

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2014

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Revenue	706,089	724,989	2,089,820	2,121,645
Cost of sales	(654,584)	(650,689)	(1,947,738)	(1,970,102)
Gross profit	51,505	74,300	142,082	151,543
Operating expenses	(32,665)	(43,129)	(101,410)	(107,553)
Other operating income	3,152	3,934	4,787	9,120
Profit from operation	21,992	35,105	45,459	53,110
Finance costs	(7,929)	(6,142)	(22,104)	(20,709)
Share of loss in associated companies	(3,511)	(3,650)	(12,579)	(8,518)
Profit before taxation	10,552	25,313	10,776	23,883
Taxation	(2,818)	(6,468)	(4,616)	(5,261)
Profit for the period	7,734	18,845	6,160	18,622
Attributable to:				
Owners of the Company	7,471	18,257	5,559	17,955
Non-controlling interests	263	588	601	667
Profit for the period	7,734	18,845	6,160	18,622
Earnings per ordinary share (sen): -				
(a) Basic	1.8	4.4	1.3	4.3
(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 2013.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2014 (CONTINUED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Profit for the period	7,734	18,845	6,160	18,622
Fair value (loss)/gain on available-for-sale financial assets	(129)	1,054	(421)	5,573
Foreign currency translation differences for foreign operations	(106)	81	1,987	(1,455)
Total comprehensive income for the period	7,499	19,980	7,726	22,740
Total comprehensive income attributable to:				
Owners of the Company	7,236	19,392	7,125	22,074
Non-controlling interests	263	588	601	666
Total comprehensive income for the period	7,499	19,980	7,726	22,740

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 2013.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

	As At End of Current Quarter	As at End of Preceding Financial Year
	31/03/2014 RM'000	30/06/2013 RM'000
ASSETS		
Property, plant and equipment	1,302,920	977,108
Goodwill on consolidation	30,256	30,256
Investment in associated companies	66,746	79,325
Other investments	874	1,294
Deferred tax assets	10,944	10,944
Tax credit receivables	14,001	17,015
Total non-current assets	1,425,741	1,115,942
Inventories	674,012	753,946
Trade and other receivables	248,475	231,779
Current tax assets	2,931	11,672
Derivative financial assets	599	224
Deposits placed with licensed banks	8,776	18,580
Cash and bank balances	28,216	68,260
Total current assets	963,009	1,084,461
TOTAL ASSETS	2,388,750	2,200,403
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	411,467	411,467
Reserves	448,629	449,892
	860,096	861,359
Non-controlling interests	6,103	5,502
TOTAL EQUITY	866,199	866,861
LIABILITIES		
Deferred tax liabilities	19,719	22,837
Deferred income	16,677	19,087
Retirement benefits	25,363	23,993
Borrowings	631,584	228,124
Total non-current liabilities	693,343	294,041
Derivative financial liabilities	751	118
Retirement benefits	405	405
Trade and other payables	377,851	231,992
Borrowings	450,201	806,986
Total current liabilities	829,208	1,039,501
TOTAL LIABILITIES	1,522,551	1,333,542
TOTAL EQUITY AND LIABILITIES	2,388,750	2,200,403
Net assets per share attributable to owners of the Company (RM)	2.05	2.05

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2013.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2014

	← 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
Current year-to-date ended										
31 March 2014	411,467	35,852	30,000	50	832	1,708	381,450	861,359	5,502	866,861
At 1 July 2013	-	-	-	-	-	-	5,559	5,559	601	6,160
Profit for the period	-	-	-	-	(421)	-	-	(421)	-	(421)
Other comprehensive (expense)/income	-	-	-	-	-	-	-	-	-	-
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-
- Foreign currency translation differences for foreign operations	-	-	-	-	-	1,987	-	1,987	-	1,987
Total comprehensive (expenses)/income for the period	-	-	-	-	(421)	1,987	5,559	7,125	601	7,726
Total distribution to owners of the Company	-	-	-	-	-	-	(8,388)	(8,388)	-	(8,388)
- Dividends	-	-	-	-	-	-	(8,388)	(8,388)	-	(8,388)
At 31 March 2014	411,467	35,852	30,000	50	411	3,695	378,621	860,096	6,103	866,199

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2014 (CONTINUED)

	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Exchange fluctuation reserve	Retained earnings	Non-controlling interests	Total equity	Total
	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 2013	411,467	35,852	30,000	50	(5,556)	2,005	379,869	(1,527)	853,687	852,160
At 1 July 2012	-	-	-	-	-	-	17,955	667	17,955	18,622
Profit for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive income/(expense)	-	-	-	-	5,573	-	-	-	5,573	5,573
- Gain/(Loss) on fair value of available-for-sale financial assets	-	-	-	-	5,573	-	-	-	5,573	-
- Foreign currency translation differences for foreign operations	-	-	-	-	-	(1,455)	-	-	(1,455)	(1,455)
Total comprehensive income/(expense) for the period	-	-	-	-	5,573	(1,455)	17,955	667	22,073	22,740
Total distribution to owners of the Company	-	-	-	-	-	-	-	-	-	-
- Dividends	-	-	-	-	-	-	(8,388)	-	(8,388)	(8,388)
At 31 March 2013	411,467	35,852	30,000	50	17	550	389,436	(860)	867,372	866,512

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 2013.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2014

	Current Year To-date	Preceding Year Corresponding Period
	31/03/2014 RM'000	31/03/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	10,776	23,883
Adjustments for:-		
Depreciation and amortisation	53,617	57,009
Net finance costs	21,663	20,340
Share of loss in associated companies	12,579	8,518
Other non-cash items	2,172	(919)
Operating profit before changes in working capital	100,807	108,831
Changes in working capital		
Net change in current assets	61,658	17,092
Net change in current liabilities	146,471	(41,926)
Taxation refunded/(paid)	2,753	(1,188)
Finance costs paid	(21,166)	(18,704)
Retirement benefits paid	(302)	(2,908)
Net cash generated from operating activities	290,221	61,197
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income received	238	193
Dividend income received	244	19
Acquisition of property, plant and equipment	(380,244)	(212,734)
Investment in associated companies	-	(361)
Proceeds from disposal of property, plant and equipment	-	33
Proceeds from disposal of available-for-sale financial assets	-	35,046
Proceeds from disposal of subsidiaries	-	9,411
Net cash used in investing activities	(379,762)	(168,393)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of borrowings	48,684	122,577
Dividends paid	(8,388)	(8,388)
Net cash generated from financing activities	40,296	114,189
NET CHANGE IN CASH AND CASH EQUIVALENTS	(49,245)	6,993
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	83,410	57,901
EFFECT ON EXCHANGE RATE FLUCTUATIONS ON CASH HELD	1,987	(332)
CASH & CASH EQUIVALENTS AT END OF PERIOD	36,152	64,562

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2014 (CONTINUED)

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

	31/03/2014	31/03/2013
	RM'000	RM'000
Deposits placed with licensed banks	8,776	2,531
Cash and bank balances	28,216	85,474
Bank overdrafts	(840)	(23,443)
	<u>36,152</u>	<u>64,562</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2013.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

The figures have not been audited

1. **Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and the applicable disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2013. 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 2013.

The Group has adopted the MFRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2013 where applicable to the Group. The initial adoption of these applicable MFRS, amendments and interpretations do not have any material impact on the financial statements of the Group.

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

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

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

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

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

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

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

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

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

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

7. **Dividend paid**

During the financial year-to-date, the Company paid an interim dividend of 2.0 sen per share tax exempt amounting to RM8.4 million on 27 December 2013.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

The figures have not been audited

8. Operating Segments

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

	Steel products RM'000	Investment holding and others RM'000	Total RM'000
Segment profit/(loss)	45,885	(426)	45,459
Included in the measure of segment profit/(loss) are:			
Revenue from external customers	2,089,820	-	2,089,820
Depreciation and amortisation	(53,599)	(18)	(53,617)
Reconciliation of reportable segment profit/(loss)			RM'000
Reportable segment			45,459
Finance costs			(22,104)
Share of loss of associated companies			(12,579)
Consolidated profit before taxation			10,776

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:

- (a) Terus Staples Sdn Bhd ("TS"), a wholly-owned subsidiary of the Company, has been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act 1965. The joint liquidators of TS have convened a Final Meeting to conclude the Member's Voluntary Liquidation of TS and accordingly, TS will be dissolved on 2 July 2014.
- (b) Centimeter Wire Sdn Bhd ("CW"), a wholly-owned subsidiary of the Company, has been placed under member's voluntary liquidation. The liquidation of CW is currently pending a Final Meeting to be convened.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2014

The figures have not been audited

11. Review of performance

For the quarter under review, the Group registered a revenue of RM706.1 million and a profit before taxation ("PBT") of RM10.6 million as compared with a revenue and PBT of RM725.0 million and RM25.3 million respectively for the corresponding quarter of the preceding year ended 30 June 2013 ("FY 2013"). The lower PBT during the quarter under review was mainly due to lower margins as a result of lower selling prices as compared with the corresponding quarter of FY 2013.

For the financial year-to-date, the Group's revenue of RM2,089.8 million and PBT of RM10.8 million as compared with a revenue and PBT of RM2,121.6 million and RM23.9 million respectively for the corresponding period of FY 2013. The lower PBT was mainly attributable to lower margins and share of higher losses in an associated company.

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

For the quarter under review, the Group achieved a higher PBT of RM10.6 million as compared with a PBT of RM4.5 million in the preceding quarter. The improvement was mainly contributed by a reduction of loss from an associate, a slight improvement in selling prices and recovery claims against scrap supplier.

13. Prospects

With strong support from the government, trade remedial actions were taken against the relevant parties, although further trade actions are still required. Selling prices remain soft in view of falling prices in China. Nevertheless, the Board expects the performance for the fourth quarter of the financial year ending 30 June 2014 to continue to improve in view of sustained local demand.

14. Profit forecast/Profit guarantee

This note is not applicable.

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15. Profit before taxation

	Current Year Quarter 31/03/2014 RM'000	Current Year To-date 31/03/2014 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Finance income	(144)	(441)
Gross dividend income from other investments	(237)	(244)
Depreciation and amortisation	17,922	53,617
(Reverse of allowance)/Allowance for impairment loss on trade receivables	(94)	885
Provision of inventories obsolescence	125	1,056
Loss/(Gain) on foreign exchange	109	(2,557)
Fair value loss on derivative instruments	305	633
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
	31/03/2014 RM'000	31/03/2013 RM'000	31/03/2014 RM'000	31/03/2013 RM'000
Current taxation (Malaysian):				
- Current year	1,875	1,885	6,253	3,427
- (Over)/Under provision in prior years	(265)	2	(265)	(133)
	<u>1,610</u>	<u>1,887</u>	<u>5,988</u>	<u>3,294</u>
Deferred taxation:				
- Current year	856	2,187	(2,692)	(1,975)
- (Over)/Under provision in prior years	(426)	-	(426)	526
	<u>430</u>	<u>2,187</u>	<u>(3,118)</u>	<u>(1,449)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances – current year	778	2,394	1,746	3,417
	<u>778</u>	<u>2,394</u>	<u>1,746</u>	<u>3,417</u>
	<u>2,818</u>	<u>6,468</u>	<u>4,616</u>	<u>5,262</u>

The Group's effective tax rate for the financial year-to-date was higher than statutory tax rate mainly due to tax losses for certain companies not recognised as credit at Group.

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17. Corporate proposals

There are no corporate proposals announced but not completed as at the date of this report other than as mentioned below:

The shareholders of Southern Steel Berhad (“SSB” or “the Company”) has, on 22 October 2013, approved the following:

- (a) termination of the existing executive share option scheme (“ESOS”) of SSB, which was established in year 2008; and
- (b) establishment of an executive share scheme (“ESS”) comprising an ESOS and an executive share grant scheme of up to 10% of the issued and paid-up ordinary share capital (excluding treasury shares) of SSB.

The Company has, on 28 February 2014 (“Effective Date”), terminated the existing ESOS and implemented the ESS. The ESS will be in force for a period of 10 years from the Effective Date.

18. Group’s borrowings and debt securities

Particulars of the Group’s borrowings and debt securities as at 31 March 2014 are as follows: -

	RM’000
Unsecured long term borrowings	631,584
Unsecured short term borrowings	450,201
	1,081,785

There were no borrowings denominated in foreign currencies as at 31 March 2014.

19. Changes in material litigation

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

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20. Dividend

- (a) The Board has declared a second interim dividend of 2.0 sen per share tax exempt for the quarter ended 31 March 2014 of the financial year ending 30 June 2014 (3rd quarter 2012/2013: 5.0 sen per share tax exempt) to be paid on 30 May 2014 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 20 May 2014.

This is to inform that a Depositor shall qualify for the entitlement only in respect of:

- (i) shares transferred into the Depositor's securities account before 4.00 p.m. on 20 May 2014 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad's Listing Requirements.
- (b) For the financial year-to-date, a total dividend of 4.0 sen per share tax exempt (2012/2013: 7.0 sen per share tax exempt) has been declared.

21. Earnings per ordinary share

- (a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM7,471,000 (3rd quarter 2012/2013 : RM18,257,000) by the weighted average number of ordinary shares during the period of 419,417,208 (3rd quarter 2012/2013 : 419,417,208).

The basic earnings per ordinary share for the financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM5,559,000 (2012/2013 :RM17,955,000) by the weighted average number of ordinary shares during the period of 419,417,208 (2012/2013 : 419,417,208).

- (b) Diluted earnings per ordinary share

The Group has no dilution in its earnings per ordinary share in the quarter under review/financial year-to-date and the preceding year's corresponding quarter/period as there were no dilutive potential ordinary shares.

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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 31/03/2014 RM'000	As At End of Preceding Financial Year 30/06/2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	474,074	453,027
-unrealised	2,337	(13,526)
	476,411	439,501
Total share of retained earnings of associated companies:		
-realised	(8,692)	384
-unrealised	(70)	-
	(8,762)	384
Less: Consolidation adjustments	(89,028)	(58,435)
Group retained earnings	378,621	381,450

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
30 April 2014