

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2024

| | Individual Quarter | | Cumulative Quarter | |
|---|---|--|--|---|
| | Current Year Quarter 31/03/2024 RM'000 | Preceding Year Corresponding Quarter 31/03/2023 RM'000 | Current Year- To-Date 31/03/2024 RM'000 | Preceding Year Corresponding Period 31/03/2023 RM'000 |
| Revenue | 551,657 | 652,061 | 1,719,695 | 1,804,681 |
| Cost of sales | (515,669) | (623,138) | (1,659,035) | (1,827,517) |
| Gross profit/(loss) | 35,988 | 28,923 | 60,660 | (22,836) |
| Operating expenses | (28,681) | (28,417) | (85,262) | (86,665) |
| Other operating income | 17 | 11,242 | 6,765 | 12,431 |
| Profit/(Loss) from operations | 7,324 | 11,748 | (17,837) | (97,070) |
| Interest income | 844 | 519 | 2,407 | 1,994 |
| Finance costs | (10,787) | (8,458) | (32,703) | (23,344) |
| Share of profit/(loss) in an associated company, net of tax | 236 | (112) | (486) | (1,843) |
| (Loss)/Profit before taxation | (2,383) | 3,697 | (48,619) | (120,263) |
| Taxation | 63 | 739 | 246 | 4,403 |
| (Loss)/Profit from continuing operations | (2,320) | 4,436 | (48,373) | (115,860) |
| Loss from a discontinued operation, net of tax (N1) | (4,006) | (2,734) | (8,313) | (8,216) |
| (Loss)/Profit for the period | (6,326) | 1,702 | (56,686) | (124,076) |
| (Loss)/Profit attributable to: | | | | |
| Owners of the Company | (6,428) | 1,661 | (56,902) | (123,505) |
| Non-controlling interests | 102 | 41 | 216 | (571) |
| (Loss)/Profit for the period | (6,326) | 1,702 | (56,686) | (124,076) |
| (Loss)/Earnings per ordinary share (sen):- | | | | |
| (a) Basic | (1.08) | 0.28 | (9.54) | (20.71) |
| (b) Fully diluted | (1.08) | 0.28 | (9.54) | (20.71) |

(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 THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2024 (cont'd)

| | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|----------------|--------------------|------------------|
| | Current Year | Preceding Year | Current Year- | Preceding Year |
| | Quarter | Corresponding | To-Date | Corresponding |
| | 31/03/2024 | 31/03/2023 | 31/03/2024 | 31/03/2023 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (Loss)/Profit for the period | (6,326) | 1,702 | (56,686) | (124,076) |
| <i>Items 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 | (51) | 125 | (2) | 60 |
| <i>Items that are or may be reclassified subsequently to profit or loss</i> | | | | |
| Foreign currency translation differences for a foreign operation | (1) | 3 | (151) | 1 |
| Cash flow hedge | 880 | 217 | 528 | (1,087) |
| Total comprehensive (expense)/income for the period | (5,498) | 2,047 | (56,311) | (125,102) |
| Total comprehensive (expense)/income attributable to: | | | | |
| Owners of the Company | (5,630) | 1,985 | (56,545) | (124,527) |
| Non-controlling interests | 132 | 62 | 234 | (575) |
| Total comprehensive (expense)/income for the period | (5,498) | 2,047 | (56,311) | (125,102) |

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 THIRD QUARTER ENDED 31 MARCH 2024
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

| | As At End of Current Quarter 31/03/2024 RM'000 | As At End of Preceding Financial Year 30/06/2023 RM'000 |
|---|---|---|
| ASSETS | | |
| Property, plant and equipment ("PPE") | 381,627 | 398,203 |
| Right-of-use assets ("ROU") | 450,322 | 464,427 |
| Goodwill on consolidation | 30,256 | 30,256 |
| Investments in an associated company | 12,371 | 12,857 |
| Other investments | 392 | 394 |
| Deferred tax assets | 22,542 | 21,261 |
| Tax credit receivable | 5,472 | 5,523 |
| Other receivables | 126,447 | 126,447 |
| Total non-current assets | 1,029,429 | 1,059,368 |
| Inventories | 402,399 | 408,160 |
| Trade and other receivables, including derivatives | 153,877 | 144,236 |
| Current tax assets | 2,217 | 2,393 |
| Cash and cash equivalents | 101,827 | 119,321 |
| Asset to be returned to vendor | 193,132 | 193,132 |
| Total current assets | 853,452 | 867,242 |
| TOTAL ASSETS | 1,882,881 | 1,926,610 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | |
| Share capital | 641,010 | 641,010 |
| Reserves | (70,585) | (15,808) |
| | 570,425 | 625,202 |
| NON-CONTROLLING INTERESTS | | |
| | 6,364 | 6,130 |
| TOTAL EQUITY | 576,789 | 631,332 |
| LIABILITIES | | |
| Lease liabilities | 7,586 | 8,827 |
| Deferred tax liabilities | 20,435 | 20,737 |
| Deferred income | 698 | 1,829 |
| Employee benefits | 27,592 | 27,256 |
| Loans and borrowings | 161,900 | 221,900 |
| Total non-current liabilities | 218,211 | 280,549 |

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024 (cont'd)

| | As At End of Current Quarter 31/03/2024 RM'000 | As At End of Preceding Financial Year 30/06/2023 RM'000 |
|--|---|--|
| Lease liabilities | 1,786 | 2,142 |
| Employee benefits | 1,516 | 1,516 |
| Provisions | 2 | 1,226 |
| Trade and other payables, including derivatives | 184,238 | 190,632 |
| Contract liability | 193,132 | 193,132 |
| Loans and borrowings | 706,298 | 626,059 |
| Current tax liabilities | 909 | 22 |
| Total current liabilities | 1,087,881 | 1,014,729 |
| TOTAL LIABILITIES | 1,306,092 | 1,295,278 |
| TOTAL EQUITY AND LIABILITIES | 1,882,881 | 1,926,610 |
| Net assets per share attributable to owners of the Company (RM) | 0.96 | 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 THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2024

| | 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 31 March 2024 | | | | | | | | | | | |
| 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 | - | - | - | - | - | - | - | (56,902) | (56,902) | 216 | (56,686) |
| Other comprehensive (expense)/income: | | | | | | | | | | | |
| - Loss on fair value of equity instruments | - | - | - | - | - | - | - | (2) | (2) | - | (2) |
| - Foreign currency translation differences | - | - | - | - | (1,889) | - | - | 1,738 | (151) | - | (151) |
| - Cash flow hedge | - | - | - | - | - | 510 | - | - | 510 | 18 | 528 |
| Total comprehensive (expense)/income for the period | - | - | - | - | (1,889) | 510 | - | (55,166) | (56,545) | 234 | (56,311) |
| Purchase of own shares | - | (44) | - | - | - | - | - | - | (44) | - | (44) |
| Share-based payments | - | - | - | - | - | - | 1,812 | - | 1,812 | - | 1,812 |
| Shares vested under Executive Share Scheme ("ESS") | - | 40 | - | - | - | - | (45) | 5 | - | - | - |
| Total transactions with owners | - | (4) | - | - | - | - | 1,767 | 5 | 1,768 | - | 1,768 |
| At 31 March 2024 | 641,010 | (44) | 402,194 | 30,000 | - | 534 | 3,040 | (506,309) | 570,425 | 6,364 | 576,789 |

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2024 (cont'd)

| | Attributable to owners of the Company | | | | | | Accumulated losses | Total | Non-controlling interests | Total equity |
|--|---------------------------------------|---------------------|----------------|------------------------------|-----------------|--------------------------------|--------------------|-----------|---------------------------|--------------|
| | Share capital | 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 |
| Preceding year corresponding period ended 31 March 2023 | | | | | | | | | | |
| 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 | - | - | - | - | - | - | (123,505) | (123,505) | (571) | (124,076) |
| Other comprehensive income/(expense): | | | | | | | | | | |
| - Gain on fair value of equity instruments | - | - | - | - | - | - | 60 | 60 | - | 60 |
| - Foreign currency translation differences | - | - | - | 1 | - | - | - | 1 | - | 1 |
| - Cash flow hedge | - | - | - | - | (1,083) | - | - | (1,083) | (4) | (1,087) |
| Total comprehensive income/(expense) for the period | - | - | - | 1 | (1,083) | - | (123,445) | (124,527) | (575) | (125,102) |
| Transfer | - | (21,651) | - | - | - | - | 21,651 | - | - | - |
| Share-based payments | - | - | - | - | - | 684 | - | 684 | - | 684 |
| Total transactions with owners | - | (21,651) | - | - | - | 684 | 21,651 | 684 | - | 684 |
| At 31 March 2023 | 641,010 | 266,461 | 30,000 | 1,860 | (288) | 684 | (433,433) | 506,294 | 6,192 | 512,486 |

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 THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2024

| | Current Year- To-Date 31/03/2024 RM'000 | Preceding Year Corresponding Period 31/03/2023 RM'000 |
|---|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation | | |
| Continuing operations | (48,619) | (120,263) |
| Discontinued operation | (8,313) | (8,216) |
| | <u>(56,932)</u> | <u>(128,479)</u> |
| Adjustments for:- | | |
| Depreciation of PPE | 20,775 | 21,992 |
| Depreciation and amortisation of ROU | 14,105 | 9,387 |
| Net financing costs | 30,296 | 25,223 |
| Share of loss in an associated company, net of tax | 486 | 1,843 |
| Non-cash items | 3,007 | (9,749) |
| Operating profit/(loss) before changes in working capital | <u>11,737</u> | <u>(79,783)</u> |
| Changes in working capital | | |
| Net change in current assets | (3,350) | 120,445 |
| Net change in current liabilities | (8,011) | (25,699) |
| Taxation paid, net | (223) | (3,719) |
| Finance costs paid | (32,703) | (27,217) |
| Retirement benefits paid | (1,607) | (1,141) |
| Interest income received | 2,407 | 1,994 |
| Net cash used in operating activities | <u>(31,750)</u> | <u>(15,120)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition of plant and equipment | (4,208) | (10,182) |
| Proceeds from disposal of plant and equipment | 17 | 138 |
| Proceeds from disposal of asset held for sale | - | 65,000 |
| Net cash (used in)/generated from investing activities | <u>(4,191)</u> | <u>54,956</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Drawdown of borrowings | 20,239 | 12,305 |
| Purchase of own shares | (44) | - |
| Payment of lease liabilities | (1,597) | (1,519) |
| Net cash generated from financing activities | <u>18,598</u> | <u>10,786</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | <u>(17,343)</u> | <u>50,622</u> |
| CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD | 119,321 | 67,333 |
| EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD | (151) | 1 |
| CASH & CASH EQUIVALENTS AT END OF PERIOD | <u>101,827</u> | <u>117,956</u> |



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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2024 (cont'd)

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

| | 31/03/2024 | 31/03/2023 |
|----------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Deposits, cash and bank balances | 101,827 | 117,956 |

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 THIRD QUARTER ENDED 31 MARCH 2024

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 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

There were no additional shares purchased by the Executive Share Scheme Trust (“ESS Trust”) during the quarter under review.

For the financial year-to-date, a total of 88,100 ordinary shares of the Company (“SSB Shares”) were purchased by the ESS Trust. During the quarter under review and financial year-to-date, a total of 81,481 of SSB shares held in the ESS trust were transferred to an eligible executive of the Group following the vesting of free SSB shares pursuant to the ESS. The total number of SSB Shares held by the ESS Trust as at 31 March 2024 was 88,119 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 | (17,236) | (601) | (8,313) | (26,150) |

Included in the measure of segment loss are:

| | | | | |
|--------------------------------------|-----------|-----|-------|-----------|
| Revenue from external customers | 1,719,695 | - | - | 1,719,695 |
| Depreciation of PPE | 16,816 | - | 3,959 | 20,775 |
| Depreciation and amortisation of ROU | 13,666 | 439 | - | 14,105 |
| Interest income | 2,407 | - | - | 2,407 |
| Finance cost | 32,703 | - | - | 32,703 |

Reconciliation of reportable segment loss

| | RM'000 |
|--|----------|
| Loss | |
| Reportable segment | (26,150) |
| Loss from a discontinued operation | 8,313 |
| Loss from continuing operations | (17,837) |
| Interest income | 2,407 |
| Finance costs | (32,703) |
| Share of loss in an associated company, net of tax | (486) |
| Consolidated loss before taxation (excluding a discontinued operation) | (48,619) |

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 Company 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.

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12. Review of performance

For the quarter under review, excluding a discontinued operation, the Group revenue was RM552 million and loss before taxation (“LBT”) was RM2 million as compared with revenue and profit before taxation (“PBT”) of RM652 million and RM4 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2023 (“FY2023”).

The lower revenue and loss for the quarter was mainly due to lower average selling prices and sales volume.

For the financial year-to-date, excluding a discontinued operation, the Group revenue was RM1,720 million and LBT was RM49 million as compared with revenue and LBT of RM1,805 million and RM120 million respectively for the corresponding period of FY2023.

For the cumulative 9 months to date, improved margins from favourable input costs have resulted in a lower loss.

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

For the quarter under review, excluding a discontinued operation, the Group revenue decreased to RM552 million from RM566 million of the preceding quarter.

The Group LBT, excluding a discontinued operation, was RM2 million for the quarter under review as compared with LBT of RM9 million for the preceding quarter. The lower loss for the quarter was mainly attributable to improved margin.

14. Prospects

The outlook for the local steel industry remains challenging as it faces structural overcapacity, weak demand and cheap imports. The Group will continue to focus its attention on improving its operational efficiencies, inventory management and growing its downstream businesses.

The Ministry of Investment, Trade and Industry (MITI) recognises the challenges and has setup an Independent and Special Committee to assess the short and medium term outlook and address issues of overcapacity. The Committee will provide guidance on policies to support its carbon neutrality objectives and ensure the resilience and sustainability of local steel sector.

15. Profit forecast/profit guarantee

This note is not applicable.

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16. (Loss)/Profit before taxation

| | Current Year- Quarter 31/03/2024 RM'000 | Current Year- To-Date 31/03/2024 RM'000 |
|---|--|--|
| (Loss)/Profit before taxation is arrived at after charging/(crediting): | | |
| Continuing operations | | |
| Depreciation of PPE | 5,480 | 16,816 |
| Depreciation and amortisation of ROU | 4,704 | 14,105 |
| Reversal of impairment loss on trade receivables | - | (404) |
| Provision/(Reversal of provision) for inventories | 1,610 | (4,070) |
| Gain on foreign exchange | (878) | (90) |
| Fair value gain on derivative instruments | (3) | (22) |
| Gain on disposal of plant and equipment | (7) | (17) |
| Write-off of plant and equipment | - | 9 |
| Discontinued operation | | |
| Depreciation of PPE | 1,320 | 3,959 |
| Reversal of provision for inventories | (87) | (112) |

17. Taxation

| | Individual Quarter | | Cumulative Quarter | |
|-------------------|---|---|--|--|
| | Current Year Quarter 31/03/2024 RM'000 | Preceding Year Corresponding Quarter 31/03/2023 RM'000 | Current Year- To-Date 31/03/2024 RM'000 | Preceding Year Corresponding Period 31/03/2023 RM'000 |
| Current taxation | | | | |
| - Current year | (490) | 92 | 1,337 | 3,580 |
| - Prior year | - | 2,121 | - | 2,121 |
| | (490) | 2,213 | 1,337 | 5,701 |
| Deferred taxation | | | | |
| - Current year | 427 | (831) | (1,583) | (7,983) |
| - Prior year | - | (2,121) | - | (2,121) |
| | 427 | (2,952) | (1,583) | (10,104) |
| | (63) | (739) | (246) | (4,403) |

Tax credit for current quarter and the corresponding quarter in FY2023 were 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 year-to-date taxation in corresponding FY2023 was mainly from a credit of RM3.2 million arising from the reversal of deferred tax liabilities net off with the real property gains tax being recognized, due to the disposal of leasehold land.

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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 31 March 2024 are as follows:

| | RM'000 |
|---------------------------------|---------|
| Borrowings: | |
| Unsecured long-term borrowings | 161,900 |
| Unsecured short-term borrowings | 706,298 |
| | 868,198 |

There were no borrowings denominated in foreign currencies as at 31 March 2024.

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.

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.

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20. Material Litigation (cont'd)

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")

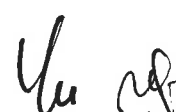
B. The Second Arbitration

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.

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).



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024

The figures have not been audited

20. Material Litigation (cont'd)

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 (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. On 10 April 2024, the Italian Court of Appeal delivered its decision and recognised the Singapore Court Judgment as enforceable in Italy. SHRC is taking steps to enforce the Singapore Court Judgment in Italy.

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 November 2023, the Court rejected Danieli's application to stay the enforcement actions 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. In September 2023, the Court rejected Danieli's application for interim reliefs against the attachments in Luxembourg.

Danieli has filed appeals against the enforcement and recognition orders obtained in Luxembourg and France. In France, the hearing of Danieli's appeal is fixed on 4 February 2025, while in Luxembourg, no hearing date has 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. A Court order recognising the Second Award as a judgment of the High Court ("Court Order") was served on SHRC on 15 January 2024. SHRC has filed an application to set aside the Court Order which is fixed for hearing on 21 August 2024.

21. Dividend

The Board does not recommend any interim dividend for the quarter ended 31 March 2024.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024
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 RM6,428,000 (3rd quarter FY2023 profit attributable to owners of the Company: RM1,661,000) by the weighted average number of ordinary shares during the quarter of 596,193,097 (3rd quarter FY2023: 596,313,450).

The basic loss per ordinary share for the financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM56,902,000 (FY2023: RM123,505,000) by the weighted average number of ordinary shares during the period of 596,164,737 (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 |
| | 31/03/2024 | 31/03/2023 | 31/03/2024 | 31/03/2023 |
| | '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 | (169) | - | (82) | - |
| | <u>596,144</u> | <u>596,313</u> | <u>596,231</u> | <u>596,313</u> |
| Effect of ESS Trust Shares purchased | - | - | (84) | - |
| Effect of ESS Trust Shares vested | 49 | - | 18 | - |
| | <u>596,193</u> | <u>596,313</u> | <u>596,165</u> | <u>596,313</u> |
| Basic loss per ordinary share (sen) | (1.08) | 0.28 | (9.54) | (20.71) |

(b) Diluted (loss)/profit per ordinary share

The Group's diluted (loss)/profit per ordinary share in the quarter under review is the same as the basic (loss)/profit 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2024
The figures have not been audited
23. Derivatives (cont'd)

As at 31 March 2024, 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 | 29,834 | 530 |

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

Kuala Lumpur
15 May 2024