

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2014**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
<b>Revenue</b>	610,737	677,952	610,737	677,952
Cost of sales	(603,698)	(640,463)	(603,698)	(640,463)
<b>Gross profit</b>	7,039	37,489	7,039	37,489
Operating expenses	(31,740)	(33,408)	(31,740)	(33,408)
Other operating income	10,329	3,484	10,329	3,484
<b>(Loss)/Profit from operation</b>	(14,372)	7,565	(14,372)	7,565
Finance costs	(9,302)	(7,267)	(9,302)	(7,267)
Share of loss in associated companies, net of tax	(5,056)	(4,536)	(5,056)	(4,536)
<b>Loss before taxation</b>	(28,730)	(4,238)	(28,730)	(4,238)
Taxation	7,315	243	7,315	243
<b>Loss for the period</b>	(21,415)	(3,995)	(21,415)	(3,995)
<b>Loss attributable to:</b>				
Owners of the Company	(21,664)	(4,172)	(21,664)	(4,172)
Non-controlling interests	249	177	249	177
<b>Loss for the period</b>	(21,415)	(3,995)	(21,415)	(3,995)
<b>Loss per ordinary share (sen): -</b>				
(a) Basic	(5.2)	(1.0)	(5.2)	(1.0)
(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 FIRST QUARTER ENDED 30 SEPTEMBER 2014**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2014 (CONTINUED)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
<b>Loss for the period</b>	(21,415)	(3,995)	(21,415)	(3,995)
Gain/(Loss) on fair value of available-for-sale financial assets	15	(112)	15	(112)
Foreign currency translation differences for foreign operation	286	1,748	286	1,748
<b>Total comprehensive expense for the period</b>	<b>(21,114)</b>	<b>(2,359)</b>	<b>(21,114)</b>	<b>(2,359)</b>
<b>Total comprehensive expense attributable to:</b>				
Owners of the Company	(21,363)	(2,536)	(21,363)	(2,536)
Non-controlling interests	249	177	249	177
<b>Total comprehensive expense for the period</b>	<b>(21,114)</b>	<b>(2,359)</b>	<b>(21,114)</b>	<b>(2,359)</b>

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 FIRST QUARTER ENDED 30 SEPTEMBER 2014**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014**

	As At End of Current Quarter	As at End of Preceding Financial Year
	30/09/2014 RM'000	30/06/2014 RM'000
<b>ASSETS</b>		
Property, plant and equipment	1,332,897	1,309,298
Goodwill on consolidation	30,256	30,256
Investment in associated companies	60,486	65,545
Other investments	882	861
Deferred tax assets	21,944	16,542
Tax credit receivables	16,637	16,637
<b>Total non-current assets</b>	<b>1,463,102</b>	<b>1,439,139</b>
Inventories	748,527	699,649
Trade and other receivables	196,079	202,204
Current tax assets	5,457	3,738
Derivative financial assets	673	673
Cash and cash equivalents	54,686	59,622
<b>Total current assets</b>	<b>1,005,422</b>	<b>965,886</b>
<b>TOTAL ASSETS</b>	<b>2,468,524</b>	<b>2,405,025</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	419,417	419,417
Reserves	424,060	445,423
	843,477	864,840
Non-controlling interests	6,673	6,424
<b>TOTAL EQUITY</b>	<b>850,150</b>	<b>871,264</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	26,868	29,086
Deferred income	15,914	16,295
Retirement benefits	26,343	25,692
Other payables	78,494	105,919
Borrowings	458,643	438,378
<b>Total non-current liabilities</b>	<b>606,262</b>	<b>615,370</b>
Retirement benefits	275	275
Trade and other payables	281,517	339,528
Borrowings	730,177	577,331
Derivative financial liabilities	103	664
Current tax liabilities	40	593
<b>Total current liabilities</b>	<b>1,012,112</b>	<b>918,391</b>
<b>TOTAL LIABILITIES</b>	<b>1,618,374</b>	<b>1,533,761</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,468,524</b>	<b>2,405,025</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>2.01</b>	<b>2.06</b>

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 FIRST QUARTER ENDED 30 SEPTEMBER 2014**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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
<b>Current year-to-date ended 30 September 2014</b>										
<b>At 1 July 2014</b>	419,417	35,852	30,000	50	399	3,446	375,676	864,840	6,424	871,264
(Loss)/Profit for the period	-	-	-	-	-	-	(21,664)	(21,664)	249	(21,415)
Other comprehensive income:										
- Gain on fair value of available-for-sale financial assets	-	-	-	-	15	-	-	15	-	15
- Foreign currency translation differences	-	-	-	-	-	286	-	286	-	286
<b>Total comprehensive income/ (expenses) for the period</b>	-	-	-	-	15	286	(21,664)	(21,363)	249	(21,114)
<b>At 30 September 2014</b>	419,417	35,852	30,000	50	414	3,732	354,012	843,477	6,673	850,150

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (CONTINUED)**

	← Attributable to owners of the Company →										
	Share capital	← Non-distributable →					Distributable		Total	Non-controlling interests	Total equity
		Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Exchange fluctuation reserve	Retained earnings	RM'000			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Preceding year corresponding period ended 30 September 2013</b>											
<b>At 1 July 2013</b>	419,417	35,852	30,000	50	832	1,708	373,500	861,359	5,502	866,861	
(Loss)/Profit for the period	-	-	-	-	-	-	(4,172)	(4,172)	177	(3,995)	
Other comprehensive (expense)/income:											
- Loss on fair value of available-for-sale financial assets	-	-	-	-	(112)	-	-	(112)	-	(112)	
- Foreign currency translation differences	-	-	-	-	-	1,748	-	1,748	-	1,748	
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	(112)	1,748	(4,172)	(2,536)	177	(2,359)	
<b>At 30 September 2013</b>	419,417	35,852	30,000	50	720	3,456	369,328	858,823	5,679	864,502	

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 FIRST QUARTER ENDED 30 SEPTEMBER 2014**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

	Current Year To-date  30/09/2014 RM'000	Preceding Year Corresponding Period  30/09/2013 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(28,730)	(4,238)
Adjustments for:-		
Depreciation and amortisation	17,330	17,818
Net finance costs	9,548	7,267
Share of loss in associated companies, net of tax	5,056	4,536
Other non-cash items	8,078	5,792
Operating profit before changes in working capital	11,282	31,175
Changes in working capital		
Net change in current assets	(54,785)	121,640
Net change in current liabilities	(99,485)	(50,906)
Taxation (paid)/refunded	(2,576)	6,991
Net finance costs paid	(9,132)	(6,811)
Retirement benefits paid	(79)	(137)
Dividend income received	7	7
<b>Net cash (used in)/generated from operating activities</b>	<b>(154,768)</b>	<b>101,959</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(39,706)	(75,264)
Proceeds from disposal of property, plant and equipment	35	-
<b>Net cash used in investing activities</b>	<b>(39,671)</b>	<b>(75,264)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown/(Repayment) of borrowings	173,130	(48,586)
<b>Net cash generated from/(used in) financing activities</b>	<b>173,130</b>	<b>(48,586)</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(21,309)</b>	<b>(21,891)</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	<b>286</b>	<b>1,747</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>58,548</b>	<b>83,410</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>37,525</b>	<b>63,266</b>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014**


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**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2014 (CONTINUED)**

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

	30/09/2014 RM'000	30/09/2013 RM'000
Deposits placed with licensed banks	17,900	53,995
Cash and bank balances	36,786	29,165
Bank overdrafts	(17,161)	(19,894)
	<u>37,525</u>	<u>63,266</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 2014.**

## **QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014**

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**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 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 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**

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



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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
<b>Segment loss</b>	(14,092)	(280)	(14,372)

Included in the measure of segment loss are:

Revenue from external customers	610,737	-	610,737
Depreciation and amortisation	17,324	6	17,330

**Reconciliation of reportable segment loss**

	RM'000
<b>Loss</b>	
Reportable segment	(14,372)
Finance costs	(9,302)
Share of loss in associated companies, net of tax	(5,056)
Consolidated loss before taxation	(28,730)

**9. Material events not reflected in the financial statements**

Except for the Corporate Proposals as disclosed in Note 17, 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.

**11. Review of performance**

For the quarter under review, the Group recorded a lower revenue of RM610.7 million and a higher loss before taxation ("LBT") of RM28.7 million as compared with a revenue of RM678.0 million and LBT of RM4.2 million in the corresponding quarter of the preceding year ended 30 June 2014. The decline in revenue and higher LBT were mainly due to lower selling price and lower volume caused by surging imports at low prices.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014**
**The figures have not been audited**
**12. Material changes in profit before taxation against the immediate preceding quarter**

For the quarter under review, the Group posted a LBT of RM28.7 million as against a profit before taxation of RM20.1 million in the preceding quarter. The LBT was mainly due to lower volume and lower margin as a result of dumping price of cheap imports.

**13. Prospects**

While the Malaysian Government is in the process of reviewing the effectiveness of various anti-dumping actions, cheap Chinese imports continue to be dumped into Malaysia. Unless effective actions are taken by the authorities to curb such rampant dumping activities, the Board expects the current difficult conditions to continue. The Company is taking various steps to cushion the adverse impact of this challenge.

**14. Profit forecast/Profit guarantee**

This note is not applicable.

**15. Loss before taxation**

	Current Year Quarter 30/09/2014 RM'000	Current Year To-date 30/09/2014 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Interest income	(147)	(147)
Gross dividend income from other investments	(7)	(7)
Depreciation and amortisation	17,330	17,330
Impairment loss on trade receivables	650	650
Inventories written down	8,650	8,650
Gain on foreign exchange	(8,506)	(8,506)
Fair value gain on derivative instruments	(607)	(607)
Gain on disposal of quoted/unquoted investments or properties	-	-
Impairment of properties, plant and equipment	-	-

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014**
**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
	30/09/2014 RM'000	30/09/2013 RM'000	30/09/2014 RM'000	30/09/2013 RM'000
Current taxation (Malaysian):				
- Current year	305	1,898	305	1,898
Deferred taxation:				
- Current year	(7,620)	(2,356)	(7,620)	(2,356)
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	215	-	215
	<u>(7,315)</u>	<u>(243)</u>	<u>(7,315)</u>	<u>(243)</u>

The Group's effective tax rate for the financial year-to-date was higher than statutory tax rate mainly due to certain income is not subject to tax.

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014

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### 17. Corporate proposals

Save as disclosed below, there are no corporate proposals announced but not completed as at the date of this report.

On 30 April 2014, Hong Leong Investment Bank Berhad (“HLIB”) announced, on behalf of Southern Steel Berhad (“SSB” or the “Company”), that the Company proposed to undertake the following:

- (i) a renounceable rights issue of up to RM209,708,604 nominal value of five (5)-year 5% redeemable convertible unsecured loan stocks at 100% of its nominal value (“RCULS”) on the basis of RM1.00 nominal value of RCULS for every two (2) existing ordinary shares of RM1.00 each held in SSB (“SSB Shares”) on an entitlement date to be determined later by the Board (“Proposed Rights Issue of RCULS”); and
- (ii) an increase in the authorised share capital of SSB from RM502,000,000 comprising 500,000,000 SSB Shares and 2,000,000 preference shares of RM1.00 each in SSB (“Preference Shares”) to RM802,000,000 comprising 800,000,000 SSB Shares and 2,000,000 Preference Shares (“Proposed Increase in Authorised Share Capital”)

(the Proposed Rights Issue of RCULS and the Proposed Increase in Authorised Share Capital are collectively referred to as the “Proposals”).

The Proposals are conditional upon approvals being obtained from the following:

- (i) The Securities Commission Malaysia (“SC”) for the issuance of the RCULS, of which was obtained via its letter dated 17 October 2014.
- (ii) Bursa Malaysia Securities Berhad (“Bursa Securities”) for the following:
  - (a) admission of the RCULS to the Official List of Bursa Securities; and
  - (b) listing of and quotation for the RCULS to be issued pursuant to the Proposed Rights Issue of RCULS and the new SSB Shares to be issued pursuant to the conversion of RCULS on the Main Market of Bursa Securities;

The approval of Bursa Securities was obtained via its letter dated 15 October 2014.

- (iii) The shareholders of SSB at an extraordinary general meeting; and
- (iv) Other relevant authorities/parties, if required.

The Proposed Rights Issue of RCULS is conditional upon the Proposed Increase in Authorised Share Capital. The Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

For the avoidance of doubt, upon receipt of all relevant approvals, the Proposals will be implemented separately and are not meant to be completed simultaneously.

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Rights Issue of RCULS is expected to be completed by the first quarter of 2015.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014**

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**18. Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 30 September 2014 are as follows: -

	<b>RM'000</b>
Unsecured long term borrowings	458,643
Unsecured short term borrowings	730,177
	<u>1,188,820</u>

There were no borrowings denominated in foreign currencies as at 30 September 2014.

**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 30 September 2014 of the financial year ending 30 June 2015 (1<sup>st</sup> quarter 2013/2014: 2.0 sen per share tax exempt).
- (b) For the financial year-to-date, no dividend (2013/2014: 2.0 sen per share tax exempt) has been declared.

**21. Loss per ordinary share**
**(a) Basic loss per ordinary share**

The basic loss per ordinary share for the quarter under review/financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM21,664,000 (1<sup>st</sup> quarter 2013/2014 : RM4,172,000) by the weighted average number of ordinary shares during the quarter of 419,417,208 (1<sup>st</sup> quarter 2013/2014 : 419,417,208).

**(b) Diluted loss per ordinary share**

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2014**
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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 30/09/2014 RM'000	As At End of Preceding Financial Year 30/06/2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	427,016	461,395
-unrealised	31,484	14,694
	458,500	476,089
Total share of retained earnings of associated companies:		
-realised	(28,603)	(23,562)
-unrealised	13	30
	(28,590)	(23,532)
Less: Consolidation adjustments	(75,898)	(76,881)
Group retained earnings	354,012	375,676

By Order of the Board  
Southern Steel Berhad

Joanne Leong Wei Yin  
Lee Wui Kien  
Company Secretaries

Penang  
21 November 2014