

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2014

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Revenue	723,680	710,779	2,813,500	2,822,838
Cost of sales	(673,179)	(648,030)	(2,620,917)	(2,618,132)
Gross profit	50,501	62,749	192,583	204,706
Operating expenses	(37,757)	(42,100)	(139,167)	(140,067)
Other operating income	16,840	10,069	21,627	19,189
Profit from operation	29,584	30,718	75,043	83,828
Finance costs	(8,241)	(6,797)	(30,345)	(27,506)
Share of loss in associated companies	(1,201)	(3,446)	(13,780)	(11,964)
Profit before taxation	20,142	20,475	30,918	44,358
Taxation	(6,428)	4,083	(11,044)	(1,178)
Profit for the period	13,714	24,558	19,874	43,180
Attributable to:				
Owners of the Company	13,393	24,222	18,952	42,177
Non-controlling interests	321	336	922	1,003
Profit for the period	13,714	24,558	19,874	43,180
Earnings per ordinary share (sen): -				
(a) Basic	3.2	5.8	4.5	10.1
(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 FOURTH QUARTER ENDED 30 JUNE 2014

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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2014 (CONTINUED)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Profit for the period	13,714	24,558	19,874	43,180
(Loss)/Gain on fair value of available-for-sale financial assets	(12)	98	(433)	(288)
Reversal of fair value reserve upon disposal of available-for-sale financial assets	-	716	-	6,676
Foreign currency translation differences for foreign operation	(249)	1,158	1,738	(297)
Total comprehensive income for the period	13,453	26,530	21,179	49,271
Total comprehensive income attributable to:				
Owners of the Company	13,132	26,194	20,257	48,268
Non-controlling interests	321	336	922	1,003
Total comprehensive income for the period	13,453	26,530	21,179	49,271

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 FOURTH QUARTER ENDED 30 JUNE 2014

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	As At End of Current Quarter	As at End of Preceding Financial Year
	30/06/2014 RM'000	30/06/2013 RM'000
ASSETS		
Property, plant and equipment	1,309,298	977,108
Goodwill on consolidation	30,256	30,256
Investment in associated companies	65,545	79,325
Other investments	861	1,294
Deferred tax assets	16,542	10,944
Tax credit receivables	16,637	17,015
Total non-current assets	1,439,139	1,115,942
Inventories	699,649	753,946
Trade and other receivables	202,204	231,779
Current tax assets	3,738	11,672
Derivative financial assets	673	224
Deposits placed with licensed banks	21,750	18,580
Cash and bank balances	37,872	68,260
Total current assets	965,886	1,084,461
TOTAL ASSETS	2,405,025	2,200,403
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	419,417	419,417
Reserves	445,423	441,942
	864,840	861,359
Non-controlling interests	6,424	5,502
TOTAL EQUITY	871,264	866,861
LIABILITIES		
Deferred tax liabilities	29,086	22,837
Deferred income	16,295	19,087
Retirement benefits	25,692	23,993
Borrowings	438,378	228,124
Other payables	105,919	-
Total non-current liabilities	615,370	294,041
Derivative financial liabilities	664	118
Retirement benefits	275	405
Trade and other payables	339,528	231,992
Borrowings	577,331	806,986
Current tax liabilities	593	-
Total current liabilities	918,391	1,039,501
TOTAL LIABILITIES	1,533,761	1,333,542
TOTAL EQUITY AND LIABILITIES	2,405,025	2,200,403
Net assets per share attributable to owners of the Company (RM)	2.06	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 FOURTH QUARTER ENDED 30 JUNE 2014
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2014

	← Attributable to owners of the Company →									
	← Non-distributable →						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	RM'000	RM'000
Current year-to-date ended 30 June 2014										
At 1 July 2013	419,417	35,852	30,000	50	832	1,708	373,500	861,359	5,502	866,861
Profit for the period	-	-	-	-	-	-	18,952	18,952	922	19,874
Other comprehensive (expense)/income										
- Loss on fair value of available-for-sale financial assets	-	-	-	-	(433)	-	-	(433)	-	(433)
- Foreign currency translation differences	-	-	-	-	-	1,738	-	1,738	-	1,738
Total comprehensive (expenses)/income for the period	-	-	-	-	(433)	1,738	18,952	20,257	922	21,179
Total distribution to owners of the Company										
- Dividends	-	-	-	-	-	-	(16,776)	(16,776)	-	(16,776)
At 30 June 2014	419,417	35,852	30,000	50	399	3,446	375,676	864,840	6,424	871,264

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2014
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2014 (CONTINUED)

	← Attributable to owners of the Company →										
	Share capital	← Non-distributable →					Distributable		Total	Non-controlling interests	Total equity
		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	RM'000	RM'000	
Preceding year corresponding period ended 30 June 2013											
At 1 July 2012	419,417	35,852	30,000	50	(5,556)	2,005	366,149	847,917	(1,527)	846,390	
Profit for the period	-	-	-	-	-	-	42,177	42,177	1,003	43,180	
Other comprehensive income/(expense)											
- Gain on fair value of available-for-sale financial assets	-	-	-	-	(288)	-	-	(288)	-	(288)	
- Foreign currency translation differences	-	-	-	-	-	(297)	-	(297)	-	(297)	
- Reversal of fair value reserve upon disposal of available-for-sale financial assets	-	-	-	-	6,676	-	-	6,676	-	6,676	
Total comprehensive income/(expense) for the period	-	-	-	-	6,388	(297)	42,177	48,268	1,003	49,271	
Total distribution to owners of the Company											
- Dividends	-	-	-	-	-	-	(29,359)	(29,359)	-	(29,359)	
- Issuance of shares to non-controlling interests	-	-	-	-	-	-	(5,467)	(5,467)	6,026	559	
At 30 June 2013	419,417	35,852	30,000	50	832	1,708	373,500	861,359	5,502	866,861	

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 FOURTH QUARTER ENDED 30 JUNE 2014
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014

	Current Year To-date	Preceding Year Corresponding Period
	30/06/2014 RM'000	30/06/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	30,918	44,358
Adjustments for:-		
Depreciation and amortisation	71,668	75,859
Net finance costs	29,497	27,506
Share of loss in associated companies	13,780	11,964
Other non-cash items	(2,793)	(7,115)
Operating profit before changes in working capital	143,070	152,572
Changes in working capital		
Net change in current assets	83,872	(112,560)
Net change in current liabilities	60,398	(28,835)
Taxation refunded/(paid)	906	(5,673)
Finance costs paid	(58,890)	(40,570)
Retirement benefits paid	(400)	(1,273)
Interest income received	848	563
Dividend income received	245	1,069
Net cash generated from/(used in) operating activities	230,049	(34,707)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(223,073)	(287,515)
Proceeds from disposal of property, plant and equipment	245	33
Proceeds from disposal of other investment	-	38,375
Investment in associated companies	-	(361)
Proceeds from disposal of subsidiaries	-	7,780
Net cash used in investing activities	(222,828)	(241,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of borrowings	(17,862)	331,817
Dividends paid	(16,776)	(29,359)
Issuance of shares to non-controlling shareholders of a subsidiary	-	559
Net cash (used in)/generated from financing activities	(34,638)	303,017
NET CHANGE IN CASH AND CASH EQUIVALENTS	(27,417)	26,622
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	84,227	57,902
EFFECT ON EXCHANGE RATE FLUCTUATIONS ON CASH HELD	1,738	(297)
CASH & CASH EQUIVALENTS AT END OF PERIOD	58,548	84,227

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2014 (CONTINUED)

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

	30/06/2014	30/06/2013
	RM'000	RM'000
Deposits placed with licensed banks	21,750	18,580
Cash and bank balances	37,872	68,260
Bank overdrafts	(1,074)	(2,613)
	<u>58,548</u>	<u>84,227</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 FOURTH QUARTER ENDED 30 JUNE 2014

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

The Company has paid the following dividends during the current financial year-to-date:-

	Current Year To-date RM’000
First interim dividend of 2.0 sen per share tax exempt, paid on 27 December 2013	8,388
Second interim dividend of 2.0 sen per share tax exempt, paid on 30 May 2014	8,388
	<u>16,776</u>

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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 profit	74,943	100	75,043
Included in the measure of segment profit are:			
Revenue from external customers	2,813,166	334	2,813,500
Depreciation and amortisation	(71,644)	(24)	(71,668)

Reconciliation of reportable segment profit

	RM'000
Reportable segment	75,043
Finance costs	(30,345)
Share of loss in associated companies	(13,780)
Consolidated profit before taxation	30,918

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:

Centimeter Wire Sdn Bhd ("CW"), a wholly-owned subsidiary of the Company, has been placed under member's voluntary liquidation pursuant to Section 254(1)(b) of the Companies Act 1965. The joint liquidators of CW have convened a Final Meeting to conclude the Member's Voluntary Liquidation of CW and accordingly, CW dissolved on 22 August 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

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11. Review of performance

For the quarter under review, the Group recorded a revenue of RM723.7 million and a profit before taxation (“PBT”) of RM20.1 million as compared with a revenue and PBT of RM710.8 million and RM20.5 million respectively in the corresponding quarter of the preceding year ended 30 June 2013 (“FY 2013”). Excluding the unrealised exchange gain of RM4.5 million and recognition of deferred income arising from tax incentive claims of RM3.7 million, PBT for the quarter under review was lower at RM11.9 million as a result of lower margin.

For the financial year-to-date, the Group recorded a revenue of RM2,813.5 million and PBT of RM30.9 million as compared with a revenue and PBT of RM2,822.8 million and RM44.4 million respectively for the corresponding period of FY 2013. The lower PBT was mainly attributable to lower margins and share of higher losses in an associated company.

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

For the quarter under review, the Group achieved a higher PBT of RM20.1 million as compared with a PBT of RM10.6 million in the preceding quarter. The improvement in PBT was mainly contributed by higher unrealised exchange gain and recognition of deferred income arising from tax incentive claims as mentioned above.

13. Prospects

Chinese steel products continue to be dumped into Malaysia in higher quantities through the leakages contained in various trade remedial actions. The industry is now reviewing the effectiveness of these actions together with relevant government authorities. If these leakages cannot be closed effectively in the near future, the Malaysian steel industry will come under even greater pressure and the Group will not be able to hold its modest profits in this severe scenario in the financial year ending 30 June 2015. Nonetheless, the Board is hopeful that with stronger enforcement on anti-dumping actions and various cost savings measures, this severe scenario can be avoided.

14. Profit forecast/Profit guarantee

This note is not applicable.

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15. Profit before taxation

	Current Year Quarter 30/06/2014 RM'000	Current Year To-date 30/06/2014 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Finance income	(407)	(848)
Gross dividend income from other investments	(1)	(245)
Depreciation and amortisation	18,051	71,668
Impairment loss on trade receivables	7,897	8,782
Inventories written down	(830)	226
Gain on foreign exchange	(5,083)	(7,640)
Fair value (gain)/loss on derivative instruments	(536)	97
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
	30/06/2014 RM'000	30/06/2013 RM'000	30/06/2014 RM'000	30/06/2013 RM'000
Current taxation (Malaysian):				
- Current year	2,033	3,416	8,286	6,843
- Over provision in prior years	(400)	(2,030)	(665)	(2,163)
	1,633	1,386	7,621	4,680
Deferred taxation:				
- Current year	3,468	(1,146)	776	(3,121)
- Under/(Over) provision in prior years	301	(1,936)	(125)	(1,410)
	3,769	(3,082)	651	(4,531)
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	1,176	2,731	2,922	6,148
- Over provision in prior years	(150)	(5,118)	(150)	(5,119)
	1,026	(2,387)	2,772	1,029
	6,428	(4,083)	11,044	1,178

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 at Group and higher disallowed expenses for certain companies.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

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17. Corporate proposals

On 30 April 2014, Hong Leong Investment Bank Berhad (“HLIB”) announced, on behalf of Southern Steel Berhad (“SSB” or the “Company”), that the Company proposed to undertake the following:

- i) a renounceable rights issue of up to RM209,708,604 nominal value of five (5)-year 5% redeemable convertible unsecured loan stocks at 100% of its nominal value (“RCULS”) on the basis of RM1.00 nominal value of RCULS for every two (2) existing ordinary shares of RM1.00 each held in SSB (“SSB Shares”) on an entitlement date to be determined later by the Board (“Proposed Rights Issue of RCULS”); and
- ii) an increase in the authorised share capital of SSB from RM502,000,000 comprising 500,000,000 SSB Shares and 2,000,000 preference shares of RM1.00 each in SSB (“Preference Shares”) to RM802,000,000 comprising 800,000,000 SSB Shares and 2,000,000 Preference Shares (“Proposed Increase in Authorised Share Capital”).

(The Proposed Rights Issue of RCULS and the Proposed Increase in Authorised Share Capital are collectively referred to as the “Proposals”)

The Proposals are conditional upon approvals being obtained from the following:

- (i) the Securities Commission Malaysia (“SC”) for the issuance of the RCULS;
- (ii) Bursa Malaysia Securities Berhad (“Bursa Securities”) for the following:
 - (a) admission of the RCULS to the Official List of Bursa Securities; and
 - (b) listing of and quotation for the RCULS to be issued pursuant to the Proposed Rights Issue of RCULS and the new SSB Shares to be issued pursuant to the conversion of RCULS, on the Main Market of Bursa Securities;
- (iii) the shareholders of SSB at an extraordinary general meeting to be convened; and
- (iv) other relevant authorities/parties, if required.

HLIB had, on behalf of the Company, submitted an application on 25 August 2014 for the listing of and quotation for the RCULS to be issued pursuant to the Proposed Rights Issue of RCULS and the new SSB Shares to be issued pursuant to the conversion of RCULS to the Bursa Securities. HLIB had also, on even date, submitted an application to the SC for the issuance of RCULS pursuant to the Proposed Rights Issue of RCULS.

The Proposed Rights Issue of RCULS is conditional upon the Proposed Increase in Authorised Share Capital. The Proposals are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

For the avoidance of doubt, upon receipt of all relevant approvals, the Proposals will be implemented separately and are not meant to be completed simultaneously.

Barring any unforeseen circumstances and subject to all approvals being obtained, the Proposals are expected to be completed in the fourth quarter of 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2014

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18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 June 2014 are as follows: -

	RM'000
Unsecured long term borrowings	438,378
Unsecured short term borrowings	577,331
	<u>1,015,709</u>

There were no borrowings denominated in foreign currencies as at 30 June 2014.

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 final dividend for the financial year ended 30 June 2014 (2012/2013: Nil).
- (b) For the financial year-to-date, a total dividend of 4.0 sen per share tax exempt (2012/2013: 7.0 sen per share tax exempt) has been declared.

21. Earnings per ordinary share

- (a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM13,393,000 (4th quarter 2012/2013 : RM24,222,000) by the weighted average number of ordinary shares during the period of 419,417,208 (4th quarter 2012/2013 : 419,417,208).

The basic earnings per ordinary share for the financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM18,952,000 (2012/2013 : RM42,177,000) by 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 preceding year 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 30/06/2014 RM'000	As At End of Preceding Financial Year 30/06/2013 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	461,395	445,077
-unrealised	14,694	(13,526)
	476,089	431,551
Total share of retained earnings of associated companies:		
-realised	(23,562)	384
-unrealised	30	-
	(23,532)	384
Less: Consolidation adjustments	(76,881)	(58,435)
Group retained earnings	375,676	373,500

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
27 August 2014