

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
Revenue	929,035	899,747	929,035	899,747
Cost of sales	(872,032)	(792,065)	(872,032)	(792,065)
<b>Gross profit</b>	<b>57,003</b>	<b>107,682</b>	<b>57,003</b>	<b>107,682</b>
Operating expenses	(41,274)	(44,175)	(41,274)	(44,175)
Other operating (expense)/income	(3,436)	5,536	(3,436)	5,536
<b>Profit from operation</b>	<b>12,293</b>	<b>69,043</b>	<b>12,293</b>	<b>69,043</b>
Interest income	374	597	374	597
Finance costs	(12,179)	(12,737)	(12,179)	(12,737)
Share of (loss)/profit in associated companies, net of tax	(403)	580	(403)	580
<b>Profit before taxation</b>	<b>85</b>	<b>57,483</b>	<b>85</b>	<b>57,483</b>
Taxation	1,727	(4,049)	1,727	(4,049)
<b>Profit for the period</b>	<b>1,812</b>	<b>53,434</b>	<b>1,812</b>	<b>53,434</b>
<b>Profit attributable to:</b>				
Owners of the Company	1,788	53,417	1,788	53,417
Non-controlling interests	24	17	24	17
<b>Profit for the period</b>	<b>1,812</b>	<b>53,434</b>	<b>1,812</b>	<b>53,434</b>
<b>Earnings per ordinary share (sen): -</b>				
(a) Basic	0.41	12.42	0.41	12.42
(b) Fully diluted	0.33	9.03	0.33	9.03

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 2018.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	30/09/2018 RM'000	30/09/2017 RM'000	30/09/2018 RM'000	30/09/2017 RM'000
<b>Profit for the period</b>	1,812	53,434	1,812	53,434
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Gain on fair value of equity instrument at fair value through other comprehensive income	95	-	95	-
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Gain on fair value of available-for-sale financial assets	-	155	-	155
Foreign currency translation differences for foreign operation	93	(13)	93	(13)
Cash flow hedge	991	(264)	991	(264)
<b>Total comprehensive income for the period</b>	<b>2,991</b>	<b>53,312</b>	<b>2,991</b>	<b>53,312</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	2,979	53,281	2,979	53,281
Non-controlling interests	12	31	12	31
<b>Total comprehensive income for the period</b>	<b>2,991</b>	<b>53,312</b>	<b>2,991</b>	<b>53,312</b>

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 2018.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018**

	As At End of Current Quarter 30/09/2018 RM'000	As At End of Preceding Financial Year 30/06/2018 RM'000
<b>ASSETS</b>		
Property, plant and equipment	1,147,745	1,156,271
Goodwill on consolidation	30,256	30,256
Investments in associated companies	14,813	15,216
Other investments	1,118	1,023
Deferred tax assets	81,776	69,427
Tax credit receivable	20,386	20,890
<b>Total non-current assets</b>	<b>1,296,094</b>	<b>1,293,083</b>
Inventories	662,694	842,202
Trade and other receivables, including derivatives	266,814	288,562
Current tax assets	11,385	10,687
Cash and cash equivalents	98,351	54,550
<b>Total current assets</b>	<b>1,039,244</b>	<b>1,196,001</b>
<b>TOTAL ASSETS</b>	<b>2,335,338</b>	<b>2,489,084</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	469,494	469,494
Reserves	359,737	355,495
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	141,524	141,524
	970,755	966,513
<b>NON-CONTROLLING INTERESTS</b>	<b>5,586</b>	<b>5,574</b>
<b>TOTAL EQUITY</b>	<b>976,341</b>	<b>972,087</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	21,833	15,163
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	4,097	8,205
Deferred income	10,301	10,682
Employee benefits	32,334	31,632
Borrowings	164,972	189,958
<b>Total non-current liabilities</b>	<b>233,537</b>	<b>255,640</b>
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	6,790	4,665
Employee benefits	277	534
Provisions	19,040	21,945
Trade and other payables, including derivatives	300,155	374,079
Borrowings	799,180	860,108
Current tax liabilities	18	26
<b>Total current liabilities</b>	<b>1,125,460</b>	<b>1,261,357</b>
<b>TOTAL LIABILITIES</b>	<b>1,358,997</b>	<b>1,516,997</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,335,338</b>	<b>2,489,084</b>
Net assets per share attributable to owners of the Company (RM)	2.24	2.23

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

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

	← 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	Foreign currency translation 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	
<b>Current year-to-date ended 30 September 2018</b>												
At 1 July 2018	469,494	141,524	30,000	150	-	221	1,730	5,898	317,496	966,513	5,574	972,087
Profit for the period	-	-	-	-	-	-	-	-	1,788	1,788	24	1,812
Other comprehensive income:												
- Gain on fair value of equity instruments	-	-	-	-	-	-	-	-	95	95	-	95
- Foreign currency translation differences	-	-	-	-	-	-	93	-	-	93	-	93
- Cash flow hedge	-	-	-	-	-	1,003	-	-	-	1,003	(12)	991
<b>Total comprehensive income for the period</b>	-	-	-	-	-	1,003	93	-	1,883	2,979	12	2,991
- Share-based payments	-	-	-	-	-	-	-	1,263	-	1,263	-	1,263
<b>At 30 September 2018</b>	<b>469,494</b>	<b>141,524</b>	<b>30,000</b>	<b>150</b>	<b>-</b>	<b>1,224</b>	<b>1,823</b>	<b>7,161</b>	<b>319,379</b>	<b>970,755</b>	<b>5,586</b>	<b>976,341</b>

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

The figures have not been audited

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

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity	
	Non-distributable				Distributable							
	Share capital	RCULS (equity portion)	Merger reserve	Other reserve	Fair value reserve	Hedging reserve	Foreign currency translation 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	
Preceding year corresponding period ended 30 September 2017												
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	-	-	-	-	-	-	-	-	53,417	53,417	17	53,434
Other comprehensive income:												
- Gain on fair value of available-for-sale financial assets	-	-	-	-	155	-	-	-	-	155	-	155
- Foreign currency translation differences	-	-	-	-	-	-	(13)	-	-	(13)	-	(13)
- Cash flow hedge	-	-	-	-	-	(278)	-	-	-	(278)	14	(264)
<b>Total comprehensive income for the period</b>	-	-	-	-	155	(278)	(13)	-	53,417	53,281	31	53,312
Conversion of RCULS	3,032	(2,637)	-	-	-	-	-	-	(103)	292	-	292
Share-based payments	-	-	-	-	-	-	-	1,470	-	1,470	-	1,470
<b>Total transactions with owners</b>	3,032	(2,637)	-	-	-	-	-	1,470	(103)	1,762	-	1,762
<b>At 30 September 2017</b>	467,906	142,907	30,000	140	1,212	(929)	1,769	2,485	174,663	820,153	5,179	825,332

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 2018.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	Current Year- To-Date 30/09/2018 RM'000	Preceding Year Corresponding Period 30/09/2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	85	57,483
Adjustments for:-		
Depreciation and amortisation	12,123	13,881
Net financing costs	11,805	12,140
Share of loss/(profit) in associated companies, net of tax	403	(580)
Non-cash items	5,299	2,142
Operating profit before changes in working capital	29,715	85,066
Changes in working capital		
Net change in current assets	200,436	(62,231)
Net change in current liabilities	(76,525)	32,991
Taxation paid	(4,154)	(8,790)
Financing costs paid	(12,027)	(12,485)
Retirement benefits paid	(416)	(80)
Interest income received	374	597
Net cash generated from operating activities	137,403	35,068
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(3,614)	(3,501)
Proceeds from disposal of plant and equipment	68	-
Net cash used in investing activities	(3,546)	(3,501)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(85,126)	(38,793)
RCULS coupon payment	(4,235)	(4,355)
Net cash used in financing activities	(89,361)	(43,148)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	44,496	(11,581)
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	53,762	86,520
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	93	(13)
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	98,351	74,926

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

	30/09/2018 RM'000	30/09/2017 RM'000
Deposits, cash and bank balances	98,351	74,926

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2018.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

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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 2018. 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 2018 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2018 which are applicable to the Group including MFRS 15 Revenue from Contracts with Customers. 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**

There were no RCULS conversion, 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. The outstanding nominal value of RCULS as at 30 September 2018 was RM170,804,885.

**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 FIRST QUARTER ENDED 30 SEPTEMBER 2018**

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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>	12,292	1	12,293
Included in the measure of segment profit are:			
Revenue from external customers	929,035	-	929,035
Depreciation and amortisation	12,117	6	12,123
<b>Reconciliation of reportable segment profit</b>			<b>RM'000</b>
<b>Profit</b>			
Reportable segment			12,293
Interest income			374
Finance costs			(12,179)
Share of loss in associated companies, net of tax			(403)
Profit before taxation			85

**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:

Super Othello Sdn Bhd ("SOSB"), an associate of the Company, has been placed under member's voluntary liquidation pursuant to Section 439(1)(b) of the Companies Act, 2016. The Joint Liquidators of SOSB have convened a Final Meeting on 7 September 2018 to conclude the Members' Voluntary Liquidation and accordingly, SOSB will be dissolved on 14 December 2018.

**11. Review of performance**

For the quarter under review, the Group recorded revenue of RM929 million and profit before taxation ("PBT") of RM0.085 million as compared with revenue and PBT of RM900 million and RM57 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2018 ("FY2018").

The higher revenue for the quarter under review as compared with the corresponding quarter of FY2018 was due to higher selling prices. However, the increase in selling prices was not sufficient to cover the higher material cost and energy tariff hike. Hence, this has resulted in lower margin and profit for the quarter under review.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

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

Despite a higher volume was recorded for the quarter under review, the Group posted a small profit of RM0.085 million as compared with PBT of RM26 million in the preceding quarter. The lower PBT was attributable to lower margin.

**13. Prospects**

The market is expected to remain soft in the midst of a revision of infrastructure projects by the Government, resulting in slower construction growth. However, the Group will continue to adopt measures to mitigate the eroded margins.

**14. Profit forecast/profit guarantee**

This note is not applicable.

**15. Profit before taxation**

	Current Year Quarter 30/09/2018 RM'000	Current Year- To-Date 30/09/2018 RM'000
Profit before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	12,123	12,123
Provision for inventories	1,398	1,398
Loss on foreign exchange	1,439	1,439
Fair value loss on financial instruments designated as hedge instrument	116	116
Write-off of plant and equipment	17	17
Gain on disposal of plant and equipment	(68)	(68)
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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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

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**16. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2018 RM'000	Preceding Year Corresponding Quarter 30/09/2017 RM'000	Current Year-To-Date 30/09/2018 RM'000	Preceding Year Corresponding Period 30/09/2017 RM'000
Current taxation				
- Current year	(3,447)	(7,137)	(3,447)	(7,137)
Deferred taxation				
- Current year	5,678	3,088	5,678	3,088
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	(504)	-	(504)	-
	<u>1,727</u>	<u>(4,049)</u>	<u>1,727</u>	<u>(4,049)</u>

For the quarter under review and financial year-to-date, the Group recognised additional deferred tax asset arising from tax loss recorded for some business.

**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 September 2018 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	164,972
Unsecured short term borrowings	<u>799,180</u>
	<u>964,152</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>10,887</u>

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

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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) were consolidated ("First Arbitration") and would 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 was constituted to hear this Second Arbitration. The arbitral tribunal directed that the Second Arbitration shall be heard jointly with the First Arbitration.

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

The Tribunal fixed 30 October 2018 to 9 November 2018 for oral hearing of the arbitration.

The Tribunal completed hearing of the arbitration after a total of 9 days' hearing, i.e. from 30 October to 9 November 2018.

At the end of the hearing, the Tribunal directed the parties to file and exchange post-hearing submissions by 28 February 2019.

The Tribunal further fixed 15 March 2019 for oral closing submissions in Singapore.

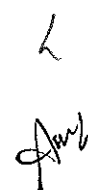
**20. Dividend**

- (a) The Board does not recommend any interim dividend for the quarter ended 30 September 2018 of the financial year ending 30 June 2019 (1<sup>st</sup> quarter 2017/2018: Nil).
- (b) For the financial year-to-date, no dividend has been declared (2018/2019: Nil).

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

The basic earnings per ordinary share for the quarter under review/financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM1,788,000 (1st quarter 2017/2018: RM53,417,000) by the weighted average number of ordinary shares during the quarter of 433,642,301 (1st quarter 2017/2018: 429,949,679).

	<i>Weighted average number of ordinary shares</i>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To-Date</b>	<b>Preceding Year Corresponding Period</b>
	<b>30/09/2018</b>	<b>30/09/2017</b>	<b>30/09/2018</b>	<b>30/09/2017</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Issued ordinary shares at beginning of period	433,642	429,022	433,642	429,022
Effect of RCULS conversion	-	928	-	928
<b>Weighted average number of ordinary shares (basic)</b>	<b>433,642</b>	<b>429,950</b>	<b>433,642</b>	<b>429,950</b>
<b>Basic earnings per ordinary share (sen)</b>	<b>0.41</b>	<b>12.42</b>	<b>0.41</b>	<b>12.42</b>



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2018**

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**21. Earnings per ordinary share (cont'd)**
**(b) Diluted earnings per ordinary share**

The diluted earnings per ordinary share for the quarter under review/financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company (diluted) of RM1,941,000 (1st quarter 2017/2018: RM53,670,000) by the weighted average number of ordinary shares during the quarter of 596,313,620 (1st quarter 2017/2018: 594,209,948) after adjustment for the effect of RCULS.

	Current Year Quarter 30/09/2018 RM'000	Preceding Year Corresponding Quarter 30/09/2017 RM'000	Current Year To- Date 30/09/2018 RM'000	Preceding Year Corresponding Period 30/09/2017 RM'000
Profit attributable to owners of the Company (basic)	1,788	53,417	1,788	53,417
Interest expense on RCULS	153	253	153	253
Profit attributable to owners of the Company (diluted)	1,941	53,670	1,941	53,670
Weighted average number of ordinary shares ('000)	433,642	429,950	433,642	429,950
Effect of dilution from RCULS conversion	162,671	164,260	162,671	164,260
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	596,313	594,210	596,313	594,210
Diluted earnings per share (sen)	0.33	9.03	0.33	9.03

**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 September 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	(161,682)	659

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.

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**The figures have not been audited**

**22. Derivatives (cont'd)**

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 2018.

**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

Penang  
29 November 2018