

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2016

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Revenue	590,882	610,656	2,400,495	2,529,605
Cost of sales	(501,317)	(576,802)	(2,284,469)	(2,467,352)
Gross profit	89,565	33,854	116,026	62,253
Operating expenses	(44,091)	(35,369)	(153,325)	(131,689)
Other operating (expenses)/income	(134,606)	9,208	(129,912)	3,311
(Loss)/Profit from operation	(89,132)	7,693	(167,211)	(66,125)
Finance costs	(8,282)	(9,421)	(44,222)	(38,249)
Share of profit/(loss) in associated companies, net of tax	1,185	1,333	(1,696)	(32,369)
Loss before taxation	(96,229)	(395)	(213,129)	(136,743)
Taxation	(15,917)	(797)	(6,754)	19,784
Loss for the period	(112,146)	(1,192)	(219,883)	(116,959)
Loss attributable to:				
Owners of the Company	(112,675)	(1,244)	(221,153)	(117,581)
Non-controlling interests	529	52	1,270	622
Loss for the period	(112,146)	(1,192)	(219,883)	(116,959)
Loss per ordinary share (sen): -				
(a) Basic	(26.86)	(0.30)	(52.73)	(28.03)
(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 FOURTH QUARTER ENDED 30 JUNE 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2016 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To-date	Corresponding
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	RM'000	RM'000	RM'000	RM'000
Loss for the period	(112,146)	(1,192)	(219,883)	(116,959)
Loss on fair value of available-for-sale financial assets	(17)	(134)	(10)	(336)
Reversal of fair value reserve upon disposal of available-for-sale financial assets	-	-	(42)	-
Foreign currency translation differences for foreign operation	(3,770)	215	(3,743)	2,021
Re-measurement of defined retirement benefit	-	3,034	-	3,034
Cash flow hedge	9,812	-	(1,111)	-
Total comprehensive (expense)/income for the period	(106,121)	1,923	(224,789)	(112,240)
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(106,650)	1,871	(226,059)	(112,862)
Non-controlling interests	529	52	1,270	622
Total comprehensive (expense)/income for the period	(106,121)	1,923	(224,789)	(112,240)

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 FOURTH QUARTER ENDED 30 JUNE 2016
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	As At End of Current Quarter 30/06/2016 RM'000	As At End of Preceding Financial Year 30/06/2015 RM'000
ASSETS		
Property, plant and equipment	1,247,321	1,377,138
Goodwill on consolidation	30,256	30,256
Investments in associated companies	14,127	15,823
Other investments	381	525
Deferred tax assets	49,664	47,915
Tax credit receivable	18,341	18,351
Total non-current assets	1,360,090	1,490,008
Inventories	518,637	783,866
Trade and other receivables	188,034	253,583
Current tax assets	1,649	2,195
Derivative financial assets	1,059	673
Cash and cash equivalents	46,949	53,666
Total current assets	756,328	1,093,983
TOTAL ASSETS	2,116,418	2,583,991
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	419,417	419,417
Reserves	106,502	332,561
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	153,900	153,900
	679,819	905,878
NON-CONTROLLING INTERESTS		
	8,316	7,046
TOTAL EQUITY	688,135	912,924
LIABILITIES		
Deferred tax liabilities	14,987	21,912
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	30,306	37,869
Deferred income	13,246	14,771
Retirement benefits	26,821	25,358
Trade and other payables	67,912	103,502
Borrowings	221,137	278,946
Total non-current liabilities	374,409	482,358
Retirement benefits	441	241
Trade and other payables	424,202	369,868
Borrowings	621,196	817,919
Derivative financial liabilities	2,545	293
Current tax liabilities	5,490	388
Total current liabilities	1,053,874	1,188,709
TOTAL LIABILITIES	1,428,283	1,671,067
TOTAL EQUITY AND LIABILITIES	2,116,418	2,583,991
Net assets per share attributable to owners of the Company (RM)	1.62	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

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2016

	Attributable to owners of the Company								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
	RM'000	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 2016												
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	-	-	-	-	-	-	-	-	(221,153)	(221,153)	1,270	(219,883)
Other comprehensive (expense)/income:												
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	(10)	-	-	-	(10)	-	(10)
- Reversal of fair value reserve upon disposal of available-for-sale financial assets	-	-	-	-	-	(42)	-	-	-	(42)	-	(42)
- Foreign currency translation differences	-	-	-	-	-	-	-	(3,743)	-	(3,743)	-	(3,743)
- Cash flow hedge	-	-	-	-	-	-	(1,111)	-	-	(1,111)	-	(1,111)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(52)	(1,111)	(3,743)	(221,153)	(226,059)	1,270	(224,789)
- Transfer to capital redemption reserve	-	-	-	-	50	-	-	-	(50)	-	-	-
At 30 June 2016	419,417	153,900	35,852	30,000	100	11	(1,111)	1,724	39,926	679,819	8,316	688,135

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2016 (cont'd)

	← Attributable to owners of the Company →									Non-controlling interests	Total equity
	← Non-distributable →				Distributable			Total			
	Share capital	RCULS (equity portion)	Share premium	Merger reserve	Capital redemption reserve	Fair value reserve	Exchange fluctuation reserve	Retained earnings	Total		
	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 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	-	-	-	-	-	(336)	-	-	(336)	-	(336)
- Foreign currency translation differences	-	-	-	-	-	-	2,021	-	2,021	-	2,021
- Re-measurement of defined benefit liability	-	-	-	-	-	-	-	3,034	3,034	-	3,034
Total comprehensive (expense)/income for the period	-	-	-	-	-	(336)	2,021	(114,547)	(112,862)	622	(112,240)
Total transactions with owners of the Company											
- Issuance of RCULS	-	153,900	-	-	-	-	-	-	153,900	-	153,900
At 30 June 2015	419,417	153,900	35,852	30,000	50	63	5,467	261,129	905,878	7,046	912,924

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 FOURTH QUARTER ENDED 30 JUNE 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016

	Current Year To-date 30/06/2016 RM'000	Preceding Year Corresponding Period 30/06/2015 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(213,129)	(136,743)
Adjustments for:-		
Depreciation and amortisation	63,440	68,328
Net financing costs	42,601	37,326
Dividend income	(4)	(607)
Share of loss in associated companies, net of tax	1,696	32,369
Gain on disposal of associated companies	(25,039)	-
Gain on disposal of property, plant and equipment	(125)	(35)
Gain on disposal of Quoted investment in Malaysia	(52)	-
Impairment loss on investment in an associated company	-	17,353
Write off of property, plant and equipment	140,873	-
Non-cash items	14,886	(5,756)
Operating profit before changes in working capital	25,147	12,235
Changes in working capital		
Net change in current assets	330,777	(135,596)
Net change in current liabilities	1,937	30,423
Taxation paid	(9,770)	(7,966)
Net financing costs paid	(45,572)	(52,744)
Retirement benefits paid	(941)	(413)
Interest income received	1,621	923
Dividend income received	4	607
Net cash generated from/(used in) operating activities	303,203	(152,531)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(71,449)	(121,724)
Proceeds from disposal of plant and equipment	125	35
Proceeds from disposal of investment in associated companies	25,039	-
Proceeds from disposal of other investment	144	-
Net cash used in investing activities	(46,141)	(121,689)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/drawdown of borrowings	(250,448)	76,696
RCULS coupon payment	(9,287)	-
Proceed from issue of RCULS	-	185,087
Net cash (used in)/generated from financing activities	(259,735)	261,783
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,673)	(12,437)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,132	58,548
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	40	2,021
CASH & CASH EQUIVALENTS AT END OF PERIOD	45,499	48,132

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2016

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2016 (cont'd)

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

	30/06/2016 RM'000	30/06/2015 RM'000
Deposits, cash and bank balances	46,949	53,666
Bank overdrafts	(1,450)	(5,534)
	45,499	48,132

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 FOURTH QUARTER
 ENDED 30 JUNE 2016**

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 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 2015. This interim financial report also complies with International Accounting Standards 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 other than as mentioned below:

Southern Steel Berhad had, on 11 July 2016 announced that Southern HRC Sdn Bhd ("SHRC"), a wholly-owned subsidiary of the Company had, on 7 July 2016 terminated the contract with Danieli & C. Officine Meccaniche S.p.A ("Danieli") for the design, manufacture and supply of a "Thin Slab Casting Unit feeding directly a twin Steckel Mill" ("the Plant") for the production of hot rolled coil ("Contract") as Danieli had failed to remedy and resolve the issues which constitute a major default and failure by Danieli to fulfill its fundamental obligations under the Contract. Arising from this termination, SHRC has reserved all of its rights to exercise all remedies available to SHRC under the Contract and at law. Any disputes arising from such termination shall be finally settled by arbitration process.

SHRC considers that it has credible grounds to terminate the Contract and seek damages from Danieli for Danieli's major default and failure as aforesaid. Pending the outcome of SHRC's claims against Danieli in the arbitration, an amount of RM141 million (representing the total capitalised direct attributable costs in commissioning the Plant and the capitalised borrowing costs incurred for the Plant) was written off and is included in other operating expenses in the statements of profit or loss and other comprehensive income. Contingent assets arising from all other claims for compensation are however not accounted for in these financial statements.

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2016

The figures have not been audited

6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuance of shares, share buy-back, shares cancellation, 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 dividend paid during the quarter under review and financial year-to-date.

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)/profit	(171,150)	3,939	(167,211)

Included in the measure of segment (loss)/profit are:

Revenue from external customers	2,400,495	-	2,400,495
Depreciation and amortisation	63,416	24	63,440

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(167,211)
Finance costs	(44,222)
Share of loss in associated companies, net of tax	(1,696)
Loss before taxation	(213,129)

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 other than as disclosed in Note 4.

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) Smart Motive Sdn Bhd (formerly known as Southern Mesh Sdn Bhd) ("SM"), a subsidiary of Southern Steel Mesh Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, has been placed under members' voluntary liquidation. The liquidation of SM is currently pending tax clearance from the Inland Revenue Board.
- b) Saint Sense Blu Sdn Bhd ("SSBlu"), 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 pursuant to Section 245(1)(b) of the Companies Act, 1965. The Joint Liquidators of SSBlu have convened a Final meeting to conclude the member's voluntary liquidation of SSBlu and accordingly, SSBlu has been dissolved on 28 July 2016.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER
ENDED 30 JUNE 2016**

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10. Changes in the composition of the Group (cont'd)

- c) Solid Samphire Motif Sdn Bhd (formerly known as Southern Steel Management Sdn Bhd) ("SSMC"), 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. Mr Ling Kam Hoong and Ms Wong Swee Tyng of Messrs Ling Kam Hoong & Co., have been appointed as Joint Liquidators of SSMC.

11. Review of performance

For the quarter under review, the Group recorded a revenue of RM591 million and loss before taxation ("LBT") of RM96 million as compared with a revenue and LBT of RM611 million and RM0.4 million respectively for the corresponding quarter of the preceding year ended 30 June 2015 ("FY2015").

For the financial year-to-date, the Group recorded a revenue of RM2,401 million and LBT of RM213 million as compared with a revenue and LBT of RM2,530 million and RM137 million respectively for the corresponding period of FY2015.

Included in the LBT of the quarter under review and financial year-to-date was a write off of property, plant and equipment ("PPE") of a subsidiary company amounting to RM141 million as disclosed in Note 4. Operational performance for the quarter under review and financial year to date were better than that of the corresponding quarter and period due to the intermittent price surge in a generally depressed market.

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

For the quarter under review, the Group recorded a LBT of RM96 million as compared with a LBT of RM7 million recorded in the preceding quarter.

As disclosed in Note 11 above, included in the LBT of the quarter under review was a write off of PPE of a subsidiary company amounting to RM141 million. Operational performance for the quarter under review was better than that of the preceding quarter due to better selling prices.

13. Prospects

The market remains volatile, as the outcome of the safeguard measure petitions against the imports is still pending whilst the threat of cheap imports from China continues. However, the Board expects better operating performance for the financial year ending 30 June 2017 with sustained efficiency efforts and firmer selling prices.

14. Profit forecast/profit guarantee

This note is not applicable.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2016
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15. Loss before taxation

	Current Year Quarter 30/06/2016 RM'000	Current Year To-date 30/06/2016 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Interest income	(647)	(1,621)
Gross dividend from other investment	(1)	(4)
Depreciation and amortisation	17,994	63,440
(Reversal)/Allowance of impairment and write off of trade receivables	(160)	117
Provision for and write off of inventories	20,520	30,514
(Gain)/Loss on foreign exchange	(3,705)	6,126
Fair value loss on derivative instruments	2,294	1,361
Loss/(Gain) on disposal of quoted investment	2	(52)
Gain on disposal of associates companies	-	(25,039)
Write off of property, plant and equipment	140,873	140,873

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	30/06/2016 RM'000	30/06/2015 RM'000	30/06/2016 RM'000	30/06/2015 RM'000
Current taxation				
- Current year	10,905	4,569	16,324	7,510
- Under/(Over) provision in prior year	646	(60)	(906)	1,794
	<u>11,551</u>	<u>4,509</u>	<u>15,418</u>	<u>9,304</u>
Deferred taxation				
- Current year	3,689	(3,529)	(8,475)	(27,681)
- Under/(Over) provision in prior year	140	(183)	(199)	(1,016)
	<u>3,829</u>	<u>(3,712)</u>	<u>(8,674)</u>	<u>(28,697)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Under/(Over) provision in prior year	537	-	10	(391)
	<u>537</u>	<u>-</u>	<u>10</u>	<u>(391)</u>
	<u>15,917</u>	<u>797</u>	<u>6,754</u>	<u>(19,784)</u>

There was a tax charge for the current quarter under review, despite the Group incurred loss, was mainly due to deferred tax asset not recognised by a subsidiary incurring loss. This has also caused the Group's effective tax rate for financial year-to-date lower than the statutory tax rate.

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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 June 2016 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	221,137
Unsecured short term borrowings	621,196
	<u>842,333</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>30,306</u>

There were no borrowings denominated in foreign currencies as at 30 June 2016.

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 2016 (2014/2015: Nil).

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

21. Loss per ordinary share
(a) Basic loss 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 RM112,675,000 (4th quarter 2014/2015: RM1,244,000) by the weighted average number of ordinary shares during the quarter of 419,417,208 (4th quarter 2014/2015: 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 RM221,153,000 (2014/2015: RM117,581,000) by the weighted average number of ordinary shares during the period of 419,417,208 (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 and preceding year corresponding quarter/period is not presented as the assumed potential new ordinary shares are anti-dilutive.

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 ENDED 30 JUNE 2016**

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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 30/06/2016 RM'000	As At End of Preceding Financial Year 30/06/2015 RM'000
Total retained earnings of the Company and its subsidiaries:		
-realised	120,904	348,662
-unrealised	14,044	14,197
	134,948	362,859
Total share of retained earnings/(accumulated losses) of associated companies:		
-realised	(1,508)	(55,911)
-unrealised	-	11
	(1,508)	(55,900)
Less: Consolidation adjustments	(93,514)	(45,830)
Group's retained earnings	39,926	261,129

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
22 August 2016