

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2016**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
<b>Revenue</b>	595,854	675,362	1,809,613	1,918,949
Cost of sales	(559,292)	(653,855)	(1,783,152)	(1,890,550)
<b>Gross profit</b>	36,562	21,507	26,461	28,399
Operating expenses	(35,712)	(33,587)	(109,234)	(96,320)
Other operating income/(expenses)	4,354	(12,017)	4,694	(5,897)
<b>Profit/(Loss) from operation</b>	5,204	(24,097)	(78,079)	(73,818)
Finance costs	(11,925)	(9,959)	(35,940)	(28,828)
Share of profit/(loss) in associated companies, net of tax	128	(5,092)	(2,881)	(33,702)
<b>Loss before taxation</b>	(6,593)	(39,148)	(116,900)	(136,348)
Taxation	(2,237)	3,664	9,163	20,581
<b>Loss for the period</b>	(8,830)	(35,484)	(107,737)	(115,767)
<b>Loss attributable to:</b>				
Owners of the Company	(8,989)	(35,575)	(108,478)	(116,337)
Non-controlling interests	159	91	741	570
<b>Loss for the period</b>	(8,830)	(35,484)	(107,737)	(115,767)
<b>Loss per ordinary share (sen): -</b>				
(a) Basic	(2.14)	(8.48)	(25.86)	(27.74)
(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 THIRD QUARTER ENDED 31 MARCH 2016**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2016 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2016 RM'000	31/03/2015 RM'000	31/03/2016 RM'000	31/03/2015 RM'000
<b>Loss for the period</b>	(8,830)	(35,484)	(107,737)	(115,767)
Gain/(Loss) on fair value of available-for-sale financial assets	66	(42)	7	(202)
Reversal of fair value reserve upon disposal of available-for-sale financial assets	(42)	-	(42)	-
Foreign currency translation differences for foreign operation	(73)	698	27	1,806
Cash flow hedge	(11,920)	-	(10,923)	-
<b>Total comprehensive expense for the period</b>	<b>(20,799)</b>	<b>(34,828)</b>	<b>(118,668)</b>	<b>(114,163)</b>
<b>Total comprehensive (expense)/income attributable to:</b>				
Owners of the Company	(20,958)	(34,919)	(119,409)	(114,733)
Non-controlling interests	159	91	741	570
<b>Total comprehensive expense for the period</b>	<b>(20,799)</b>	<b>(34,828)</b>	<b>(118,668)</b>	<b>(114,163)</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 2015.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016**

	As At End of Current Quarter 31/03/2016 RM'000	As At End of Preceding Financial Year 30/06/2015 RM'000
<b>ASSETS</b>		
Property, plant and equipment	1,381,513	1,377,138
Goodwill on consolidation	30,256	30,256
Investments in associated companies	12,943	15,823
Other investments	411	525
Deferred tax assets	60,885	47,915
Tax credit receivable	18,878	18,351
<b>Total non-current assets</b>	<b>1,504,886</b>	<b>1,490,008</b>
Inventories	339,626	783,866
Trade and other receivables	201,587	253,583
Current tax assets	6,416	2,195
Derivative financial assets	419	673
Cash and cash equivalents	151,104	53,666
<b>Total current assets</b>	<b>699,152</b>	<b>1,093,983</b>
<b>TOTAL ASSETS</b>	<b>2,204,038</b>	<b>2,583,991</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	419,417	419,417
Reserves	213,152	332,561
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	153,900	153,900
	786,469	905,878
<b>NON-CONTROLLING INTERESTS</b>	<b>7,787</b>	<b>7,046</b>
<b>TOTAL EQUITY</b>	<b>794,256</b>	<b>912,924</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	22,374	21,912
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	32,233	37,869
Deferred income	13,628	14,771
Retirement benefits	26,597	25,358
Trade and other payables	109,744	103,502
Borrowings	190,037	278,946
<b>Total non-current liabilities</b>	<b>394,613</b>	<b>482,358</b>
Retirement benefits	341	241
Trade and other payables	275,709	369,868
Borrowings	725,394	817,919
Derivative financial liabilities	11,323	293
Current tax liabilities	2,402	388
<b>Total current liabilities</b>	<b>1,015,169</b>	<b>1,188,709</b>
<b>TOTAL LIABILITIES</b>	<b>1,409,782</b>	<b>1,671,067</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,204,038</b>	<b>2,583,991</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>1.88</b>	<b>2.16</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 2015

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016**

	Attributable to owners of the Company											Non-controlling interests	Total equity
	Non-distributable						Distributable						
	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			
	RM'000	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>Current year-to-date ended 31 March 2016</b>													
<b>At 1 July 2015</b>	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	-	-	-	-	-	-	-	-	(108,478)	(108,478)	741	(107,737)	
Other comprehensive (expense)/income:													
- Gain on fair value of available-for-sale financial assets	-	-	-	-	-	7	-	-	-	7	-	7	
- Reversal of fair value reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	(42)	-	-	-	(42)	-	(42)	
- Foreign currency translation differences	-	-	-	-	-	-	-	27	-	27	-	27	
- Cash flow hedge	-	-	-	-	-	-	(10,923)	-	-	(10,923)	-	(10,923)	
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	-	(35)	(10,923)	27	(108,478)	(119,409)	741	(118,668)	
<b>At 31 March 2016</b>	419,417	153,900	35,852	30,000	50	28	(10,923)	5,494	152,651	786,469	7,787	794,256	

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2016 (cont'd)**

	← Attributable to owners of the Company →							Total	Non-controlling interests	Total equity	
	← Non-distributable →				Distributable						
	Share capital	RCULS (equity portion)	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	
<b>Preceding year corresponding period ended 31 March 2015</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	-	-	-	-	-	-	-	(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
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	-	(202)	1,806	(116,337)	(114,733)	570	(114,163)
<b>Total transactions with owners of the Company</b>											
- Issue of RCULS	-	153,851	-	-	-	-	-	-	153,851	-	153,851
<b>At 31 March 2015</b>	419,417	153,851	35,852	30,000	50	197	5,252	259,339	903,958	6,994	910,952

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 THIRD QUARTER ENDED 31 MARCH 2016**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2016**

	Current Year To-date	Preceding Year Corresponding Period
	31/03/2016 RM'000	31/03/2015 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(116,900)	(136,348)
Adjustments for:-		
Depreciation and amortisation	45,446	51,639
Net financing costs	34,966	29,106
Share of loss in associated companies, net of tax	2,881	33,702
Gain on disposal of associated companies	(25,039)	-
Impairment of investment in an associated company	-	17,353
Non-cash items	15,213	(1,792)
Operating loss before changes in working capital	(43,433)	(6,340)
Changes in working capital		
Net change in current assets	496,236	67,259
Net change in current liabilities	(98,981)	(71,091)
Taxation paid	(6,069)	(6,638)
Net financing costs paid	(38,039)	(27,767)
Retirement benefits paid	(107)	(267)
Dividend income received	3	607
<b>Net cash generated from/(used in) operating activities</b>	<b>309,610</b>	<b>(44,237)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(46,763)	(104,338)
Proceeds from disposal of associated companies	25,039	-
Proceeds from disposal of available-for-sale financial assets	133	-
Proceeds from disposal of property, plant and equipment	112	35
<b>Net cash used in investing activities</b>	<b>(21,479)</b>	<b>(104,303)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(175,900)	(28,688)
Proceed from issue of RCULS	-	185,741
RCULS coupon payment	(9,286)	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(185,186)</b>	<b>157,053</b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>102,945</b>	<b>8,513</b>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>48,132</b>	<b>58,548</b>
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	<b>27</b>	<b>1,806</b>
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<b>151,104</b>	<b>68,867</b>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016**


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**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2016 (cont'd)**

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

	<b>31/03/2016</b>	<b>31/03/2015</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits, cash and bank balances	151,104	72,163
Bank overdrafts	-	(3,296)
	<u>151,104</u>	<u>68,867</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 2015.**

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER  
ENDED 31 MARCH 2016**

**The figures have not been audited**

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**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards 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 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 THIRD QUARTER ENDED 31 MARCH 2016**
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**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)/profit</b>	(78,118)	39	(78,079)
Included in the measure of segment (loss)/profit are:			
Revenue from external customers	1,809,613	-	1,809,613
Depreciation and amortisation	45,428	18	45,446

**Reconciliation of reportable segment loss**

	RM'000
<b>Loss</b>	
Reportable segment	(78,079)
Finance costs	(35,940)
Share of loss in associated companies, net of tax	(2,881)
Loss before taxation	(116,900)

**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) Smart Motive Sdn Bhd (formerly known as Southern Mesh Sdn Bhd) ("SM"), a subsidiary of Southern Steel Mesh Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, had been placed under members' voluntary liquidation 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., had been appointed as Joint Liquidators of SM.
- b) Saint Sense Blu Sdn Bhd ("SSBlu"), a wholly-owned subsidiary of Southern Steel Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, had been placed under member's voluntary liquidation. The liquidation of SSBlu is currently pending a Final Meeting to be convened.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016**
**The figures have not been audited**
**11. Review of performance**

For the quarter under review, the Group recorded a revenue of RM595.9 million and loss before taxation (“LBT”) of RM6.6 million as compared with a revenue of RM675.4 million and a LBT of RM39.1 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2015 (“FY2015”).

For the financial year-to-date, the Group recorded a revenue of RM1,809.6 million and LBT of RM116.9 million as compared with a revenue and LBT of RM1,918.9 million and RM136.3 million respectively for the corresponding period of FY2015.

The lower revenue for the quarter under review and financial year-to-date as compared with the corresponding quarter and period of FY2015 was mainly due to lower selling prices.

The LBT for the corresponding quarter and period of FY2015 was inclusive of a one-off impairment of investment in an associated company of RM17.4 million. Despite the lower revenue, LBT was lower as compared with the corresponding quarter and period of FY2015 mainly attributable to the improved margin from lower raw material cost and lower share of loss in associated companies.

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

For the quarter under review, the Group incurred a lower LBT of RM6.6 million as compared with a LBT of RM53.7 million in the preceding quarter. The lower loss was mainly contributed by the recovery in margin from lower cost of raw material.

**13. Prospects**

Selling prices in the region have recovered somewhat since the beginning of March 2016 from the previously very depressed level. With this more favorable market environment and the on-going efforts to improve the Group’s operational efficiency, the Board expects improved result in this final quarter of the financial year.

**14. Profit forecast/profit guarantee**

This note is not applicable.

**15. Loss before taxation**

	<b>Current Year Quarter 31/03/2016 RM'000</b>	<b>Current Year To-date 31/03/2016 RM'000</b>
Loss before taxation is arrived at after charging/(crediting):		
Interest income	(433)	(974)
Gross dividend from other investment	-	(3)
Depreciation and amortisation	14,961	45,446
Allowance of impairment and write off of trade receivables	119	277
(Reversal of provision)/Provision for and write off of inventories	(541)	9,994
(Gain)/Loss on foreign exchange	(8,710)	9,831
Fair value gain on derivative instruments	(2,046)	(933)
Gain on disposal of quoted investment	(54)	(54)
Gain on disposal of associates companies	-	(25,039)
Impairment of property, plant and equipment	-	-

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016**
**The figures have not been audited**
**16. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2016 RM'000	Preceding Year Corresponding Quarter 31/03/2015 RM'000	Current Year To-date 31/03/2016 RM'000	Preceding Year Corresponding Period 31/03/2015 RM'000
Current taxation				
- Current year	1,954	1,575	5,419	2,941
- (Over)/Under provision in prior year	(1,552)	1,854	(1,552)	1,854
	<u>402</u>	<u>3,429</u>	<u>3,867</u>	<u>4,795</u>
Deferred taxation				
- Current year	2,028	(5,868)	(12,164)	(24,152)
- Under/(Over) provision in prior year	334	(833)	(339)	(833)
	<u>2,362</u>	<u>(6,701)</u>	<u>(12,503)</u>	<u>(24,985)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	(392)	-	(391)
- Over provision in prior year	(527)	-	(527)	-
	<u>(527)</u>	<u>(392)</u>	<u>(527)</u>	<u>(391)</u>
	<u>2,237</u>	<u>(3,664)</u>	<u>(9,163)</u>	<u>(20,581)</u>

There was a tax charge for the current quarter under review, despite the Group incurred loss, was mainly due to deferred tax asset not recognised by a subsidiary incurring loss. This has also caused the Group's effective tax rate for financial year-to-date lower than the statutory tax rate.

**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 March 2016 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	190,037
Unsecured short term borrowings	725,394
	<u>915,431</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>32,233</u>

There were no borrowings denominated in foreign currencies as at 31 March 2016.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER  
ENDED 31 MARCH 2016**

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**The figures have not been audited**

**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 March 2016 of the financial year ending 30 June 2016 (3<sup>rd</sup> quarter 2014/2015: Nil).

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

**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 RM8,989,000 (3<sup>rd</sup> quarter 2014/2015: RM35,575,000) by the weighted average number of ordinary shares during the quarter of 419,417,208 (3<sup>rd</sup> 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 RM108,478,000 (2014/2015: RM116,337,000) 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 and preceding year corresponding quarter/period is not presented as the assumed potential new ordinary shares are anti-dilutive.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2016**
**The figures have not been audited**
**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:

	<b>As At End of Current Quarter 31/03/2016 RM'000</b>	<b>As At End of Preceding Financial Year 30/06/2015 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
-realised	208,776	348,662
-unrealised	11,456	14,197
	220,232	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	(74,907)	(45,830)
Group's retained earnings	152,651	261,129

By Order of the Board  
Southern Steel Berhad

Joanne Leong Wei Yin  
Lee Wui Kien  
Company Secretaries

Kuala Lumpur  
20 April 2016