per share tax exempt	–	8,388	–	8,388
	–	16,776	–	16,776

27. RELATED PARTIES

27.1 Identity of related parties

The Group has related party transactions 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;

(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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

27. RELATED PARTIES *cont'd*

27.2 Significant transactions with related parties are as follows:

(i) Transactions with subsidiaries

	2015 RM'000	2014 RM'000
Company		
Sale of goods	**821,003**	1,198,791
Purchase of goods	**521,188**	681,219

(ii) Transactions with related parties

		Group		Company	
	Related party	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Receipt of Group management and/or support services	Subsidiary of HLCM	**2,727**	2,657	**2,727**	2,149
Sale of goods	HBH & HBE	**90,829**	75,950	**63,721**	49,810
	Subsidiary of HLCM	**132,283**	100,626	**96,503**	57,723
	CHI	**36,404**	31,877	**–**	–
Sale of goods	Kim Co	**19,894**	19,710	**539**	–
	Associated companies of SSB	**72,251**	109,804	**70,889**	109,804
Purchase of goods	HBH	**618**	2,432	**618**	2,451
	Subsidiary of HLCM	**26**	55	**26**	18
	Associated companies of SSB	**–**	1,729	**–**	1,729
Purchase of insurance	Subsidiary of HLCM	**126**	83	**17**	–
Receipt of services	Subsidiary of HLCM	**–**	5	**–**	–
Royalty receivable	Associated companies of SSB	**1,998**	1,218	**1,998**	1,218
Freight charges	SHG	**157**	84	**157**	84

NOTES TO THE FINANCIAL STATEMENTS
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27. RELATED PARTIES *cont'd*

27.2 Significant transactions with related parties are as follows: *cont'd*

(ii) Transactions with related parties *cont'd*

Significant balances with related parties of the Group and of the Company at the reporting date are disclosed in Note 12 and Note 19.

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.

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 23.

28. 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 results before interest income, finance costs, share of results 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.

NOTES TO THE FINANCIAL STATEMENTS
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28. OPERATING SEGMENTS *cont'd*

Reconciliation of reportable segment (loss)/profit

	Steel Products RM'000	Investment holding and others RM'000	Total RM'000
2015			
Segment Loss	**(65,042)**	**(2,006)**	**(67,048)**
Interest income			**923**
Finance costs			**(38,249)**
Share of loss in associated companies, net of tax			**(32,369)**
Consolidated loss before taxation			**(136,743)**
Included in the measure of segment loss are:			
Revenue from external customers	**2,529,605**	**–**	**2,529,605**
Depreciation	**68,306**	**22**	**68,328**
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			30,918
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)

NOTES TO THE FINANCIAL STATEMENTS
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28. OPERATING SEGMENTS *cont'd*

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).

	Revenue	
	2015	**2014**
	RM'000	**RM'000**
2015		
Malaysia	**2,306,839**	2,528,407
ASEAN countries	**156,642**	222,247
Others	**66,124**	62,846
	2,529,605	2,813,500

	Non-Current Asset	
	2015	**2014**
	RM'000	**RM'000**
2014		
Malaysia	**1,473,660**	1,372,733
ASEAN countries	**–**	–
Others	**–**	–
	1,473,660	1,372,733

29. CAPITAL COMMITMENTS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Property, plant and equipment				
- Authorised but contracted for	**44,181**	45,953	**1,552**	6,784
- Authorised but not contracted for	**22,012**	31,039	**707**	6,493
	66,193	76,992	**2,259**	13,277

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS

30.1 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).

	Carrying amount RM'000	L&R RM'000	FVTPL - HFT RM'000	AFS RM'000
2015				
Financial assets				
Group				
Other investments	**525**	**–**	**–**	**525**
Trade and other receivables, including derivatives (excluding deposits and prepayments)	**247,023**	**246,350**	**673**	**–**
Cash and cash equivalents	**53,666**	**53,666**	**–**	**–**
	301,214	**300,016**	**673**	**525**
Company				
Other investments	**427**	**–**	**–**	**427**
Trade and other receivables, including derivatives (excluding deposits and prepayments)	**301,972**	**301,972**	**–**	**–**
Cash and cash equivalents	**21,921**	**21,921**	**–**	**–**
	324,320	**323,893**	**–**	**427**

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	OL RM'000	FVTPL - HFT RM'000
2015			
Financial liabilities			
Group			
RCULS	**37,869**	**37,869**	**–**
Borrowings	**1,096,865**	**1,096,865**	**–**
Trade and other payables, including derivatives	**473,663**	**473,370**	**293**
	1,608,397	**1,608,104**	**293**
Company			
RCULS	**37,869**	**37,869**	**–**
Borrowings	**732,894**	**732,894**	**–**
Trade and other payables, including derivatives	**232,651**	**232,453**	**198**
	1,003,414	**1,003,216**	**198**

	Carrying amount RM'000	L&R RM'000	FVTPL - HFT RM'000	AFS RM'000
2014				
Financial assets				
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	–	–
	255,930	254,396	673	861
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	–	–
	238,854	238,107	–	747

NOTES TO THE FINANCIAL STATEMENTS
... continued

30. FINANCIAL INSTRUMENTS *cont'd*

30.1 Categories of financial instruments *cont'd*

	Carrying amount RM'000	OL RM'000	FVTPL - HFT RM'000
2014			
Financial liabilities			
Group			
Borrowings	1,015,709	1,015,709	–
Trade and other payables, including derivatives	446,111	445,447	664
	1,461,820	1,461,156	664
Company			
Borrowings	619,993	619,993	–
Trade and other payables, including derivatives	289,905	289,241	664
	909,898	909,234	664

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net (loss)/gain arising on:				
Loans and receivables	**4,286**	2,638	**21,101**	10,266
Other liabilities	**(39,021)**	(25,432)	**(35,683)**	(26,568)
Fair value through profit or loss	**466**	(97)	**466**	(550)
Available-for-sale financial assets				
- recognised in profit or loss	**607**	245	**325**	238
- recognised in other comprehensive income	**(336)**	(433)	**(320)**	(426)
	(33,998)	(23,079)	**(14,111)**	(17,040)

NOTES TO THE FINANCIAL STATEMENTS
... continued

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 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

(a) 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 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

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are perfomed on all customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Malaysia	**151,634**	148,091	**166,347**	98,707
ASEAN countries	**16,242**	32,428	**803**	14,474
Others	**5,418**	3,756	**2,446**	270
	173,294	184,275	**169,596**	113,451

NOTES TO THE FINANCIAL STATEMENTS
... continued

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

Impairment losses

The ageing of trade receivables as at end of the reporting period was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
Group			
2015			
Not past due	**147,801**	**–**	**147,801**
Past due 1 - 30 days	**20,035**	**–**	**20,035**
Past due 31 - 120 days	**5,152**	**–**	**5,152**
Past due more than 120 days	**6,276**	**(5,970)**	**306**
	179,264	**(5,970)**	**173,294**
Company			
2015			
Not past due	**161,384**	**–**	**161,384**
Past due 1 - 30 days	**8,027**	**–**	**8,027**
Past due 31 - 120 days	**185**	**–**	**185**
Past due more than 120 days	**199**	**(199)**	**–**
	169,795	**(199)**	**169,596**
Group			
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
	190,245	(5,970)	184,275
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
	113,650	(199)	113,451

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

***Impairment losses** cont'd*

The movements in the impairment losses of trade receivables during the financial year were:

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
At 1 July	**5,970**	5,033	**199**	183
Additions	**–**	937	**–**	16
At 30 June	**5,970**	5,970	**199**	199

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

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 the cash and cash equivalents were not recoverable.

Financial guarantees

Risk management objectives, polices 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 RM267 million (2014: RM316 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.

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(a) Credit risk *cont'd*

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 have 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.

(b) 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 as well as sufficient undrawn lines of banking facilities to meet its working capital requirements.

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(b) Liquidity risk *cont'd*

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:

	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
Group						
2015						
Non-derivative financial liabilities						
RCULS	**37,869**	**5.00**	**40,891**	**9,287**	**9,287**	**22,317**
Borrowings	**1,096,865**	**4.07 - 7.85**	**1,129,371**	**837,481**	**189,699**	**102,191**
Trade and other payables	**286,952**	**–**	**286,952**	**286,952**	**–**	**–**
Other payables	**186,418**	**2.00**	**186,418**	**82,916**	**61,402**	**42,100**
	1,608,104		**1,643,632**	**1,216,636**	**260,388**	**166,608**
Derivative financial liabilities						
Forward exchange contracts:						
- outflow	**293**		**232,161**	**232,161**	**–**	**–**
- inflow	**–**		**(231,868)**	**(231,868)**	**–**	**–**
	1,608,397		**1,643,925**	**1,216,929**	**260,388**	**166,608**
2014						
Non-derivative financial liabilities						
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	–
	1,461,156		1,549,239	935,485	336,338	277,416
Derivative financial liabilities						
Forward exchange contracts:						
- outflow	664	–	255,158	255,158	–	–
- inflow	–	–	(254,494)	(254,494)	–	–
	1,461,820		1,549,903	936,149	336,338	277,416

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(b) Liquidity risk *cont'd*

Maturity analysis *cont'd*

	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
Company						
2015						
Non-derivative financial liabilities						
RCULS	**37,869**	**5.00**	**40,891**	**9,287**	**9,287**	**22,317**
Borrowings	**732,894**	**3.75 - 5.00**	**749,894**	**621,400**	**75,182**	**53,312**
Trade and other payables	**232,453**	**–**	**232,453**	**232,453**	**–**	**–**
Financial guarantees	**–**	**–**	**267,000**	**267,000**	**–**	**–**
	1,003,216		**1,290,238**	**1,130,140**	**84,469**	**75,629**
Derivative financial liabilities						
Forward exchange contracts:						
- outflow	**198**	**–**	**147,742**	**147,742**	**–**	**–**
- inflow	**–**	**–**	**(147,544)**	**(147,544)**	**–**	**–**
	1,003,414		**1,290,436**	**1,130,338**	**84,469**	**75,629**
2014						
Non-derivative financial liabilities						
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	–	–
Financial guarantees	–	–	316,000	316,000	–	–
	909,234		1,255,614	1,024,988	102,131	128,495
Derivative financial liabilities						
Forward exchange contracts:						
- outflow	664	–	255,158	255,158	–	–
- inflow	–	–	(254,494)	(254,494)	–	–
	909,898		1,256,278	1,025,652	102,131	128,495

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(c) 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.

(i) 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Amount denominated in USD:				
Trade and other receivables	**10,715**	23,111	**3,916**	16,826
Trade and other payables	**(49,516)**	(34,857)	**(49,311)**	(34,652)
Cash and bank balances	**11,978**	8,289	**7,107**	3,214
Forward exchange contracts	**(352)**	(670)	**(286)**	(670)
Net exposure	**(27,175)**	(4,127)	**(38,574)**	(15,282)
Amount denominated in SGD:				
Trade and other receivables	**11,179**	14,343	**–**	–
Trade and other payables	**–**	(420)	**–**	(420)
Cash and bank balances	**665**	–	**–**	–
Forward exchange contracts	**88**	14	**88**	14
Net exposure	**11,932**	**13,937**	**88**	(406)

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(i) Currency risk *cont'd*

***Exposure to foreign currency risk** cont'd*

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Amount denominated in EURO:				
Trade and other payables	**(186,903)**	(163,308)	**(291)**	(662)
Forward exchange contracts	**(28)**	(8)	**–**	(8)
Net exposure	**(186,931)**	(163,316)	**(291)**	(670)

Currency risk sensitivity analysis

A 5% (2014: 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
USD	**1,359**	206	**1,929**	764
SGD	**(597)**	(697)	**(4)**	20
EURO	**9,347**	8,166	**15**	33

A 5% (2014: 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.

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(ii) Interest rate risk

The Group and the Company manage the interest rate exposure by maintaining available lines of fixed and floating rate borrowings.

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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Fixed rate instruments				
Financial assets	**26,533**	21,750	**9,805**	9,471
Financial liabilities	**(834,259)**	(568,865)	**(553,298)**	(335,919)
	(807,726)	(547,115)	**(543,493)**	(326,448)
Floating rate instrument				
Financial liabilities	**(486,893)**	(599,901)	**(217,465)**	(284,074)

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 RM2,434,000 (2014: RM3,000,000) and RM1,087,000 (2014: RM1,420,000) respectively without an impact on equity. This analysis assumes that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS
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30. FINANCIAL INSTRUMENTS *cont'd*

30.3 Financial risk management *cont'd*

(c) Market risk *cont'd*

(iii) 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 Bursa Malaysia Securities Berhad ("BMSB").

A 10% (2014: 10%) strengthening in BMSB at the end of the reporting period would have increased total equity of the Group and of the Company by RM53,000 (2014: RM86,000) and RM43,000 (2014: RM74,000) respectively. A 10% (2014: 10%) weakening in BMSB would have had equal but opposite effect on the total equity.

30.4 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.

30. FINANCIAL INSTRUMENTS *cont'd*

30.4 Fair value information *cont'd*

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					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Group										
2015										
Financial assets										
Investment in quoted shares	**525**	**–**	**–**	**525**	**–**	**–**	**–**	**–**	**525**	**525**
Interest rate swap	**–**	**673**	**–**	**673**	**–**	**–**	**–**	**–**	**673**	**673**
Financial liabilities										
Forward exchange contracts	**–**	**293**	**–**	**293**	**–**	**–**	**–**	**–**	**293**	**293**
Term loan	**–**	**–**	**–**	**–**	**–**	**–**	**481,359**	**481,359**	**481,359**	**481,359**
Other payables	**–**	**–**	**–**	**–**	**–**	**–**	**186,418**	**186,418**	**186,418**	**186,418**
2014										
Financial assets										
Investment in quoted shares	861	–	–	861	–	–	–	–	861	861
Interest rate swap	–	673	–	673	–	–	–	–	673	673
Financial liabilities										
Forward exchange contracts	–	664	–	664	–	–	–	–	664	664
Term loan	–	–	–	–	–	–	598,827	598,827	598,827	598,827
Other payables	–	–	–	–	–	–	153,057	153,057	153,057	153,057

30. FINANCIAL INSTRUMENTS *cont'd*

30.4 Fair value information *cont'd*

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
Company										
2015										
Financial assets										
Investment in quoted shares	**427**	**–**	**–**	**427**	**–**	**–**	**–**	**–**	**427**	**427**
Financial liabilities										
Forward exchange contracts	**–**	**198**	**–**	**198**	**–**	**–**	**–**	**–**	**198**	**198**
Term loans	**–**	**–**	**–**	**–**	**–**	**–**	**213,625**	**213,625**	**213,625**	**213,625**
2014										
Financial assets										
Investment in quoted shares	747	–	–	747	–	–	–	–	747	747
Financial liabilities										
Forward exchange contracts	–	664	–	664	–	–	–	–	664	664
Term loans	–	–	–	–	–	–	284,074	284,074	284,074	284,074

NOTES TO THE FINANCIAL STATEMENTS
... continued

30. FINANCIAL INSTRUMENTS *cont'd*

30.4 Fair value information *cont'd*

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

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. (2014: 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.

31. SIGNIFICANT EVENT

On 1 June 2015, the Company transferred its operations in relation to the manufacturing and sale of billets, wire rods and deformed bar in coil with assets value of about RM210 million to its wholly-owned subsidiary, Southern Steel Rod Sdn Bhd ("SSR"). The transfer is regarded as a common control transaction and book value accounting is applied. The transfer of assets amounting to RM210 million is treated as additional investment in SSR by the Company. The carrying values of assets disposed are as follows:

	2015 RM'000
Disposal of assets:-	
- Property, plant and equipment	**116,317**
- Inventories	**93,683**
	210,000

NOTES TO THE FINANCIAL STATEMENTS
... continued

32. 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	
	2015 RM'000	**2014 RM'000**
Total borrowings (including RCULS - liability portion)	**1,134,734**	1,015,709
Less: Cash and cash equivalents	**(53,666)**	(59,622)
Net debt	**1,081,068**	956,087
Total equity	**912,924**	871,264
Debt-to-equity ratio	**1.18**	1.10

Under the requirements of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than 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.

NOTES TO THE FINANCIAL STATEMENTS
... continued

33. 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	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Total retained earnings of the Company and its subsidiaries:				
- Realised	**348,662**	461,395	**327,037**	419,083
- Unrealised	**14,197**	14,694	**29,980**	(5,294)
	362,859	476,089	**357,017**	413,789
Total share of accumulated losses from associated companies				
- Realised	**(55,911)**	(23,561)	**–**	–
- Unrealised	**11**	30	**–**	–
Less: Consolidation adjustments	**(45,830)**	(76,882)	**–**	–
Total retained earnings	**261,129**	375,676	**357,017**	413,789

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 profit or losses above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

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 43 to 124 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 2015 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 33 on page 125 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,

Seow Yoo Lin

Chow Chong Long

20 August 2015

STATUTORY DECLARATION
pursuant to Section 169(16) of the Companies Act, 1965

I, Goh Eng Tatt, the person primarily responsible for the financial management of Southern Steel Berhad, do solemnly and sincerely declare that the financial statements set out on pages 43 to 125 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 20 August 2015.

Goh Eng Tatt

Before me:

Mohan A.S. Maniam
Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
to the members of Southern Steel Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Southern Steel Berhad, which comprise the statements of financial position as at 30 June 2015 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 43 to 124.

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.

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 2015 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.

INDEPENDENT AUDITORS' REPORT

to the members of Southern Steel Berhad

... continued

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 33 on page 125 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.

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.

KPMG
AF 0758
Chartered Accountants

Ooi Kok Seng
2432/05/17 (J)
Chartered Accountant

20 August 2015
Penang

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2015

Location	Tenure	Existing Use	Acquisition Date	Approximate Area	Approximate Age of Building (Year)	Net Book Value as at 30 June 2015 (RM'000)
No PT 3171 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 21 Mar 2050	Factories	19 Oct 1990	4.78 acres	17-19	33,721
No PT 3178 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 09 Apr 2050	Factories	19 Oct 1990	2.60 acres	17	
2595 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 09 Apr 2050	Factories	07 Oct 1991	2.60 acres	17	
2613 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 21 Mar 2050	Factories	23 Sep 1991	5.10 acres	17	
No PT 3831 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 21 Oct 2054	Factory	25 May 1993	1.31 acres	19	
No PT 3980 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 25 Jan 2059	Drains	12 Aug 1996	2.13 acres	–	
No PT 4271 (formerly Plot 596) Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 04 Nov 2064	Vacant Land	18 Mar 1998	0.12 hectares	–	
PMT 3016 Tingkat Perusahaan 6 Kawasan Perusahaan Perai 13600 Seberang Perai Tengah Penang	Leasehold expiring on 03 Oct 2042	Warehouse	11 Oct 2011	61,271.77 sq m	12-13	27,973
4457 Mukim 15, Jalan Chain Ferry 12100 Butterworth Penang	Freehold	Factory Godown	12 Jun 1989	413,427 sq ft	19-46	26,039
PLO No 129 Tanjung Langsat Industrial Complex Johor Darul Takzim	Leasehold expiring on 28 Dec 2069	Factory and Office	18 Sep 2008	8.09 hectares	5	23,185
PT 4639, Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 01 Jul 2112	Vacant Land	25 Mar 2013	7.25 hectares	–	19,170

OTHER INFORMATION
... continued

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2015 *cont'd*

Location	Tenure	Existing Use	Acquisition Date	Approximate Area	Approximate Age of Building (Year)	Net Book Value as at 30 June 2015 (RM'000)
5 1/2 Mile, Jalan Kapar 42100 Klang Selangor Darul Ehsan	Freehold	Factories	03 Feb 1981	31,180 sq m	19-34	13,927
Rawang Integrated Industrial Park	Freehold	Factory	20 Apr 1994	4.63 hectares	18	11,970
3081 Jalan Besar Nibong Tebal, Penang	Freehold	Factory	22 Jun 1998	304,210 sq ft	19-51	9,741
No. 5 Jalan Utas 15/7 Seksyen 15 40200 Shah Alam Selangor Darul Ehsan	Leasehold expiring on 02 Dec 2072	Factories	25 Jun 1992	328,800 sq ft	35	7,865
Lot 77A, Jalan Gebeng 1/6 Gebeng Industrial Estate 26080 Kuantan Pahang Darul Makmur	Leasehold expiring on 05 Feb 2052	Factories and Land	05 Jul 2010	40,468.60 sq m	15	7,754

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2015

Class of Shares : Ordinary shares of RM1.00 each
Voting Rights
- On a show of hands : 1 vote
- On a poll : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 September 2015

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	42	1.40	1,653	0.00
100 – 1,000	1,085	36.16	1,048,652	0.25
1,001 – 10,000	1,391	46.35	5,918,759	1.41
10,001 – 100,000	410	13.66	13,650,983	3.25
100,001 – less than 5% of issued shares	70	2.33	80,349,046	19.16
5% and above of issued shares	3	0.10	318,448,115	75.93
	3,001	100.00	419,417,208	100.00

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2015 *cont'd*

List of Thirty Largest Shareholders As At 30 September 2015

	Name of Shareholders	No. of Shares	%
1.	Assets Nominees (Tempatan) Sdn Bhd - Hong Leong Manufacturing Group Sdn Bhd	171,879,054	40.98
2.	Assets Nominees (Tempatan) Sdn Bhd - Signaland Sdn Bhd	120,281,255	28.68
3.	Southern Amalgamated Co Sdn Bhd	26,287,806	6.27
4.	Southern Properties Sdn Bhd	14,570,399	3.47
5.	Hwang Enterprises Sdn Bhd	12,727,609	3.03
6.	Hong Bee Hardware Company, Sdn Berhad	7,371,493	1.76
7.	UOBM Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Southern Amalgamated Co Sdn Bhd (PGB)	6,200,000	1.48
8.	Leong Kok Tai	5,494,437	1.31
9.	Maybank Securities Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Malayan Banking Berhad (MBB2 SWAP-M)	4,450,000	1.06
10.	HSBC Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Hwang Enterprises Sdn Bhd (201-468246-089)	3,000,000	0.72
11.	Malaysia Nominees (Tempatan) Sendirian Berhad - Great Eastern Life Assurance (Malaysia) Berhad (Par 1)	2,897,244	0.69
12.	Affin Hwang Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Chang Lee Fong (M01)	1,998,500	0.48
13.	AmanahRaya Trustees Berhad - Public Islamic Select Treasures Fund	1,931,300	0.46
14.	Liao York	1,384,427	0.33
15.	Choong Cheow Sai	1,050,944	0.25
16.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse (HK Br-Tst-Asing)	1,000,000	0.24
17.	Su Hock Company Sdn Bhd	972,815	0.23
18.	Chua Holdings Sdn Bhd	921,795	0.22
19.	RHB Capital Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Fong Siling (CEB)	880,000	0.21
20.	Seri Pinang Sdn Bhd	781,200	0.19
21.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tye Terk Soon	733,400	0.17
22.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tan Yok Son @ Tan Siew Tuan (E-BPT)	605,200	0.14
23.	Tan Liew Cheun	602,346	0.14
24.	Citigroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Loh Tze Jiun (472745)	590,000	0.14
25.	Huang Phang Lye	539,500	0.13
26.	Insotech Sdn Bhd	504,557	0.12
27.	RHB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Lee Cheng Ming	494,400	0.12
28.	Hock Kheng Industries Sdn Bhd	482,417	0.11
29.	Choong Chew Kheng	450,000	0.11
30.	AmanahRaya Trustees Berhad - Public Islamic Sector Select Fund	414,500	0.10
		391,496,598	93.34

OTHER INFORMATION
... continued

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2015 *cont'd*

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 September 2015 are as follows:

	Name of Shareholders	Direct Interest No. of Shares	%	Indirect Interest No. of Shares	%	
1.	Hong Leong Manufacturing Group Sdn Bhd	171,879,054	40.98	120,281,255	28.68	*
2.	Signaland Sdn Bhd	120,281,255	28.68	–	–	
3.	Hong Leong Company (Malaysia) Berhad ("HLCM")	–	–	292,160,309	69.66	*
4.	YBhg Tan Sri Quek Leng Chan	–	–	299,541,202	71.42	^
5.	HL Holdings Sdn Bhd	–	–	292,160,309	69.66	®
6.	Hong Realty (Private) Limited	–	–	299,531,802	71.42	^
7.	Hong Leong Investment Holdings Pte. Ltd.	–	–	299,541,202	71.42	^
8.	Kwek Holdings Pte Ltd	–	–	299,541,202	71.42	^
9.	Mr Kwek Leng Beng	–	–	299,541,202	71.42	^
10.	Mr Kwek Leng Kee	–	–	299,541,202	71.42	^
11.	Davos Investment Holdings Private Limited	–	–	299,541,202	71.42	^
12.	Mr Quek Leng Chye	–	–	299,541,202	71.42	^
13.	Southern Amalgamated Co Sdn Bhd	32,487,806	7.75	–	–	
14.	Su Hock Company Sdn Bhd	972,815	0.23	32,487,806	7.75	#
15.	YBhg Dato' Dr Tan Tat Wai	14,854	0.00	34,742,238	8.28	@

Notes:

* *Held through subsidiary(ies)*
^ *Held through HLCM and company(ies) in which the substantial shareholder has interest*
® *Held through HLCM*
\# *Held through a company in which the substantial shareholder has interest*
@ *Held through spouse and companies in which the substantial shareholder has interest*

3. ANALYSIS OF 5-YEAR 5% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 30 SEPTEMBER 2015

Voting Rights
- On a show of hands : 1 vote
- On a poll : 1 vote for each RM1.00 nominal value of RCULS held

Distribution Schedule of RCULS Holders As At 30 September 2015

Size of Holdings	No. of RCULS Holders	%	No. of RCULS	%
Less than 100	5	0.87	78	0.00
100 – 1,000	150	26.22	119,074	0.06
1,001 – 10,000	270	47.20	1,076,737	0.58
10,001 – 100,000	107	18.71	3,358,280	1.81
100,001 – less than 5% RCULS outstanding	39	6.82	34,106,927	18.36
5% and above of RCULS outstanding	1	0.18	147,080,154	79.19
	572	100.00	185,741,250	100.00

OTHER INFORMATION
... continued

3. ANALYSIS OF 5-YEAR 5% REDEEMABLE CONVERTIBLE UNSECURED LOAN STOCKS ("RCULS") HOLDINGS AS AT 30 SEPTEMBER 2015 *cont'd*

List of Thirty Largest RCULS Holders As At 30 September 2015

	Name of RCULS Holders	No. of RCULS	%
1.	Assets Nominees (Tempatan) Sdn Bhd - HLMG Capital Sdn Bhd	147,080,154	79.19
2.	Southern Amalgamated Co Sdn Bhd	6,000,000	3.23
3.	Southern Consortium Sdn Bhd	3,600,000	1.94
4.	Hock Kheng Industries Sdn Bhd	2,600,000	1.40
5.	Lim Seow Chin	2,310,000	1.24
6.	Hong Bee Hardware Company, Sdn Berhad	1,628,507	0.88
7.	Kheng Lip Company Sdn Berhad	1,500,000	0.81
8.	Southern Properties Sdn Bhd	1,500,000	0.81
9.	Su Hock Company Sdn Bhd	1,500,000	0.81
10.	Kim Poh Sitt Tat Feedmill Sendirian Berhad	1,494,700	0.80
11.	Leong Kok Tai	1,344,100	0.72
12.	Wang Hui Tzu	1,069,000	0.57
13.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Siew Wah (021)	1,000,000	0.54
14.	Cheong Chen Yue	700,000	0.38
15.	Ooi Chieng Sim	527,625	0.28
16.	Choong Cheow Sai	525,472	0.28
17.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse (HK Br-Tst-Asing)	500,000	0.27
18.	Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	500,000	0.27
19.	Lee Wen Siong	500,000	0.27
20.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Cheong Chen Yue	456,250	0.25
21.	Ong Guat Li	400,000	0.21
22.	Seri Pinang Sdn Bhd	390,600	0.21
23.	Maybank Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Tye Terk Soon	365,700	0.20
24.	Ong Yih Yeong	356,500	0.19
25.	Chua Holdings Sdn Bhd	300,000	0.16
26.	Santomi Sdn Bhd	300,000	0.16
27.	Ong Chin Hong	292,000	0.16
28.	Tan Liew Cheun	271,923	0.15
29.	HSBC Nominees (Asing) Sdn Bhd - Exempt AN for Credit Suisse (SG Br-Tst-Asing)	271,750	0.15
30.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Teh Shin Luu (E-KPG)	270,000	0.14
		179,554,281	96.67

OTHER INFORMATION
... continued

4. DIRECTORS' INTERESTS AS AT 30 SEPTEMBER 2015

Subsequent to the financial year end, there was no change, as at 30 September 2015, to the Directors' interests in the ordinary shares and/or options/5-year 5% Redeemable Convertible Unsecured Loan Stocks over ordinary shares of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 37 to 39 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965.

5. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

南達 **Southern Steel** Berhad (5283-X)
A Member of the Hong Leong Group

FORM OF PROXY

I/We _____

NRIC/Passport/Company No. _____

of _____

being a member of **SOUTHERN STEEL BERHAD** ("the Company"), hereby appoint _____

_____

_____

NRIC/Passport No. _____

of _____

_____

or failing him/her _____

_____

NRIC/Passport No. _____

of _____

_____

or falling him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Fifty-third Annual General Meeting of the Company to be held at Training Room B, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang on Wednesday, 11 November 2015 at 2.00 p.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote either on a show of hands or on a poll as indicated below with an "X":

	RESOLUTIONS	FOR	AGAINST
1.	To approve the payment of Director fees		
2.	To re-elect YBhg Dato' Dr Tan Tat Wai as a Director		
3.	To re-elect Mr Seow Yoo Lin as a Director		
4.	To re-appoint Mr Ang Kong Hua as a Director pursuant to Section 129 of the Companies Act, 1965		
5.	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
6.	To approve the ordinary resolution on authority to Directors to issue shares		
7.	To approve the ordinary resolution on the proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad ("HLCM") and persons connected with HLCM		
8.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Su Hock Company Sdn Bhd and its subsidiary		
9.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad and Hong Bee Engineering Sdn Bhd		
10.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Cheah Hong Inn Sdn Bhd		
11.	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Kim Company Sdn Bhd		

Dated this _____ day of _____ 2015

_____ Number of shares held

_____ Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 4 November 2015 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two or more proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 9, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur not less than forty-eight hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	*% of shareholdings to be represented*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries
Southern Steel Berhad (5283-X)
Level 9, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Malaysia

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Southern Steel Berhad (5283-X)
Level 9, Wisma Hong Leong
18 Jalan Perak, 50450 Kuala Lumpur
Tel : 03-2164 2631
Fax : 03-2164 2514

www.southsteel.com