

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2024

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2024 RM'000	Preceding Year Corresponding Quarter 30/06/2023 RM'000	Current Year- To-Date 30/06/2024 RM'000	Preceding Year Corresponding Period 30/06/2023 RM'000
Revenue	527,200	581,754	2,246,895	2,386,435
Cost of sales	(503,079)	(564,708)	(2,162,114)	(2,392,225)
Gross profit/(loss)	24,121	17,046	84,781	(5,790)
Operating expenses	(25,653)	(31,483)	(110,915)	(118,148)
Other operating income/(expense)	916	(558)	7,681	11,873
Loss from operations	(616)	(14,995)	(18,453)	(112,065)
Interest income	651	869	3,058	2,863
Finance costs	(10,797)	(9,284)	(43,500)	(32,628)
Share of profit/(loss) in an associated company, net of tax	135	(103)	(351)	(1,946)
Loss before taxation	(10,627)	(23,513)	(59,246)	(143,776)
Taxation	2,415	3,318	2,661	7,721
Loss from continuing operations	(8,212)	(20,195)	(56,585)	(136,055)
Profit/(Loss) from a discontinued operation, net of tax (N1)	9,276	2,546	963	(5,670)
Profit/(Loss) for the period	1,064	(17,649)	(55,622)	(141,725)
Profit/(Loss) attributable to:				
Owners of the Company	1,059	(17,932)	(55,843)	(141,437)
Non-controlling interests	5	283	221	(288)
Profit/(Loss) for the period	1,064	(17,649)	(55,622)	(141,725)
Earnings/(Loss) per ordinary share (sen):-				
(a) Basic	0.18	(3.01)	(9.37)	(23.72)
(b) Fully diluted	0.18	(3.01)	(9.37)	(23.72)

(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 FOURTH QUARTER ENDED 30 JUNE 2024
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2024 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2024 RM'000	Preceding Year Corresponding Quarter 30/06/2023 RM'000	Current Year- To-Date 30/06/2024 RM'000	Preceding Year Corresponding Period 30/06/2023 RM'000
Profit/(Loss) for the period	1,064	(17,649)	(55,622)	(141,725)
<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	21	(177)	19	(117)
Re-measurement of defined benefit liability	193	-	193	-
Revaluation of land	-	18,000	-	18,000
Revaluation of right-of-use assets	-	118,063	-	118,063
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	-	29	(151)	30
Cash flow hedge	(388)	312	140	(775)
Total comprehensive income/(expense) for the period	890	118,578	(55,421)	(6,524)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	901	117,893	(55,644)	(6,634)
Non-controlling interests	(11)	685	223	110
Total comprehensive income/(expense) for the period	890	118,578	(55,421)	(6,524)

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.



SOUTHERN STEEL BERHAD (196301000443 (5283-X))



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

	As At End of Current Quarter 30/06/2024 RM'000	As At End of Preceding Financial Year 30/06/2023 RM'000
ASSETS		
Property, plant and equipment ("PPE")	375,125	398,203
Right-of-use assets ("ROU")	445,619	464,427
Goodwill on consolidation	30,256	30,256
Investments in an associated company	12,506	12,857
Other investments	413	394
Deferred tax assets	26,755	21,261
Tax credit receivable	2,313	5,523
Other receivables	143,452	126,447
Total non-current assets	1,036,439	1,059,368
Inventories	359,795	408,160
Trade and other receivables, including derivatives	167,752	144,236
Current tax assets	2,284	2,393
Cash and cash equivalents	86,742	119,321
Asset to be returned to vendor	193,132	193,132
Total current assets	809,705	867,242
TOTAL ASSETS	1,846,144	1,926,610
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	641,010	641,010
Reserves	(72,669)	(15,808)
	568,341	625,202
NON-CONTROLLING INTERESTS		
	6,129	6,130
TOTAL EQUITY	574,470	631,332
LIABILITIES		
Lease liabilities	7,457	8,827
Deferred tax liabilities	18,272	20,737
Deferred income	1,792	1,829
Employee benefits	28,063	27,256
Loans and borrowings	143,900	221,900
Total non-current liabilities	199,484	280,549

SOUTHERN STEEL BERHAD (196301000443 (5283-X))



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024 (cont'd)

	As At End of Current Quarter 30/06/2024 RM'000	As At End of Preceding Financial Year 30/06/2023 RM'000
Lease liabilities	1,370	2,142
Employee benefits	912	1,516
Provisions	2,669	1,226
Trade and other payables, including derivatives	145,546	190,632
Contract liability	193,132	193,132
Loans and borrowings	728,561	626,059
Current tax liabilities	-	22
Total current liabilities	1,072,190	1,014,729
TOTAL LIABILITIES	1,271,674	1,295,278
TOTAL EQUITY AND LIABILITIES	1,846,144	1,926,610
Net assets per share attributable to owners of the Company (RM)	0.95	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 FOURTH QUARTER ENDED 30 JUNE 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2024

	Attributable to owners of the Company								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	Accumulated losses			
Current year-to-date ended 30 June 2024	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	-	-	-	-	-	-	-	(55,843)	(55,843)	221	(55,622)
Other comprehensive (expense)/income:											
- Gain on fair value of equity instruments	-	-	-	-	-	-	-	19	19	-	19
- Foreign currency translation differences	-	-	-	-	(1,889)	-	-	1,738	(151)	-	(151)
- Cash flow hedge	-	-	-	-	-	135	-	-	135	5	140
- Re-measurement of defined benefit liability	-	-	-	-	-	-	-	196	196	(3)	193
Total comprehensive (expense)/income for the period	-	-	-	-	(1,889)	135	-	(53,890)	(55,644)	223	(55,421)
Purchase of own shares	-	(44)	-	-	-	-	-	-	(44)	-	(44)
Share-based payments	-	-	-	-	-	-	(1,173)	-	(1,173)	-	(1,173)
Shares vested under Executive Share Scheme ("ESS")	-	40	-	-	-	-	(45)	5	-	-	-
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	-	-	(224)	(224)
Total transactions with owners	-	(4)	-	-	-	-	(1,218)	5	(1,217)	(224)	(1,441)
At 30 June 2024	641,010	(44)	402,194	30,000	-	159	55	(505,033)	568,341	6,129	574,470

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2024 (cont'd)

	Attributable to owners of the Company							Total 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
Preceding year corresponding period ended 30 June 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	-	-	-	-	-	-	-	(141,437)	(141,437)	(288)	(141,725)
Other comprehensive income/(expense):											
- Loss on fair value of equity instruments	-	-	-	-	-	-	-	(117)	(117)	-	(117)
- Foreign currency translation differences	-	-	-	-	30	-	-	-	30	-	30
- Cash flow hedge	-	-	-	-	-	(771)	-	-	(771)	(4)	(775)
- Revaluation of land	-	-	17,598	-	-	-	-	-	17,598	402	18,000
- Revaluation of right- of-use assets	-	-	118,063	-	-	-	-	-	118,063	-	118,063
Total comprehensive income/(expense) for the period	-	-	135,661	-	30	(771)	-	(141,554)	(6,634)	110	(6,524)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

The figures have not been audited

	← Attributable to owners of the Company →							Total 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
Purchase of own shares	-	(40)	-	-	-	-	-	-	(40)	-	(40)
Share-based payments	-	-	-	-	-	-	1,273	-	1,273	-	1,273
Acquisition from non- controlling interests	-	-	72	-	-	-	-	394	466	(747)	(281)
Total transactions with owners	-	(40)	72	-	-	-	1,273	394	1,699	(747)	952
Transfer on realisation of revalued assets held for sale	-	-	(21,651)	-	-	-	-	21,651	-	-	-
At 30 June 2023	641,010	(40)	402,194	30,000	1,889	24	1,273	(451,148)	625,202	6,130	631,332

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.

SOUTHERN STEEL BERHAD (196301000443 (5283-X))



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2024

	Current Year- To-Date 30/06/2024 RM'000	Preceding Year Corresponding Period 30/06/2023 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss/(Profit) before taxation		
Continuing operations	(59,246)	(143,776)
Discontinued operation	963	(5,670)
	<u>(58,283)</u>	<u>(149,446)</u>
Adjustments for:-		
Depreciation of PPE	27,445	29,448
Depreciation and amortisation of ROU	18,808	13,613
Net financing costs	40,442	29,765
Share of loss in an associated company, net of tax	351	1,946
Non-cash items	(6,892)	(9,674)
Operating profit/(loss) before changes in working capital	<u>21,871</u>	<u>(84,348)</u>
Changes in working capital		
Net change in current assets	24,702	184,168
Net change in current liabilities	(53,769)	(53,384)
Taxation paid, net	(373)	(3,791)
Finance costs paid	(43,500)	(37,775)
Retirement benefits paid	(2,147)	(1,833)
Interest income received	3,058	2,863
Net cash (used in)/generated from operating activities	<u>(50,158)</u>	<u>5,900</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(4,398)	(13,674)
Proceeds from disposal of plant and equipment	36	217
Proceeds from disposal of asset held for sale	-	65,000
Net cash (used in)/generated from investing activities	<u>(4,362)</u>	<u>51,543</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of borrowings	24,502	(3,126)
Acquisition of non-controlling interest	-	(281)
Dividend paid to non-controlling interests	(224)	-
Purchase of own shares	(44)	(40)
Payment of lease liabilities	(2,142)	(2,038)
Net cash generated from/(used in) financing activities	<u>22,092</u>	<u>(5,485)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(32,428)</u>	<u>51,958</u>
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	119,321	67,333
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(151)	30
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>86,742</u>	<u>119,321</u>

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SOUTHERN STEEL BERHAD (196301000443 (5283-X))



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2024 (cont'd)

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

	30/06/2024	30/06/2023
	RM'000	RM'000
Deposits, cash and bank balances	86,742	119,321

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 FOURTH QUARTER ENDED 30 JUNE 2024

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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

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 30 June 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

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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	(17,597)	(856)	(4,330)	(22,783)

Included in the measure of segment loss are:

Revenue from external customers	2,246,895	-	-	2,246,895
Depreciation of PPE	22,166	-	5,279	27,445
Depreciation and amortisation of ROU	17,930	878	-	18,808
Interest income	3,058	-	5,293	8,351
Finance cost	43,500	-	-	43,500

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(22,783)
Loss from a discontinued operation (excluding interest income)	4,330
Loss from continuing operations	(18,453)
Interest income	3,058
Finance costs	(43,500)
Share of loss in an associated company, net of tax	(351)
Consolidated loss before taxation (excluding a discontinued operation)	(59,246)

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.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

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12. Review of performance

For the quarter under review, excluding a discontinued operation, the Group revenue was RM527 million and loss before taxation (“LBT”) was RM11 million as compared with revenue and LBT of RM582 million and RM24 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2023 (“FY2023”).

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

For FY2024, excluding a discontinued operation, the Group revenue was RM2,247 million and LBT was RM59 million as compared with revenue and LBT of RM2,386 million and RM144 million respectively for the corresponding period of FY2023.

For the quarter under review and financial year ended 30 June 2024, improved margins from favorable 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 RM527 million from RM552 million of the preceding quarter.

The Group LBT, excluding a discontinued operation, was RM11 million for the quarter under review as compared with LBT of RM2 million for the preceding quarter. The higher loss for the quarter was mainly attributable to lower margins.

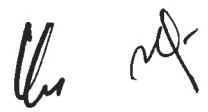
14. Prospects

The global steel market is expected to remain soft and volatile due to slowing demand and structural overcapacity. The local market remains challenging as it faces large volume of cheap imports and the absence of mega infrastructure projects. The Group continues to focus its attention on improving its operational efficiencies, inventory management and growing the downstream businesses.

The company recently received a four-star rating (highest band) in the latest Bursa Malaysia FTSE Russell ESG rating. This bodes well for its continual efforts and commitment to sustainable operations, responsible social practices and good governance. The Group’s Electric Arc Furnace which utilises scrap metal to make steel emits significantly lower Green Houses Gases as compared to the Blast Furnace process.

15. Profit forecast/profit guarantee

This note is not applicable.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

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16. Loss before taxation

	Current Year Quarter 30/06/2024 RM'000	Current Year- To-Date 30/06/2024 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Continuing operations		
Depreciation of PPE	5,350	22,166
Depreciation and amortisation of ROU	4,703	18,808
Reversal of impairment loss on trade receivables	-	(404)
Reversal of provision for inventories	(1,995)	(6,064)
Gain on foreign exchange	(244)	(334)
Fair value loss/(gain) on derivative instruments	7	(15)
Loss/(Gain) on disposal of plant and equipment	2	(15)
Write-off of plant and equipment	-	9
Discontinued operation		
Depreciation of PPE	1,320	5,279
Reversal of provision for inventories	-	(112)
Gain on foreign exchange	(11,712)	(11,712)

17. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2024 RM'000	Preceding Year Corresponding Quarter 30/06/2023 RM'000	Current Year- To-Date 30/06/2024 RM'000	Preceding Year Corresponding Period 30/06/2023 RM'000
Current taxation				
- Current year	4,021	(177)	5,358	3,403
- Prior year	1	(5)	1	2,116
	4,022	(182)	5,359	5,519
Deferred taxation				
- Current year	(6,463)	(3,313)	(8,046)	(11,296)
- Prior year	26	177	26	(1,944)
	(6,437)	(3,136)	(8,020)	(13,240)
	(2,415)	(3,318)	(2,661)	(7,721)

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 30 June 2024 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	143,900
Unsecured short-term borrowings	728,561
	872,461

There were no borrowings denominated in foreign currencies as at 30 June 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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The figures have not been audited

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 FOURTH QUARTER ENDED 30 JUNE 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 took steps to enforce the Singapore Court Judgment in Italy by freezing Danieli's bank accounts in Italy and attaching the receivable debts owed by Danieli's clients in Italy. Danieli is opposing and challenging the enforcement actions in Italy. In July 2024, the Court allowed Danieli's application to stay the enforcement actions in Italy. SHRC has filed an appeal against the Court's decision.

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 30 June 2024.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2024

The figures have not been audited

22. Earnings/(Loss) per ordinary share
(a) Basic earnings/(loss) per ordinary share

The basic earnings/(loss) per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM1,059,000 (4th quarter FY2023 loss attributable to owners of the Company: RM17,932,000) by the weighted average number of ordinary shares during the quarter of 596,225,331 (4th quarter FY2023: 596,232,120).

The basic earnings/(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 RM55,843,000 (FY2023: RM141,437,000) by the weighted average number of ordinary shares during the period of 596,179,803 (FY2023: 596,232,120).

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year-To-Date	Preceding Year
	Quarter	Corresponding Quarter	Date	Corresponding Period
	30/06/2024	30/06/2023	30/06/2024	30/06/2023
	'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	(88)	(81)	(82)	(81)
	<u>596,225</u>	<u>596,232</u>	<u>596,231</u>	<u>596,232</u>
Effect of ESS Trust Shares purchased	-	-	(85)	-
Effect of ESS Trust Shares vested	-	-	33	-
Weighted average number of ordinary shares (basic)	<u>596,225</u>	<u>596,232</u>	<u>596,179</u>	<u>596,232</u>
Basic earnings/(loss) per ordinary share (sen)	0.18	(3.01)	(9.37)	(23.72)

(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 FOURTH QUARTER ENDED 30 JUNE 2024

The figures have not been audited

23. Derivatives (cont'd)

As at 30 June 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	24,780	135

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
28 August 2024