

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2021**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2021 RM'000	Preceding Year Corresponding Quarter 31/12/2020 RM'000	Current Year- To-Date 31/12/2021 RM'000	Preceding Year Corresponding Period 31/12/2020 RM'000
<b>Revenue</b>	651,559	444,948	1,138,631	889,345
Cost of sales	(578,772)	(403,402)	(997,353)	(821,556)
<b>Gross profit</b>	72,787	41,546	141,278	67,789
Operating expenses	(29,983)	(24,623)	(54,215)	(48,762)
Other operating income/(expense)	3,046	7,976	4,974	(11,249)
<b>Profit from operations</b>	45,850	24,899	92,037	7,778
Interest income	182	221	392	572
Finance costs	(6,484)	(6,865)	(13,890)	(16,607)
Share of profit/(loss) in an associated company, net of tax	753	(148)	1,454	(115)
<b>Profit/(Loss) before taxation</b>	40,301	18,107	79,993	(8,372)
Taxation	(644)	(232)	(5,250)	61
<b>Profit/(Loss) from continuing operations</b>	39,657	17,875	74,743	(8,311)
Loss from a discontinued operation, net of tax (N1)	(5,309)	(7,023)	(8,162)	(8,910)
<b>Profit/(Loss) for the period</b>	34,348	10,852	66,581	(17,221)
<b>Profit/(Loss) attributable to:</b>				
Owners of the Company	34,225	10,760	66,343	(17,374)
Non-controlling interests	123	92	238	153
<b>Profit/(Loss) for the period</b>	34,348	10,852	66,581	(17,221)
<b>Earnings/(Loss) per ordinary share (sen): -</b>				
(a) Basic	5.74	1.80	11.13	(2.91)
(b) Fully diluted	5.74	1.80	11.13	(2.91)

(N1) Southern HRC Sdn Bhd (“SHRC”), a wholly-owned subsidiary of the Company had ceased its hot rolled coil operation in the financial year ended 30 June 2020. Accordingly, the financial results of the operation is separately disclosed as a discontinued operation.

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 2021.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2021 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2021 RM'000	Preceding Year Corresponding Quarter 31/12/2020 RM'000	Current Year- To-Date 31/12/2021 RM'000	Preceding Year Corresponding Period 31/12/2020 RM'000
<b>Profit/(Loss) for the period</b>	34,348	10,852	66,581	(17,221)
<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	72	512	96	476
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	(2)	(18)	2	(34)
Cash flow hedge	(735)	(494)	(567)	(110)
<b>Total comprehensive income/(expense) for the period</b>	<b>33,683</b>	<b>10,852</b>	<b>66,112</b>	<b>(16,889)</b>
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	33,568	10,470	65,891	(17,034)
Non-controlling interests	115	382	221	145
<b>Total comprehensive income/(expense) for the period</b>	<b>33,683</b>	<b>10,852</b>	<b>66,112</b>	<b>(16,889)</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 2021.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021**

	As At End of Current Quarter 31/12/2021 RM'000	As At End of Preceding Financial Year 30/06/2021 RM'000
<b>ASSETS</b>		
Property, plant and equipment (“PPE”)	397,960	412,896
Rights-of-use assets (“ROU”)	338,808	345,982
Goodwill on consolidation	30,256	30,256
Investments in an associated company	14,538	13,084
Other investments	708	612
Deferred tax assets	28,132	36,452
Tax credit receivable	15,202	16,525
Other receivables	294,982	294,982
<b>Total non-current assets</b>	<b>1,120,586</b>	<b>1,150,789</b>
Inventories	487,389	562,613
Trade and other receivables, including derivatives	155,042	43,960
Current tax assets	6,587	9,350
Cash and cash equivalents	85,837	133,011
Asset to be returned to vendor	369,377	369,377
Asset held for sale	54,051	84,486
<b>Total current assets</b>	<b>1,158,283</b>	<b>1,202,797</b>
<b>TOTAL ASSETS</b>	<b>2,278,869</b>	<b>2,353,586</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	641,010	641,010
Reserves	150,162	84,271
	791,172	725,281
<b>NON-CONTROLLING INTERESTS</b>	6,984	6,763
<b>TOTAL EQUITY</b>	<b>798,156</b>	<b>732,044</b>
<b>LIABILITIES</b>		
Lease liabilities	20,007	21,926
Deferred tax liabilities	17,047	24,273
Deferred income	5,322	6,090
Employee benefits	26,344	25,865
Loans and borrowings	296,900	354,880
<b>Total non-current liabilities</b>	<b>365,620</b>	<b>433,034</b>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021 (cont'd)**

	As At End of Current Quarter 31/12/2021 RM'000	As At End of Preceding Financial Year 30/06/2021 RM'000
Lease liabilities	3,790	3,696
Employee benefits	991	1,020
Provisions	4,656	5,292
Trade and other payables, including derivatives	206,720	247,488
Contract liability	369,377	369,377
Loans and borrowings	529,554	561,617
Current tax liabilities	5	18
<b>Total current liabilities</b>	1,115,093	1,188,508
<b>TOTAL LIABILITIES</b>	1,480,713	1,621,542
<b>TOTAL EQUITY AND LIABILITIES</b>	2,278,869	2,353,586
<b>Net assets per share attributable to owners of the Company (RM)</b>	1.33	1.22

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2021.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2021**

	← Attributable to owners of the Company →						Total	Non-controlling interests	Total equity
	← Non-distributable →								
	Share capital	Revaluation reserve	Merger reserve	Hedging reserve	Exchange fluctuation reserve	Retained earnings/ losses (Accumulated losses)			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Current year-to-date ended 31 December 2021</b>									
<b>At 1 July 2021</b>	641,010	295,156	30,000	972	1,828	(243,685)	725,281	6,763	732,044
Profit for the period	-	-	-	-	-	66,343	66,343	238	66,581
Other comprehensive income/(expense):									
- Gain on fair value of equity instruments	-	-	-	-	-	96	96	-	96
- Foreign currency translation differences	-	-	-	-	2	-	2	-	2
- Cash flow hedge	-	-	-	(550)	-	-	(550)	(17)	(567)
<b>Total comprehensive expense/(income) for the period</b>	-	-	-	(550)	2	66,439	65,891	221	66,112
<b>At 31 December 2021</b>	641,010	295,156	30,000	422	1,830	(177,246)	791,172	6,984	798,156

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2021 (cont'd)**

	← Attributable to owners of the Company →						Total	Non-controlling interests	Total equity
	← Non-distributable →								
	Share capital	Revaluation reserve	Merger reserve	Hedging reserve	Exchange fluctuation reserve	Retained earnings/ losses (Accumulated)			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Preceding year corresponding period ended 31 December 2020</b>									
<b>At 1 July 2020</b>	641,010	295,156	30,000	391	1,845	(296,513)	671,889	6,378	678,267
(Loss)/Profit for the period	-	-	-	-	-	(17,374)	(17,374)	153	(17,221)
Other comprehensive income/(expense):									
- Gain on fair value of equity investments	-	-	-	-	-	476	476	-	476
- Foreign currency translation differences	-	-	-	-	(34)	-	(34)	-	(34)
- Cash flow hedge	-	-	-	(102)	-	-	(102)	(8)	(110)
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	(102)	(34)	(16,898)	(17,034)	145	(16,889)
<b>At 31 December 2020</b>	641,010	295,156	30,000	289	1,811	(313,411)	654,855	6,523	661,378

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 2021.

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021

The figures have not been audited

### CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2021

	Current Year- To-Date 31/12/2021 RM'000	Preceding Year Corresponding Period 31/12/2020 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation		
Continuing operations	79,993	(8,372)
Discontinued operation	(8,162)	(8,910)
	71,831	(17,282)
Adjustments for:-		
Depreciation of PPE	15,882	16,951
Depreciation and amortisation of ROU	7,174	9,922
Net financing costs	16,292	16,035
Share of (profit)/loss in an associated company, net of tax	(1,454)	115
Non-cash items	(1,807)	1,620
Operating profit before changes in working capital	107,918	27,361
Changes in working capital		
Net change in current assets	(36,108)	122,016
Net change in current liabilities	(42,051)	(2,982)
Taxation (paid)/refunded, net	(83)	4,506
Finance costs paid	(16,684)	(15,887)
Retirement benefits paid	(804)	(617)
Interest income received	392	572
<b>Net cash generated from operating activities</b>	12,580	134,969
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(985)	(189)
Proceeds from disposal of PPE	33,097	-
<b>Net cash generated from/(used in) investing activities</b>	32,112	(189)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(90,043)	(173,567)
Payment of lease liabilities	(1,825)	(4,349)
<b>Net cash used in financing activities</b>	(91,868)	(177,916)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(47,176)	43,136
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	133,011	219,427
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	2	(34)
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	85,837	176,257

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**

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**The figures have not been audited**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2021 (cont'd)**

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

	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits, cash and bank balances	85,837	176,257

**The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2021.**



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**

**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 paragraph 9.22 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 2021. 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 financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2021 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021 respectively which are 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.

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

There were no issuance of shares, share buy-back, shares cancellation, resale of treasury shares or repayments of debt or equity securities during the quarter under review and financial year-to-date.

**7. Dividend paid**

There was 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 2021**

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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	Discontinued Hot rolled coil operation RM'000	Total RM'000
<b>Segment profit/(loss)</b>	92,296	(259)	(5,368)	86,669

Included in the measure of segment profit/(loss) are:

Revenue from external customers	1,138,631	-	-	1,138,631
Depreciation of PPE	13,189	-	2,693	15,882
Depreciation and amortisation of ROU	6,924	250	-	7,174

**Reconciliation of reportable segment profit**

	RM'000
<b>Profit</b>	
Reportable segment	86,669
Loss from a discontinued operation	5,368
Interest income	392
Finance costs	(13,890)
Share of profit in an associated company, net of tax	1,454
Consolidated profit before taxation (excluding a discontinued operation)	<u>79,993</u>

**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, excluding a discontinued operation, the Group revenue was RM652 million and profit before taxation ("PBT") was RM40 million as compared with revenue and PBT of RM445 million and RM18 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2021 ("FY2021").

For the financial year-to-date, excluding a discontinued operation, the Group's revenue was RM1,139 million and PBT was RM80 million as compared with revenue and loss before taxation ("LBT") of RM889 million and RM8 million respectively for the corresponding period of FY2021.

The higher revenue for the quarter under review and financial year-to-date as compared with the corresponding quarter and period of FY2021 was due to higher selling prices. The better performance for the quarter under review and financial year-to-date as compared with the corresponding quarter and period of FY2021 was attributable to improved margin.

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021

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

For the quarter under review, excluding a discontinued operation, the Group revenue increased to RM652 million from RM487 million of the preceding quarter. Despite of this increase in turnover, PBT maintained at RM40 million due to escalating input cost.

### 13. Prospects

The Group expects the demand to gradually improve in the coming months but continues to be concerned with volatile input costs, selling prices and the developing geopolitical risks. Barring any unforeseen circumstances, the Board expects the Group's performance to be satisfactory for the financial year ending 30 June 2022.

### 14. Profit forecast/profit guarantee

This note is not applicable.

### 15. Profit/(Loss) before taxation

	<b>Current Year Quarter 31/12/2021 RM'000</b>	<b>Current Year- To-Date 31/12/2021 RM'000</b>
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
<b>Continuing operations</b>		
Depreciation of PPE	6,570	13,189
Depreciation and amortisation of ROU	3,588	7,174
Provision/(Reversal) of provision for inventories	171	(541)
Loss/(Gain) on foreign exchange	198	(136)
Fair value loss/(gain) on financial instruments designated as hedge instrument	29	(54)
Gain on disposal of PPE	(2,633)	(2,633)
Write-off of PPE	10	10
<b>Discontinued operation</b>		
Depreciation of PPE	1,347	2,693
Reversal of provision for inventories	(79)	(192)
Gain on disposal of PPE	-	(1)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021**
**The figures have not been audited**
**16. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2021 RM'000	Preceding Year Corresponding Quarter 31/12/2020 RM'000	Current Year- To-Date 31/12/2021 RM'000	Preceding Year Corresponding Period 31/12/2020 RM'000
Current taxation				
- Current year	758	545	4,156	759
Deferred taxation				
- Current year	(114)	(313)	1,094	(820)
	644	232	5,250	(61)

**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 2021 are as follows:

	<b>RM'000</b>
Borrowings:	
Unsecured long-term borrowings	296,900
Unsecured short-term borrowings	529,554
	826,454

There were no borrowings denominated in foreign currencies as at 31 December 2021.

**19. Material Litigation**

SHRC, a wholly-owned subsidiary of Southern Steel Berhad, 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.

**i. Commencement of Arbitration Proceedings by SHRC**

Following the termination of the Contract and Service Agreement, SHRC commenced arbitration proceedings against Danieli and DMSB. SHRC claimed several reliefs against Danieli and DMSB, including repayment of contract sum and damages for misrepresentation and breach of contract.

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021

**The figures have not been audited**

### 19. Material Litigation (cont'd)

#### ii. Commencement of Arbitration Proceedings against SHRC by Danieli and DMSB

Danieli and DMSB also commenced arbitration proceedings against SHRC. Danieli and DMSB sought several declarations in relation to the Contract and the Service Agreement and claiming damages, interest and costs.

Both arbitration proceedings in Note 19(i) and 19(ii) were consolidated (“First Arbitration”) and were heard by the same arbitral tribunal in Singapore.

#### iii. Commencement of Arbitration Proceedings against SHRC by Danieli Co. Ltd (a wholly owned subsidiary of Danieli) (“Danieli Thailand”)

Danieli Thailand commenced arbitration proceedings against SHRC (“Second Arbitration”).

Danieli Thailand claimed the sum of EUR2,800,000.00, 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.

The same arbitral tribunal for the First Arbitration also heard the Second Arbitration.

On 28 November 2019, the Tribunal decided and determined as follows:

#### A. The First Arbitration

The Tribunal decided in SHRC’s favour and awarded, inter alia, the following:-

- i) the Contract is rescinded;
- ii) the Service Agreement is rescinded;
- iii) Danieli and DMSB shall repay SHRC the Contract Price in the amount of EUR92,700,000 minus EUR15 million and RM270 million after taking into consideration the use of the Plant and its plausible diminution in value;
- iv) Danieli and DMSB shall pay SHRC RM176,245,250 as damages for misrepresentation; and
- v) in return, SHRC shall transfer the title to the Plant, together with additional equipment installed thereon, to Danieli.

#### B. The Second Arbitration

The Tribunal decided in Danieli Thailand’s favour and awarded, inter alia, the sum of EUR2,795,796.98 (“Second Award”) being the balance purchase price of spare parts under the Sale Contract .

Arising from this award, upon receipt of the requisite payments from Danieli, the Plant currently stated at carrying amount of RM369 million will be removed from SHRC’s Balance Sheet.

Danieli’s and DMSB’s application to the Singapore High Court to set aside the final award of the First Arbitration was unsuccessful and dismissed by the Singapore High Court on 12 August 2020 (“High Court’s Decision”).

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021

The figures have not been audited

### 19. Material Litigation (cont'd)

Danieli and DMSB appealed to the Singapore Court of Appeal against the High Court's Decision. The Singapore Court of Appeal heard the appeal on 26 January 2022 and reserved judgment until a later date which has not yet been confirmed.

Separately, in order to enforce the final award of the First Arbitration in Italy, SHRC had obtained a recognition order of the said award from the Italian Court of Appeal against Danieli. Danieli applied to the Italian Court of Appeal to challenge the recognition order ("Challenge Proceeding") and to stay the proceedings pending the outcome of Danieli's Appeal before the Singapore Court of Appeal ("Stay Application"). On 9 February 2021, the Italian Court of Appeal granted the Stay Application pending decision by the Singapore Court of Appeal but ordered Danieli to provide a security of EUR6.5 million by way of a bank guarantee.

To date, Danieli and DMSB have not satisfied the final award of the First Arbitration.

On 3 January 2022, Danieli Thailand commenced proceedings against SHRC in the Malaysian Courts to recognise and enforce the Second Award in favour of Danieli Thailand against SHRC ("Danieli Thailand's Action"). SHRC will oppose and challenge Danieli Thailand's Action.

### 20. Dividend

The Board does not recommend any interim dividend for the quarter ended 31 December 2021 of financial year ending 30 June 2022 (2<sup>nd</sup> quarter FY2021: Nil).

### 21. Earnings/(Loss) per ordinary share

#### (a) Basic earnings/(loss) 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 RM34,225,000 (2<sup>nd</sup> quarter FY2021: RM10,760,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (2<sup>nd</sup> quarter FY2021: 596,313,450).

The basic earnings per ordinary share for the financial year-to-date is calculated by dividing the Group's profit attributable to owners of the Company of RM66,343,000 (FY2021 loss attributable to owners of the Company: RM17,374,000) by weighted average number of ordinary shares during the period of 596,313,450 (FY2021: 596,313,450)

	<i>Weighted average number of ordinary shares</i>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year To-Date</b>	<b>Preceding Year Corresponding Period</b>
	<b>31/12/2021</b>	<b>31/12/2020</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Issued ordinary shares at beginning of period/Weighted average number of ordinary shares (basic)	596,313	596,313	596,313	596,313
Basic earnings/(loss) per ordinary share (sen)	5.74	1.80	11.13	(2.91)

## QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2021

The figures have not been audited

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

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

The Group's diluted earnings/(loss) per ordinary share in the quarter under review is the same as the basic earnings/(loss) per ordinary share since the Group does not have any anti-dilutive instrument.

### 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 2021, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	<b>Contract amount</b>	<b>Fair Value Assets/ (Liabilities)</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than 1 year	(41,703)	(228)

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 FY2021.

### 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

Wong Wei Fong  
Zoe Lim Hoon Hwa  
Company Secretaries

Kuala Lumpur  
28 February 2022