

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2023

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2023 RM'000	Preceding Year Corresponding Quarter 30/09/2022 RM'000	Current Year- To-Date 30/09/2023 RM'000	Preceding Year Corresponding Period 30/09/2022 RM'000
Revenue	601,808	574,034	601,808	574,034
Cost of sales	(597,080)	(604,236)	(597,080)	(604,236)
Gross profit/(loss)	4,728	(30,202)	4,728	(30,202)
Operating expenses	(28,976)	(29,070)	(28,976)	(29,070)
Other operating (expense)/income	(3,496)	1,379	(3,496)	1,379
Loss from operations	(27,744)	(57,893)	(27,744)	(57,893)
Interest income	750	1,081	750	1,081
Finance costs	(10,661)	(7,313)	(10,661)	(7,313)
Share of loss in an associated company, net of tax	(8)	(999)	(8)	(999)
Loss before taxation	(37,663)	(65,124)	(37,663)	(65,124)
Taxation	113	3,254	113	3,254
Loss from continuing operations	(37,550)	(61,870)	(37,550)	(61,870)
Loss from a discontinued operation, net of tax (N1)	(1,989)	(2,865)	(1,989)	(2,865)
Loss for the period	(39,539)	(64,735)	(39,539)	(64,735)
(Loss)/Gain attributable to:				
Owners of the Company	(39,592)	(64,439)	(39,592)	(64,439)
Non-controlling interests	53	(296)	53	(296)
Loss for the period	(39,539)	(64,735)	(39,539)	(64,735)
Loss per ordinary share (sen):-				
(a) Basic	(6.64)	(10.81)	(6.64)	(10.81)
(b) Fully diluted	(6.64)	(10.81)	(6.64)	(10.81)

(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 2023.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2023 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2023 RM'000	Preceding Year Corresponding Quarter 30/09/2022 RM'000	Current Year- To-Date 30/09/2023 RM'000	Preceding Year Corresponding Period 30/09/2022 RM'000
Loss for the period	(39,539)	(64,735)	(39,539)	(64,735)
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Gain/(Loss) on fair value of equity instrument at fair value through other comprehensive income	134	(166)	134	(166)
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	(151)	28	(151)	28
Cash flow hedge	123	211	123	211
Total comprehensive expense for the period	(39,433)	(64,662)	(39,433)	(64,662)
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(39,489)	(64,374)	(39,489)	(64,374)
Non-controlling interests	56	(288)	56	(288)
Total comprehensive expense for the period	(39,433)	(64,662)	(39,433)	(64,662)

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 2023.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	As At End of Current Quarter 30/09/2023 RM'000	As At End of Preceding Financial Year 30/06/2023 RM'000
ASSETS		
Property, plant and equipment (“PPE”)	392,040	398,203
Right-of-use assets (“ROU”)	459,726	464,427
Goodwill on consolidation	30,256	30,256
Investments in an associated company	12,849	12,857
Other investments	528	394
Deferred tax assets	22,036	21,261
Tax credit receivable	5,117	5,523
Other receivables	126,447	126,447
Total non-current assets	1,048,999	1,059,368
Inventories	416,528	408,160
Trade and other receivables, including derivatives	162,151	144,236
Current tax assets	2,201	2,393
Cash and cash equivalents	96,492	119,321
Asset to be returned to vendor	193,132	193,132
Total current assets	870,504	867,242
TOTAL ASSETS	1,919,503	1,926,610
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	641,010	641,010
Reserves	(54,760)	(15,808)
	586,250	625,202
NON-CONTROLLING INTERESTS	6,186	6,130
TOTAL EQUITY	592,436	631,332
LIABILITIES		
Lease liabilities	8,274	8,827
Deferred tax liabilities	20,626	20,737
Deferred income	1,453	1,829
Employee benefits	27,482	27,256
Loans and borrowings	201,400	221,900
Total non-current liabilities	259,235	280,549



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The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (cont'd)

	As At End of Current Quarter 30/09/2023 RM'000	As At End of Preceding Financial Year 30/06/2023 RM'000
Lease liabilities	2,169	2,142
Employee benefits	1,516	1,516
Provisions	780	1,226
Trade and other payables, including derivatives	207,577	190,632
Contract liability	193,132	193,132
Loans and borrowings	662,571	626,059
Current tax liabilities	87	22
Total current liabilities	1,067,832	1,014,729
TOTAL LIABILITIES	1,327,067	1,295,278
TOTAL EQUITY AND LIABILITIES	1,919,503	1,926,610
Net assets per share attributable to owners of the Company (RM)	0.98	1.05

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2023.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Attributable to owners of the Company							Accumulated losses	Total	Non-controlling interests	Total equity
	Non-distributable										
	Share capital	Reserve for own share	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	Executive share scheme reserve				
	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 30 September 2023											
At 1 July 2023	641,010	(40)	402,194	30,000	1,889	24	1,273	(451,148)	625,202	6,130	631,332
(Loss)/Profit for the period	-	-	-	-	-	-	-	(39,592)	(39,592)	53	(39,539)
Other comprehensive (expense)/income:											
- Gain on fair value of equity instruments	-	-	-	-	-	-	-	134	134	-	134
- Foreign currency translation differences	-	-	-	-	(1,889)	-	-	1,738	(151)	-	(151)
- Cash flow hedge	-	-	-	-	-	120	-	-	120	3	123
Total comprehensive (expense)/income for the period	-	-	-	-	(1,889)	120	-	(37,720)	(39,489)	56	(39,433)
Purchase of own shares	-	(44)	-	-	-	-	-	-	(44)	-	(44)
Share-based payments	-	-	-	-	-	-	581	-	581	-	581
Total transactions with owners	-	(44)	-	-	-	-	581	-	537	-	537
At 30 September 2023	641,010	(84)	402,194	30,000	-	144	1,854	(488,868)	586,250	6,186	592,436

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2023 (cont'd)

	← Attributable to owners of the Company →						Total	Non-controlling interests	Total equity			
	← Non-distributable →					Accumulated losses				RM'000	RM'000	RM'000
	Share capital	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve							
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000				
Current year-to-date ended 30 September 2022												
At 1 July 2022	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			
Total comprehensive income/(expense) for the period	-	-	-	28	203	(64,605)	(64,374)	(288)	(64,662)			
Transfer on realisation of revalued assets held for sale	-	(21,651)	-	-	-	21,651	-	-	-			
At 30 September 2022	641,010	266,461	30,000	1,887	998	(374,593)	565,763	6,479	572,242			

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2023.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2023

	Current Year- To-Date 30/09/2023 RM'000	Preceding Year Corresponding Period 30/09/2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation		
Continuing operations	(37,663)	(65,124)
Discontinued operation	(1,989)	(2,865)
	<u>(39,652)</u>	<u>(67,989)</u>
Adjustments for:-		
Depreciation of PPE	7,081	7,471
Depreciation and amortisation of ROU	4,701	3,127
Net financing costs	9,911	7,569
Share of loss in an associated company, net of tax	8	999
Non-cash items	1,005	(11,029)
Operating loss before changes in working capital	<u>(16,946)</u>	<u>(59,852)</u>
Changes in working capital		
Net change in current assets	(26,163)	96,437
Net change in current liabilities	16,353	(27,794)
Taxation paid, net	(110)	(2,446)
Finance costs paid	(10,661)	(8,650)
Retirement benefits paid	(422)	(474)
Interest income received	750	1,081
Net cash used in operating activities	<u>(37,199)</u>	<u>(1,698)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(927)	(3,062)
Proceeds from disposal of plant and equipment	6	61
Proceeds from disposal of asset held for sale	-	65,000
Net cash (used in)/generated from investing activities	<u>(921)</u>	<u>61,999</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of borrowings	16,012	(59,275)
Purchase of own shares	(44)	-
Payment of lease liabilities	(526)	(500)
Net cash generated from/(used in) financing activities	<u>15,442</u>	<u>(59,775)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(22,678)	526
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	119,321	67,333
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(151)	28
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>96,492</u>	<u>67,887</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2023 (cont'd)

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

	30/09/2023	30/09/2022
	RM'000	RM'000
Deposits, cash and bank balances	96,492	67,887

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2023.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“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 2023. This interim financial report also complies with International Accounting Standard 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 2023 except for the adoption of MFRSs, amendments and interpretations that are effective for annual period beginning on or after 1 January 2023 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

During the quarter under review and financial year-to-date, a total of 88,100 ordinary shares of the Company (“SSB Shares”) were purchased by the Executive Share Scheme Trust (“ESS Trust”). The total number of SSB Shares held by the ESS Trust as at 30 September 2023 was 169,600 shares.

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.

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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
Segment loss	(27,590)	(154)	(1,989)	(29,733)

Included in the measure of segment loss are:

Revenue from external customers	601,808	-	-	601,808
Depreciation of PPE	5,761	-	1,320	7,081
Depreciation and amortisation of ROU	4,481	220	-	4,701
Interest income	750	-	-	750
Finance cost	10,661	-	-	10,661

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(29,733)
Loss from a discontinued operation	1,989
Loss from continuing operations	(27,744)
Interest income	750
Finance costs	(10,661)
Share of loss in an associated company, net of tax	(8)
Consolidated loss before taxation (excluding a discontinued operation)	(37,663)

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. Contingent liabilities and contingent assets

A wholly-owned subsidiary of the Group is in dispute with the Minister of Finance on the eligibility to claim for certain tax exemption. This has resulted in an additional tax (including penalty) amounted to RM15.5 million. The Board, as advised by the solicitors, is of the view that the Company is entitled to the tax exemption.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

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12. Review of performance

For the quarter under review, excluding a discontinued operation, the Group revenue was RM602 million and loss before taxation (“LBT”) was RM38 million as compared with revenue and LBT of RM574 million and RM65 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2023 (“FY2023”).

The higher revenue and lower loss for the quarter were attributable to higher sales volume and improved margin.

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

For the quarter under review, excluding a discontinued operation, the Group revenue increased to RM602 million from RM582 million of the preceding quarter.

The Group LBT, excluding a discontinued operation, was RM38 million for the quarter under review as compared with LBT of RM24 million for the preceding quarter. Despite an increase in sales volume, the higher loss for the quarter was mainly attributable to lower selling price.

14. Prospects

The industry outlook remains challenging as current global market conditions weigh on demand. Domestically, demand is not expected to improve until major infrastructure developments are rolled out. The Group will continue to be cautious and responsive to market needs and continue to focus its effort on operational efficiencies.

15. Profit forecast/profit guarantee

This note is not applicable.

16. Loss before taxation

	Current Year Quarter 30/09/2023 RM'000	Current Year- To-Date 30/09/2023 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Continuing operations		
Depreciation of PPE	5,761	5,761
Depreciation and amortisation of ROU	4,701	4,701
Reversal of impairment loss on trade receivables	(404)	(404)
Provision for inventories	4,046	4,046
Loss on foreign exchange	530	530
Fair value gain on derivative instruments	(54)	(54)
Gain on disposal of plant and equipment	(6)	(6)
Write-off of plant and equipment	9	9
Discontinued operation		
Depreciation of PPE	1,320	1,320
Reversal of provision for inventories	(17)	(17)

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17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2023 RM'000	Preceding Year Corresponding Quarter 30/09/2022 RM'000	Current Year- To-Date 30/09/2023 RM'000	Preceding Year Corresponding Period 30/09/2022 RM'000
Current taxation				
- Current year	(773)	3,395	(773)	3,395
Deferred taxation				
- Current year	886	(6,649)	886	(6,649)
	113	(3,254)	113	(3,254)

The current quarter tax credit was from the net impact of tax provision for profit making subsidiaries and the amortisation of deferred tax liabilities in respect of land revaluation surplus. The tax credit in the corresponding quarter in FY2023 mainly arose from real property gains tax and the reversal of deferred tax liabilities, due to the disposal of a leasehold land.

18. Corporate proposals

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

19. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 September 2023 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	201,400
Unsecured short-term borrowings	662,571
	863,971

There were no borrowings denominated in foreign currencies as at 30 September 2023.

20. Material Litigation

Southern HRC Sdn Bhd ("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.

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20. 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.

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20. Material Litigation (cont'd)

First Award

Danieli and DMSB applied to the Singapore Courts to set aside the First Award. They were unsuccessful at the Singapore High Court. On appeal to the Singapore Court of Appeal (“CA”), the CA decided, inter alia, as follows (“**Singapore Court Judgment**”):-

- i) The CA 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 CA 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).

On 4 August 2023, the Italian Court of Appeal allowed Danieli’s challenge and revoked the recognition order of the First Award obtained by SHRC in Italy on 12 June 2020. SHRC has been advised by its Italian lawyer that the decision was based on technical grounds and does not deny SHRC the right to pursue recovery in Italy of the amounts due under the First Award which have not been set aside by the Singapore Court of Appeal (“Modified Award”). In October 2023, SHRC has (i) filed an application for the recognition of the Singapore Court Judgment in Italy; and (ii) appealed to the Italian Supreme Court against the decision of the Italian Court of Appeal.

Separately, SHRC has also commenced enforcement actions in France and Luxembourg and obtained recognition orders of the First Award in France and Luxembourg on 30 January 2023 and 15 March 2023 respectively.

In France, the court bailiff has seized and attached (i) receivable debts owed by certain clients of Danieli in France and (ii) patents belonging to Danieli in France.

In Luxembourg, the court bailiff has seized (saisie arret conservatoire) the shares of two of Danieli’s wholly owned subsidiaries, which are now frozen.

Danieli has filed appeals against the enforcement orders obtained in Luxembourg and France, but no hearing dates have been fixed yet. SHRC will continue to pursue enforcement of the First Award.

Second 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.

21. Dividend

The Board does not recommend any interim dividend for the quarter ended 30 September 2023.

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The figures have not been audited

22. Loss per ordinary share

(a) Basic loss per ordinary share

The basic loss per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM39,592,000 (1st quarter FY2023: RM64,439,000) by the weighted average number of ordinary shares during the quarter of 596,156,742 (1st quarter FY2023: 596,313,450).

	<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
	30/09/2023	30/09/2022	30/09/2023	30/09/2022
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	596,313	596,313	596,313	596,313
ESS Trust Shares held at beginning of period	(81)	-	(81)	-
	<u>596,232</u>	<u>596,313</u>	<u>596,232</u>	<u>596,313</u>
Effect of ESS Trust Shares purchased	(75)	-	(75)	-
Weighted average number of ordinary shares (basic)	<u>596,157</u>	<u>596,313</u>	<u>596,157</u>	<u>596,313</u>
Basic loss per ordinary share (sen)	(6.64)	(10.81)	(6.64)	(10.81)

(b) Diluted loss per ordinary share

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

23. 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 2023, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets/ (Liabilities)
	RM'000	RM'000
Less than 1 year	<u>7,613</u>	<u>120</u>

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The figures have not been audited

23. Derivatives (cont'd)

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 16.

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 FY2023.

24. 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
Valerie Mak Mew Chan
Company Secretaries

Penang
9 November 2023