

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2017**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
<b>Revenue</b>	665,905	595,854	1,983,223	1,809,613
Cost of sales	(566,792)	(559,292)	(1,687,229)	(1,783,152)
<b>Gross profit</b>	99,113	36,562	295,994	26,461
Operating expenses	(46,915)	(35,712)	(129,212)	(109,234)
Other operating (expenses)/ income	(3,367)	3,921	(15,265)	3,720
<b>Profit/(Loss) from operation</b>	48,831	4,771	151,517	(79,053)
Interest income	238	433	726	974
Finance costs	(11,877)	(11,925)	(35,488)	(35,940)
Share of (loss)/profit in associated companies, net of tax	(71)	128	1,304	(2,881)
<b>Profit/(Loss) before taxation</b>	37,121	(6,593)	118,059	(116,900)
Taxation	(4,634)	(2,237)	(28,853)	9,163
<b>Profit/(Loss) for the period</b>	32,487	(8,830)	89,206	(107,737)
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	31,872	(8,989)	87,728	(108,478)
Non-controlling interests	615	159	1,478	741
<b>Profit/(Loss) for the period</b>	32,487	(8,830)	89,206	(107,737)
<b>Earnings/(Loss) per ordinary share (sen): -</b>				
(a) Basic	7.54	(2.14)	20.82	(25.86)
(b) Fully diluted	5.48	N/A	15.19	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 2016.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2017 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
<b>Profit/(Loss) for the period</b>	32,487	(8,830)	89,206	(107,737)
Gain on fair value of available-for-sale financial assets	350	66	457	7
Reversal of fair value reserve upon disposal of available-for-sale financial assets	-	(42)	-	(42)
Foreign currency translation differences for foreign operation	(12)	(73)	81	27
Cash flow hedge	(13,147)	(11,920)	2,048	(10,923)
<b>Total comprehensive income/(expense) for the period</b>	19,678	(20,799)	91,792	(118,668)
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	19,143	(20,958)	90,314	(119,409)
Non-controlling interests	535	159	1,478	741
<b>Total comprehensive income/(expense) for the period</b>	19,678	(20,799)	91,792	(118,668)

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 2016.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

	As At End of Current Quarter 31/03/2017 RM'000	As At End of Preceding Financial Year 30/06/2016 RM'000
<b>ASSETS</b>		
Property, plant and equipment	1,209,467	1,247,321
Goodwill on consolidation	30,256	30,256
Investments in associated companies	15,156	14,127
Other investments	838	381
Deferred tax assets	41,777	49,664
Tax credit receivable	16,793	18,341
<b>Total non-current assets</b>	<b>1,314,287</b>	<b>1,360,090</b>
Inventories	697,263	518,637
Trade and other receivables	217,600	188,034
Current tax assets	5,259	1,649
Derivative financial assets	-	1,059
Cash and cash equivalents	70,430	46,949
<b>Total current assets</b>	<b>990,552</b>	<b>756,328</b>
<b>TOTAL ASSETS</b>	<b>2,304,839</b>	<b>2,116,418</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	459,637	419,417
Reserves	160,886	106,502
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	150,100	153,900
	770,623	679,819
<b>NON-CONTROLLING INTERESTS</b>		
	9,794	8,316
<b>TOTAL EQUITY</b>	<b>780,417</b>	<b>688,135</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	14,762	14,987
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	23,778	30,306
Deferred income	12,103	13,246
Retirement benefits	28,801	26,821
Trade and other payables	72,155	67,912
Borrowings	313,842	221,137
<b>Total non-current liabilities</b>	<b>465,441</b>	<b>374,409</b>
Retirement benefits	250	441
Trade and other payables	268,294	424,202
Borrowings	775,371	621,196
Derivative financial liabilities	624	2,545
Current tax liabilities	14,442	5,490
<b>Total current liabilities</b>	<b>1,058,981</b>	<b>1,053,874</b>
<b>TOTAL LIABILITIES</b>	<b>1,524,422</b>	<b>1,428,283</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,304,839</b>	<b>2,116,418</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>1.82</b>	<b>1.62</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2016

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017**

	← Attributable to owners of the Company →												
	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") (equity portion)	Share premium	← Non-distributable →				→ Distributable →			Total	Non-controlling interests	Total equity
Merger reserve				Other 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	RM'000	RM'000	RM'000
<b>Current year-to-date ended 31 March 2017</b>													
<b>At 1 July 2016</b>	419,417	153,900	35,852	30,000	100	11	(1,111)	1,724	39,926	679,819	8,316	688,135	
Profit for the period	-	-	-	-	-	-	-	-	87,728	87,728	1,478	89,206	
Other comprehensive income:													
- Gain on fair value of available-for-sale financial assets	-	-	-	-	-	457	-	-	-	457	-	457	
- Foreign currency translation differences	-	-	-	-	-	-	-	81	-	81	-	81	
- Cash flow hedge	-	-	-	-	-	-	2,048	-	-	2,048	-	2,048	
<b>Total comprehensive income for the period</b>	-	-	-	-	-	457	2,048	81	87,728	90,314	1,478	91,792	
- Conversion of RCULS	4,368	(3,800)	-	-	-	-	-	-	(28)	540	-	540	
- Transfer to other reserve	-	-	-	-	25	-	-	-	(25)	-	-	-	
- Reclassification pursuant to S618(2) of CA 2016*	35,852	-	(35,852)	-	-	-	-	-	-	-	-	-	
- Liquidation of a subsidiary	-	-	-	-	(50)	-	-	-	-	(50)	-	(50)	
<b>At 31 March 2017</b>	459,637	150,100	-	30,000	75	468	937	1,805	127,601	770,623	9,794	780,417	

\* Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of share capital.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2017 (cont'd)**

	←————— Attributable to owners of the Company —————→											
	←————— Non-distributable						—————→ Distributable					
	Share capital	RCULS (equity portion)	Share premium	Merger reserve	Other reserve	Fair value reserve	Hedging 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	RM'000	RM'000
<b>Preceding year corresponding period ended 31 March 2016</b>												
<b>At 1 July 2015</b>	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	-	-	-	-	-	-	-	-	(108,478)	(108,478)	741	(107,737)
Other comprehensive (expense)/income:												
- Gain on fair value of available-for-sale financial assets	-	-	-	-	-	7	-	-	-	7	-	7
- Reversal of fair value reserve upon disposal of available for sales financial assets	-	-	-	-	-	(42)	-	-	-	(42)	-	(42)
- Foreign currency translation differences	-	-	-	-	-	-	-	27	-	27	-	27
- Cash flow hedge	-	-	-	-	-	-	(10,923)	-	-	(10,923)	-	(10,923)
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	-	(35)	(10,923)	27	(108,478)	(119,409)	741	(118,668)
<b>At 31 March 2016</b>	419,417	153,900	35,852	30,000	50	28	(10,923)	5,494	152,651	786,469	7,787	794,256

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 2016.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017**

	Current Year- To-Date 31/03/2017 RM'000	Preceding Year Corresponding Period 31/03/2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	118,059	(116,900)
Adjustments for:-		
Depreciation and amortisation	46,356	45,446
Net financing costs	34,762	34,966
Share of (profit)/loss in associated companies, net of tax	(1,304)	2,881
Gain on disposal of associated companies	-	(25,039)
Non-cash items	9,388	15,213
Operating profit/(loss) before changes in working capital	207,261	(43,433)
Changes in working capital		
Net change in current assets	(206,891)	496,236
Net change in current liabilities	(154,970)	(98,981)
Taxation paid	(14,971)	(6,069)
Financing costs paid	(34,459)	(39,013)
Retirement benefits paid	(75)	(107)
Dividend income received	-	3
Interest income received	726	974
<b>Net cash (used in)/generated from operating activities</b>	(203,379)	309,610
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(11,189)	(46,763)
Proceeds from disposal of available-for-sale financial assets	-	133
Proceeds from disposal of investment in associated companies	-	25,039
Proceeds from disposal of plant and equipment	311	112
<b>Net cash used in investing activities</b>	(10,878)	(21,479)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown/(Repayment) of borrowings	248,330	(175,900)
RCULS coupon payment	(9,223)	(9,286)
<b>Net cash generated from/(used in) financing activities</b>	239,107	(185,186)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	24,850	102,945
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	45,499	48,132
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	81	27
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	70,430	151,104

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2017 (cont'd)**

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

	31/03/2017	31/03/2016
	RM'000	RM'000
Deposits, cash and bank balances	70,430	151,104
Bank overdrafts	-	-
	70,430	151,104

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2016.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017****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 2016. 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 2016.

The Group has adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2016 where applicable to the Group. The initial adoption of these applicable MFRSs, 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**

For the quarter under review, RM2,060,093 nominal amount of RCULS were converted into 1,961,991 new ordinary shares. For the financial year-to-date, RM4,586,443 nominal amount of RCULS were converted into 4,368,036 new ordinary shares. The outstanding nominal value of RCULS as at 31 March 2017 was RM181,154,807.

There were no 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.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

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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
<b>Segment profit</b>	151,393	124	151,517
Included in the measure of segment profit are:			
Revenue from external customers	1,983,223	-	1,983,223
Depreciation and amortisation	46,338	18	46,356
<b>Reconciliation of reportable segment profit</b>			<b>RM'000</b>
<b>Profit</b>			
Reportable segment			151,517
Interest income			726
Finance costs			(35,488)
Share of profit in associated companies, net of tax			1,304
Profit before taxation			<u>118,059</u>

**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) Smart Motive Sdn Bhd ("SM"), an indirect wholly-owned subsidiary of the Company, has been placed under members' voluntary liquidation pursuant to Section 439(1)(b) of the Companies Act, 2016. The Joint Liquidators of SM have convened a Final Meeting to conclude the Members' Voluntary Liquidation and accordingly, SM will be dissolved on 21 May 2017.
- b) Solid Samphire Motif Sdn Bhd ("SSMC"), a wholly-owned subsidiary of the Company, has been placed under member's voluntary liquidation pursuant to Section 439(1)(b) of the Companies Act, 2016. Subsequent to the quarter under review, the Joint Liquidators of SSMC have convened a Final Meeting to conclude the Member's Voluntary Liquidation and accordingly, SSMC will be dissolved on 19 July 2017.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

The figures have not been audited

**11. Review of performance**

For the quarter under review, the Group recorded revenue of RM666 million and profit before taxation (“PBT”) of RM37 million as compared with revenue and loss before taxation (“LBT”) of RM596 million and RM7 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2016 (“FY2016”).

For the financial year-to-date, the Group registered revenue of RM1,983 million and PBT of RM118 million as compared with revenue and LBT of RM1,810 million and RM117 million respectively for the corresponding period of the FY2016.

The higher revenue and profit for the quarter under review/financial year-to-date as compared with the corresponding quarter/period of the FY2016 was mainly due to the improvement in selling price and productivity.

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

For the quarter under review, the Group posted a PBT of RM37 million as compared with RM48 million in the preceding quarter. The lower profit level was attributable to lower sales volume and the provision for the estimated ongoing arbitration legal fees.

**13. Prospects**

The Government had announced an affirmative final determination safeguard duties commencing in April 2017 for a period of 3 years for both steel bar and wire rod. This will help to reduce excessive dumping and unfair trade.

Excess industry capacity, the intense domestic competition with weak demand continue to keep selling prices low.

**14. Profit forecast/profit guarantee**

This note is not applicable.

**15. Profit before taxation**

	<b>Current Year Quarter 31/03/2017 RM'000</b>	<b>Current Year- To-Date 31/03/2017 RM'000</b>
Profit before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	15,761	46,356
Provision/(Reversal of provision) for inventories	8,014	(15,951)
Loss on foreign exchange	(100)	4,157
Fair value gain on financial instruments designated as hedge instrument	(1,032)	(1,364)
Write-off of property, plant and equipment	-	1,113
Gross dividend income from other investment	-	-
Allowance of impairment and write-off of trade receivables	(36)	156
Gain on disposal of quoted/unquoted investments or properties	-	-

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

The figures have not been audited

**16. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/03/2017 RM'000	31/03/2016 RM'000	31/03/2017 RM'000	31/03/2016 RM'000
Current taxation				
- Current year	9,493	1,954	26,233	5,419
- Over provision in prior year	(6,432)	(1,552)	(6,432)	(1,552)
	<u>3,061</u>	<u>402</u>	<u>19,801</u>	<u>3,867</u>
Deferred taxation				
- Current year	2,571	2,028	8,562	(12,164)
- (Over)/Under provision in prior year	(1,058)	334	(1,058)	(339)
	<u>1,513</u>	<u>2,362</u>	<u>7,504</u>	<u>(12,503)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	60	-	1,548	-
- Over provision in prior year	-	(527)	-	(527)
	<u>60</u>	<u>(527)</u>	<u>1,548</u>	<u>(527)</u>
	<u>4,634</u>	<u>2,237</u>	<u>28,853</u>	<u>(9,163)</u>

The Group's effective tax rate for the quarter under review and financial year-to-date was higher than the statutory tax rate mainly due to deferred tax asset not recognised by a subsidiary.

**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 31 March 2017 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	313,842
Unsecured short term borrowings	775,371
	<u>1,089,213</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>23,778</u>

There were no borrowings denominated in foreign currencies as at 31 March 2017.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017****The figures have not been audited****19. Changes in material litigation**

Southern HRC Sdn Bhd (“SHRC”), a wholly-owned subsidiary of Southern Steel Berhad, has on 7 July 2016 and 11 July 2016 terminated the contract between SHRC and Danieli & C. Officine Meccaniche S.p.A. (“Danieli”) dated 16 June 2011 for the design, manufacture and supply of a “Thin Slab Casting Unit feeding directly a twin Steckel Mill” (“Plant”) for the production of hot rolled coils (“Contract”) and the Service Agreement No. 1 between SHRC, Danieli and Danieli Malaysia Sdn Bhd (“DMSB”) dated 10 May 2014 (“Service Agreement”) respectively.

Danieli Co. Ltd (a wholly-owned subsidiary of Danieli) (“Danieli Thailand”) has demanded payment of €2,843,650.90 being the balance purchase price of the spare parts sold and delivered. SHRC is disputing Danieli’s aforesaid claims.

**i. Commencement of Arbitration Proceedings by SHRC**

Following the termination of the Contract and Service Agreement as mentioned above, SHRC has commenced arbitration proceedings against Danieli and DMSB by way of a Request for Arbitration dated 29 August 2016 under the Arbitration Rules of the International Chamber of Commerce (“ICC Rules”) arising out of the Contract and Service Agreement.

SHRC is claiming several reliefs against Danieli and DMSB, including repayment of contract sum and damages for misrepresentation and breach of contract.

**ii. Commencement of Arbitration Proceedings against SHRC by Danieli and DMSB**

Danieli and DMSB have also commenced arbitration proceedings against SHRC by way of a Request for Arbitration under the ICC Rules and the Request came to the attention of SHRC’s management on 25 August 2016.

Danieli and DMSB are seeking several declarations in relation to their obligations and entitlements under the Contract and the Service Agreement and to SHRC’s termination of the Contract and the Service Agreement and claiming damages.

SHRC is disputing and will be challenging the claims during the arbitration proceedings.

Both arbitration proceedings in sub-paragraphs (i) and (ii) above have been consolidated (“First Arbitration”) and will be heard together by an arbitral tribunal in Singapore.

**iii. Commencement of Arbitration Proceedings against SHRC by Danieli Thailand**

Danieli Thailand has commenced arbitration proceedings against SHRC by way of a Request for Arbitration under the ICC Rules and the Request came to the attention of SHRC’s management on 24 November 2016 (“Second Arbitration”).

Danieli Thailand is claiming the sum of €2,800,000.00, being the balance purchase price of spare parts under a sale contract dated 24 December 2013 between SHRC and Danieli Thailand (“Sale Contract”) plus interest and general damages.

SHRC is disputing and will be challenging the claim by Danieli Thailand in the arbitration proceedings.

The same arbitral tribunal for the First Arbitration had been constituted to hear this Second Arbitration. The arbitral tribunal has directed that the Second Arbitration shall be heard jointly with the First Arbitration.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**

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**The figures have not been audited**

**19 Changes in material litigation (cont'd)**

iv. Commencement of Court Proceeding against SHRC by Danieli Thailand

Danieli Thailand has commenced a court proceeding against SHRC at the Kuala Lumpur Sessions Court for payment of a further €115,067.10 plus interest and costs for certain goods and services provided to SHRC in respect of the Plant (“Court Proceeding”).

SHRC is disputing and will be challenging the claim by Danieli Thailand.

SHRC is seeking to stay the Court Proceeding until a final award is issued by the arbitral tribunal for both the First Arbitration and Second Arbitration.

The claims are not expected to have a material impact on the earnings of SSB Group for the current financial year.

**20. Dividend**

(a) The Board has declared an interim single tier dividend of 3.0 sen per share for the quarter ended 31 March 2017 of the financial year ending 30 June 2017 (3<sup>rd</sup> quarter 2015/2016: Nil) to be paid on 1 June 2017 to holders of ordinary shares whose names appear in the Record of Depositors at the close of business on 18 May 2017.

This is to inform that a Depositor shall qualify for the entitlement only in respect of:-

- (i) shares transferred into the Depositor’s securities account before 4.00p.m. on 18 May 2017 in respect of ordinary transfers; and
- (ii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Bursa Malaysia Securities Berhad’s Listing Requirements

(b) For the financial year-to-date, a total single tier dividend of 3.0 sen per share (2015/2016: Nil) has been declared.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2017**
**The figures have not been audited**
**21. Earnings/(Loss) per ordinary share**
**(a) Basic earnings/(loss) 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 RM31,872,000 (3<sup>rd</sup> quarter 2015/2016: loss attributable to owners of the Company of RM8,989,000) by the weighted average number of ordinary shares during the quarter of 422,915,916 (3<sup>rd</sup> quarter 2015/2016: 419,417,208).

The basic earnings per ordinary share for this financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM87,728,000 (2015/2016: loss attributable to owners of the Company of RM108,478,000) by the weighted average number of ordinary shares during the period of 421,294,053 (2015/2016 : 419,417,208).

	<i>Weighted average number of ordinary shares</i>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To-Date</b>	<b>Preceding Year Corresponding Period</b>
	<b>31/03/2017 '000</b>	<b>31/03/2016 '000</b>	<b>31/03/2017 '000</b>	<b>31/03/2016 '000</b>
Issued ordinary shares at beginning of period	421,823	419,417	419,417	419,417
Effect of RCULS conversion	1,093	-	1,877	-
<b>Weighted average number of ordinary shares (basic)</b>	<b>422,916</b>	<b>419,417</b>	<b>421,294</b>	<b>419,417</b>

**(b) Diluted earnings/(loss) per ordinary share**

The diluted earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company (diluted) of RM32,658,000 by the weighted average number of ordinary shares during the quarter of 595,444,304 after adjustment for the effect of Redeemable Convertible Unsecured Loan Stocks ("RCULS").

The diluted earnings per ordinary share for the financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company (diluted) of RM90,173,000 by the weighted average number of ordinary shares during the period of 593,822,441 after adjustment for the effect of RCULS.

	<b>Current Year Quarter 31/03/2017 RM'000</b>	<b>Current Year- To-Date 31/03/2017 RM'000</b>
Profit attributable to owners of the Company (basic)	31,872	87,728
Interest expense on RCULS	315	1,029
Deferred taxation on RCULS	471	1,416
<b>Profit attributable to owners of the Company (diluted)</b>	<b>32,658</b>	<b>90,173</b>
Weighted average number of ordinary shares ('000)	422,916	421,294
Effect of dilution from RCULS conversion	172,528	172,528
<b>Adjusted weighted average number of ordinary shares in issue and issuable ('000)</b>	<b>595,444</b>	<b>593,822</b>
<b>Diluted earnings per share (sen)</b>	<b>5.48</b>	<b>15.19</b>

The Group's diluted loss per ordinary share in preceding year corresponding quarter/period is not presented as the assumed potential new ordinary shares were anti-dilutive.

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The figures have not been audited

**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:

	<b>As At End of Current Quarter 31/03/2017 RM'000</b>	<b>As At End of Preceding Financial Year 30/06/2016 RM'000</b>
Total retained earnings of the Company and its subsidiaries:		
-realised	206,367	120,904
-unrealised	10,713	14,044
	<u>217,080</u>	<u>134,948</u>
Total share of accumulated losses of associated companies -realised	(204)	(1,508)
Less: Consolidation adjustments	(89,275)	(93,514)
Group's retained earnings	<u>127,601</u>	<u>39,926</u>

By Order of the Board  
Southern Steel Berhad

Joanne Leong Wei Yin  
Lee Wui Kien  
Company Secretaries

Kuala Lumpur  
27 April 2017