

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2019

| | Individual Quarter | | Cumulative Quarter | |
|---|--|---|---|--|
| | Current Year Quarter 31/3/2019 RM'000 | Preceding Year Corresponding Quarter 31/3/2018 RM'000 | Current Year- To-Date 31/3/2019 RM'000 | Preceding Year Corresponding Period 31/3/2018 RM'000 |
| Revenue | 699,963 | 953,368 | 2,438,506 | 2,809,555 |
| Cost of sales | (726,301) | (833,200) | (2,397,062) | (2,455,016) |
| Gross (loss)/profit | (26,338) | 120,168 | 41,444 | 354,539 |
| Operating expenses | (34,787) | (46,289) | (117,166) | (132,075) |
| Other operating income/(expense) | 17,672 | (1,513) | (4,602) | 8,801 |
| (Loss)/Profit from operation | (43,453) | 72,366 | (80,324) | 231,265 |
| Interest income | 287 | 391 | 1,033 | 1,729 |
| Finance costs | (12,527) | (11,370) | (36,372) | (35,757) |
| Share of (loss)/profit in associated companies, net of tax | (257) | 257 | (520) | 237 |
| (Loss)/Profit before taxation | (55,950) | 61,644 | (116,183) | 197,474 |
| Taxation | 14,400 | (9,344) | 32,059 | (21,705) |
| (Loss)/Profit for the period | (41,550) | 52,300 | (84,124) | 175,769 |
| (Loss)/Profit attributable to: | | | | |
| Owners of the Company | (41,572) | 52,267 | (84,198) | 175,642 |
| Non-controlling interests | 22 | 33 | 74 | 127 |
| (Loss)/Profit for the period | (41,550) | 52,300 | (84,124) | 175,769 |
| (Loss)/Earnings per ordinary share (sen): - | | | | |
| (a) Basic | (9.59) | 12.07 | (19.42) | 40.67 |
| (b) Fully diluted | N/A | 8.80 | N/A | 29.64 |

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 THIRD QUARTER ENDED 31 MARCH 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2019 (cont'd)

| | Individual Quarter | | Cumulative Quarter | |
|---|--|---|---|--|
| | Current Year Quarter 31/3/2019 RM'000 | Preceding Year Corresponding Quarter 31/3/2018 RM'000 | Current Year- To-Date 31/3/2019 RM'000 | Preceding Year Corresponding Period 31/3/2018 RM'000 |
| (Loss)/Profit for the period | (41,550) | 52,300 | (84,124) | 175,769 |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | | |
| Gain/(Loss) on fair value of equity instrument at fair value through other comprehensive income | 47 | | (381) | |
| <i>Item that are or may be reclassified subsequently to profit or loss</i> | | | | |
| Loss on fair value of available-for-sale financial assets | - | (630) | - | (357) |
| Foreign currency translation differences for foreign operation | (9) | (40) | 83 | (89) |
| Cash flow hedge | 2,814 | (1,162) | 412 | (1,854) |
| Total comprehensive (expense)/income for the period | (38,698) | 50,468 | (84,010) | 173,469 |
| Total comprehensive (expense)/income attributable to: | | | | |
| Owners of the Company | (38,791) | 50,435 | (84,074) | 173,334 |
| Non-controlling interests | 93 | 33 | 64 | 135 |
| Total comprehensive (expense)/income for the period | (38,698) | 50,468 | (84,010) | 173,469 |

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 THIRD QUARTER ENDED 31 MARCH 2019
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

| | As At End of Current Quarter 31/3/2019 RM'000 | As At End of Preceding Financial Year 30/06/2018 RM'000 |
|--|--|---|
| ASSETS | | |
| Property, plant and equipment | 1,128,263 | 1,156,271 |
| Goodwill on consolidation | 30,256 | 30,256 |
| Investments in associated companies | 14,696 | 15,216 |
| Other investments | 642 | 1,023 |
| Deferred tax assets | 109,615 | 69,427 |
| Tax credit receivable | 21,040 | 20,890 |
| Total non-current assets | 1,304,512 | 1,293,083 |
| Inventories | 688,004 | 842,202 |
| Trade and other receivables, including derivatives | 219,056 | 288,562 |
| Current tax assets | 17,362 | 10,687 |
| Cash and cash equivalents | 71,383 | 54,550 |
| Total current assets | 995,805 | 1,196,001 |
| TOTAL ASSETS | 2,300,317 | 2,489,084 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | |
| Share capital | 469,494 | 469,494 |
| Reserves | 275,079 | 355,495 |
| Redeemable Convertible Unsecured Loan Stocks (Equity Portion) | 141,524 | 141,524 |
| | 886,097 | 966,513 |
| NON-CONTROLLING INTERESTS | | |
| | 5,638 | 5,574 |
| TOTAL EQUITY | 891,735 | 972,087 |
| LIABILITIES | | |
| Deferred tax liabilities | 21,443 | 15,163 |
| Redeemable Convertible Unsecured Loan Stocks (Liability Portion) | 3,403 | 8,205 |
| Deferred income | 9,538 | 10,682 |
| Employee benefits | 32,216 | 31,632 |
| Borrowings | 109,993 | 189,958 |
| Total non-current liabilities | 176,593 | 255,640 |
| Redeemable Convertible Unsecured Loan Stocks (Liability Portion) | 3,444 | 4,665 |
| Employee benefits | 830 | 534 |
| Provisions | 11,603 | 21,945 |
| Trade and other payables, including derivatives | 246,770 | 374,079 |
| Borrowings | 969,314 | 860,108 |
| Current tax liabilities | 28 | 26 |
| Total current liabilities | 1,231,989 | 1,261,357 |
| TOTAL LIABILITIES | 1,408,582 | 1,516,997 |
| TOTAL EQUITY AND LIABILITIES | 2,300,317 | 2,489,084 |
| Net assets per share attributable to owners of the Company (RM) | 2.04 | 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.

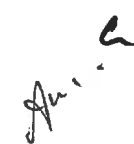


QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019

| | 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 | RM'000 |
| Current year-to-date ended 31 March 2019 | | | | | | | | | | | | |
| At 1 July 2018 | 469,494 | 141,524 | 30,000 | 150 | - | 221 | 1,730 | 5,898 | 317,496 | 966,513 | 5,574 | 972,087 |
| (Loss)/Profit for the period | - | - | - | - | - | - | - | - | (84,198) | (84,198) | 74 | (84,124) |
| Other comprehensive income/(expense): | | | | | | | | | | | | |
| - Loss on fair value of equity instruments | - | - | - | - | - | - | - | - | (381) | (381) | - | (381) |
| - Foreign currency translation differences | - | - | - | - | - | - | 83 | - | - | 83 | - | 83 |
| - Cash flow hedge | - | - | - | - | - | 422 | - | - | - | 422 | (10) | 412 |
| Total comprehensive income/(expense) for the period | - | - | - | - | - | 422 | 83 | - | (84,579) | (84,074) | 64 | (84,010) |
| Share-based payments | - | - | - | - | - | - | - | 3,658 | - | 3,658 | - | 3,658 |
| At 31 March 2019 | 469,494 | 141,524 | 30,000 | 150 | - | 643 | 1,813 | 9,556 | 232,917 | 886,097 | 5,638 | 891,735 |



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2019 (cont'd)

| | ← Attributable to owners of the Company → | | | | | | | | | | | |
|---|---|------------------------|----------------|---------------|--------------------|-----------------|--------------------------------------|--------------------------------|-------------------|----------------|---------------------------|----------------|
| | ← Non-distributable → | | | | | | | | Distributable | | | Total equity |
| | Share capital | RCULS (equity portion) | Merger reserve | Other reserve | Fair value reserve | Hedging reserve | Foreign currency translation reserve | Executive share scheme reserve | Retained earnings | Total | Non-controlling interests | |
| | 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 March 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 | - | - | - | - | - | - | - | - | 175,642 | 175,642 | 127 | 175,769 |
| Other comprehensive (expense)/income: | | | | | | | | | | | | |
| - Loss on fair value of available-for-sale financial assets | - | - | - | - | (357) | - | - | - | - | (357) | - | (357) |
| - Foreign currency translation differences | - | - | - | - | - | - | (89) | - | - | (89) | - | (89) |
| - Cash flow hedge | - | - | - | - | - | (1,862) | - | - | - | (1,862) | 8 | (1,854) |
| Total comprehensive (expense)/income for the period | - | - | - | - | (357) | (1,862) | (89) | - | 175,642 | 173,334 | 135 | 173,469 |
| Conversion of RCULS | 4,216 | (3,668) | - | - | - | - | - | - | (142) | 406 | - | 406 |
| Share-based payments | - | - | - | - | - | - | - | 3,634 | - | 3,634 | - | 3,634 |
| Total transactions with owners | 4,216 | (3,668) | - | - | - | - | - | 3,634 | (142) | 4,040 | - | 4,040 |
| At 31 March 2018 | 469,090 | 141,876 | 30,000 | 140 | 700 | (2,513) | 1,693 | 4,649 | 296,849 | 942,484 | 5,283 | 947,767 |

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 THIRD QUARTER ENDED 31 MARCH 2019
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

| | Current Year- To-Date 31/3/2019 RM'000 | Preceding Year Corresponding Period 31/3/2018 RM'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/Profit before taxation | (116,183) | 197,474 |
| Adjustments for:- | | |
| Depreciation and amortisation | 35,610 | 40,254 |
| Net financing costs | 35,339 | 34,028 |
| Share of loss/(profit) in associated companies, net of tax | 520 | (237) |
| Non-cash items | 4,611 | 3,807 |
| Operating (loss)/profit before changes in working capital | (40,103) | 275,326 |
| Changes in working capital | | |
| Net change in current assets | 222,525 | (216,479) |
| Net change in current liabilities | (133,807) | (1,559) |
| Taxation paid | (8,672) | (22,595) |
| Financing costs paid | (35,990) | (35,072) |
| Retirement benefits paid | (1,387) | (810) |
| Interest income received | 1,033 | 1,729 |
| Dividend income received | - | 550 |
| Net cash generated from operating activities | 3,599 | 1,090 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of plant and equipment | (7,619) | (8,850) |
| Proceeds from disposal of plant and equipment | 69 | - |
| Net cash used in investing activities | (7,550) | (8,850) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown/(Repayment) of borrowings | 30,029 | (3,376) |
| RCULS coupon payment | (8,540) | (8,684) |
| Net cash generated from/(used) in financing activities | 21,489 | (12,060) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 17,538 | (19,820) |
| CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD | 53,762 | 86,542 |
| EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD | 83 | (89) |
| CASH & CASH EQUIVALENTS AT END OF PERIOD | 71,383 | 66,633 |

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

| | 31/3/2019 RM'000 | 31/3/2018 RM'000 |
|----------------------------------|-----------------------------|-----------------------------|
| Deposits, cash and bank balances | 71,383 | 66,633 |

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

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 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 31 March 2019 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 THIRD QUARTER ENDED 31 MARCH 2019
The figures have not been audited
8. Operating Segments

The Group's segmental report for the financial year-to-date is as follows:

| | Steel products RM'000 | Investment holding and others RM'000 | Total RM'000 |
|---|-----------------------------|---|-----------------|
| Segment (loss)/profit | (80,886) | 562 | (80,324) |
| Included in the measure of segment (loss)/profit are: | | | |
| Revenue from external customers | 2,438,506 | - | 2,438,506 |
| Depreciation and amortisation | 35,592 | 18 | 35,610 |
| Reconciliation of reportable segment (loss)/profit | | | RM'000 |
| Loss | | | |
| Reportable segment | | | (80,324) |
| Interest income | | | 1,033 |
| Finance costs | | | (36,372) |
| Share of loss in associated companies, net of tax | | | (520) |
| Loss before taxation | | | (116,183) |

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.

11. Review of performance

For the quarter under review, the Group's revenue was RM700 million and loss before taxation ("LBT") was RM56 million as compared with revenue and profit before taxation ("PBT") of RM953 million and RM62 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2018 ("FY2018").

For the financial year-to-date, the Group's revenue was RM2,439 million and LBT was RM116 million as compared with revenue and PBT of RM2,810 million and RM197 million respectively for the corresponding period of FY2018.

The lower revenue and LBT recorded for the quarter under review/financial year-to-date as compared with the corresponding quarter/period of FY2018 were largely due to lower selling prices.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019
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12. Material changes in profit before taxation against the immediate preceding quarter

The Group posted LBT of RM56 million in the current quarter as compared with LBT of RM60 million for the preceding quarter as the market condition remained challenging.

13. Prospects

Although there is indication of revival of some infrastructure projects by the Government, their impact and timing are still uncertain. Further to this uncertainty and the intense competition caused by the new foreign owned competitor, the Group intends to ensure that its market position will not be compromised. The Group will intensify its effort to manage down its cost.

14. Profit forecast/profit guarantee

This note is not applicable.

15. (Loss)/Profit before taxation

| | Current Year Quarter 31/3/2019 RM'000 | Current Year- To-Date 31/3/2019 RM'000 |
|--|--|---|
| Loss before taxation is arrived at after charging/(crediting): | | |
| Depreciation and amortisation | 11,524 | 35,610 |
| (Reversal)/Provision for inventories | (11,930) | 6,763 |
| Gain on foreign exchange | (2,121) | (1,237) |
| Fair value loss/(gain) on financial instruments designated as hedge instrument | 159 | (128) |
| Write-off of plant and equipment | - | 17 |
| Gain on disposal of plant and equipment | (1) | (69) |
| Gross dividend income from other investment | - | - |
| Allowance of impairment and write-off of trade receivables | - | - |
| Gain on disposal of quoted/unquoted investments or properties | - | - |

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019
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16. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|--|--|---|---|--|
| | Current Year Quarter 31/3/2019 RM'000 | Preceding Year Corresponding Quarter 31/3/2018 RM'000 | Current Year- To-Date 31/3/2019 RM'000 | Preceding Year Corresponding Period 31/3/2018 RM'000 |
| Current taxation | | | | |
| - Current year | (2,673) | 3,119 | 1,616 | 21,799 |
| - Prior year | 383 | (1,828) | 383 | (1,828) |
| | <u>(2,290)</u> | <u>1,291</u> | <u>1,999</u> | <u>19,971</u> |
| Deferred taxation | | | | |
| - Current year | (2,147) | 7,185 | (23,999) | 866 |
| - Prior year | (9,909) | 2 | (9,909) | 2 |
| | <u>(12,056)</u> | <u>7,187</u> | <u>(33,908)</u> | <u>868</u> |
| Utilisation of tax credit receivable arising from unutilised reinvestment allowances | | | | |
| - Current year | 96 | 866 | - | 866 |
| - Prior year | (150) | - | (150) | - |
| | <u>(54)</u> | <u>866</u> | <u>(150)</u> | <u>866</u> |
| | <u>(14,400)</u> | <u>9,344</u> | <u>(32,059)</u> | <u>21,705</u> |

For the quarter under review and financial year-to-date, the Group recognised additional deferred tax asset arising from tax losses recorded in certain subsidiaries.

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 2019 are as follows:

| | RM'000 |
|--|------------------|
| Borrowings: | |
| Unsecured long term borrowings | 109,993 |
| Unsecured short term borrowings | 969,314 |
| | <u>1,079,307</u> |
| Debt Securities: | |
| Redeemable Convertible Unsecured Loan Stocks – Liability Portion | <u>6,847</u> |

There were no borrowings denominated in foreign currencies as at 31 March 2019.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2019

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) 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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The figures have not been audited

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.

The Tribunal completed hearing of the oral closing submissions on 15 March 2019.

Parties are awaiting the Tribunal's decision.

20. Dividend

(a) The Board does not recommend any interim dividend for the quarter ended 31 March 2019 of the financial year ending 30 June 2019 (3rd quarter 2017/2018: single tier dividend of 3.5 sen per share).

(b) For the financial year-to-date, no dividend has been declared (2017/2018: single tier dividend of 3.5 sen per share).

21. (Loss)/Earnings per ordinary share

(a) Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM41,573,000 (3rd quarter 2017/2018: profit attributable to owners of the Company of RM52,267,000) by the weighted average number of ordinary shares during the quarter of 433,642,301 (3rd quarter 2017/2018: 433,049,878).

The basic (loss)/earnings per ordinary shares for this financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM84,199,000 (2017/2018: profit attributable to owners of the Company of RM175,642,000) by weighted average number of ordinary shares during the period of 433,642,301 (2017/2018: 431,852,088)

| | <i>Weighted average number of ordinary shares</i> | | | |
|---|---|---|-----------------------------|--|
| | Individual Quarter | | Cumulative Quarter | |
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To-Date | Preceding Year Corresponding Period |
| | 31/3/2019 | 31/3/2018 | 31/3/2019 | 31/3/2018 |
| | '000 | '000 | '000 | '000 |
| Issued ordinary shares at beginning of period | 433,642 | 432,913 | 433,642 | 429,022 |
| Effect of RCULS conversion | - | 137 | - | 2,830 |
| Weighted average number of ordinary shares (basic) | 433,642 | 433,050 | 433,642 | 431,852 |
| Basic (loss)/earnings per ordinary share (sen) | (9.59) | 12.07 | (19.42) | 40.67 |

21. (Loss)/Earnings per ordinary share (cont'd)



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

The Group's diluted loss per ordinary share in the quarter under review/financial year-to-date is not presented as the assumed potential new ordinary shares are anti-dilutive.

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 March 2019, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

| | Contract amount | Fair Value Assets / (Liabilities) |
|------------------|------------------------|--|
| | RM'000 | RM'000 |
| Less than 1 year | (12,096) | 177 |

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 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

Kuala Lumpur
30 May 2019