

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2013

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Revenue	705,779	692,543	1,383,731	1,396,656
Cost of sales	(652,691)	(662,020)	(1,293,154)	(1,319,413)
Gross profit	53,088	30,523	90,577	77,243
Operating expenses	(35,337)	(31,510)	(68,745)	(64,424)
Other operating income	(1,849)	1,192	1,635	5,186
Profit from operation	15,902	205	23,467	18,005
Finance costs	(6,908)	(6,776)	(14,175)	(14,567)
Share of losses of associated companies	(4,532)	(3,466)	(9,068)	(4,868)
Profit/(Loss) before taxation	4,462	(10,037)	224	(1,430)
Taxation	(2,041)	2,698	(1,798)	1,207
Profit/(Loss) for the period	2,421	(7,339)	(1,574)	(223)
Attributable to:				
Owners of the Company	2,260	(7,396)	(1,912)	(302)
Non-controlling interests	161	57	338	79
Profit/(Loss) for the period	2,421	(7,339)	(1,574)	(223)
Earnings/(Loss) per ordinary share (sen): -				
(a) Basic	0.5	(1.8)	(0.5)	(0.1)
(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 SECOND QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2013 (CONTINUED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Profit/(Loss) for the period	2,421	(7,339)	(1,574)	(223)
Fair value (loss)/gain on available-for-sale financial assets	(180)	2,380	(292)	4,519
Foreign currency translation differences for foreign operations	345	(260)	2,093	(1,536)
Total comprehensive income/(loss) for the period	2,586	(5,219)	227	2,760
Total comprehensive income/(loss) attributable to:				
Owners of the Company	2,425	(5,276)	(111)	2,682
Non-controlling interests	161	57	338	78
Total comprehensive income/(loss) for the period	2,586	(5,219)	227	2,760

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 SECOND QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	As At End of Current Quarter	As at End of Preceding Financial Year
	31/12/2013 RM'000	30/06/2013 RM'000
ASSETS		
Property, plant and equipment	1,064,437	977,108
Goodwill on consolidation	30,256	30,256
Investment in associated companies	70,257	79,325
Other investments	1,002	1,294
Deferred tax assets	10,944	10,944
Tax credit receivables	19,687	17,015
Total non-current assets	1,196,583	1,115,942
Inventories	648,368	753,946
Trade and other receivables	235,074	231,779
Current tax assets	2,154	11,672
Derivative financial assets	224	224
Deposits, cash and bank balances	70,819	86,840
Total current assets	956,639	1,084,461
TOTAL ASSETS	2,153,222	2,200,403
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	411,467	411,467
Reserves	441,393	449,892
	852,860	861,359
Non-controlling interests	5,840	5,502
TOTAL EQUITY	858,700	866,861
LIABILITIES		
Borrowings	315,946	228,124
Retirement benefits	24,967	23,993
Deferred tax liabilities	19,289	22,837
Deferred income	18,325	19,087
Total non-current liabilities	378,527	294,041
Retirement benefits	405	405
Trade and other payables	184,539	231,992
Borrowings	730,604	806,986
Derivative financial liabilities	447	118
Total current liabilities	915,995	1,039,501
TOTAL LIABILITIES	1,294,522	1,333,542
TOTAL EQUITY AND LIABILITIES	2,153,222	2,200,403
Net assets per share attributable to owners of the Company (RM)	2.03	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 SECOND QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013

	← Attributable to owners of the Company →						← 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
Current year-to-date ended									
31 December 2013	411,467	35,852	30,000	50	832	1,708	381,450	5,502	866,861
Other comprehensive (expense)/income									
- loss on fair value of available-for-sale financial assets	-	-	-	-	(292)	-	-	-	(292)
- foreign currency translation differences for foreign operations	-	-	-	-	-	2,093	-	-	2,093
(Loss)/Profit for the period	-	-	-	-	-	-	(1,912)	338	(1,574)
Total comprehensive (loss)/income for the period	-	-	-	-	(292)	2,093	(1,912)	338	227
Total distribution to owners of the Company									
- dividends	-	-	-	-	-	-	(8,388)	-	(8,388)
At 31 December 2013	411,467	35,852	30,000	50	540	3,801	371,150	5,840	858,700

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2013
(CONTINUED)**

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity	
	Share capital	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	
Preceding year corresponding period ended 31 December 2012	411,467	35,852	30,000	50	(5,556)	2,005	379,869	853,687	(1,527)	852,160
At 1 July 2012										
Other comprehensive income/(expense) - gain/(loss) on fair value of available-for-sale financial assets	-	-	-	-	4,520	-	-	4,520	(1)	4,519
- foreign currency translation differences for foreign operations	-	-	-	-	-	(1,536)	-	(1,536)	-	(1,536)
(Loss)/Profit for the period	-	-	-	-	-	-	(302)	(302)	79	(223)
Total comprehensive income/(loss) for the period	-	-	-	-	4,520	(1,536)	(302)	2,682	78	2,760
Total distribution to owners of the Company	-	-	-	-	-	-	(8,388)	(8,388)	-	(8,388)
- dividends	-	-	-	-	-	-	(8,388)	(8,388)	-	(8,388)
At 31 December 2012	411,467	35,852	30,000	50	(1,036)	469	371,179	847,981	(1,449)	846,532

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 SECOND QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2013

	Current Year To-date	Preceding Year Corresponding Period
	31/12/2013 RM'000	31/12/2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	224	(1,430)
Adjustments for:-		
Depreciation and amortisation	35,695	38,041
Net finance costs	13,878	14,345
Share of loss of associated companies	9,068	4,868
Other non-cash items	(2,828)	(869)
Operating profit before changes in working capital	56,037	54,955
Changes in working capital		
Net change in current assets	101,469	79,024
Net change in current liabilities	(46,283)	(75,181)
Taxation refunded/(paid)	5,140	(839)
Finance costs paid	(13,465)	(13,037)
Retirement benefits paid	(137)	(2,432)
Net cash generated from operating activities	102,761	42,490
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(123,470)	(124,671)
Investment in associated companies	-	(361)
Proceeds from disposal of property, plant and equipment	-	25
Proceeds from disposal of subsidiaries	-	9,411
Interest income received	117	142
Dividend income received	7	7
Net cash used in investing activities	(123,346)	(115,447)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of borrowings	7,860	56,077
Dividends paid	(8,388)	(8,388)
Net cash (used in)/generated from financing activities	(528)	47,689
NET CHANGE IN CASH AND CASH EQUIVALENTS	(21,113)	(25,268)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	83,410	57,901
EFFECT ON EXCHANGE RATE FLUCTUATIONS ON CASH HELD	2,093	(150)
CASH & CASH EQUIVALENTS AT END OF PERIOD	64,390	32,483

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2013 (CONTINUED)

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

	31/12/2013 RM'000	31/12/2012 RM'000
Deposits, cash and bank balances	70,819	40,109
Bank overdrafts	(6,429)	(7,626)
	<u>64,390</u>	<u>32,483</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 SECOND QUARTER ENDED 31 DECEMBER 2013

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 SECOND QUARTER ENDED 31 DECEMBER 2013

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)	9,643	(351)	9,292
Included in the measure of segment profit/(loss) are:			
Revenue from external customers	1,383,731	-	1,383,731
Depreciation and amortisation	(35,683)	(12)	(35,695)
Finance costs	(14,122)	(53)	(14,175)

Reconciliation of reportable segment profit/(loss)

	RM'000
Reportable segment	9,292
Share of loss of associated companies	(9,068)
Consolidated profit before taxation	224

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:

The following wholly-owned subsidiaries of the Company have been placed under members' voluntary liquidation:-

- (a) Terus Staples Sdn Bhd (formerly known as Trend Staples Industry Sdn Bhd); and
- (b) Centimeter Wire Sdn Bhd (formerly known as Southern Coated Wire Sdn Bhd).

The liquidations are currently pending tax clearance from the Inland Revenue Board and final meeting to be convened.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2013

The figures have not been audited

11. Review of performance

For the quarter under review, the Group registered a revenue of RM705.8 million and a profit before taxation ("PBT") of RM4.5 million as compared with a revenue and loss before taxation ("LBT") of RM692.5 million and RM10.0 million respectively for the corresponding quarter of the preceding year ended 30 June 2013 ("FY 2013"). The improvement in PBT during the quarter under review was mainly contributed by better margin as compared with the corresponding quarter of FY 2013 but negated by higher losses from associates.

For the financial year-to-date, the Group had a revenue of RM1,383.7 million and PBT of RM0.2 million as compared with a revenue and LBT of RM1,396.7 million and RM1.4 million respectively for the corresponding period of FY 2013. A higher profit was made despite a lower revenue, mainly attributable to better margin, partly offset by share of higher losses from associated companies.

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

For the quarter under review, the Group made a PBT of RM4.5 million as compared with a LBT of RM4.2 million in the preceding quarter, mainly contributed by higher selling prices and better margin.

13. Prospects

There has been progress in trade actions against influx of cheap steel products from China. More trade remedial actions are being pursued in the coming quarters, and the industry is hopeful of strong support from the government. Although the effectiveness of these measures has yet to be seen, it does provide relief to the local industry and positive impact is expected in the fourth quarter of the financial year ending 30 June 2014 ("FY 2014"). However, the recent price increase in electricity and the anticipated related cost increases will exert cost pressure to the industry. The Group continuously undertakes energy saving and efficiency programmes which will mitigate some of these increases. On balance, the Board expects to see better performance in the second half of the FY 2014.

14. Profit forecast/Profit guarantee

This note is not applicable.

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15. Profit/(Loss) before taxation

	Current Year Quarter 31/12/2013 RM'000	Current Year To-date 31/12/2013 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):-		
Finance income	(146)	(297)
Gross dividend income from other investments	-	(7)
Depreciation and amortization	17,877	35,695
Allowances for impairment loss on trade receivables	152	979
Provision of inventories obsolescence	1,022	931
Gain on foreign exchange	(58)	(2,666)
Fair value (gain)/loss on derivative instruments	(50)	328
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
	31/12/2013 RM'000	31/12/2012 RM'000	31/12/2013 RM'000	31/12/2012 RM'000
Current taxation (Malaysian):				
- Current year	2,480	(182)	4,378	1,542
- Over provision in prior years	-	-	-	(135)
	<u>2,480</u>	<u>(182)</u>	<u>4,378</u>	<u>1,407</u>
Deferred taxation:				
- Current year	(1,192)	(1,731)	(3,548)	(4,163)
- Under provision in prior years	-	-	-	526
	<u>(1,192)</u>	<u>(1,731)</u>	<u>(3,548)</u>	<u>(3,637)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances – current year	753	(785)	968	1,023
	<u>753</u>	<u>(785)</u>	<u>968</u>	<u>1,023</u>
	<u>2,041</u>	<u>(2,698)</u>	<u>1,798</u>	<u>(1,207)</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.

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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:-

Southern Steel Berhad (“the Company” or “SSB”) has, on 26 August 2013, announced that the Company proposed to:

- (a) terminate the existing executive share option scheme (“ESOS”) of SSB, which was established on 8 October 2008 and will expire on 7 October 2018 (“Proposed Termination”); and
- (b) establish an executive share scheme (“Proposed 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 Proposed Termination and the Proposed ESS (collectively referred to as the “Proposals”) were approved by the shareholders of SSB on 22 October 2013.

Bursa Securities Malaysia Berhad has, via its letter dated 10 September 2013, granted its approval in-principle for the listing of such number of additional new ordinary shares of RM1.00 each in SSB, representing up to 10% of the issued and paid-up ordinary share capital of the Company, to be issued pursuant to the Proposed ESS.

Barring any unforeseen circumstances, the Company expects to implement the Proposals by the first quarter of year 2014.

18. Group’s borrowings and debt securities

Particulars of the Group’s borrowings and debt securities as at 31 December 2013 are as follows: -

	RM’000
Unsecured long term borrowings	315,946
Unsecured short term borrowings	730,604
	<u>1,046,550</u>

There were no borrowings denominated in foreign currencies as at 31 December 2013.

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 does not recommend any interim dividend for the quarter ended 31 December 2013 of the financial year ending 30 June 2014 (2nd quarter 2012/2013: Nil).
- (b) For the financial year-to-date, a total dividend of 2.0 sen per share tax exempt (2012/2013 : 2.0 sen per share tax exempt) has been declared.

21. Earnings/(Loss) per ordinary share

(a) Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM2,260,000 (2nd quarter 2012/2013 : losses attributable to owners of the Company of RM7,396,000) and the weighted average number of ordinary shares during the period of 419,417,208 (2nd quarter 2012/2013 : 419,417,208).

The basic earnings/(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 RM1,912,000 (2012/2013 : losses attributable to owners of the Company of RM302,000) and 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 31/12/2013 RM'000	As At End of Preceding Financial Year 30/06/2013 RM'000
Total retained earnings of the Company and its subsidiaries:-		
-realised	460,471	453,027
-unrealised	(21,462)	(13,526)
	439,009	439,501
Total share of retained earnings of associated companies:-		
-realised	(8,717)	384
-unrealised	(45)	-
	(8,762)	384
Less: Consolidation adjustments	(59,097)	(58,435)
Group's retained earnings	371,150	381,450

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
10 February 2014