

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Revenue	621,324	632,850	1,213,759	1,243,587
Cost of sales	(630,189)	(632,997)	(1,223,860)	(1,236,695)
Gross (loss)/profit	(8,865)	(147)	(10,101)	6,892
Operating expenses	(39,927)	(30,993)	(73,522)	(62,733)
Other operating income/(expenses)	10,491	(4,209)	340	6,120
Loss from operation	(38,301)	(35,349)	(83,283)	(49,721)
Finance costs	(13,366)	(9,567)	(24,015)	(18,869)
Share of loss in associated companies, net of tax	(2,057)	(23,554)	(3,009)	(28,610)
Loss before taxation	(53,724)	(68,470)	(110,307)	(97,200)
Taxation	6,477	9,602	11,400	16,917
Loss for the period	(47,247)	(58,868)	(98,907)	(80,283)
Loss attributable to:				
Owners of the Company	(47,578)	(59,098)	(99,489)	(80,762)
Non-controlling interests	331	230	582	479
Loss for the period	(47,247)	(58,868)	(98,907)	(80,283)
Loss per ordinary share (sen): -				
(a) Basic	(11.34)	(14.09)	(23.72)	(19.26)
(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 2015.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2015 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Loss for the period	(47,247)	(58,868)	(98,907)	(80,283)
Loss on fair value of available-for-sale financial assets	(2)	(175)	(59)	(160)
Foreign currency translation differences for foreign operation	(21)	822	100	1,108
Cash flow hedge	(9,513)	-	997	-
Total comprehensive expense for the period	(56,783)	(58,221)	(97,869)	(79,335)
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(57,115)	(58,451)	(98,451)	(79,814)
Non-controlling interests	332	230	582	479
Total comprehensive expense for the period	(56,783)	(58,221)	(97,869)	(79,335)

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 2015.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	As At End of Current Quarter 31/12/2015 RM'000	As at End of Preceding Financial Year 30/06/2015 RM'000
ASSETS		
Property, plant and equipment	1,387,527	1,377,138
Goodwill on consolidation	30,256	30,256
Investments in associated companies	12,814	15,823
Other investments	465	525
Deferred tax assets	63,827	47,915
Tax credit receivable	18,351	18,351
Total non-current assets	1,513,240	1,490,008
Inventories	488,413	783,866
Trade and other receivables	187,888	253,583
Current tax assets	5,553	2,195
Derivative financial assets	1,436	673
Cash and cash equivalents	99,752	53,666
Total current assets	783,042	1,093,983
TOTAL ASSETS	2,296,282	2,583,991
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	419,417	419,417
Reserves	234,110	332,561
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	153,900	153,900
	807,427	905,878
NON-CONTROLLING INTERESTS		
	7,628	7,046
TOTAL EQUITY	815,055	912,924
LIABILITIES		
Deferred tax liabilities	22,958	21,912
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	34,136	37,869
Deferred income	14,009	14,771
Retirement benefits	26,442	25,358
Trade and other payables	125,312	103,502
Borrowings	202,737	278,946
Total non-current liabilities	425,594	482,358
Retirement benefits	138	241
Trade and other payables	294,964	369,868
Borrowings	755,327	817,919
Derivative financial liabilities	-	293
Current tax liabilities	5,204	388
Total current liabilities	1,055,633	1,188,709
TOTAL LIABILITIES	1,481,227	1,671,067
TOTAL EQUITY AND LIABILITIES	2,296,282	2,583,991
Net assets per share attributable to owners of the Company (RM)	1.93	2.16

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2015

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

	← Attributable to owners of the Company →												
	← Non-distributable →								Distributable		Total	Non-controlling interests	Total equity
	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") (equity portion)	Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Hedging reserve	Exchange fluctuation reserve	Retained earnings	Total			
Current year-to-date ended 31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 July 2015	419,417	153,900	35,852	30,000	50	63	-	5,467	261,129	905,878	7,046	912,924	
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(99,489)	(99,489)	582	(98,907)	
Other comprehensive (expense)/income:													
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	(59)	-	-	-	(59)	-	(59)	
- Foreign currency translation differences	-	-	-	-	-	-	-	100	-	100	-	100	
- Cash flow hedge	-	-	-	-	-	-	997	-	-	997	-	997	
Total comprehensive (expense)/income for the period	-	-	-	-	-	(59)	997	100	(99,489)	(98,451)	582	(97,869)	
At 31 December 2015	419,417	153,900	35,852	30,000	50	4	997	5,567	161,640	807,427	7,628	815,055	

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2015 (cont'd)

	← 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
Preceding year corresponding period ended 31 December 2014										
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	-	-	-	-	-	-	(80,762)	(80,762)	479	(80,283)
Other comprehensive income:										
- Loss on fair value of available-for-sale financial assets	-	-	-	-	(160)	-	-	(160)	-	(160)
- Foreign currency translation differences	-	-	-	-	-	1,108	-	1,108	-	1,108
Total comprehensive (expense)/income for the period	-	-	-	-	(160)	1,108	(80,762)	(79,814)	479	(79,335)
At 31 December 2014	419,417	35,852	30,000	50	239	4,554	294,914	785,026	6,903	791,929

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 2015.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2015

	Current Year To-date	Preceding Year Corresponding Period
	31/12/2015 RM'000	31/12/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(110,307)	(97,200)
Adjustments for:-		
Depreciation and amortisation	30,485	34,639
Net financing costs	23,475	19,449
Share of loss in associated companies, net of tax	3,009	28,610
Gain on disposal of associated companies	(25,039)	-
Non-cash items	23,739	12,818
Operating loss before changes in working capital	(54,638)	(1,684)
Changes in working capital		
Net change in current assets	360,385	8,580
Net change in current liabilities	(75,458)	(84,753)
Taxation paid	(2,006)	(4,366)
Net financing costs paid	(26,548)	(18,607)
Retirement benefits paid	(107)	(133)
Dividend income received	3	282
Net cash generated from/(used in) operating activities	201,631	(100,681)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(37,373)	(71,422)
Proceeds from disposal of associated companies	25,039	-
Proceeds from disposal of property, plant and equipment	95	35
Net cash used in investing activities	(12,239)	(71,387)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of borrowings	(133,311)	174,858
RCULS coupon payment	(4,605)	-
Net cash (used in) / generated from financing activities	(137,916)	174,858
NET CHANGE IN CASH AND CASH EQUIVALENTS	51,476	2,790
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,132	58,548
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	100	1,108
CASH & CASH EQUIVALENTS AT END OF PERIOD	99,708	62,446

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2015**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
31 DECEMBER 2015 (cont'd)**

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

	31/12/2015 RM'000	31/12/2014 RM'000
Deposits, cash and bank balances	99,752	63,230
Bank overdrafts	(44)	(784)
	99,708	62,446

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2015.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 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 and should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2015. 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 2015.

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

There were no issuance of shares, share buy-back, shares cancellation, resale of treasury shares 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 SECOND QUARTER
 ENDED 31 DECEMBER 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	(83,215)	(68)	(83,283)
Included in the measure of segment loss are:			
Revenue from external customers	1,213,592	167	1,213,759
Depreciation and amortisation	30,474	11	30,485

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(83,283)
Finance costs	(24,015)
Share of loss in associated companies, net of tax	(3,009)
Loss before taxation	(110,307)

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:

Saint Sense Blu Sdn Bhd, a wholly-owned subsidiary of Southern Steel Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, has been placed under member's voluntary liquidation. The liquidation is currently pending tax clearance from the Inland Revenue Board.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015

The figures have not been audited

11. Review of performance

For the quarter under review, the Group had a revenue of RM621.3 million and loss before taxation (“LBT”) of RM53.7 million as compared with a revenue of RM632.9 million and a LBT of RM68.5 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2015 (“FY2015”).

For the financial year-to-date, the Group had a revenue of RM1,213.8 million and LBT of RM110.3 million as compared with a revenue and LBT of RM1,243.6 million and RM97.2 million respectively for the corresponding period of the FY 2015.

The lower revenue in the quarter under review/financial year-to-date as compared with the corresponding quarter/period of the FY2015 was mainly due to the continued slide in selling prices which had eroded the margin.

Although higher losses were incurred by the hot-rolled coil (“HRC”) plant, LBT for the quarter was mitigated by the lower share of loss in an associated company and foreign exchange translation gain.

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

For the quarter under review, the Group incurred a lower LBT of RM53.7 million as compared with a LBT of RM56.6 million in the preceding quarter.

Although higher losses were incurred by the HRC plant, LBT for the quarter was mitigated by the lower share of loss in an associated company and foreign exchange translation gain.

13. Prospects

The Board expects the influx of cheap Chinese steel products to continue until there are more effective measures to curb their unfair trade practices. Continuing efforts are on-going to improve the Group’s operational efficiency to mitigate losses in this turbulent time.

14. Profit forecast/profit guarantee

This note is not applicable.

15. Loss before taxation

	Current Year Quarter 31/12/2015 RM'000	Current Year To-date 31/12/2015 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Interest income	(344)	(541)
Gross dividend from other investment	(3)	(3)
Depreciation and amortisation	15,061	30,485
Allowance of impairment and write off of trade receivables	13	158
Provision for and write off of inventories	4,865	10,535
(Gain)/Loss on foreign exchange	(10,432)	18,541
Fair value loss on derivative instruments	1,475	1,113
Gain on disposal of associates companies	-	(25,039)
Impairment of property, plant and equipment	-	-

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015

The figures have not been audited

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/12/2015 RM'000	31/12/2014 RM'000	31/12/2015 RM'000	31/12/2014 RM'000
Current taxation				
- Current year	1,621	1,061	3,465	1,366
	<u>1,621</u>	<u>1,061</u>	<u>3,465</u>	<u>1,366</u>
Deferred taxation				
- Current year	(8,098)	(10,663)	(14,192)	(18,283)
- Over provision in prior year	-	-	(673)	-
	<u>(8,098)</u>	<u>(10,663)</u>	<u>(14,865)</u>	<u>(18,283)</u>
	<u>(6,477)</u>	<u>(9,602)</u>	<u>(11,400)</u>	<u>(16,917)</u>

The Group's effective tax rate for the quarter under review and financial year-to-date were lower than the statutory tax rate mainly due to deferred tax asset not recognized by a subsidiary incurring loss.

17. Corporate proposals

There are no corporate proposals announced but not completed as at the date of this report.

18. Group's borrowings and debt securities

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

	RM'000
Borrowings:	
Unsecured long term borrowings	202,737
Unsecured short term borrowings	755,327
	<u>958,064</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>34,136</u>

There were no borrowings denominated in foreign currencies as at 31 December 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 quarter ended 31 December 2015 of the financial year ending 30 June 2016 (2nd quarter 2014/2015: Nil).

(b) For the financial year-to-date, no dividend has been declared (2014/2015: Nil).

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2015
The figures have not been audited
21. Loss per ordinary share
(a) Basic loss 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 RM47,578,000 (2nd quarter 2014/2015 : RM59,098,000) by the weighted average number of ordinary shares during the quarter of 419,417,208 (2nd quarter 2014/2015 : 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 RM99,489,000 (2014/2015 : RM80,762,000) by the weighted average number of ordinary shares during the period of 419,417,208 (2014/2015 : 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 31/12/2015 RM'000	As At End of Preceding Financial Year 30/6/2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	217,084	348,662
-unrealised	2,365	14,197
	219,449	362,859
Total share of retained earnings/(accumulated losses) of associated companies:		
-realised	7,326	(55,911)
-unrealised	-	11
	7,326	(55,900)
Less: Consolidation adjustments	(65,135)	(45,830)
Group's retained earnings	161,640	261,129

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
2 February 2016