

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2015

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Revenue	592,435	610,737	592,435	610,737
Cost of sales	(593,670)	(603,698)	(593,670)	(603,698)
Gross (loss)/profit	(1,235)	7,039	(1,235)	7,039
Operating expenses	(33,595)	(31,740)	(33,595)	(31,740)
Other operating (expense)/income	(10,152)	10,329	(10,152)	10,329
Loss from operation	(44,982)	(14,372)	(44,982)	(14,372)
Finance costs	(10,649)	(9,302)	(10,649)	(9,302)
Share of loss in associated companies, net of tax	(952)	(5,056)	(952)	(5,056)
Loss before taxation	(56,583)	(28,730)	(56,583)	(28,730)
Taxation	4,923	7,315	4,923	7,315
Loss for the period	(51,660)	(21,415)	(51,660)	(21,415)
Loss attributable to:				
Owners of the Company	(51,910)	(21,664)	(51,910)	(21,664)
Non-controlling interests	250	249	250	249
Loss for the period	(51,660)	(21,415)	(51,660)	(21,415)
Loss per ordinary share (sen): -				
(a) Basic	(12.38)	(5.17)	(12.38)	(5.17)
(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 FIRST QUARTER ENDED 30 SEPTEMBER 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2015 (CONTINUED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/09/2015 RM'000	30/09/2014 RM'000	30/09/2015 RM'000	30/09/2014 RM'000
Loss for the period	(51,660)	(21,415)	(51,660)	(21,415)
(Loss)/gain on fair value of available-for-sale financial assets	(57)	15	(57)	15
Foreign currency translation differences for foreign operation	121	286	121	286
Cash flow hedge	10,510	-	10,510	-
Total comprehensive expense for the period	(41,086)	(21,114)	(41,086)	(21,114)
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(41,336)	(21,363)	(41,336)	(21,363)
Non-controlling interests	250	249	250	249
Total comprehensive expense for the period	(41,086)	(21,114)	(41,086)	(21,114)

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 FIRST QUARTER ENDED 30 SEPTEMBER 2015

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	As At End of Current Quarter	As at End of Preceding Financial Year
	30/09/2015 RM'000	30/06/2015 RM'000
ASSETS		
Property, plant and equipment	1,392,826	1,377,138
Goodwill on consolidation	30,256	30,256
Investments in associated companies	14,871	15,823
Other investments	468	525
Deferred tax assets	55,315	47,915
Tax credit receivable	18,351	18,351
Total non-current assets	1,512,087	1,490,008
Inventories	735,134	783,866
Trade and other receivables, including derivatives	231,111	254,256
Current tax assets	5,034	2,195
Cash and cash equivalents	99,584	53,666
Total current assets	1,070,863	1,093,983
TOTAL ASSETS	2,582,950	2,583,991
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	419,417	419,417
Reserves	291,225	332,561
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	153,900	153,900
	864,542	905,878
NON-CONTROLLING INTERESTS		
	7,296	7,046
TOTAL EQUITY	871,838	912,924
LIABILITIES		
Deferred tax liabilities	22,545	21,912
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	36,013	37,869
Deferred income	14,389	14,771
Retirement benefits	25,910	25,358
Trade and other payables	121,575	103,502
Borrowings	262,248	278,946
Total non-current liabilities	482,680	482,358
Retirement benefits	194	241
Trade and other payables, including derivatives	318,198	370,161
Borrowings	906,069	817,919
Current tax liabilities	3,971	388
Total current liabilities	1,228,432	1,188,709
TOTAL LIABILITIES	1,711,112	1,671,067
TOTAL EQUITY AND LIABILITIES	2,582,950	2,583,991
Net assets per share attributable to owners of the Company (RM)	2.06	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 FIRST QUARTER ENDED 30 SEPTEMBER 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 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 30 September 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	-	-	-	-	-	-	-	-	(51,910)	(51,910)	250	(51,660)	
Other comprehensive (expense)/income:													
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	(57)	-	-	-	(57)	-	(57)	
- Foreign currency translation differences	-	-	-	-	-	-	-	121	-	121	-	121	
- Cash flow hedge	-	-	-	-	-	-	10,510	-	-	10,510	-	10,510	
Total comprehensive (expense)/income for the period	-	-	-	-	-	(57)	10,510	121	(51,910)	(41,336)	250	(41,086)	
At 30 September 2015	419,417	153,900	35,852	30,000	50	6	10,510	5,588	209,219	864,542	7,296	871,838	

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2015 (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	RM'000
Preceding year corresponding period ended 30 September 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	-	-	-	-	-	-	(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
Total comprehensive income/(expense) for the period	-	-	-	-	15	286	(21,664)	(21,363)	249	(21,114)
At 30 September 2014	419,417	35,852	30,000	50	414	3,732	354,012	843,477	6,673	850,150

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 FIRST QUARTER ENDED 30 SEPTEMBER 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2015

	Current Year To-date	Preceding Year Corresponding Period
	30/09/2015 RM'000	30/09/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(56,583)	(28,730)
Adjustments for:-		
Depreciation and amortisation	15,424	17,330
Net financing costs	10,649	9,548
Share of loss in associated companies, net of tax	952	5,056
Gain on disposal of associated companies	(25,039)	-
Non-cash items	32,399	8,078
Operating (loss)/profit before changes in working capital	(22,198)	11,282
Changes in working capital		
Net change in current assets	82,461	(54,785)
Net change in current liabilities	(63,849)	(99,485)
Taxation paid	(1,100)	(2,576)
Net financing costs paid	(13,722)	(9,132)
Retirement benefits paid	(116)	(79)
Dividend income received	-	7
Net cash used in operating activities	(18,524)	(154,768)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(27,625)	(39,706)
Proceeds from disposal of associated companies	25,039	-
Proceeds from disposal of property, plant and equipment	60	35
Net cash used in investing activities	(2,526)	(39,671)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	76,611	173,130
RCULS coupon payment	(4,605)	-
Net cash generated from financing activities	72,006	173,130
NET CHANGE IN CASH AND CASH EQUIVALENTS	50,956	(21,309)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,132	58,548
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	121	286
CASH & CASH EQUIVALENTS AT END OF PERIOD	99,209	37,525

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER
ENDED 30 SEPTEMBER 2015**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED
30 SEPTEMBER 2015 (CONTINUED)**

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

	30/09/2015	30/09/2014
	RM'000	RM'000
Deposits placed with licensed banks	70,077	17,900
Cash and bank balances	29,507	35,766
Bank overdrafts	(375)	(16,141)
	<u>99,209</u>	<u>37,525</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 FIRST QUARTER
ENDED 30 SEPTEMBER 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 (“Bursa Securities”) 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, shares cancellation, share buy-back, 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 dividends paid during the quarter under review and financial year-to-date.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015
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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
Segment loss	(43,218)	(1,961)	(45,179)

Included in the measure of segment loss are:

Revenue from external customers	592,435	-	592,435
Depreciation and amortisation	15,421	3	15,424

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(45,179)
Interest income	197
Finance costs	(10,649)
Share of loss in associated companies, net of tax	(952)
Consolidated loss before taxation	(56,583)

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) The Company, has on 29 September 2015, entered into a Shares Sale Agreement with Bekaert Singapore Pte Ltd ("BSPL") and NV Bekaert SA, to dispose of 23,140,080 ordinary shares of SGD1 each in Bekaert Southern Wire Pte Ltd ("BSWPL"), representing 45% of the issued and paid-up share capital of BSWPL, for a total consideration of USD5,690,682 equivalent to RM25,039,000 ("Disposal"). The Disposal was completed on the same day. Following the Disposal, BSWPL and its subsidiaries have ceased as associated companies of the Company.
- b) 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.

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11. Review of performance

For the quarter under review, the Group recorded a revenue of RM592.4 million and loss before taxation (“LBT”) of RM56.6 million as compared with a revenue of RM610.7 million and a LBT of RM28.7 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2015 (“FY2015”). Despite a higher sales volume was recorded, the decline in revenue was mainly due to lower selling prices which has eroded the margin. The higher LBT recorded in the quarter under review as compared with the corresponding quarter of FY2015 was mainly attributable to the margin erosion and unfavourable foreign exchange loss of RM29.0 million, which was partly mitigated by a gain of RM25.0 million resulted from the disposal of associated companies as disclosed in Note 10(a).

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

For the quarter under review, the Group recorded a LBT of RM56.6 million as compared with a LBT of RM0.4 million recorded in the preceding quarter. The higher LBT recorded in the current quarter under review was mainly due to the significant drop in selling prices and unfavourable foreign exchange loss of RM29.0 million, which was partly mitigated by the gain on disposal of associated companies of RM25.0 million as explained in note 11.

13. Prospects

The Board expects the influx of cheap Chinese steel products to continue until our government adopts effective measures to curb these unfair trade practices. However, the Group will continue to improve its operational efficiency to mitigate the eroded margin in this very unpredictable market.

14. Profit forecast/profit guarantee

This note is not applicable.

15. Loss before taxation

	Current Year Quarter 30/09/2015 RM'000	Current Year To-date 30/09/2015 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Interest income	(197)	(197)
Gross dividend from other investment	-	-
Depreciation and amortisation	15,424	15,424
Impairment loss on trade receivables	145	145
Inventories written down	5,670	5,670
Loss on foreign exchange	28,973	28,973
Fair value gain on derivative instruments	(362)	(362)
Gain on disposal of associates companies	(25,039)	(25,039)
Impairment of property, plant and equipment	-	-

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015
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16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To-date	Corresponding Period
	30/09/2015	30/09/2014	30/09/2015	30/09/2014
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	1,844	305	1,844	305
	<u>1,844</u>	<u>305</u>	<u>1,844</u>	<u>305</u>
Deferred taxation				
- Current year	(6,094)	(7,620)	(6,094)	(7,620)
- Over provision in prior year	(673)	-	(673)	-
	<u>(6,767)</u>	<u>(7,620)</u>	<u>(6,767)</u>	<u>(7,620)</u>
	<u>(4,923)</u>	<u>(7,315)</u>	<u>(4,923)</u>	<u>(7,315)</u>

The Group's effective tax rate for the quarter was lower than the statutory tax rate mainly due to deferred tax asset was not recognized in subsidiary that incurred losses for the financial period.

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 30 September 2015 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	262,248
Unsecured short term borrowings	906,069
	<u>1,168,317</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>36,013</u>

There were no borrowings denominated in foreign currencies as at 30 September 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 30 September 2015 of the financial year ending 30 June 2016 (2014/2015: Nil).

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2015
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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 RM51,910,000 (1st quarter 2014/2015 : RM21,664,000) by the weighted average number of ordinary shares during the quarter of 419,417,208 (1st quarter 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 30/09/2015 RM'000	As At End of Preceding Financial Year 30/06/2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	264,955	348,662
-unrealised	(17,922)	14,197
	247,033	362,859
Total share of retained earnings/(accumulated losses) of associated companies:		
-realised	9,383	(55,911)
-unrealised	-	11
	9,383	(55,900)
Less: Consolidation adjustments	(47,197)	(45,830)
Group's retained earnings	209,219	261,129

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Penang
11 November 2015