

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited

CONDENSED CONSOLIDATED INCOME STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
Revenue	928,842	N/A	1,662,846	N/A
Cost of sales	(902,001)	N/A	(1,573,072)	N/A
Gross profit	26,841	N/A	89,774	N/A
Operating expenses	(35,254)	N/A	(68,464)	N/A
Other operating income	10,761	N/A	6,664	N/A
Profit from operation	2,348	N/A	27,974	N/A
Finance costs	(9,049)	N/A	(17,395)	N/A
Share of profit of associated companies	290	N/A	336	N/A
(Loss)/profit before tax	(6,411)	N/A	10,915	N/A
Taxation	158	N/A	(1,591)	N/A
(Loss)/profit for the period	(6,253)	N/A	9,324	N/A
Attributable to:				
Owners of the company	(5,525)	N/A	10,525	N/A
Non-controlling interests	(728)	N/A	(1,201)	N/A
(Loss)/profit for the period	(6,253)	N/A	9,324	N/A
(Loss)/earnings per ordinary share (sen): -				
- Basic and fully diluted	(1.3)	N/A	2.5	N/A

Note:

There are no comparative figures disclosed for the preceding year's corresponding period following the change in 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 SECOND QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2011

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/12/2011 RM'000	31/12/2010 RM'000	31/12/2011 RM'000	31/12/2010 RM'000
(Loss)/profit for the period	(6,253)	N/A	9,324	N/A
Fair value gain/(loss) on available-for-sale investment	2,403	N/A	(6,002)	N/A
Foreign currency translation differences for foreign operations	2,414	N/A	2,093	N/A
Total comprehensive (expense)/income for the period	(1,436)	N/A	5,415	N/A
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(709)	N/A	6,621	N/A
Non-controlling interests	(727)	N/A	(1,206)	N/A
Total comprehensive (expense)/income for the period	(1,436)	N/A	5,415	N/A

Note:

There are no comparative figures disclosed for the preceding year's corresponding period following the change in 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 SECOND QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2011 RM'000	30/06/2011 RM'000
Property, plant and equipment	662,312	683,150
Associated companies	18,105	17,768
Available-for-sale investment	32,732	2,771
Deferred tax assets	11,771	10,331
Goodwill on consolidation	48,991	48,991
Total non-current assets	773,911	763,011
Inventories	924,886	1,040,568
Receivables	332,407	252,348
Tax recoverable	22,757	14,169
Derivative financial assets	-	199
Deposits, cash and bank balances	131,141	199,401
Total current assets	1,411,191	1,506,685
Payables	174,861	294,574
Short term Borrowings	1,080,694	1,032,870
Current tax liabilities	-	5
Retirement benefits	772	772
Derivative financial liabilities	460	-
Total current liabilities	1,256,787	1,328,221
Net Current Assets	154,404	178,464
Deferred tax liabilities	30,917	29,026
Retirement benefits	28,679	28,174
Total non-current liabilities	59,596	57,200
Total Net Assets	868,719	884,275
Equity attributable to owners of the Company		
Share capital	411,467	411,467
Reserves	458,458	472,808
	869,925	884,275
Non-controlling interests	(1,206)	-
Total Equity	868,719	884,275

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 SECOND QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2011

	← Attributable to owners of the Company →							Total	Non-controlling Interests	Total Equity
	Share capital	Share premium	Merger reserve	Non-distributable		Distributable				
				Capital redemption reserve	Fair value reserve	Exchange fluctuation reserve	Retained profits			
RM'000	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 2011										
At 1 July 2011	411,467	35,852	30,000	50	3,221	-	403,685	884,275	-	884,275
Other comprehensive (expense)/income										
- fair value loss on available-for-sale investment	-	-	-	-	(5,997)	-	-	(5,997)	(5)	(6,002)
- foreign currency translation differences for foreign operations	-	-	-	-	-	2,093	-	2,093	-	2,093
Profit/(loss) for the period	-	-	-	-	-	-	10,525	10,525	(1,201)	9,324
Total comprehensive (expense)/income for the period	-	-	-	-	(5,997)	2,093	10,525	6,621	(1,206)	5,415
Dividends	-	-	-	-	-	-	(20,971)	(20,971)	-	(20,971)
At 31 December 2011	411,467	35,852	30,000	50	(2,776)	2,093	393,239	869,925	(1,206)	868,719

Note:

There are no comparative figures disclosed for the preceding year's corresponding period following the change in 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 SECOND QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2011

	Current Year To-date	Preceding Year Corresponding Period
	31/12/2011 RM'000	31/12/2010 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,915	N/A
Adjustments for:-		
Depreciation and amortisation	41,980	N/A
Net financing cost	17,007	N/A
Share of profit of associated companies	(336)	N/A
Other non-cash items	8,219	N/A
Operating profit before changes in working capital	77,785	N/A
Changes in working capital		
Net change in current assets	34,060	N/A
Net change in current liabilities	(120,545)	N/A
Retirement benefits paid	(985)	N/A
Taxation paid	(9,359)	N/A
Interest paid	(16,342)	N/A
Net cash used in operating activities	(35,386)	N/A
CASH FLOW FROM INVESTING ACTIVITY		
Dividend received	367	N/A
Proceeds from disposal of property, plant and equipment	157	N/A
Purchase of property, plant and equipment	(21,212)	N/A
Purchase of available-for-sale investments	(33,895)	N/A
Interest received	296	N/A
Net cash used in investing activity	(54,287)	N/A
CASH FLOWS FROM FINANCING ACTIVITY		
Net drawdown of borrowings	41,538	N/A
Dividend paid	(20,971)	N/A
Net cash generated from financing activity	20,567	N/A
NET CHANGE IN CASH AND CASH EQUIVALENTS	(69,106)	N/A
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	190,970	N/A
EFFECT ON FOREIGN EXCHANGE	(346)	N/A
CASH & CASH EQUIVALENTS AT END OF PERIOD	121,518	N/A

SOUTHERN STEEL BERHAD (5283-X)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2011**

The figures have not been audited

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

	31/12/2011	31/12/2010
	RM'000	RM'000
Deposits, cash and bank balances	131,141	N/A
Bank overdraft	(9,623)	N/A
	<hr/>	<hr/>
	121,518	N/A
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Note:

There are no comparative figures disclosed for the preceding year's corresponding period following the change in 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

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 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 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

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	27,524	450	27,974
Included in the measure of segment profit are:			
External revenue	1,662,491	355	1,662,846
Depreciation and amortisation	41,980	-	41,980
Reconciliation of segment profit to consolidated profit			RM'000
Reportable segments			27,974
Finance costs			(17,395)
Share of profit of associated Companies			336
Consolidated profit before tax			<u>10,915</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.

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.

12. Contingent liabilities or contingent assets

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited**13. Review of performance**

For the quarter under review, the Group recorded a revenue of RM928.8 million and loss before taxation (“LBT”) of RM6.4 million. There are no comparative figures for the preceding period’s corresponding quarter as the Group changed its financial year end from 31 December 2010 to 30 June 2011.

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

The Group’s revenue and LBT for the quarter under review were RM928.8 million and RM6.4 million respectively as compared with the preceding quarter’s revenue and profit before taxation of RM734.0 million and RM17.3 million. The higher revenue in current quarter was mainly due to higher export volume and a loss was recorded as a result of lower margins.

15. Prospects

The economic outlook is still uncertain with the overhanging Euro Debt crisis, the slower growth of the Chinese economy and the increasing risk of a second dip. The Board anticipates that the market will remain intense and competitive for the rest of the financial year.

16. Profit forecast / profit guarantee

This note is not applicable.

17. Loss before tax

	Current Year Quarter	Current Year
	31/12/2011	To-date
	RM’000	31/12/2011
		RM’000
Loss before tax is arrived at after charging/(crediting) :-		
Finance income	(188)	(388)
Dividend income	(355)	(367)
Depreciation and amortization	20,744	41,980
Allowance for doubtful debts written back	(350)	(2,018)
(Reversal of) / allowance for inventories obsolescence	(3,115)	3,134
Foreign exchange (gain)/loss	(5,464)	2,783
Loss on derivatives	853	659

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011

The figures have not been audited

18. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To-date	Corresponding Period
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
	RM'000	RM'000	RM'000	RM'000
Current taxation (Malaysian):				
current year	22	N/A	(2,268)	N/A
Deferred taxation: current year	136	N/A	677	N/A
	158	N/A	(1,591)	N/A

The Group's effective tax rate for the financial period is lower than statutory tax rate mainly due to:

- Tax lossess of certain companies not recognised as credit for the quarter
- Reinvestment allowance claimed for the year-to-date

19. Corporate proposals

There are no corporate proposals announced but not completed as at the date of this report.

20. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 31 December 2011 are as follows: -

Unsecured short term borrowings	RM'000 1,080,694
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The above include borrowings denominated in foreign currencies as follows: -

USD borrowings	RM'000 270,373
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21. Changes in material litigation

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

22. Dividend

- The Board does not recommend any interim dividend for the quarter ended 31 December 2011 of the financial year ending 30 June 2012.
- For the financial year-to-date, a total dividend of 5.0 sen per share tax exempt has been declared.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2011**The figures have not been audited****23. (Loss)/earnings per ordinary share****(a) Basic (loss)/earnings 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 RM5,525,000 and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

The calculation of basic earnings per ordinary share for the financial year-to-date is based on the profit attributable to owners of the company of RM10,525,000 and the weighted average number of ordinary shares outstanding during the period of 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 as there are no dilutive potential ordinary shares.

24. Realised and unrealised profits /(losses) disclosure

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

	As At End of Current Quarter 31/12/2011 RM'000	As At End of Preceding Financial Year 30/06/2011 RM'000
Total retained profits of the Company and the subsidiaries:-		
-Realised	504,291	508,739
-Unrealised	(33,150)	(17,901)
	471,141	490,838
 Total share of retained profit from associated company:		
- Realised	2,179	2,133
	473,320	492,971
 Less: Consolidation adjustments	(80,081)	(89,286)
 Total Group's retained profits	393,239	403,685

By Order of the Board
Southern Steel Berhad

Ting Kok Keong
Company Secretary

Penang
31 January 2012