

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
Revenue	809,508	956,440	1,738,543	1,856,187
Cost of sales	(798,729)	(829,751)	(1,670,761)	(1,621,816)
Gross profit	10,779	126,689	67,782	234,371
Operating expenses	(41,105)	(41,611)	(82,379)	(85,786)
Other operating (expense)/income	(18,838)	4,778	(22,274)	10,314
(Loss)/Profit from operation	(49,164)	89,856	(36,871)	158,899
Interest income	372	741	746	1,338
Finance costs	(11,666)	(11,650)	(23,845)	(24,387)
Share of profit/(loss) in associated companies, net of tax	140	(600)	(263)	(20)
(Loss)/Profit before taxation	(60,318)	78,347	(60,233)	135,830
Taxation	15,932	(8,312)	17,659	(12,361)
(Loss)/Profit for the period	(44,386)	70,035	(42,574)	123,469
(Loss)/Profit attributable to:				
Owners of the Company	(44,414)	69,958	(42,626)	123,375
Non-controlling interests	28	77	52	94
(Loss)/Profit for the period	(44,386)	70,035	(42,574)	123,469
(Loss)/Earnings per ordinary share (sen): -				
(a) Basic	(10.24)	16.17	(9.83)	28.61
(b) Fully diluted	(7.43)	11.78	(7.10)	20.83

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 SECOND QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2018 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2018 RM'000	31/12/2017 RM'000	31/12/2018 RM'000	31/12/2017 RM'000
(Loss)/Profit for the period	(44,386)	70,035	(42,574)	123,469
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Loss on fair value of equity instrument at fair value through other comprehensive income	(523)	-	(428)	-
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Gain on fair value of available-for-sale financial assets	-	118	-	273
Foreign currency translation differences for foreign operation	(1)	(36)	92	(49)
Cash flow hedge	(3,393)	(428)	(2,402)	(692)
Total comprehensive (expense)/income for the period	(48,303)	69,689	(45,312)	123,001
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(48,262)	69,618	(45,283)	122,899
Non-controlling interests	(41)	71	(29)	102
Total comprehensive (expense)/income for the period	(48,303)	69,689	(45,312)	123,001

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 SECOND QUARTER ENDED 31 DECEMBER 2018
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2018 RM'000	30/06/2018 RM'000
ASSETS		
Property, plant and equipment	1,138,356	1,156,271
Goodwill on consolidation	30,256	30,256
Investments in associated companies	14,952	15,216
Other investments	595	1,023
Deferred tax assets	97,745	69,427
Tax credit receivable	20,986	20,890
Total non-current assets	1,302,890	1,293,083
Inventories	781,333	842,202
Trade and other receivables, including derivatives	224,564	288,562
Current tax assets	14,311	10,687
Cash and cash equivalents	70,039	54,550
Total current assets	1,090,247	1,196,001
TOTAL ASSETS	2,393,137	2,489,084
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	469,494	469,494
Reserves	312,625	355,495
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	141,524	141,524
	923,643	966,513
NON-CONTROLLING INTERESTS		
	5,545	5,574
TOTAL EQUITY	929,188	972,087
LIABILITIES		
Deferred tax liabilities	21,627	15,163
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	4,098	8,205
Deferred income	9,920	10,682
Employee benefits	32,364	31,632
Borrowings	139,986	189,958
Total non-current liabilities	207,995	255,640
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	4,782	4,665
Employee benefits	553	534
Provisions	15,653	21,945
Trade and other payables, including derivatives	304,334	374,079
Borrowings	930,622	860,108
Current tax liabilities	10	26
Total current liabilities	1,255,954	1,261,357
TOTAL LIABILITIES	1,463,949	1,516,997
TOTAL EQUITY AND LIABILITIES	2,393,137	2,489,084
Net assets per share attributable to owners of the Company (RM)	2.13	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 SECOND QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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	RM'000
Current year-to-date ended 31 December 2018												
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 for the period	-	-	-	-	-	-	-	-	(42,626)	(42,626)	52	(42,574)
Other comprehensive (expense)/income:												
- Loss on fair value of equity instruments	-	-	-	-	-	-	-	-	(428)	(428)	-	(428)
- Foreign currency translation differences	-	-	-	-	-	-	92	-	-	92	-	92
- Cash flow hedge	-	-	-	-	-	(2,321)	-	-	-	(2,321)	(81)	(2,402)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(2,321)	92	-	(43,054)	(45,283)	(29)	(45,312)
- Share-based payments	-	-	-	-	-	-	-	2,413	-	2,413	-	2,413
At 31 December 2018	469,494	141,524	30,000	150	-	(2,100)	1,822	8,311	274,442	923,643	5,545	929,188

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2018 (cont'd)

	← Attributable to owners of the Company →								Total	Non-controlling interests	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
	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 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	-	-	-	-	-	-	-	-	123,375	123,375	94	123,469
Other comprehensive income/(expense):												
- 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/(expense) for the period	-	-	-	-	273	(700)	(49)	-	123,375	122,899	102	123,001
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

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 SECOND QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2018

	Current Year- To-Date 31/12/2018 RM'000	Preceding Year Corresponding Period 31/12/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(60,233)	135,830
Adjustments for:-		
Depreciation and amortisation	24,086	27,380
Net financing costs	23,099	23,049
Share of loss in associated companies, net of tax	263	20
Non-cash items	5,924	5,474
Operating (loss)/profit before changes in working capital	(6,861)	191,753
Changes in working capital		
Net change in current assets	123,547	16,947
Net change in current liabilities	(79,843)	(13,040)
Taxation paid	(7,931)	(16,159)
Financing costs paid	(23,565)	(23,904)
Retirement benefits paid	(884)	(479)
Interest income received	746	1,338
Net cash generated from operating activities	5,209	156,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(6,187)	(5,439)
Proceeds from disposal of plant and equipment	68	-
Net cash used in investing activities	(6,119)	(5,439)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of borrowings	21,330	(128,827)
RCULS coupon payment	(4,235)	(4,355)
Net cash generated from/(used) in financing activities	17,095	(133,182)
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,185	17,835
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	53,762	86,542
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	92	(49)
CASH & CASH EQUIVALENTS AT END OF PERIOD	70,039	104,328

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

	31/12/2018 RM'000	31/12/2017 RM'000
Deposits, cash and bank balances	70,039	104,328

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 SECOND QUARTER ENDED 31 DECEMBER 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 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 December 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 SECOND QUARTER ENDED 31 DECEMBER 2018

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	(37,380)	509	(36,871)
Included in the measure of segment (loss)/profit are:			
Revenue from external customers	1,738,543	-	1,738,543
Depreciation and amortisation	24,074	12	24,086
Reconciliation of reportable segment (loss)/profit			RM'000
Loss			
Reportable segment			(36,871)
Interest income			746
Finance costs			(23,845)
Share of loss in associated companies, net of tax			(263)
Loss before taxation			(60,233)

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 recorded revenue of RM810 million and loss before taxation ("LBT") of RM60 million as compared with revenue and profit before taxation ("PBT") of RM956 million and RM78 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2018 ("FY2018").

The lower revenue and LBT recorded for the quarter under review as compared with the corresponding quarter of FY2018 were due to both lower sales volume and selling prices.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018

The figures have not been audited

11. Review of performance (cont'd)

For the financial year-to-date, the Group registered revenue of RM1,739 million and LBT of RM60 million as compared with a revenue and PBT of RM1,856 million and RM136 million respectively for the corresponding period of FY2018.

The lower revenue and LBT recorded for the financial year-to-date as compared with the corresponding period of FY2018 were due to lower sales volume with eroded margin.

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

With the lower volume and revenue recorded for the quarter under review, the Group posted LBT of RM60 million as compared with PBT of RM0.085 million for the preceding quarter. The loss was mainly attributable to lower volume with eroded margin.

13. Prospects

The market is expected to remain soft for the remaining year with the festive seasons and ongoing review of infrastructure projects by the Government. However, the Group will continue to explore export markets and adopt measures to mitigate the impact of adverse market condition.

14. Profit forecast/profit guarantee

This note is not applicable.

15. (Loss)/Profit before taxation

	Current Year Quarter 31/12/2018 RM'000	Current Year- To-Date 31/12/2018 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	11,963	24,086
Provision for inventories	17,295	18,693
(Gain)/Loss on foreign exchange	(555)	884
Fair value gain on financial instruments designated as hedge instrument	(403)	(287)
Write-off of plant and equipment	-	17
Gain on disposal of plant and equipment	-	(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	-	-

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2018
The figures have not been audited
16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2018 RM'000	Preceding Year Corresponding Quarter 31/12/2017 RM'000	Current Year- To-Date 31/12/2018 RM'000	Preceding Year Corresponding Period 31/12/2017 RM'000
Current taxation				
- Current year	(842)	(11,543)	(4,289)	(18,680)
Deferred taxation				
- Current year	16,174	3,231	21,852	6,319
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	600	-	96	-
	<u>15,932</u>	<u>(8,312)</u>	<u>17,659</u>	<u>(12,361)</u>

For the quarter under review and financial year-to-date, the Group recognised additional deferred tax asset arising from tax loss 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 December 2018 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	139,986
Unsecured short term borrowings	930,622
	<u>1,070,608</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>8,880</u>

There were no borrowings denominated in foreign currencies as at 31 December 2018.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 31 December 2018 of the financial year ending 30 June 2019 (2nd quarter 2017/2018: Nil).
- (b) For the financial year-to-date, no dividend has been declared (2018/2019: Nil).

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 RM44,414,000 (2nd quarter 2017/2018: profit attributable to owners of the Company of RM69,958,000) by the weighted average number of ordinary shares during the quarter of 433,642,301 (2nd quarter 2017/2018: 432,582,745).

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 RM42,626,000 (2017/2018: profit attributable to owners of the Company of RM123,375,000) by weighted average number of ordinary shares during the period of 433,642,301 (2017/2018: 431,257,214)

	<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
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	433,642	432,053	433,642	429,022
Effect of RCULS conversion	-	530	-	2,235
Weighted average number of ordinary shares (basic)	<u>433,642</u>	<u>432,583</u>	<u>433,642</u>	<u>431,257</u>
Basic (loss)/earnings per ordinary share (sen)	(10.24)	16.17	(9.83)	28.61

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

(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 December 2018, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets
	RM'000	/ (Liabilities)
	RM'000	RM'000
Less than 1 year	(102,716)	(961)

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
18 February 2019