

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2015

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2015 RM'000	31/03/2014 RM'000	31/03/2015 RM'000	31/03/2014 RM'000
Revenue	675,362	706,089	1,918,949	2,089,820
Cost of sales	(653,855)	(654,584)	(1,890,550)	(1,947,738)
Gross profit	21,507	51,505	28,399	142,082
Operating expenses	(33,587)	(32,665)	(96,320)	(101,410)
Other operating (expense)/income	(12,017)	3,152	(5,897)	4,787
(Loss)/Profit from operation	(24,097)	21,992	(73,818)	45,459
Finance costs	(9,959)	(7,929)	(28,828)	(22,104)
Share of loss in associated companies, net of tax	(5,092)	(3,511)	(33,702)	(12,579)
(Loss)/Profit before taxation	(39,148)	10,552	(136,348)	10,776
Taxation	3,664	(2,818)	20,581	(4,616)
(Loss)/Profit for the period	(35,484)	7,734	(115,767)	6,160
(Loss)/Profit attributable to:				
Owners of the Company	(35,575)	7,471	(116,337)	5,559
Non-controlling interests	91	263	570	601
(Loss)/Profit for the period	(35,484)	7,734	(115,767)	6,160
(Loss)/Earnings per ordinary share (sen): -				
(a) Basic	(8.5)	1.8	(27.7)	1.3
(b) Fully diluted	N/A	N/A	N/A	N/A

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2015 (CONTINUED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2015 RM'000	31/03/2014 RM'000	31/03/2015 RM'000	31/03/2014 RM'000
(Loss)/Profit for the period	(35,484)	7,734	(115,767)	6,160
Loss on fair value of available-for-sale financial assets	(42)	(129)	(202)	(421)
Foreign currency translation differences for foreign operation	698	(106)	1,806	1,987
Total comprehensive (expense)/income for the period	(34,828)	7,499	(114,163)	7,726
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(34,919)	7,236	(114,733)	7,125
Non-controlling interests	91	263	570	601
Total comprehensive (expense)/income for the period	(34,828)	7,499	(114,163)	7,726

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	As At End of Current Quarter	As at End of Preceding Financial Year
	31/03/2015 RM'000	30/06/2014 RM'000
ASSETS		
Property, plant and equipment	1,363,195	1,309,298
Goodwill on consolidation	30,256	30,256
Investments in associated companies	14,486	65,545
Other investments	662	861
Deferred tax assets	49,629	16,542
Tax credit receivable	17,028	16,637
Total non-current assets	1,475,256	1,439,139
Inventories	593,679	699,649
Trade and other receivables, including derivatives	237,493	202,877
Current tax assets	5,065	3,738
Cash and cash equivalents	72,163	59,622
Total current assets	908,400	965,886
TOTAL ASSETS	2,383,656	2,405,025
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	419,417	419,417
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	153,851	-
Reserves	330,690	445,423
	903,958	864,840
Non-controlling interests	6,994	6,424
TOTAL EQUITY	910,952	871,264
LIABILITIES		
Deferred tax liabilities	27,337	29,086
Deferred income	15,152	16,295
Retirement benefits	27,649	25,692
Other payables	49,899	105,919
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	39,702	-
Borrowings	555,111	438,378
Total non-current liabilities	714,850	615,370
Retirement benefits	275	275
Trade and other payables, including derivatives	323,318	340,192
Borrowings	434,184	577,331
Current tax liabilities	77	593
Total current liabilities	757,854	918,391
TOTAL LIABILITIES	1,472,704	1,533,761
TOTAL EQUITY AND LIABILITIES	2,383,656	2,405,025
Net assets per share attributable to owners of the Company (RM)	2.16	2.06

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2015

←————— Attributable to owners of the Company —————→

←————— Non-distributable —————→ Distributable

	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") (equity portion)	Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Exchange fluctuation reserve	Retained earnings	Total	Non- controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Current year-to-date ended 31 March 2015											
At 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 period	-	-	-	-	-	-	-	(116,337)	(116,337)	570	(115,767)
Other comprehensive (expense)/income:											
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	(202)	-	-	(202)	-	(202)
- Foreign currency translation differences	-	-	-	-	-	-	1,806	-	1,806	-	1,806
Total comprehensive (expense)/income for the period	-	-	-	-	-	(202)	1,806	(116,337)	(114,733)	570	(114,163)
Total transactions with owners of the Company											
- Issue of RCULS	-	153,851	-	-	-	-	-	-	153,851	-	153,851
At 31 March 2015	419,417	153,851	35,852	30,000	50	197	5,252	259,339	903,958	6,994	910,952

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2015 (CONTINUED)

	←————— Attributable to owners of the Company —————→									
	←————— Non-distributable —————→						Distributable			
	Share capital	Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Exchange fluctuation reserve	Retained earnings	Total	Non-controlling interests	Total equity
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year corresponding period ended 31 March 2014										
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 period	-	-	-	-	-	-	5,559	5,559	601	6,160
Other comprehensive (expense)/income:										
- Loss on fair value of available-for-sale financial assets	-	-	-	-	(421)	-	-	(421)	-	(421)
- Foreign currency translation differences	-	-	-	-	-	1,987	-	1,987	-	1,987
Total comprehensive (expense)/income for the period	-	-	-	-	(421)	1,987	5,559	7,125	601	7,726
Total transactions with owners of the Company										
- Dividends	-	-	-	-	-	-	(8,388)	(8,388)	-	(8,388)
At 31 March 2014	419,417	35,852	30,000	50	411	3,695	370,671	860,096	6,103	866,199

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2015

	Current Year To-date	Preceding Year Corresponding Period
	31/03/2015 RM'000	31/03/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(136,348)	10,776
Adjustments for:-		
Depreciation and amortisation	51,639	53,617
Net financing costs	29,106	21,663
Share of loss in associated companies, net of tax	33,702	12,579
Impairment of investment in an associated company	17,353	-
Non-cash items	(1,792)	2,172
Operating (loss)/profit before changes in working capital	(6,340)	100,807
Changes in working capital		
Net change in current assets	67,259	61,658
Net change in current liabilities	(71,091)	146,471
Taxation (paid)/refunded	(6,638)	2,753
Net financing costs paid	(27,767)	(20,928)
Retirement benefits paid	(267)	(302)
Dividend income received	607	244
Net cash (used in)/generated from operating activities	(44,237)	290,703
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(104,338)	(380,244)
Proceeds from disposal of property, plant and equipment	35	-
Net cash used in investing activities	(104,303)	(380,244)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to owners of the Company	-	(8,388)
(Repayment)/Drawdown of borrowings	(28,688)	48,684
Proceed from issue of RCULS	185,741	-
Net cash generated from financing activities	157,053	40,296
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,513	(49,245)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	58,548	83,410
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	1,806	1,987
CASH & CASH EQUIVALENTS AT END OF PERIOD	68,867	36,152

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2015 (CONTINUED)

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

	31/03/2015 RM'000	31/03/2014 RM'000
Deposits, cash and bank balances	72,163	36,992
Bank overdrafts	(3,296)	(840)
	68,867	36,152

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015

The figures have not been audited

1. **Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2014. This interim financial report also complies with International Accounting Standards (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2014.

The Group has adopted the MFRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2014 and 1 July 2014 where applicable to the Group. The initial adoption of these applicable MFRS, amendments and interpretations do not have any material impact on the financial statements of the Group.

2. **Qualification of audit report of the preceding annual financial statements**

The audit report for the preceding annual financial statements was not qualified.

3. **Seasonality or cyclicity of interim operations**

The business operations of the Group during the quarter under review were affected by both cyclical factors in the construction industry as well as festive seasons.

4. **Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence**

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence during the quarter under review and financial year-to-date.

5. **Changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years**

There were no changes in estimates of amounts reported in the prior financial years.

6. **Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

During the quarter under review, a total of RM185,741,250 nominal value of 5-year 5% redeemable convertible unsecured loan stocks (“RCULS”) were allotted by the Company and listed on the Main Market of Bursa Securities on 27 January 2015 and 30 January 2015 respectively.

There were no issuance of shares, shares cancellation, share buy-back or repayments of debt or equity securities during the quarter under review and financial year-to-date.

7. **Dividend paid**

There were no dividend paid during the quarter under review and financial year-to-date.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015

The figures have not been audited

8. Operating Segments

The Group's segmental report for the financial year-to-date is as follows:

	Steel products RM'000	Investment holding and others RM'000	Total RM'000
Segment loss	(72,060)	(1,758)	(73,818)
Included in the measure of segment loss are:			
Revenue from external customers	1,918,949	-	1,918,949
Depreciation and amortisation	51,621	18	51,639

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(73,818)
Finance costs	(28,828)
Share of loss in associated companies, net of tax	(33,702)
Consolidated loss before taxation	(136,348)

9. Material events not reflected in the financial statements

There are no material subsequent events to be disclosed as at the date of this report.

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations other than as mentioned below:

Southern Steel Holdings Sdn Bhd, a wholly-owned subsidiary of the Company, had placed its wholly-owned subsidiary, Saint Sense Blu Sdn Bhd (formerly known as Southern Steel Bar Sdn Bhd) ("SSBlu"), under member's voluntary winding-up pursuant to Section 254(1)(b) of the Companies Act, 1965. Mr Ling Kam Hoong and Ms Wong Swee Tyng of Messrs Ling Kam Hoong & Co., have been appointed as Joint Liquidators of SSBlu.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015

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11. Review of performance

For the quarter under review, the Group recorded a revenue of RM675.4 million and loss before taxation (“LBT”) of RM39.1 million as compared with a revenue and profit before taxation (“PBT”) of RM706.1 million and RM10.6 million respectively for the corresponding quarter of the preceding year ended 30 June 2014 (“FY 2014”).

For the financial year-to-date, the Group recorded a revenue of RM1,919.0 million and LBT of RM136.3 million as compared with a revenue and PBT of RM2,089.8 million and RM10.8 million respectively for the corresponding period of FY 2014.

The higher losses recorded for the quarter under review and financial year-to-date as compared with the corresponding quarter/period of FY 2014 were mainly attributable to erosion of margins due to lower selling prices and a one-off impairment of investment in an associated company of RM17.4 million. LBT for the financial year-to-date also includes the Group’s share of impairment recognised by an associated company of RM14.0 million.

12. Material changes in profit before taxation against the immediate preceding quarter

For the quarter under review, the Group recorded a LBT of RM39.1 million as compared with a LBT of RM68.5 million recorded in the preceding quarter. The overall lower LBT as compared with the preceding quarter was mainly due to improved margins from higher selling prices as compared with the preceding quarter.

13. Prospects

The Chinese government has stepped up its effort to address the issues in its steel industry, including over-capacity. In the medium term, its excess steel production is expected to depress steel prices. Regardless, the Group continues to adopt measures to mitigate the eroded margin. The Board expects the Group’s operating results to improve in the fourth quarter of the financial year ending 30 June 2015.

14. Profit forecast/profit guarantee

This note is not applicable.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015
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15. Loss before taxation

	Current Year Quarter 31/03/2015 RM'000	Current Year To-date 31/03/2015 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Interest income	(498)	(738)
Gross dividend income from other investments	(325)	(332)
Depreciation and amortisation	17,000	51,639
(Reversal of impairment loss)/Impairment loss on trade receivables	(39)	4
Inventories written down	8,382	23,357
Gain on foreign exchange	(9,807)	(14,127)
Fair value loss on derivative instruments	693	176
Impairment of investment in an associated company	17,353	17,353
Gain on disposal of quoted/unquoted investments or properties	-	-
Impairment of properties, plant and equipment	-	-

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2015 RM'000	31/03/2014 RM'000	31/03/2015 RM'000	31/03/2014 RM'000
Current taxation				
- Current year	1,575	1,875	2,941	6,253
- Under/(Over) provision in prior year	1,854	(265)	1,854	(265)
	<u>3,429</u>	<u>1,610</u>	<u>4,795</u>	<u>5,988</u>
Deferred taxation				
- Current year	(5,868)	856	(24,152)	(2,692)
- Over provision in prior year	(833)	(426)	(833)	(426)
	<u>(6,701)</u>	<u>430</u>	<u>(24,985)</u>	<u>(3,118)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	(392)	778	(391)	1,746
	<u>(3,664)</u>	<u>2,818</u>	<u>(20,581)</u>	<u>4,616</u>

For the financial year-to-date, the Group's effective tax rate (excluding share of loss in associated companies of RM33.7 million and the one-off impairment of investment in an associated company of RM17.4 million) approximates the statutory tax rate of 25%.

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17. Corporate proposals

- (a) There are no corporate proposals announced but not completed as at the date of this report.
- (b) The proceeds of RM185,741,250 raised from the rights issue of RCULS (as disclosed in Note 6) had been fully utilised during the quarter under review in the following manner:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Variance RM'000
Repayment of bank borrowings	105,000	105,000	-
Working capital	79,841	79,904	(63)
Expenses in relation to the Issuance of RCULS (“Corporate Exercise Expenses”)	900	837	63*
	185,741	185,741	-

**The unutilised allocation for Corporate Exercise Expenses of RM63,000 was utilised for working capital purpose.*

18. Group’s borrowings and debt securities

Particulars of the Group’s borrowings and debt securities as at 31 March 2015 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	555,111
Unsecured short term borrowings	434,184
	989,295
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	39,702

There were no borrowings denominated in foreign currencies as at 31 March 2015.

19. Changes in material litigation

There are no material litigations as at the date of this report.

20. Dividend

- (a) The Board does not recommend any interim dividend for the financial year ending 30 June 2015 (2013/2014: second interim dividend of 2.0 sen per share tax exempt).
- (b) For the financial year-to-date, no dividend has been declared (2013/2014: 4.0 sen per share tax exempt).

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2015
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21. (Loss)/Earnings per ordinary share
(a) Basic (loss)/earnings per ordinary share

The basic loss per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM35,575,000 (3rd quarter 2013/2014 : profit attributable to owners of the Company of RM7,471,000) by the weighted average number of ordinary shares during the quarter of 419,417,208 (3rd quarter 2013/2014 : 419,417,208).

The basic loss per ordinary share for the financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM98,984,000 (2013/2014 : profit attributable to owners of the Company of RM5,559,000) by the weighted average number of ordinary shares during the period of 419,417,208 (2013/2014 : 419,417,208).

(b) Diluted loss per ordinary share

The Group's diluted loss per ordinary share in the quarter under review/financial year-to-date 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 corresponding quarter/period as there were no dilutive potential ordinary shares.

22. Realised and unrealised profits/(losses) disclosure

The breakdown of the retained earnings of the Group, into realised and unrealised profits/(losses) are as follows:

	As At End of Current Quarter 31/03/2015 RM'000	As At End of Preceding Financial Year 30/06/2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	348,991	461,395
-unrealised	64,020	14,694
	413,011	476,089
Total share of accumulated losses of/impairment of investment in associated companies:		
-realised	(74,603)	(23,562)
-unrealised	12	30
	(74,591)	(23,532)
Less: Consolidation adjustments	(79,081)	(76,881)
Group retained earnings	259,339	375,676

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
6 May 2015