

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Revenue	956,440	731,568	1,856,187	1,317,318
Cost of sales	(829,751)	(628,958)	(1,621,816)	(1,144,402)
Gross profit	126,689	102,610	234,371	172,916
Operating expenses	(41,611)	(42,743)	(85,786)	(86,573)
Other operating income/(expenses)	4,778	(942)	10,314	16,343
Profit from operation	89,856	58,925	158,899	102,686
Interest income	741	272	1,338	488
Finance costs	(11,650)	(12,184)	(24,387)	(23,611)
Share of (loss)/profit in associated companies, net of tax	(600)	828	(20)	1,375
Profit before taxation	78,347	47,841	135,830	80,938
Taxation	(8,312)	(10,802)	(12,361)	(24,219)
Profit for the period	70,035	37,039	123,469	56,719
Profit attributable to:				
Owners of the Company	69,958	36,553	123,375	55,856
Non-controlling interests	77	486	94	863
Profit for the period	70,035	37,039	123,469	56,719
Earnings per ordinary share (sen): -				
(a) Basic	16.17	8.67	28.61	13.28
(b) Fully diluted	11.78	6.27	20.83	9.67

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 2017.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2017 RM'000	31/12/2016 RM'000	31/12/2017 RM'000	31/12/2016 RM'000
Profit for the period	70,035	37,039	123,469	56,719
Gain/(Loss) on fair value of available-for-sale financial assets	118	(101)	273	107
Foreign currency translation differences for foreign operation	(36)	17	(49)	93
Cash flow hedge	(428)	9,686	(692)	15,195
Total comprehensive income for the period	69,689	46,641	123,001	72,114
Total comprehensive income attributable to:				
Owners of the Company	69,618	46,078	122,899	71,171
Non-controlling interests	71	563	102	943
Total comprehensive income for the period	69,689	46,641	123,001	72,114

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 2017.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	As At End of Current Quarter 31/12/2017 RM'000	As At End of Preceding Financial Year 30/06/2017 RM'000
ASSETS		
Property, plant and equipment	1,175,654	1,197,606
Goodwill on consolidation	30,256	30,256
Investments in associated companies	14,834	15,405
Other investments	1,700	1,427
Deferred tax assets	74,000	52,679
Tax credit receivable	22,716	22,716
Total non-current assets	1,319,160	1,320,089
Inventories	584,827	688,566
Trade and other receivables	271,493	184,870
Current tax assets	8,095	6,154
Cash and cash equivalents	104,328	86,542
Total current assets	968,743	966,132
TOTAL ASSETS	2,287,903	2,286,221
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	468,765	464,874
Reserves	280,406	154,692
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	142,159	145,544
	891,330	765,110
NON-CONTROLLING INTERESTS		
	5,250	5,148
TOTAL EQUITY	896,580	770,258
LIABILITIES		
Deferred tax liabilities	24,448	9,339
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	12,266	16,579
Deferred income	10,959	11,721
Employee benefits	30,829	28,880
Borrowings	254,914	286,491
Total non-current liabilities	333,416	353,010
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	4,570	4,564
Employee benefits	267	795
Provisions	19,902	26,047
Trade and other payables	345,449	351,638
Borrowings	678,376	775,648
Current tax liabilities	9,343	4,261
Total current liabilities	1,057,907	1,162,953
TOTAL LIABILITIES	1,391,323	1,515,963
TOTAL EQUITY AND LIABILITIES	2,287,903	2,286,221
Net assets per share attributable to owners of the Company (RM)	2.07	1.78

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2017.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	← Attributable to owners of the Company →								Total	Non-controlling interests	Total equity	
	← Non-distributable →				Distributable							
	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") (equity portion)	Merger reserve	Other reserve	Fair value reserve	Hedging reserve	Exchange fluctuation reserve	Executive share scheme reserve	Retained earnings			
Current year-to-date ended 31 December 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2017	464,874	145,544	30,000	140	1,057	(651)	1,782	1,015	121,349	765,110	5,148	770,258
Profit for the period	-	-	-	-	-	-	-	-	123,375	123,375	94	123,469
Other comprehensive income:												
- Gain on fair value of available-for-sale financial assets	-	-	-	-	273	-	-	-	-	273	-	273
- Foreign currency translation differences	-	-	-	-	-	-	(49)	-	-	(49)	-	(49)
- Cash flow hedge	-	-	-	-	-	(700)	-	-	-	(700)	8	(692)
Total comprehensive income/(loss) for the period	-	-	-	-	273	(700)	(49)	-	123,375	122,899	102	123,001

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The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017 (cont'd)

	Attributable to owners of the Company											Total equity	
	Share capital	RCULS (equity portion)	Merger reserve	Non-distributable					Distributable		Non-controlling interests		
Other reserve				Fair value reserve	Hedging reserve	Exchange fluctuation reserve	Executive share scheme 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	RM'000	
Current year-to-date ended 31 December 2017													
- Conversion of RCULS	3,891	(3,385)	-	-	-	-	-	-	-	(125)	381	-	381
- Share-based payments	-	-	-	-	-	-	-	-	2,940	-	2,940	-	2,940
Total transactions with owners	3,891	(3,385)	-	-	-	-	-	-	2,940	(125)	3,321	-	3,321
At 31 December 2017	468,765	142,159	30,000	140	1,330	(1,351)	1,733	3,955	244,599	891,330	5,250	896,580	

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017 (cont'd)

	← Attributable to owners of the Company →										Non-controlling interests	Total equity
	← 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		
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 31 December 2016												
At 1 July 2016	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	-	-	-	-	-	-	-	-	55,856	55,856	863	56,719
Other comprehensive income:												
- Gain on fair value of available-for-sale financial assets	-	-	-	-	-	107	-	-	-	107	-	107
- Foreign currency translation differences	-	-	-	-	-	-	-	93	-	93	-	93
- Cash flow hedge	-	-	-	-	-	-	15,115	-	-	15,115	80	15,195
Total comprehensive income for the period	-	-	-	-	-	107	15,115	93	55,856	71,171	943	72,114
- Conversion of RCULS	2,406	(2,093)	-	-	-	-	-	-	7	320	-	320
- Transfer to other reserve	-	-	-	-	25	-	-	-	(25)	-	-	-
At 31 December 2016	421,823	151,807	35,852	30,000	125	118	14,004	1,817	95,764	751,310	9,259	760,569

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 2017.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

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

	Current Year- To-Date 31/12/2017 RM'000	Preceding Year Corresponding Period 31/12/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	135,830	80,938
Adjustments for:-		
Depreciation and amortisation	27,380	30,595
Net financing costs	23,049	23,123
Share of loss/(profit) in associated companies, net of tax	20	(1,375)
Non-cash items	5,474	9,393
Operating profit before changes in working capital	191,753	142,674
Changes in working capital		
Net change in current assets	16,947	(41,045)
Net change in current liabilities	(13,040)	(153,648)
Taxation paid	(16,159)	(5,124)
Financing costs paid	(23,904)	(22,901)
Retirement benefits paid	(479)	(75)
Interest income received	1,338	488
Net cash generated from/(used in) operating activities	156,456	(79,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(5,439)	(7,019)
Proceeds from disposal of plant and equipment	-	311
Net cash used in investing activities	(5,439)	(6,708)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of borrowings	(128,827)	104,864
RCULS coupon payment	(4,355)	(4,605)
Net cash (used in)/generated from financing activities	(133,182)	100,259
NET CHANGE IN CASH AND CASH EQUIVALENTS	17,835	13,920
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	86,542	45,499
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(49)	94
CASH & CASH EQUIVALENTS AT END OF PERIOD	104,328	59,513

SOUTHERN STEEL BERHAD (5283-X)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

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

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

	31/12/2017 RM'000	31/12/2016 RM'000
Deposits, cash and bank balances	104,328	59,513
Bank overdrafts	-	-
	<u>104,328</u>	<u>59,513</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 2017.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

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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 2017. 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 2017 except for the adoption of MFRS 9 Financial Instruments on 1 July 2017. The adoption of MFRS 9 does not have any material impact on the financial statements of the Group except for the following:

- **Classification of financial assets and financial liabilities**

Equity investments held by the Group were previously classified as fair value through profit or loss and available for sale where the fair value gains or losses were recognised in the profit or loss and other comprehensive income respectively. The fair value gain or loss recognised in other comprehensive income was recycled to profit or loss upon disposal of the financial asset. In accordance with MFRS 9, the Group’s equity investments are measured at fair value, and the Group elected to recognise the fair value gain or loss in the other comprehensive income. Such fair value gain or loss is not permitted to be recycled to profit or loss upon disposal of the equity instrument.

The Group has also adopted the MFRSs, amendments and interpretations effective for annual period beginning on or after 1 January 2017 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2017

The figures have not been audited

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

For the quarter under review, RM902,397 nominal amount of RCULS were converted into 859,421 new ordinary shares. For the financial year-to-date, RM4,085,297 nominal amount of RCULS were converted into 3,890,751 new ordinary shares. The outstanding nominal value of RCULS as at 31 December 2017 was RM171,570,885.

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.

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	158,750	149	158,899
Included in the measure of segment profit are:			
Revenue from external customers	1,856,187	-	1,856,187
Depreciation and amortisation	27,361	19	27,380
Reconciliation of reportable segment profit			RM'000
Profit			
Reportable segment			158,899
Interest income			1,338
Finance costs			(24,387)
Share of loss in associated companies, net of tax			(20)
Profit before taxation			135,830

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.

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11. Review of performance

For the quarter under review, the Group recorded revenue of RM956 million and profit before taxation ("PBT") of RM78 million as compared with revenue and PBT of RM732 million and RM48 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2017 ("FY2017").

For the financial year-to-date, the Group registered revenue of RM1,856 million and PBT of RM136 million as compared with revenue and PBT of RM1,317 million and RM81 million respectively for the corresponding period of the FY2017.

The higher revenue and PBT for the quarter under review/financial year-to-date as compared with the corresponding quarter/period of the FY2017 were due to higher sales volume and marginally higher margin despite higher material cost.

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

For the quarter under review, the Group posted PBT of RM78 million as compared with PBT of RM57 million in the preceding quarter. The higher PBT was attributable to improved selling prices compared with the preceding quarter.

13. Prospects

The Board expects demand to grow moderately in the coming quarters with the gradual rollout of some of the infra-structure projects. However, the market is expected to remain competitive with the imminent entry of new capacity to the industry.

Barring any unforeseen circumstances, the Board expects the Group's performance to remain satisfactory for the year ending 30 June 2018.

14. Profit forecast/profit guarantee

This note is not applicable.

15. Profit before taxation

	Current Year Quarter 31/12/2017 RM'000	Current Year- To-Date 31/12/2017 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	13,499	27,380
Reversal of provision for inventories	(255)	(5,701)
Loss/(Gain) on foreign exchange	469	(623)
Fair value loss on derivatives	502	1,858
Write-off of property, plant and equipment	-	11
Gross dividend income from other investment	-	-
Allowance of impairment and write-off of trade receivables	-	-
Gain on disposal of quoted/unquoted investments or properties	-	-

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16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2017 RM'000	Preceding Year Corresponding Quarter 31/12/2016 RM'000	Current Year- To-Date 31/12/2017 RM'000	Preceding Year Corresponding Period 31/12/2016 RM'000
Current taxation				
- Current year	11,543	9,452	18,680	16,740
Deferred taxation				
- Current year	(3,231)	7	(6,319)	5,991
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	1,343	-	1,488
	8,312	10,802	12,361	24,219

The Group's effective tax rate for the quarter under review and financial year-to-date was lower than the statutory tax rate mainly due to utilisation of previously unrecognized deferred tax asset 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 December 2017 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	254,914
Unsecured short term borrowings	678,376
	933,290
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	16,836

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

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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 the Contract and the Service Agreement and claiming damages, interest and costs as well as payment of €34,908,670.70. As mentioned in Note 19(i) above, SHRC is disputing and claiming several reliefs against Danieli and DMSB.

Both arbitration proceedings in Note 19(i) and 19(ii) 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.

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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 ("SHRC's Application").

Kuala Lumpur Sessions Court dismissed SHRC's Application. SHRC appealed to the Kuala Lumpur High Court ("SHRC Appeal") against the Sessions Court's decision.

The Kuala Lumpur High Court dismissed SHRC Appeal. SHRC is appealing to the Court of Appeal against the High Court's decision.

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 does not recommend any interim dividend for the quarter ended 31 December 2017 of the financial year ending 30 June 2018 (2nd quarter 2016/2017: Nil).
- (b) For the financial year-to-date, no dividend has been declared (2016/2017: Nil).

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 RM69,958,000 (2nd quarter 2016/2017: RM36,553,000) by the weighted average number of ordinary shares during the quarter of 432,582,745 (2nd quarter 2016/2017: 421,576,012).

The basic earnings per ordinary shares for this financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM123,375,000 (2016/2017: RM55,856,000) by weighted average number of ordinary shares during the period of 431,257,214 (2016/2017: 420,500,751).

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21. Earnings per ordinary share (cont'd)
(a) Basic earnings per ordinary share (cont'd)

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter	Preceding Year	Cumulative Quarter	Preceding Year
	Current Year	Corresponding	Current Year	Preceding Year
	Quarter	Quarter	To-Date	Corresponding
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	432,053	419,607	429,022	419,417
Effect of RCULS conversion	530	1,969	2,235	1,084
Weighted average number of ordinary shares (basic)	432,583	421,576	431,257	420,501

(b) Diluted earnings 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 RM70,185,000 (2nd quarter 2016/2017: RM37,373,000) by the weighted average number of ordinary shares during the quarter of 595,983,588 (2nd quarter 2016/2017: 596,066,393) after adjustment for the effect of 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 RM123,855,000 (2016/2017: RM57,515,000) by the weighted average number of ordinary shares during the period of 594,658,057 (2016/2017: 594,991,132) after adjustment for the effect of RCULS.

	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding	To-Date	Corresponding
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company (basic)	69,958	36,553	123,375	55,856
Interest expense on RCULS	227	343	480	714
Deferred taxation on RCULS	-	477	-	945
Profit attributable to owners of the Company (diluted)	70,185	37,373	123,855	57,515
Weighted average number of ordinary shares ('000)	432,583	421,576	431,257	420,501
Effect of dilution from RCULS conversion	163,401	174,490	163,401	174,490
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	595,984	596,066	594,658	594,991
Diluted earnings per share (sen)	11.78	6.27	20.83	9.67

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The figures have not been audited

22. Derivatives

The Group has entered into a number of forward foreign exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 31 December 2017, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount RM'000	Fair Value Assets / (Liabilities) RM'000
Less than 1 year	58,330	(853)

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss. Net gain/loss arising from fair value changes of derivatives is as disclosed in Note 15.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year ended 30 June 2017.

23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Lee Wui Kien
Company Secretaries

Kuala Lumpur
13 February 2018