

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2018

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
Revenue	888,636	654,919	3,698,191	2,638,142
Cost of sales	(801,876)	(622,364)	(3,253,538)	(2,333,060)
Gross profit	86,760	32,555	444,653	305,082
Operating expenses	(43,777)	(38,135)	(175,851)	(175,685)
Other operating (expenses)/income	(4,208)	9,699	1,238	26,239
Profit from operation	38,775	4,119	270,040	155,636
Interest income	323	671	2,052	1,397
Finance costs	(12,837)	(12,976)	(48,594)	(48,464)
Share of profit in associated companies, net of tax	124	249	361	1,553
Profit/(Loss) before taxation	26,385	(7,937)	223,859	110,122
Taxation	9,091	13,924	(12,614)	(14,929)
Profit for the period	35,476	5,987	211,245	95,193
Profit attributable to:				
Owners of the Company	35,205	5,567	210,847	93,295
Non-controlling interests	271	420	398	1,898
Profit for the period	35,476	5,987	211,245	95,193
Earnings per ordinary share (sen): -				
(a) Basic	8.12	1.30	48.78	22.07
(b) Fully diluted	5.93	0.99	35.50	16.04

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 FOURTH QUARTER ENDED 30 JUNE 2018
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2018 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/6/2018 RM'000	30/6/2017 RM'000	30/6/2018 RM'000	30/6/2017 RM'000
Profit for the period	35,476	5,987	211,245	95,193
(Loss)/Gain on fair value of available-for-sale financial assets	(47)	589	(404)	1,046
Foreign currency translation differences for foreign operation	37	(23)	(52)	58
Cash flow hedge	2,754	(1,631)	900	417
Total comprehensive income for the period	38,220	4,922	211,689	96,714
Total comprehensive income attributable to:				
Owners of the Company	37,929	4,545	211,263	94,859
Non-controlling interests	291	377	426	1,855
Total comprehensive income for the period	38,220	4,922	211,689	96,714

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 FOURTH QUARTER ENDED 30 JUNE 2018
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	As At End of Current Quarter 30/6/2018 RM'000	As At End of Preceding Financial Year 30/06/2017 RM'000
ASSETS		
Property, plant and equipment	1,156,271	1,197,606
Goodwill on consolidation	30,256	30,256
Investments in associated companies	15,216	15,405
Other investments	1,023	1,427
Deferred tax assets	69,427	52,679
Tax credit receivable	20,890	22,716
Total non-current assets	1,293,083	1,320,089
Inventories	842,202	688,566
Trade and other receivables, including derivatives	288,736	184,870
Current tax assets	10,687	6,154
Cash and cash equivalents	54,550	86,542
Total current assets	1,196,175	966,132
TOTAL ASSETS	2,489,258	2,286,221
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	469,494	464,874
Reserves	355,495	154,692
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	141,524	145,544
	966,513	765,110
NON-CONTROLLING INTERESTS		
	5,574	5,148
TOTAL EQUITY	972,087	770,258
LIABILITIES		
Deferred tax liabilities	15,163	9,339
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	8,205	16,579
Deferred income	10,682	11,721
Employee benefits	31,632	28,880
Borrowings	189,958	286,491
Total non-current liabilities	255,640	353,010
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	4,665	4,564
Employee benefits	534	795
Provisions	21,945	26,047
Trade and other payables, including derivatives	374,253	351,638
Borrowings	860,108	775,648
Current tax liabilities	26	4,261
Total current liabilities	1,261,531	1,162,953
TOTAL LIABILITIES	1,517,171	1,515,963
TOTAL EQUITY AND LIABILITIES	2,489,258	2,286,221
Net assets per share attributable to owners of the Company (RM)	2.23	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 FOURTH QUARTER ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

	Attributable to owners of the company								Total	Non-controlling interests	Total equity	
	Non-distributable				Distributable							
	Share capital	Redeemable convertible loan stocks ("RCULS") (equity portion)	Merger reserve	Other reserve	Fair value reserve	Hedging reserve	Exchange fluctuation reserve	Executive share scheme 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	
Current year-to-date ended 30 June 2018												
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	-	-	-	-	-	-	-	-	210,847	210,847	398	211,245
Other comprehensive (expense)/income:												
- Loss on fair value of available-for-sale financial assets	-	-	-	-	(404)	-	-	-	-	(404)	-	(404)
- Foreign currency translation differences	-	-	-	-	-	-	(52)	-	-	(52)	-	(52)
- Cash flow hedge	-	-	-	-	-	872	-	-	-	872	28	900
Total comprehensive (expense)/income for the period	-	-	-	-	(404)	872	(52)	-	210,847	211,263	426	211,689
- Conversion of RCULS	4,620	(4,020)	-	-	-	-	-	-	(166)	434	-	434
- Transfer to other reserve	-	-	-	10	-	-	-	-	(10)	-	-	-
- Share-based payments	-	-	-	-	-	-	-	4,883	-	4,883	-	4,883
- Dividend	-	-	-	-	-	-	-	-	(15,177)	(15,177)	-	(15,177)
Total transactions with owners of the Company	4,620	(4,020)	-	10	-	-	-	4,883	(15,353)	(9,860)	-	(9,860)
At 30 June 2018	469,494	141,524	30,000	150	653	221	1,730	5,898	316,843	966,513	5,574	972,087

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2018 (cont'd)

	Attributable to owners of the Company										Total	Non-controlling interests	Total equity
	Share capital	RCULS (equity portion)	Share premium	Merger reserve	Non-distributable		Distributable			Retained earnings			
	Share capital	RCULS (equity portion)	Share premium	Merger reserve	Other reserve	Fair value reserve	Hedging reserve	Exchange fluctuation reserve	Executive share scheme 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
Preceding year corresponding period ended 30 June 2017													
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	-	-	-	-	-	-	-	-	-	93,295	93,295	1,898	95,193
Other comprehensive income/(expense):													
- Gain on fair value of available-for-sale financial assets	-	-	-	-	-	1,046	-	-	-	-	1,046	-	1,046
- Foreign currency translation differences	-	-	-	-	-	-	-	58	-	-	58	-	58
- Cash flow hedge	-	-	-	-	-	-	460	-	-	-	460	(43)	417
Total comprehensive income for the period	-	-	-	-	-	1,046	460	58	-	93,295	94,859	1,855	96,714

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2018

The figures have not been audited

	Attributable to owners of the Company											Total	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	Executive share scheme 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	
Preceding year corresponding period ended 30 June 2017														
- Conversion of RCULS	9,605	(8,356)	-	-	-	-	-	-	-	(95)	1,154	-	1,154	
- Transfer to other reserve	-	-	-	-	90	-	-	-	-	(90)	-	-	-	
- Liquidation of a subsidiary	-	-	-	-	(50)	-	-	-	-	50	-	-	-	
- Dividend	-	-	-	-	-	-	-	-	-	(12,864)	(12,864)	-	(12,864)	
- Share-based payments	-	-	-	-	-	-	-	-	1,015	-	1,015	-	1,015	
- Acquisition from non-controlling interests	-	-	-	-	-	-	-	-	-	1,127	1,127	(5,023)	(3,896)	
Total transactions with owners of the Company	9,605	(8,356)	-	-	40	-	-	-	1,015	(11,872)	(9,568)	(5,023)	(14,591)	
- Transfer in accordance with S618(2) of CA 2016*	35,852	-	(35,852)	-	-	-	-	-	-	-	-	-	-	
At 30 June 2017	464,874	145,544	-	30,000	140	1,057	(651)	1,782	1,015	121,349	765,110	5,148	770,258	

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

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 FOURTH QUARTER ENDED 30 JUNE 2018
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018

	Current Year- To-Date 30/06/2018 RM'000	Preceding Year Corresponding Period 30/06/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	223,859	110,122
Adjustments for:-		
Depreciation and amortisation	52,791	61,140
Net financing costs	46,542	47,067
Share of profit in associated companies, net of tax	(361)	(1,553)
Gain on disposal of property, plant and equipment	-	(44)
Gain on disposal of other investment	-	(2,993)
Write off of property, plant and equipment	18	1,131
Non-cash items	2,503	3,861
Operating profit before changes in working capital	325,352	218,731
Changes in working capital		
Net change in current assets	(256,345)	(166,596)
Net change in current liabilities	22,512	(122,625)
Taxation paid	(30,020)	(29,511)
Financing costs paid	(47,735)	(47,146)
Retirement benefits paid	(902)	(618)
Dividend income received	550	275
Interest income received	2,052	1,397
Net cash generated from/(used in) operating activities	15,464	(146,093)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition from non-controlling interest	-	(903)
Acquisition of property, plant and equipment	(11,474)	(11,499)
Proceeds from disposal of plant and equipment	-	311
Net cash used in investing activities	(11,474)	(12,091)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to owners of the Company	(15,177)	(12,864)
(Repayment)/Drawdown of borrowings	(12,839)	221,234
RCULS coupon payment	(8,680)	(9,223)
Net cash (used in)/generated from financing activities	(36,696)	199,147
NET CHANGE IN CASH AND CASH EQUIVALENTS	(32,706)	40,963
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	86,520	45,499
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(52)	58
CASH & CASH EQUIVALENTS AT END OF PERIOD	53,762	86,520

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2018**The figures have not been audited****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2018 (cont'd)**

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

	30/6/2018	30/06/2017
	RM'000	RM'000
Deposits, cash and bank balances	54,550	86,542
Bank Overdrafts	(788)	(22)
	<u>53,762</u>	<u>86,520</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 FOURTH QUARTER ENDED 30 JUNE 2018

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 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 FOURTH QUARTER ENDED 30 JUNE 2018

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

For the quarter under review, RM424,200 nominal amount of RCULS were converted into 404,000 new ordinary shares. For the financial year-to-date, RM4,851,297 nominal amount of RCULS were converted into 4,620,274 new ordinary shares. The outstanding nominal value of RCULS as at 30 June 2018 was RM170,804,885.

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

During the financial year-to-date, the company paid an interim single tier dividend of 3.5 sen per share amounting to RM15 million on 13 June 2018.

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	269,821	219	270,040
Included in the measure of segment profit are:			
Revenue from external customers	3,698,191	-	3,698,191
Depreciation and amortisation	52,768	23	52,791
Reconciliation of reportable segment profit			
Profit			
Reportable segment			270,040
Interest income			2,052
Finance costs			(48,594)
Share of profit in associated companies, net of tax			361
Profit before taxation			223,859

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:

E-Tatt Steel Wires Sdn Bhd ("E-Tatt"), an indirect wholly-owned subsidiary of the Company, had 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 2018
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11. Review of performance

For the quarter under review, the Group recorded revenue of RM889 million and profit before taxation ("PBT") of RM26 million as compared with revenue and loss before taxation of RM655 million and RM8 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2017 ("FY2017").

For the financial year ended 30 June 2018 ("FY2018"), the Group registered revenue of RM3,698 million and PBT of RM224 million as compared with revenue and PBT of RM2,638 million and RM110 million respectively for FY2017.

The higher revenue and PBT for the quarter under review/FY2018 as compared with the corresponding quarter/FY2017 were due to higher sales volume and net margin.

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

For the quarter under review, the Group posted PBT of RM26 million as compared with PBT of RM62 million in the preceding quarter. The lower PBT was attributable to lower sales volume and margin.

13. Prospects

The market is expected to remain challenging. With the reviews on some of the infrastructure projects by the Government, demand is expected to slow down temporarily. The Group will continue to explore export markets and its effort to improve operating cost. The Board expects the Group's performance to remain satisfactory in the new financial year.

14. Profit forecast/profit guarantee

This note is not applicable.

15. Profit before taxation

	Current Year Quarter 30/06/2018 RM'000	Current Year- To-Date 30/06/2018 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	12,537	52,791
Provision/(Reversal of provision) for inventories	2,436	(3,262)
Loss on foreign exchange	1,311	64
Fair value gain on derivatives	(3,393)	(461)
Write-off of property, plant and equipment	6	18
Gross dividend income from other investment	-	-
Allowance of impairment and write-off of trade receivables	28	28
Gain on disposal of quoted/unquoted investments or properties	-	-

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2018
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
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Current taxation				
- Current year	1,282	4,264	23,081	30,505
- Prior year	(1)	(287)	(1,829)	(6,728)
	<u>1,281</u>	<u>3,977</u>	<u>21,252</u>	<u>23,777</u>
Deferred taxation				
- Current year	(11,494)	(15,836)	(10,628)	(7,187)
- Prior year	(421)	(653)	(419)	(1,797)
	<u>(11,915)</u>	<u>(16,489)</u>	<u>(11,047)</u>	<u>(8,984)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	1,446	(1,412)	2,312	136
- Prior year	97	-	97	-
	<u>1,543</u>	<u>(1,412)</u>	<u>2,409</u>	<u>136</u>
	<u>(9,091)</u>	<u>(13,924)</u>	<u>12,614</u>	<u>14,929</u>

For the quarter under review, deferred tax assets were recognised by two of the Group's subsidiary. The effective tax rate for the financial year-to-date was lower than the statutory tax rate mainly due to utilisation of previously unrecognized deferred tax asset by another 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 30 June 2018 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	189,958
Unsecured short term borrowings	860,108
	<u>1,050,066</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>12,870</u>

There were no borrowings denominated in foreign currencies as at 30 June 2018.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2018**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 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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The figures have not been audited
20. Dividend

- (a) The Board does not recommend any final dividend for the financial year ended 30 June 2018 (2016/2017:Nil).
- (b) For the financial year-to-date, a total single tier dividend of 3.5 sen per share (2016/2017: a total single tier dividend of 3.0 sen per share) has been declared.

21. Earnings per ordinary share
(a) Basic earnings per ordinary share

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM 35,205,000 (4th quarter 2016/2017: RM5,567,000) by the weighted average number of ordinary shares during the quarter of 433,411,444 (4th quarter 2016/2017: 426,810,264).

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 RM 210,847,000 (2016/2017: RM93,295,000) by weighted average number of ordinary shares during the period of 432,240,859 (2016/2017: 422,669,327).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year	Preceding Year
	Quarter	Corresponding Quarter	To-Date	Corresponding Period
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	433,238	423,785	429,022	419,417
Effect of RCULS conversion	173	3,025	3,219	3,252
Weighted average number of ordinary shares (basic)	433,411	426,810	432,241	422,669
Basic earnings per ordinary share (sen)	8.12	1.30	48.78	22.07

(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 RM 35,382,000 (4th quarter 2016/2017: RM5,856,000) by the weighted average number of ordinary shares during the quarter of 596,313,620 (4th quarter 2016/2017: 594,101,866) 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 RM 211,706,000 (2016/2017: RM94,613,000) by the weighted average number of ordinary shares during the period of 596,313,620 (2016/2017: 589,960,929) after adjustment for the effect of RCULS.

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The figures have not been audited
21. Earnings per ordinary share (cont'd)

(b) Diluted earnings per ordinary share (cont'd)

	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-Date	Preceding Year Corresponding Period
	30/06/2018 RM'000	30/06/2017 RM'000	30/06/2018 RM'000	30/06/2017 RM'000
Profit attributable to owners of the Company (basic)	35,205	5,567	210,847	93,295
Interest expense on RCULS	177	289	859	1,318
Profit attributable to owners of the Company (diluted)	35,382	5,856	211,706	94,613
Weighted average number of ordinary shares ('000)	433,411	426,810	432,241	422,669
Effect of dilution from RCULS conversion	162,903	167,292	164,073	167,292
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	596,314	594,102	596,314	589,961
Diluted earnings per share (sen)	5.93	0.99	35.50	16.04

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 30 June 2018, 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	(81,181)	1,326

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.

SOUTHERN STEEL BERHAD (5283-X)



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The figures have not been audited

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
Company Secretary

Kuala Lumpur
24 August 2018