

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2022**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2022 RM'000	Preceding Year Corresponding Quarter 31/3/2021 RM'000	Current Year- To-Date 31/3/2022 RM'000	Preceding Year Corresponding Period 31/3/2021 RM'000
<b>Revenue</b>	591,115	493,275	1,729,746	1,382,620
Cost of sales	(553,979)	(418,457)	(1,551,332)	(1,240,013)
<b>Gross profit</b>	37,136	74,818	178,414	142,607
Operating expenses	(28,706)	(27,544)	(82,921)	(76,306)
Other operating income/(expense)	3,401	2,852	8,375	(8,397)
<b>Profit from operations</b>	11,831	50,126	103,868	57,904
Interest income	184	209	576	781
Finance costs	(6,456)	(7,028)	(20,346)	(23,635)
Share of profit in an associated company, net of tax	329	700	1,783	585
<b>Profit before taxation</b>	5,888	44,007	85,881	35,635
Taxation	66	(537)	(5,184)	(476)
<b>Profit from continuing operations</b>	5,954	43,470	80,697	35,159
Loss from a discontinued operation, net of tax (N1)	(2,757)	(2,482)	(10,919)	(11,393)
<b>Profit for the period</b>	3,197	40,988	69,778	23,766
<b>Profit attributable to:</b>				
Owners of the Company	3,141	40,830	69,484	23,455
Non-controlling interests	56	158	294	311
<b>Profit for the period</b>	3,197	40,988	69,778	23,766
<b>Earnings per ordinary share (sen): -</b>				
(a) Basic	0.53	6.85	11.65	3.93
(b) Fully diluted	0.53	6.85	11.65	3.93

(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.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2022 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2022 RM'000	Preceding Year Corresponding Quarter 31/3/2021 RM'000	Current Year- To-Date 31/3/2022 RM'000	Preceding Year Corresponding Period 31/3/2021 RM'000
<b>Profit for the period</b>	3,197	40,988	69,778	23,766
<i>Item that will not be reclassified subsequently to profit or loss</i>				
(Loss)/Gain on fair value of equity instrument at fair value through other comprehensive income	(42)	41	54	517
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	3	16	5	(18)
Cash flow hedge	385	1,673	(182)	1,563
<b>Total comprehensive income for the period</b>	<b>3,543</b>	<b>42,718</b>	<b>69,655</b>	<b>25,828</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	3,473	42,522	69,364	25,487
Non-controlling interests	70	196	291	341
<b>Total comprehensive income for the period</b>	<b>3,543</b>	<b>42,718</b>	<b>69,655</b>	<b>25,828</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 THIRD QUARTER ENDED 31 MARCH 2022**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022**

	As At End of Current Quarter 31/3/2022 RM'000	As At End of Preceding Financial Year 30/06/2021 RM'000
<b>ASSETS</b>		
Property, plant and equipment ("PPE")	391,195	412,896
Rights-of-use assets ("ROU")	335,221	345,982
Goodwill on consolidation	30,256	30,256
Investments in an associated company	14,592	13,084
Other investments	666	612
Deferred tax assets	26,883	36,452
Tax credit receivable	14,879	16,525
Other receivables	294,982	294,982
<b>Total non-current assets</b>	<b>1,108,674</b>	<b>1,150,789</b>
Inventories	482,435	562,613
Trade and other receivables, including derivatives	158,817	43,960
Current tax assets	6,346	9,350
Cash and cash equivalents	110,257	133,011
Asset to be returned to vendor	369,377	369,377
Asset held for sale	54,807	84,486
<b>Total current assets</b>	<b>1,182,039</b>	<b>1,202,797</b>
<b>TOTAL ASSETS</b>	<b>2,290,713</b>	<b>2,353,586</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	641,010	641,010
Reserves	153,635	84,271
	794,645	725,281
<b>NON-CONTROLLING INTERESTS</b>	<b>6,667</b>	<b>6,763</b>
<b>TOTAL EQUITY</b>	<b>801,312</b>	<b>732,044</b>
<b>LIABILITIES</b>		
Lease liabilities	19,031	21,926
Deferred tax liabilities	16,134	24,273
Deferred income	3,712	6,090
Employee benefits	26,837	25,865
Loans and borrowings	275,900	354,880
<b>Total non-current liabilities</b>	<b>341,614</b>	<b>433,034</b>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022 (cont'd)**

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/3/2022	30/06/2021
	RM'000	RM'000
Lease liabilities	3,837	3,696
Employee benefits	977	1,020
Provisions	3,845	5,292
Trade and other payables, including derivatives	198,087	247,488
Contract liability	369,377	369,377
Loans and borrowings	571,660	561,617
Current tax liabilities	4	18
<b>Total current liabilities</b>	<u>1,147,787</u>	<u>1,188,508</u>
<b>TOTAL LIABILITIES</b>	<u>1,489,401</u>	<u>1,621,542</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>2,290,713</u>	<u>2,353,586</u>
Net assets per share attributable to owners of the Company (RM)	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 THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2022**

	← Attributable to owners of the Company →						Total	Non-controlling interests	Total equity
	← Non-distributable →					Retained earnings/ (Accumulated losses)			
	Share capital	Revaluation reserve	Merger reserve	Hedging reserve	Exchange fluctuation reserve				
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 March 2022</b>									
At 1 July 2021	641,010	295,156	30,000	972	1,828	(243,685)	725,281	6,763	732,044
Profit for the period	-	-	-	-	-	69,484	69,484	294	69,778
Other comprehensive income/(expense):									
- Gain on fair value of equity instruments	-	-	-	-	-	54	54	-	54
- Foreign currency translation differences	-	-	-	-	5	-	5	-	5
- Cash flow hedge	-	-	-	(179)	-	-	(179)	(3)	(182)
<b>Total comprehensive expense/(income) for the period</b>	-	-	-	(179)	5	69,538	69,364	291	69,655
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	(387)	(387)
Transfer	-	(7,044)	-	-	-	7,044	-	-	-
<b>Total transactions with owners</b>	-	(7,044)	-	-	-	7,044	-	(387)	(387)
<b>At 31 March 2022</b>	<b>641,010</b>	<b>288,112</b>	<b>30,000</b>	<b>793</b>	<b>1,833</b>	<b>(167,103)</b>	<b>794,645</b>	<b>6,667</b>	<b>801,312</b>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2022 (cont'd)**

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	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>Preceding year corresponding period ended 31 March 2021</b>									
<b>At 1 July 2020</b>	641,010	295,156	30,000	391	1,845	(296,513)	671,889	6,378	678,267
Profit for the period	-	-	-	-	-	23,455	23,455	311	23,766
Other comprehensive income/(expense):									
- Gain on fair value of equity investments	-	-	-	-	-	517	517	-	517
- Foreign currency translation differences	-	-	-	-	(18)	-	(18)	-	(18)
- Cash flow hedge	-	-	-	1,533	-	-	1,533	30	1,563
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	1,533	(18)	23,972	25,487	341	25,828
<b>At 31 March 2021</b>	641,010	295,156	30,000	1,924	1,827	(272,541)	697,376	6,719	704,095

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 THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2022**

	Current Year- To-Date 31/3/2022 RM'000	Preceding Year Corresponding Period 31/3/2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation		
Continuing operations	85,881	35,635
Discontinued operation	(10,919)	(11,393)
	<u>74,962</u>	<u>24,242</u>
Adjustments for:-		
Depreciation of PPE	23,591	25,110
Depreciation and amortisation of ROU	10,761	13,961
Net financing costs	23,866	26,437
Share of profit in an associated company, net of tax	(1,783)	(585)
Non-cash items	(3,192)	1,603
Operating profit before changes in working capital	<u>128,205</u>	<u>90,768</u>
Changes in working capital		
Net change in current assets	(34,812)	95,089
Net change in current liabilities	(51,010)	14,006
Taxation refunded, net	882	4,457
Finance costs paid	(24,442)	(26,164)
Retirement benefits paid	(950)	(867)
Interest income received	576	781
Dividend income received	275	-
<b>Net cash generated from operating activities</b>	<u>18,724</u>	<u>178,070</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(2,850)	(634)
Proceeds from disposal of PPE	33,445	-
<b>Net cash generated from/(used in) investing activities</b>	<u>30,595</u>	<u>(634)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	(387)	-
Repayment of borrowings	(68,937)	(223,331)
Payment of lease liabilities	(2,754)	(5,566)
<b>Net cash used in financing activities</b>	<u>(72,078)</u>	<u>(228,897)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(22,759)</u>	<u>(51,461)</u>
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	133,011	219,427
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	5	(18)
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<u>110,257</u>	<u>167,948</u>

SOUTHERN STEEL BERHAD (196301000443 (5283-X))

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

**The figures have not been audited**

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

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

	31/3/2022	31/3/2021
	RM'000	RM'000
Deposits, cash and bank balances	110,257	167,948

**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 THIRD QUARTER ENDED 31 MARCH 2022**

**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 THIRD QUARTER ENDED 31 MARCH 2022**

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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>	104,259	(391)	(6,823)	97,045

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

Revenue from external customers	1,729,746	-	-	1,729,746
Depreciation of PPE	19,553	-	4,038	23,591
Depreciation and amortisation of ROU	10,386	375	-	10,761

**Reconciliation of reportable segment profit**

	RM'000
<b>Profit</b>	
Reportable segment	97,045
Loss from a discontinued operation	6,823
Interest income	576
Finance costs	(20,346)
Share of profit in an associated company, net of tax	1,783
Consolidated profit before taxation (excluding a discontinued operation)	<u>85,881</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 RM591 million and profit before taxation ("PBT") was RM6 million as compared with revenue and PBT of RM493 million and RM44 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2021 ("FY2021").

The higher revenue for the quarter under review was due to higher selling prices but rising costs had eroded margins leading to a lower PBT.

For the financial year-to-date, excluding a discontinued operation, the Group revenue was RM1,730 million and PBT was RM86 million as compared with revenue and PBT of RM1,383 million and RM36 million respectively for the corresponding period of FY2021.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

**11. Review of performance (cont'd)**

The higher revenue and PBT for the financial year-to-date were due to higher selling prices and improved margins.

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

For the quarter under review, excluding a discontinued operation, the Group revenue decreased to RM591 million from RM652 million of the preceding quarter. The Group PBT, excluding a discontinued operation, was RM6 million for the quarter under review as compared with PBT of RM40 million for the preceding quarter. The decrease in PBT was due to lower sales volume and margins.

**13. Prospects**

Whilst selling prices had moved up due to escalating input costs, the Group expects the demand to stay moderate with the continued supply chain disruption and 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**

	Current Year Quarter 31/3/2022 RM'000	Current Year- To-Date 31/3/2022 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
<b>Continuing operations</b>		
Depreciation of PPE	6,364	19,553
Depreciation and amortisation of ROU	3,587	10,761
Reversal of provision for inventories	(2,047)	(2,588)
Gain on foreign exchange	(254)	(390)
Fair value gain on financial instruments designated as hedge instrument	(172)	(226)
Gain on disposal of PPE	(177)	(2,810)
Write-off of PPE	-	5
<b>Discontinued operation</b>		
Depreciation of PPE	1,345	4,038
Reversal of provision for inventories	(77)	(269)
Gain on disposal of PPE	-	(1)

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

**16. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2022 RM'000	Preceding Year Corresponding Quarter 31/3/2021 RM'000	Current Year- To-Date 31/3/2022 RM'000	Preceding Year Corresponding Period 31/3/2021 RM'000
Current taxation				
- Current year	(314)	1,615	3,842	2,374
- Prior year	(88)	22	(88)	22
	(402)	1,637	3,754	2,396
Deferred taxation				
- Current year	336	(663)	1,430	(1,483)
- Prior year	-	(437)	-	(437)
	336	(1,100)	1,430	(1,920)
	(66)	537	5,184	476

**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 2022 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	275,900
Unsecured short-term borrowings	571,660
	847,560

There were no borrowings denominated in foreign currencies as at 31 March 2022.

**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 THIRD QUARTER ENDED 31 MARCH 2022**

**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.

The aforementioned arbitration proceedings were consolidated ("First Arbitration") and 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").

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

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**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 is opposing and challenging Danieli Thailand's Action.

**20. Dividend**

The Board does not recommend any interim dividend for the quarter ended 31 March 2022 of financial year ending 30 June 2022 (3<sup>rd</sup> quarter FY2021: Nil).

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

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM3,141,000 (3<sup>rd</sup> quarter FY2021: RM40,830,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (3<sup>rd</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 RM69,484,000 (FY2021: RM23,455,000) 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>31/3/2022</b>	<b>31/3/2021</b>	<b>31/3/2022</b>	<b>31/3/2021</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 per ordinary share (sen)	0.53	6.85	11.65	3.93



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

The figures have not been audited

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

The Group's diluted earnings per ordinary share in the quarter under review is the same as the basic earnings 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 March 2022, 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	(27,195)	117

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  
25 May 2022