

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 MARCH 2012

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
Revenue	869,263	N/A	2,532,109	N/A
Cost of sales	(861,895)	N/A	(2,434,967)	N/A
Gross profit	7,368	N/A	97,142	N/A
Operating expenses	(36,677)	N/A	(105,141)	N/A
Other operating income	8,828	N/A	15,492	N/A
(Loss)/profit from operation	(20,481)	N/A	7,493	N/A
Finance costs	(8,423)	N/A	(25,818)	N/A
Share of loss of associated companies	(422)	N/A	(86)	N/A
Loss before taxation	(29,326)	N/A	(18,411)	N/A
Taxation	3,711	N/A	2,120	N/A
Loss for the period	(25,615)	N/A	(16,291)	N/A
Attributable to:				
Owners of the company	(25,155)	N/A	(14,630)	N/A
Non-controlling interests	(460)	N/A	(1,661)	N/A
Loss for the period	(25,615)	N/A	(16,291)	N/A
Loss per ordinary share (sen): -				
- Basic and fully diluted	(6.0)	N/A	(3.5)	N/A

Note:

No comparative figures were disclosed as the Group changed its financial year end from 31 December to 30 June during the preceding 18 months' period ended 30 June 2011.

The Condensed Consolidated Income Statements should be read in conjunction with the Financial Statements for the 18 Months' Period Ended 30 June 2011.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2012

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/03/2012 RM'000	31/03/2011 RM'000	31/03/2012 RM'000	31/03/2011 RM'000
Loss for the period	(25,615)	N/A	(16,291)	N/A
Fair value gain/(loss) on available-for-sale investment	3,051	N/A	(2,951)	N/A
Foreign currency translation differences for foreign operations	(1,486)	N/A	607	N/A
Total comprehensive expense for the period	(24,050)	N/A	(18,635)	N/A
Total comprehensive expense attributable to:				
Owners of the Company	(23,592)	N/A	(16,971)	N/A
Non-controlling interests	(458)	N/A	(1,664)	N/A
Total comprehensive expense for the period	(24,050)	N/A	(18,635)	N/A

Note:

No comparative figures were disclosed as the Group changed its financial year end from 31 December to 30 June during the preceding 18 months' period ended 30 June 2011.

The Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Financial Statements for the 18 Months' Period Ended 30 June 2011.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/03/2012 RM'000	30/06/2011 RM'000
Non-current assets		
Property, plant and equipment	791,703	683,150
Associated companies	17,683	17,768
Available-for-sale investment	34,747	2,771
Deferred tax assets	12,994	10,331
Goodwill on consolidation	48,991	48,991
	906,118	763,011
Current assets		
Inventories	694,460	1,040,568
Receivables	258,233	252,348
Tax recoverable	28,574	14,169
Derivative financial assets	-	199
Deposits, cash and bank balances	110,324	199,401
	1,091,591	1,506,685
Current liabilities		
Payables	215,877	294,574
Short term borrowings	858,824	1,032,870
Current tax liabilities	-	5
Retirement benefits	772	772
Derivative financial liabilities	233	-
	1,075,706	1,328,221
Net Current Assets	15,885	178,464
Non-current liabilities		
Long term borrowing	19,022	-
Deferred tax liabilities	29,221	29,026
Retirement benefits	29,091	28,174
	77,334	57,200
TOTAL NET ASSETS	844,669	884,275
Equity attributable to owners of the Company		
Share capital	411,467	411,467
Reserves	434,866	472,808
	846,333	884,275
Non-controlling interests	(1,664)	-
TOTAL EQUITY	844,669	884,275
Net assets per share attributable to owners of the Company (RM)	2.0	2.1

The Condensed Consolidated Statement Of Financial Position should be read in conjunction with the Financial Statements for the 18 Months' Period Ended 30 June 2011.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2012

← Attributable to owners of the Company →

	←	Non-distributable	→	Distributable	
	Share	Merger	Capital	Fair value	Exchange
	premium	reserve	redemption	reserve	fluctuation
	reserve	reserve	reserve	reserve	reserve
	Total	Total	Total	Total	Total

	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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Current year-to-date ended 31 March 2012

At 1 July 2011	411,467	35,852	30,000	50	3,221	-	403,685	884,275	-	884,275
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Other comprehensive (expense)/income

- fair value loss on

available-for-sale investment

 - foreign currency translation differences
 for foreign operations

Loss for the period

Total comprehensive
(expense)/income for the period

Dividends

At 31 March 2012

	411,467	35,852	30,000	50	273	607	368,084	846,333	(1,664)	844,669
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Note:

No comparative figures were disclosed as the Group changed its financial year end from 31 December to 30 June during the preceding 18 months' period ended 30 June 2011.

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Financial Statements for the 18 Months' Period Ended 30 June 2011.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2012

	Current Year To-date	Preceding Year Corresponding Period
	31/03/2012 RM'000	31/03/2011 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(18,411)	N/A
Adjustments for:-		
Depreciation and amortisation	62,878	N/A
Net financing cost	25,207	N/A
Share of loss of associated companies	86	N/A
Other non-cash items	8,221	N/A
Operating profit before changes in working capital	77,981	N/A
Changes in working capital		
Net change in current assets	335,963	N/A
Net change in current liabilities	(80,602)	N/A
Retirement benefits paid	(1,320)	N/A
Taxation paid	(14,756)	N/A
Interest paid	(23,782)	N/A
Net cash generated from operating activities	293,484	N/A
CASH FLOW FROM INVESTING ACTIVITY		
Dividend received	469	N/A
Proceeds from disposal of property, plant and equipment	220	N/A
Purchase of property, plant and equipment	(171,377)	N/A
Purchase of available-for-sale investments	(33,895)	N/A
Interest received	471	N/A
Net cash used in investing activity	(204,112)	N/A
CASH FLOWS FROM FINANCING ACTIVITY		
Net repayment of borrowings	(166,375)	N/A
Dividend paid	(20,971)	N/A
Net cash used in financing activity	(187,346)	N/A
NET CHANGE IN CASH AND CASH EQUIVALENTS	(97,974)	N/A
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	190,970	N/A
EFFECT ON FOREIGN EXCHANGE	(424)	N/A
CASH & CASH EQUIVALENTS AT END OF PERIOD	92,572	N/A

SOUTHERN STEEL BERHAD (5283-X)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER
ENDED 31 MARCH 2012**

The figures have not been audited

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	31/03/2012	31/03/2011
	RM'000	RM'000
Deposits, cash and bank balances	110,324	N/A
Bank overdraft	(17,752)	N/A
	<u>92,572</u>	<u>N/A</u>

Note:

No comparative figures were disclosed as the Group changed its financial year end from 31 December to 30 June during the preceding 18 months' period ended 30 June 2011.

The Condensed Consolidated Statement Of Cash Flows should be read in conjunction with the Financial Statements for the 18 Months' Period Ended 30 June 2011.

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

The figures have not been audited

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Financial Reporting Standards (“FRS”) 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 18 months’ period ended 30 June 2011.

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted in the audited financial statements for the 18 months’ period ended 30 June 2011 except for the changes in accounting policies and presentation resulting from the adoption of relevant FRSs, Amendments to FRSs and IC Interpretations that are effective for the financial periods beginning on or after 1 July 2010, 1 January 2011 and 1 July 2011 respectively.

The adoption of relevant FRSs, Amendments to FRSs and IC Interpretations are not expected to have any significant financial 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 18 months’ period ended 30 June 2011’s 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 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 18 months’ period ended 30 June 2011.

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

There were no issuances, cancellations, repurchases, resale and repayments of debts and 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 5.0 sen per share tax exempt amounted to RM20,971,000 on 15 December 2011.

SOUTHERN STEEL BERHAD (5283-X)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER
ENDED 31 MARCH 2012**

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	Investment holding and others	Total
	RM'000	RM'000	RM'000
Segment profit	6,956	537	7,493
Included in the measure of segment profit are:			
External revenue	2,531,700	409	2,532,109
Depreciation and amortisation	62,878	-	62,878
Reconciliation of segment profit to consolidated loss			RM'000
Reportable segments			7,493
Finance costs			(25,818)
Share of loss of associated companies			(86)
Consolidated loss before taxation			<u>(18,411)</u>

9. Valuations of property, plant and equipment

There are no revaluation of property, plant and equipment as at the date of this report.

10. Material events not reflected in the financial statements

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

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

The figures have not been audited

11. 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. However, subsequent to the quarter under review, Southern Steel Berhad (“SSB” or “the Company”) had on 8 May 2012 announced that it had entered into separate Share Sale Agreements with its subsidiaries/shareholders of a subsidiary to acquire the equity interests in the following subsidiaries:-

Transferor	Transferee	Subject Company	Equity Interest %	No. of Share	Consideration RM
Southern Wire Industries Malaysia Sdn Bhd (“SWI”)	SSB	Southern PC Steel Sdn Bhd (“SPC”)	*96.77	3,000,000 ordinary shares of RM1.00 each	45,098,000.00
SWI	SSB	Trend Staples Industry Sdn Bhd	100.00	530,000 ordinary shares of RM1.00 each	1.00
Starglow Investments Ltd (“Starglow”)	SSB	SWI	@0.73	100,000 Class B ordinary shares of RM1.00 each	100,000.00
Interactive Corporation	SSB	Southern Speciality Wire Sdn Bhd (“SSW”)	# 20	1,500,000 ordinary shares of RM1.00 each	600,000.00
Chuang Chen-Chi			# 5	375,000 ordinary shares of RM1.00 each	200,000.00

* The remaining 3.23% equity interest in SPC is held by Starglow, an indirect wholly-owned subsidiary of SSB.

@ The remaining 99.27% equity interest in SWI is held by SSB.

Referred to as “Acquisition of SSW”

12. Contingent liabilities or contingent assets

There are no contingent liabilities or contingent assets as at the date of this report.

13. Review of performance

For the quarter under review, the Group recorded a revenue of RM869.3 million and a loss before taxation (“LBT”) of RM29.3 million. For the financial year-to-date, the Group recorded a revenue of RM2,532.1 million and a LBT of RM18.4 million. It was mainly due to depressed prices.

There were no comparative figures reported as the Group changed its financial year end from 31 December to 30 June during the preceding 18 months’ period ended 30 June 2011.

SOUTHERN STEEL BERHAD (5283-X)**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012****The figures have not been audited****14. Material changes in profit before taxation against the immediate preceding quarter**

The Group's revenue and LBT for the quarter under review were RM869.3 million and RM29.3 million respectively as compared with the preceding quarter's revenue and LBT of RM928.8 million and RM6.4 million respectively. The increased loss in the current quarter was due to reduced sales and lower margin.

15. Prospects

The world economic outlook remains weak with uncertainties looming over the Euro Debt crisis. However, the local market is expected to improve as the projects under the Economic Transformation Program and 10th Malaysian Plan are progressively implemented. While the market is likely to remain intensely competitive, the Board expects the Group to move back into profit in the fourth quarter of the financial year.

16. Profit forecast / profit guarantee

This note is not applicable.

17. Loss before taxation

	Current Year Quarter 31/03/2012 RM'000	Current Year To-date 31/03/2012 RM'000
Loss before taxation is arrived at after charging/(crediting) :-		
Gross dividend income from other investments	(102)	(469)
Depreciation and amortization	20,898	62,878
Impairment loss/(reversal of impairment) on trade receivables	1,116	(902)
Allowance for inventories obsolescence	561	3,695
Gain on foreign exchange	(4,978)	(2,195)
Finance income	(223)	(611)
Fair value Gain/(loss) on derivatives instruments	(227)	432
(Gain)/loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Impairment of property, plant and equipment	N/A	N/A

18. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/03/2012 RM'000	Preceding Year Corresponding Quarter 31/03/2011 RM'000	Current Year To-date 31/03/2012 RM'000	Preceding Year Corresponding Period 31/03/2011 RM'000
Current taxation (Malaysian):				
current year	793	N/A	(1,475)	N/A
Deferred taxation: current year	2,918	N/A	3,595	N/A
	<u>3,711</u>	<u>N/A</u>	<u>2,120</u>	<u>N/A</u>

The Group's effective tax rate for the financial period is higher than statutory tax rate mainly due to tax relief not available for losses incurred by certain companies in the Group.

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

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19. Corporate proposal

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

On 9th May 2012, Southern Steel Berhad (“SSB” or “the Company”) announced that it had entered into a joint venture agreement with NV Bekaert SA (“Bekaert”) of Belgium, to form a joint venture company (“JV Co”) in Singapore for the manufacture and sale of specified steel wire in the ASEAN region with an initial share capital of S\$10,000 and in the participation ratio of SSB 45% : Bekaert 55% (“Proposed JV”). The enlarged joint venture business encompasses SSB’s existing downstream wire business and Bekaert’s existing Indonesian galvanized and multi-coated wire business.

The Proposed JV is subject to the approval of the Malaysian Industrial Development Authority for the sale and transfer of the entire issued share capital of Southern Wire Industries (Malaysia) Sdn Bhd by SSB to JV Co, pursuant to the manufacturing licences issued, the approval from the Capital Investment Coordinating Board (BKPM), the approval of the Minister of Law and Human Rights of the Republic of Indonesia and the approval of European Commission based on EU Competition Law Rules Applicable to Merger Control.

20. Group’s borrowings and debt securities

Particulars of the Group’s borrowings and debt securities as at 31 March 2012 are as follows: -

	RM’000
Unsecured long term borrowings	19,022
Unsecured short term borrowings	858,824
	<u>877,846</u>

The above include borrowings denominated in foreign currencies as follows: -

	RM’000
USD borrowings	120,672

21. Changes in material litigation

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

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

The figures have not been audited

22. Dividend

- (a) The Board has declared a second interim dividend of 5.0 sen per share tax exempt for the quarter ended 31 March 2012 of the financial year ending 30 June 2012 to be paid on 18 June 2012 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 30 May 2012.

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 30 May 2012 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, dividend of 10.0 sen per share tax exempt has been declared.

23. Loss per ordinary share

(a) Basic loss per ordinary share

The calculation of basic loss per ordinary share for the quarter under review is calculated by dividing the Group's losses attributable to owners of the Company of RM25,155,000 and the weighted average number of ordinary shares during the quarter of 419,417,208.

The calculation of 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 RM14,630,000 and the weighted average number of ordinary shares during the period of 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 as there are no dilutive potential ordinary shares.

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2012

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24. Realised and unrealised profits /(losses) disclosure

The retained profits as at 31 March 2012 and 30 June 2011 are analysed as follows:-

	As At End of Current Quarter 31/03/2012 RM'000	As At End of Preceding Financial Year 30/06/2011 RM'000
Total retained profits of the Company and the subsidiaries:-		
-Realised	471,377	508,739
-Unrealised	(26,513)	(17,901)
	<hr/> 444,864	<hr/> 490,838
Total share of retained profit of associated company:		
- Realised	2,047	2,133
	<hr/> 446,911	<hr/> 492,971
Less: Consolidation adjustments	(78,827)	(89,286)
Total Group's retained profits	<hr/> 368,084	<hr/> 403,685

By Order of the Board
Southern Steel Berhad

Ting Kok Keong
Company Secretary

Penang
15 May 2012