

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2022**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2022 RM'000	Preceding Year Corresponding Quarter 30/9/2021 RM'000	Current Year- To-Date 30/9/2022 RM'000	Preceding Year Corresponding Period 30/9/2021 RM'000
Revenue	574,034	487,072	574,034	487,072
Cost of sales	(604,236)	(418,581)	(604,236)	(418,581)
<b>Gross (loss)/profit</b>	<b>(30,202)</b>	<b>68,491</b>	<b>(30,202)</b>	<b>68,491</b>
Operating expenses	(29,070)	(24,232)	(29,070)	(24,232)
Other operating income	1,379	1,928	1,379	1,928
<b>(Loss)/Profit from operations</b>	<b>(57,893)</b>	<b>46,187</b>	<b>(57,893)</b>	<b>46,187</b>
Interest income	1,081	210	1,081	210
Finance costs	(7,313)	(7,406)	(7,313)	(7,406)
Share of (loss)/profit in an associated company, net of tax	(999)	701	(999)	701
<b>(Loss)/Profit before taxation</b>	<b>(65,124)</b>	<b>39,692</b>	<b>(65,124)</b>	<b>39,692</b>
Taxation	3,254	(4,606)	3,254	(4,606)
<b>(Loss)/Profit from continuing operations</b>	<b>(61,870)</b>	<b>35,086</b>	<b>(61,870)</b>	<b>35,086</b>
Loss from a discontinued operation, net of tax (N1)	(2,865)	(2,853)	(2,865)	(2,853)
<b>(Loss)/Profit for the period</b>	<b>(64,735)</b>	<b>32,233</b>	<b>(64,735)</b>	<b>32,233</b>
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(64,439)	32,118	(64,439)	32,118
Non-controlling interests	(296)	115	(296)	115
<b>(Loss)/Profit for the period</b>	<b>(64,735)</b>	<b>32,233</b>	<b>(64,735)</b>	<b>32,233</b>
<b>(Loss)/Earnings per ordinary share (sen): -</b>				
(a) Basic	(10.81)	5.39	(10.81)	5.39
(b) Fully diluted	(10.81)	5.39	(10.81)	5.39

(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 result 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 Audited Financial Statements for the Financial Year Ended 30 June 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2022 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2022 RM'000	Preceding Year Corresponding Quarter 30/9/2021 RM'000	Current Year- To-Date 30/9/2022 RM'000	Preceding Year Corresponding Period 30/9/2021 RM'000
<b>(Loss)/Profit for the period</b>	(64,735)	32,233	(64,735)	32,233
<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	(166)	24	(166)	24
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	28	4	28	4
Cash flow hedge	211	168	211	168
<b>Total comprehensive (expense)/income for the period</b>	<b>(64,662)</b>	<b>32,429</b>	<b>(64,662)</b>	<b>32,429</b>
<b>Total comprehensive (expense)/income attributable to:</b>				
Owners of the Company	(64,374)	32,323	(64,374)	32,323
Non-controlling interests	(288)	106	(288)	106
<b>Total comprehensive (expense)/income for the period</b>	<b>(64,662)</b>	<b>32,429</b>	<b>(64,662)</b>	<b>32,429</b>

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022**

	As At End of Current Quarter 30/9/2022 RM'000	As At End of Preceding Financial Year 30/06/2022 RM'000
<b>ASSETS</b>		
Property, plant and equipment ("PPE")	389,569	394,078
Rights-of-use assets ("ROU")	319,567	322,694
Goodwill on consolidation	30,256	30,256
Investments in an associated company	13,804	14,803
Other investments	345	511
Deferred tax assets	48,816	42,233
Tax credit receivable	7,647	7,647
Other receivables	121,128	121,128
<b>Total non-current assets</b>	<b>931,132</b>	<b>933,350</b>
Inventories	476,581	568,055
Trade and other receivables, including derivatives	163,864	168,636
Current tax assets	1,589	4,040
Cash and cash equivalents	67,887	67,333
Asset to be returned to vendor	193,132	193,132
Assets held for sale	-	54,031
<b>Total current assets</b>	<b>903,053</b>	<b>1,055,227</b>
<b>TOTAL ASSETS</b>	<b>1,834,185</b>	<b>1,988,577</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	641,010	641,010
Reserves	(75,247)	(10,873)
	565,763	630,137
<b>NON-CONTROLLING INTERESTS</b>		
	6,479	6,767
<b>TOTAL EQUITY</b>	<b>572,242</b>	<b>636,904</b>
<b>LIABILITIES</b>		
Lease liabilities	10,444	10,969
Deferred tax liabilities	15,600	15,666
Deferred income	2,958	3,336
Employee benefits	27,116	27,084
Loans and borrowings	182,175	244,400
<b>Total non-current liabilities</b>	<b>238,293</b>	<b>301,455</b>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022 (cont'd)**

	As At End of Current Quarter 30/9/2022 RM'000	As At End of Preceding Financial Year 30/06/2022 RM'000
Lease liabilities	2,063	2,038
Employee benefits	1,101	963
Provisions	3,711	3,735
Trade and other payables, including derivatives	213,445	241,600
Contract liability	193,132	193,132
Loans and borrowings	609,635	606,685
Current tax liabilities	563	2,065
<b>Total current liabilities</b>	<u>1,023,650</u>	<u>1,050,218</u>
<b>TOTAL LIABILITIES</b>	<u>1,261,943</u>	<u>1,351,673</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,834,185</u>	<u>1,988,577</u>
<b>Net assets per share attributable to owners of the Company (RM)</b>	0.95	1.06

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	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 30 September 2022</b>									
<b>At 1 July 2022</b>	641,010	288,112	30,000	1,859	795	(331,639)	630,137	6,767	636,904
Loss for the period	-	-	-	-	-	(64,439)	(64,439)	(296)	(64,735)
Other comprehensive income/(expense):									
- Loss on fair value of equity instruments	-	-	-	-	-	(166)	(166)	-	(166)
- Foreign currency translation differences	-	-	-	28	-	-	28	-	28
- Cash flow hedge	-	-	-	-	203	-	203	8	211
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	28	203	(64,605)	(64,374)	(288)	(64,662)
Transfer	-	(21,651)	-	-	-	21,651	-	-	-
<b>At 30 September 2022</b>	641,010	266,461	30,000	1,887	998	(374,593)	565,763	6,479	572,242

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (cont'd)**

	← Attributable to owners of the Company →						Total	Non-controlling interests	Total equity
	← Non-distributable →								
	Share capital	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	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 30 September 2021</b>									
<b>At 1 July 2021</b>	641,010	295,156	30,000	1,828	972	(243,685)	725,281	6,763	732,044
Profit for the period	-	-	-	-	-	32,118	32,118	115	32,233
Other comprehensive income/(expense):									
- Gain on fair value of equity investments	-	-	-	-	-	24	24	-	24
- Foreign currency translation differences	-	-	-	4	-	-	4	-	4
- Cash flow hedge	-	-	-	-	177	-	177	(9)	168
<b>Total comprehensive income for the period</b>	-	-	-	4	177	32,142	32,323	106	32,429
<b>At 30 September 2021</b>	641,010	295,156	30,000	1,832	1,149	(211,543)	757,604	6,869	764,473

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2022**

	Current Year- To-Date 30/9/2022 RM'000	Preceding Year Corresponding Period 30/9/2021 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation		
Continuing operations	(65,124)	39,692
Discontinued operation	(2,865)	(2,853)
	<u>(67,989)</u>	<u>36,839</u>
Adjustments for:-		
Depreciation of PPE	7,471	7,965
Depreciation and amortisation of ROU	3,127	3,586
Net financing costs	7,569	8,633
Share of loss/(profit) in an associated company, net of tax	999	(701)
Non-cash items	(11,029)	402
Operating (loss)/profit before changes in working capital	<u>(59,852)</u>	<u>56,724</u>
Changes in working capital		
Net change in current assets	96,437	41,791
Net change in current liabilities	(27,794)	(50,120)
Taxation (paid)/refunded, net	(2,446)	113
Finance costs paid	(8,650)	(8,843)
Retirement benefits paid	(474)	(306)
Interest income received	1,081	210
<b>Net cash (used in)/generated from operating activities</b>	<u>(1,698)</u>	<u>39,569</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(3,062)	(407)
Proceeds from disposal of plant and equipment	61	8
Proceeds from disposal of asset held for sale	65,000	-
<b>Net cash generated from/(used in) investing activities</b>	<u>61,999</u>	<u>(399)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of borrowings	(59,275)	(14,366)
Payment of lease liabilities	(500)	(907)
<b>Net cash used in financing activities</b>	<u>(59,775)</u>	<u>(15,273)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	526	23,897
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	67,333	133,011
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	28	4
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<u>67,887</u>	<u>156,912</u>

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

**The figures have not been audited**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2022 (cont'd)**

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

	30/9/2022	30/9/2021
	RM'000	RM'000
Deposits, cash and bank balances	67,887	156,912

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 2022. 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 2022 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2022 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 FIRST QUARTER ENDED 30 SEPTEMBER 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 loss</b>	(57,761)	(132)	(1,528)	(59,421)

Included in the measure of segment loss are:

Revenue from external customers	574,034	-	-	574,034
Depreciation of PPE	6,129	-	1,342	7,471
Depreciation and amortisation of ROU	3,002	125	-	3,127

**Reconciliation of reportable segment loss**

	RM'000
<b>Loss</b>	
Reportable segment	(59,421)
Loss from a discontinued operation	1,528
Interest income	1,081
Finance costs	(7,313)
Share of loss in an associated company, net of tax	(999)
Consolidated profit before taxation (excluding a discontinued operation)	<u>(65,124)</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 RM574 million and loss before taxation ("LBT") was RM65 million as compared with revenue and profit before taxation ("PBT") of RM487 million and RM40 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2022 ("FY2022").

The higher revenue for the quarter under review was due to higher sales volume. However, the Group recorded a loss for the quarter due to lower selling prices and higher input costs.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

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

For the quarter under review, excluding a discontinued operation, the Group revenue of RM574 million was comparable with that of the preceding quarter of RM579 million. A higher sales volume was achieved for the quarter but was adversely impacted by lower selling prices.

The Group LBT, excluding a discontinued operation, was RM65 million for the quarter under review as compared with PBT of RM9 million for the preceding quarter. The lower selling prices led to the loss for the quarter.

**13. Prospects**

The steel industry remains challenging and volatile due to a weak construction market, amidst rising inflation and geo-political uncertainties. The Group will continue to be responsive to market conditions and optimise operational efficiencies. The Board expects construction activities to pick up gradually in the second half of the financial year and as labour supply of foreign workers improves.

**14. Profit forecast/profit guarantee**

This note is not applicable.

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

	<b>Current Year Quarter 30/9/2022 RM'000</b>	<b>Current Year- To-Date 30/9/2022 RM'000</b>
(Loss)/Profit before taxation is arrived at after charging/(crediting):		
<b>Continuing operations</b>		
Depreciation of PPE	6,129	6,129
Depreciation and amortisation of ROU	3,127	3,127
Reversal of impairment loss on trade receivables	(40)	(40)
Write down of inventories	11,330	11,330
Gain on foreign exchange	(1,467)	(1,467)
Fair value gain on derivative instruments	(21)	(21)
Gain on disposal of plant and equipment	(61)	(61)
Gain on disposal of asset held for sale	(10,870)	(10,870)
Write-off of plant and equipment	1	1
<b>Discontinued operation</b>		
Depreciation of PPE	1,342	1,342

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

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**16. Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2022 RM'000	Preceding Year Corresponding Quarter 30/9/2021 RM'000	Current Year- To-Date 30/9/2022 RM'000	Preceding Year Corresponding Period 30/9/2021 RM'000
Current taxation - Current year	3,395	3,398	3,395	3,398
Deferred taxation - Current year	(6,649)	1,208	(6,649)	1,208
	<u>(3,254)</u>	<u>4,606</u>	<u>(3,254)</u>	<u>4,606</u>

The current quarter taxation was a credit of RM3.2 million arising from the real property gains tax and recognising the reversal of the deferred tax liabilities, due to the disposal of a leasehold land.

**17. Corporate proposals**

There are no corporate proposals announced but not completed as at the date of this report.

**18. Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 30 September 2022 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	182,175
Unsecured short-term borrowings	609,635
	<u>794,810</u>

There were no borrowings denominated in foreign currencies as at 30 September 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 FIRST QUARTER ENDED 30 SEPTEMBER 2022**

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**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.

(hereinafter called “First Award”)

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 RM193 million will be removed from SHRC’s Balance Sheet.

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 ("Danieli's Appeal").

On 12 June 2020, SHRC obtained a recognition order of the First 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.

The Singapore Court of Appeal delivered its judgment on 18 July 2022 and decided, inter alia, as follows:-

- i) The Court of Appeal dismissed Danieli's Appeal in relation to the Transfer Order (the order where SHRC is to transfer the title of the Plant, together with additional equipment installed thereon, to Danieli);
- ii) The Court of Appeal dismissed Danieli's Appeal in relation to the Repayment Order (the order where Danieli and DMSB are to pay 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); and
- iii) The Court of Appeal allowed Danieli's Appeal in relation to the Damages Order and set the Damages Order aside (the order where Danieli and DMSB are to pay SHRC RM176,245,250 as damages for misrepresentation).

Following the Singapore Court of Appeal's decision, SHRC and Danieli filed their respective applications at the Italian Court of Appeal on 29 September 2022 and 14 October 2022 to reactivate the Challenge Proceeding previously filed by Danieli in Italy. The Italian Court of Appeal has fixed the matter for hearing on 31<sup>st</sup> January 2023.

To date, Danieli and DMSB have not satisfied any part of the First Award.

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 30 September 2022.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022**

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**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 RM64,439,000 (1<sup>st</sup> quarter FY2022 profit attributable to owners of the Company: RM32,118,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (1<sup>st</sup> quarter FY2022: 596,313,450).

	<i>Weighted average number of ordinary shares</i>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year</b>	<b>Preceding Year</b>	<b>Current Year To-Date</b>	<b>Preceding Year</b>
	<b>Quarter</b>	<b>Corresponding Quarter</b>	<b>Year To-Date</b>	<b>Corresponding Period</b>
	<b>30/9/2022</b>	<b>30/9/2021</b>	<b>30/9/2022</b>	<b>30/9/2021</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 (loss)/earnings per ordinary share (sen)	(10.81)	5.39	(10.81)	5.39

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

The Group's diluted (loss)/earnings per ordinary share in the quarter under review is the same as the basic (loss)/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 30 September 2022, 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	9,872	318

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 FY2022.

SOUTHERN STEEL BERHAD (196301000443 (5283-X))

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER  
ENDED 30 SEPTEMBER 2022**

**The figures have not been audited**

**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

Penang  
10 November 2022