

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/06/2015 RM'000	30/06/2014 RM'000	30/06/2015 RM'000	30/06/2014 RM'000
Revenue	610,657	723,680	2,529,605	2,813,500
Cost of sales	(565,002)	(673,179)	(2,467,352)	(2,620,917)
Gross profit	45,655	50,501	62,253	192,583
Operating expenses	(34,243)	(37,757)	(131,617)	(139,167)
Other operating (expense)/income	(3,723)	16,840	3,235	21,627
Profit/(Loss) from operation	7,689	29,584	(66,129)	75,043
Finance costs	(9,421)	(8,241)	(38,249)	(30,345)
Share of Profit /(Loss) in associated companies, net of tax	1,337	(1,201)	(32,365)	(13,780)
(Loss)/Profit before taxation	(395)	20,142	(136,743)	30,918
Taxation	(797)	(6,428)	19,784	(11,044)
(Loss)/Profit for the period	(1,192)	13,714	(116,959)	19,874
(Loss)/Profit attributable to:				
Owners of the Company	(1,244)	13,393	(117,581)	18,952
Non-controlling interests	52	321	622	922
(Loss)/Profit for the period	(1,192)	13,714	(116,959)	19,874
(Loss)/Earnings per ordinary share (sen): -				
(a) Basic	(0.30)	3.19	(28.03)	4.52
(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 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/06/2015 RM'000	30/06/2014 RM'000	30/06/2015 RM'000	30/06/2014 RM'000
(Loss)/Profit for the period	(1,192)	13,714	(116,959)	19,874
Loss on fair value of available-for-sale financial assets	(135)	(12)	(338)	(433)
Foreign currency translation differences for foreign operation	216	(249)	2,023	1,738
Remeasurement of defined retirement benefit	3,034	-	3,034	-
Total comprehensive income/(expense) for the period	1,923	13,453	(112,240)	21,179
Total comprehensive income/(expense) attributable to:				
Owners of the Company	1,871	13,132	(112,862)	20,257
Non-controlling interests	52	321	622	922
Total comprehensive (expense)/income for the period	1,923	13,453	(112,240)	21,179

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 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	As At End of Current Quarter	As at End of Preceding Financial Year
	30/06/2015 RM'000	30/06/2014 RM'000
ASSETS		
Property, plant and equipment	1,377,138	1,309,298
Goodwill on consolidation	30,256	30,256
Investments in associated companies	15,823	65,545
Other investments	525	861
Deferred tax assets	47,915	16,542
Tax credit receivable	18,351	16,637
Total non-current assets	1,490,008	1,439,139
Inventories	783,866	699,649
Trade and other receivables, including derivatives	260,292	202,877
Current tax assets	2,195	3,738
Cash and cash equivalents	53,666	59,622
Total current assets	1,100,019	965,886
TOTAL ASSETS	2,590,027	2,405,025
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	419,417	419,417
Reserves	332,561	445,423
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	153,900	-
	905,878	864,840
NON-CONTROLLING INTERESTS		
	7,046	6,424
TOTAL EQUITY	912,924	871,264
LIABILITIES		
Deferred tax liabilities	21,912	29,086
Deferred income	14,771	16,295
Retirement benefits	25,358	25,692
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	37,869	-
Other payables	103,502	105,919
Borrowings	278,946	438,378
Total non-current liabilities	482,358	615,370
Retirement benefits	241	275
Trade and other payables, including derivatives	376,197	340,192
Borrowings	817,919	577,331
Current tax liabilities	388	593
Total current liabilities	1,194,745	918,391
TOTAL LIABILITIES	1,677,103	1,533,761
TOTAL EQUITY AND LIABILITIES	2,590,027	2,405,025
Net assets per share attributable to owners of the Company (RM)	2.16	2.06

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

	← Attributable to owners of the Company →							Retained earnings	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	Exchange fluctuation reserve				
	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 2015											
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	-	-	-	-	-	-	-	(117,581)	(117,581)	622	(116,959)
Other comprehensive (expense)/income:											
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	(338)	-	-	(338)	-	(338)
- Foreign currency translation differences	-	-	-	-	-	-	2,023	-	2,023	-	2,023
- Remeasurement of defined benefit liability	-	-	-	-	-	-	-	3,034	3,034	-	3,034
Total comprehensive (expense)/income for the period	-	-	-	-	-	(338)	2,023	(114,547)	(112,862)	622	(112,240)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015 (CONTINUED)

	← Attributable to owners of the Company →							Retained earnings	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	Exchange fluctuation reserve				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Total comprehensive (expense)/income for the period	-	-	-	-	-	(338)	2,023	(114,547)	(112,862)	622	(112,240)
Total transactions with owners of the Company											
- Issue of RCULS	-	153,900	-	-	-	-	-	-	153,900	-	153,900
At 30 June 2015	419,417	153,900	35,852	30,000	50	61	5,469	261,129	905,878	7,046	912,924

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015 (CONTINUED)

	← Attributable to owners of the Company →						Retained earnings	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Exchange fluctuation reserve				
Preceding year corresponding period 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 (expense)/income for the period	-	-	-	-	(433)	1,738	18,952	20,257	922	21,179
Total transactions with 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

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 2014.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015

The figures have not been audited

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

	Current Year To-date	Preceding Year Corresponding Period
	30/06/2015 RM'000	30/06/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(136,743)	30,918
Adjustments for:-		
Depreciation and amortisation	68,328	71,668
Net financing costs	38,249	29,497
Share of loss in associated companies, net of tax	32,365	13,780
Impairment of investment in an associated company	17,353	-
Non-cash items	(4,650)	(2,793)
Operating profit before changes in working capital	14,902	143,070
Changes in working capital		
Net change in current assets	(141,160)	83,872
Net change in current liabilities	33,585	60,398
Taxation (paid)/refunded	(8,884)	906
Net financing costs paid	(52,744)	(58,890)
Retirement benefits paid	(416)	(400)
Interest income received	923	848
Dividend income received	607	245
Net cash (used in)/generated from operating activities	(153,187)	230,049
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(121,724)	(223,073)
Proceeds from disposal of property, plant and equipment	35	245
Net cash used in investing activities	(121,689)	(222,828)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of borrowings	76,696	(17,862)
Dividends paid	-	(16,776)
Proceeds from issuance of RCULS	185,741	-
Net cash generated from / (used in) financing activities	262,437	(34,638)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(12,439)	(27,417)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	58,548	84,227
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	2,023	1,738
CASH & CASH EQUIVALENTS AT END OF PERIOD	48,132	58,548

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015

The figures have not been audited

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

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

	30/06/2015	30/06/2014
	RM'000	RM'000
Deposits, cash and bank balances	53,666	59,622
Bank overdrafts	(5,534)	(1,074)
	<u>48,132</u>	<u>58,548</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 2014.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER
ENDED 30 JUNE 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 2014. 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 2014 except for the adoption on hedge accounting pursuant to MFRS139 Financial Instruments Recognition and Measurement.

The Group has adopted the MFRSs, amendments and interpretations effective for annual periods beginning on or after 1 January 2014 and 1 July 2014 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 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

During the preceding quarter, a total of RM185,741,250 nominal value of 5-year 5% redeemable convertible unsecured loan stocks (“RCULS”) were allotted by the Company and listed on the Main Market of Bursa Securities on 27 January 2015 and 30 January 2015 respectively.

There were no issuance of shares, shares cancellation, share buy-back or repayments of debt or equity securities during the quarter under review and financial year-to-date.

7. Dividend paid

There was no dividend paid during the quarter under review and financial year-to-date.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015

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 loss	(65,050)	(2,002)	(67,052)

Included in the measure of segment loss are:

Revenue from external customers	2,529,605	-	2,529,605
Depreciation and amortisation	68,304	24	68,328

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(67,052)
Interest income	923
Finance costs	(38,249)
Share of loss in associated companies, net of tax	(32,365)
Consolidated loss before taxation	(136,743)

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:

Saint Sense Blu Sdn Bhd (formerly known as Southern Steel Bar 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015

The figures have not been audited

11. Review of performance

For the quarter under review, the Group recorded a revenue of RM610.7 million and loss before taxation (“LBT”) of RM0.4 million as compared with a revenue and profit before taxation (“PBT”) of RM723.7 million and RM20.1 million respectively for the corresponding quarter of the preceding year ended 30 June 2014 (“FY 2014”).

For the financial year-to-date, the Group recorded a revenue of RM2,529.6 million and LBT of RM136.7 million as compared with a revenue and PBT of RM2,813.5 million and RM30.9 million respectively for the corresponding period of FY 2014.

The LBT recorded in the quarter under review and financial year-to-date as compared with the PBT recorded in the corresponding quarter/period of FY2014 were mainly attributable to margin erosion and unfavourable exchange translation loss. The LBT for the financial year-to-date was also inclusive of a one-off impairment of investment in an associated company of RM17.4 million and the Group’s share of impairment loss recognised by an associated company of RM14.0 million.

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

For the quarter under review, the Group recorded a LBT of RM0.4 million as compared with a LBT of RM39.1 million recorded in the preceding quarter. The LBT recorded in the preceding quarter was inclusive of a one-off impairment of investment in an associated company of RM17.4 million as mentioned above. The overall lower LBT was mainly due to improved margins during the quarter under review.

13. Prospects

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

14. Profit forecast/profit guarantee

This note is not applicable.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015

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15. Loss before taxation

	Current Year Quarter 30/06/2015 RM'000	Current Year To-date 30/06/2015 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Interest income	(539)	(923)
Gross dividend income from other investments	(275)	(607)
Depreciation and amortisation	16,689	68,328
(Reversal of impairment loss)/Impairment loss on trade receivables	(4)	-
Inventories (written back)/written down	(84)	23,273
Loss/(gain) on foreign exchange	8,255	(5,872)
Fair value loss/(gain) on derivative instruments	642	(466)
Impairment of investment in an associated company	-	17,353

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/06/2015 RM'000	30/06/2014 RM'000	30/06/2015 RM'000	30/06/2014 RM'000
Current taxation				
- Current year	4,693	2,033	7,634	8,286
- Under/(Over) provision in prior year	(341)	(400)	1,513	(665)
	4,352	1,633	9,147	7,621
Deferred taxation				
- Current year	(3,355)	3,468	(27,507)	776
- Over/(under) provision in prior year	(200)	301	(1,033)	(125)
	(3,555)	3,769	(28,540)	651
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	1,176	-	2,922
- Over provision in prior year	-	(150)	(391)	(150)
	-	1,026	(391)	2,772
	797	6,428	(19,784)	11,044

Excluding share of loss in associated companies, the Group's effective tax rate for the financial year-to-date was lower than the statutory tax rate mainly due to the impairment loss of investment in an associated company not being recognised as deferred tax assets.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015
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17. Corporate proposals

- (a) There are no corporate proposals announced but not completed as at the date of this report.
- (b) The proceeds of RM185,741,250 raised from the rights issue of RCULS (as disclosed in Note 6) had been fully utilised during the preceding quarter in the following manner:

	Proposed Utilisation RM'000	Actual Utilisation RM'000	Variance RM'000
Repayment of bank borrowings	105,000	105,000	-
Working capital	79,841	79,904	(63)
Expenses in relation to the Issuance of RCULS ("Corporate Exercise Expenses")	900	837	63*
	185,741	185,741	-

*The unutilised allocation for Corporate Exercise Expenses of RM63,000 was utilised for working capital purpose.

18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 June 2015 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	278,946
Unsecured short term borrowings	817,919
	1,096,865
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	37,869

There were no borrowings denominated in foreign currencies as at 30 June 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 final dividend for the financial year ended 30 June 2015 (2013/2014: Nil).
- (b) For the financial year-to-date, no dividend has been declared (2013/2014: 4.0 sen per share tax exempt).

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2015
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21. (Loss)/Earnings per ordinary share
(a) Basic (loss)/earnings per ordinary share

The basic loss per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM1,244,000 (4th quarter 2013/2014 : profit attributable to owners of the Company of RM13,393,000) by the weighted average number of ordinary shares during the quarter of 419,417,208 (4th quarter 2013/2014 : 419,417,208).

The 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 RM117,581,000 (2013/2014 : profit attributable to owners of the Company of RM18,952,000) by the weighted average number of ordinary shares during the period of 419,417,208 (2013/2014 : 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	As At End of Preceding Financial Year
	30/06/2015 RM'000	30/06/2014 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	238,522	461,395
-unrealised	100,809	14,694
	339,331	476,089
Total share of accumulated losses of/impairment of investment in associated companies:		
-realised	(57,249)	(23,562)
-unrealised	12	30
	(57,237)	(23,532)
Less: Consolidation adjustments	(20,965)	(76,881)
Group retained earnings	261,129	375,676

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
20 August 2015