

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2019

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2019 RM'000	Preceding Year Corresponding Quarter 30/9/2018 RM'000	Current Year- To-Date 30/9/2019 RM'000	Preceding Year Corresponding Period 30/9/2018 RM'000
Revenue	653,739	929,035	653,739	929,035
Cost of sales	(653,765)	(872,032)	(653,765)	(872,032)
Gross (loss)/profit	(26)	57,003	(26)	57,003
Operating expenses	(20,974)	(41,274)	(20,974)	(41,274)
Other operating expense	(10,520)	(3,436)	(10,520)	(3,436)
(Loss)/Profit from operation	(31,520)	12,293	(31,520)	12,293
Interest income	206	374	206	374
Finance costs	(14,070)	(12,179)	(14,070)	(12,179)
Share of loss in associated companies, net of tax	(506)	(403)	(506)	(403)
(Loss)/Profit before taxation	(45,890)	85	(45,890)	85
Taxation	388	1,727	388	1,727
(Loss)/Profit for the period	(45,502)	1,812	(45,502)	1,812
(Loss)/Profit attributable to:				
Owners of the Company	(45,586)	1,788	(45,586)	1,788
Non-controlling interests	84	24	84	24
(Loss)/Profit for the period	(45,502)	1,812	(45,502)	1,812
(Loss)/Earnings per ordinary share (sen): -				
(a) Basic	(10.51)	0.41	(10.51)	0.41
(b) Fully diluted	N/A	0.33	N/A	0.33

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2019 RM'000	Preceding Year Corresponding Quarter 30/9/2018 RM'000	Current Year- To-Date 30/9/2019 RM'000	Preceding Year Corresponding Period 30/9/2018 RM'000
(Loss)/Profit for the period	(45,502)	1,812	(45,502)	1,812
<i>Item that will not be reclassified subsequently to profit or loss</i>				
(Loss)/Gain on fair value of equity instrument at fair value through other comprehensive income	(172)	95	(172)	95
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operation	8	93	8	93
Cash flow hedge	210	991	210	991
Total comprehensive (expense)/income for the period	(45,456)	2,991	(45,456)	2,991
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(45,551)	2,979	(45,551)	2,979
Non-controlling interests	95	12	95	12
Total comprehensive (expense)/income for the period	(45,456)	2,991	(45,456)	2,991

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	As At End of Current Quarter	As At End of Preceding Financial Year
	30/9/2019 RM'000	30/06/2019 RM'000
ASSETS		
Property, plant and equipment	1,114,552	1,117,399
Rights-of-use assets ("ROU")	164,024	-
Goodwill on consolidation	30,256	30,256
Investments in associated companies	13,345	13,851
Other investments	458	630
Deferred tax assets	112,905	106,151
Tax credit receivable	19,947	19,941
Total non-current assets	1,455,487	1,288,228
Inventories	731,413	672,589
Trade and other receivables, including derivatives	205,995	208,528
Current tax assets	14,678	14,559
Cash and cash equivalents	66,692	43,938
Total current assets	1,018,778	939,614
TOTAL ASSETS	2,474,265	2,227,842
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	470,205	470,205
Reserves	186,275	242,610
Redeemable Convertible Unsecured Loan Stocks (Equity Portion)	141,524	141,524
	798,004	854,339
NON-CONTROLLING INTERESTS	5,679	5,584
TOTAL EQUITY	803,683	859,923
LIABILITIES		
Deferred tax liabilities	14,432	8,852
Deferred income	8,716	9,158
Employee benefits	30,486	29,293
Lease liabilities	127,802	-
Borrowings	49,900	85,000
Total non-current liabilities	231,336	132,303
Redeemable Convertible Unsecured Loan Stocks (Liability Portion)	2,705	4,789
Employee benefits	395	1,107
Provisions	10,260	11,081
Trade and other payables, including derivatives	307,108	359,323
Lease liabilities	38,996	-
Borrowings	1,079,173	858,970
Current tax liabilities	609	346
Total current liabilities	1,439,246	1,235,616
TOTAL LIABILITIES	1,670,582	1,367,919
TOTAL EQUITY AND LIABILITIES	2,474,265	2,227,842
Net assets per share attributable to owners of the Company (RM)	1.84	1.97

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Attributable to owners of the Company																			
	Share capital RM'000	Redeemable convertible unsecured loan stocks ("RCULS") (equity portion) RM'000	Non-distributable				Distributable				Total equity RM'000									
Merger reserve RM'000			Other reserve RM'000	Hedging reserve RM'000	Foreign currency translation reserve RM'000	Executive share scheme reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000											
Current year-to-date ended 30 September 2019																				
At 1 July 2019	470,205	-	141,524	30,000	-	(58)	1,823	10,784	200,061	854,339	5,584	859,923								
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(172)	(172)	-	(172)								
Other comprehensive income/(expense):																				
- Loss on fair value of equity instruments	-	-	-	-	-	-	-	-	-	-	-	-								
- Foreign currency translation differences	-	-	-	-	-	-	8	-	-	8	-	8								
- Cash flow hedge	-	-	-	-	-	199	-	-	-	199	11	210								
Total comprehensive income/(expense) for the period	-	-	-	-	-	199	8	-	(45,758)	(45,551)	95	(45,456)								
Share-based payments	-	-	-	-	-	-	-	(10,784)	-	(10,784)	-	(10,784)								
At 30 September 2019	470,205	-	141,524	30,000	-	141	1,831	-	154,303	798,004	5,679	803,683								

SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2019 (cont'd)

	Attributable to owners of the Company										Total	Non-controlling interests	Total equity	
	Non-distributable					Distributable								
Share capital	RCULS (equity portion)	Merger reserve	Other reserve	Hedging reserve	Foreign currency translation reserve	Executive share scheme reserve	Retained earnings	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Preceding year	469,494	141,524	30,000	150	221	1,730	5,898	317,496	966,513	5,574	972,087			
corresponding period ended 30 September 2018	-	-	-	-	-	-	-	1,788	1,788	24	1,812			
At 1 July 2018	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit for the period	-	-	-	-	-	-	-	95	95	-	95	-	-	-
Other comprehensive income/(expense):	-	-	-	-	-	93	-	-	93	-	93	-	-	93
- Gain on fair value of available-for-sale financial assets	-	-	-	-	1,003	-	-	-	1,003	(12)	991	-	-	991
- Foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Cash flow hedge	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	1,003	93	-	1,883	2,979	12	2,991	-	-	2,991
Share-based payments	-	-	-	-	-	-	1,263	-	1,263	-	1,263	-	-	1,263
At 30 September 2018	469,494	141,524	30,000	150	1,224	1,823	7,161	319,379	970,755	5,586	976,341			

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

	Current Year- To-Date 30/9/2019 RM'000	Preceding Year Corresponding Period 30/9/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(45,890)	85
Adjustments for:-		
Depreciation and amortisation	10,562	12,123
Depreciation of ROU	11,534	-
Net financing costs	13,864	11,805
Share of loss in associated companies, net of tax	506	403
Non-cash items	(13,200)	5,299
Operating (loss)/profit before changes in working capital	(22,624)	29,715
Changes in working capital		
Net change in current assets	(56,353)	200,436
Net change in current liabilities	(46,118)	(76,525)
Taxation paid	(648)	(4,154)
Financing costs paid	(11,899)	(12,027)
Retirement benefits paid	(270)	(416)
Interest income received	206	374
Net cash (used in)/generated from operating activities	(137,706)	137,403
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(7,754)	(3,614)
Proceeds from disposal of plant and equipment	10	68
Net cash used in investing activities	(7,744)	(3,546)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of borrowings	185,103	(85,126)
RCULS coupon payment	(4,235)	(4,235)
Payment of lease liabilities	(12,672)	-
Net cash generated/(used in) financing activities	168,196	(89,361)
NET CHANGE IN CASH AND CASH EQUIVALENTS	22,746	44,496
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,938	53,762
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	8	93
CASH & CASH EQUIVALENTS AT END OF PERIOD	66,692	98,351

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

	30/9/2019 RM'000	30/9/2018 RM'000
Deposits, cash and bank balances	66,692	98,351

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2019.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The figures have not been audited

1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 “Interim Financial Reporting” and the applicable disclosure provisions 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 2019. This interim financial report also complies with International Accounting Standards 34 “Interim Financial Reporting” issued by the International Accounting Standards Board.

The accounting policies and presentation adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2019 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2019 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 except for the adoption of MFRS 16 Leases which requires the lessee to recognise the right-of-use of the underlying lease asset and future lease payments liabilities in the statement of financial position.

In accordance with the transitional provisions provided in MFRS 16 Leases, comparative information for the previous financial year ended 30 June 2019 were not restated. The financial impact on the financial statements of the Group arising from the adoption of MFRS 16 Leases on 1 July 2019 are as follows:

Condensed Statement of Financial Position

	At 30 June 2019	Adoption of MFRS 16	At 1 July 2019
	RM'000	RM'000	RM'000
Non-current assets			
Right-of-use assets	-	175,558	175,558
Non-current liabilities			
Lease liabilities	-	127,802	127,802
Current liabilities			
Lease Liabilities	-	49,549	49,549
Trade and other payables, including derivatives	359,323	(1,793)	357,530

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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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 RCULS conversion, 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. The outstanding nominal value of RCULS as at 30 September 2019 was RM170,804,885.

7. **Dividend paid**

There were no dividend paid during the quarter under review and financial year-to-date.

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	Total RM'000
Segment loss	(31,464)	(56)	(31,520)

Included in the measure of segment loss are:

Revenue from external customers	653,739	-	653,739
Depreciation and amortisation	10,556	6	10,562
Depreciation of ROU	11,534	-	11,534

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(31,520)
Interest income	206
Finance costs	(14,070)
Share of loss in associated companies, net of tax	(506)
Loss before taxation	<u>(45,890)</u>

9. **Material events not reflected in the financial statements**

There are no material subsequent events to be disclosed as at the date of this report.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

11. Review of performance

For the quarter under review, the Group's revenue was RM654 million and loss before taxation ("LBT") was RM46 million as compared with revenue and profit before taxation ("PBT") of RM929 million and RM0.1 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2019 ("FY2019").

The lower revenue and LBT for the quarter under review as compared with the corresponding quarter of FY2019 were largely due to lower selling prices which eroded margin and lower sales volume.

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

The Group posted LBT of RM46 million for the current quarter as compared with LBT of RM42 million for the preceding quarter due to lower selling prices and margin.

13. Prospects

The market continues to be severely over-supplied. The Group will continue to adopt measures to address cost and to maintain its market position.

14. Profit forecast/profit guarantee

This note is not applicable.

15. Loss before taxation

	Current Year Quarter 30/9/2019 RM'000	Current Year- To-Date 30/9/2019 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	10,562	10,562
Depreciation of ROU	11,534	11,534
Provision for inventories	14,032	14,032
Gain on foreign exchange	(3,042)	(3,042)
Fair value gain on financial instruments designated as hedge instrument	(57)	(57)
Write-off of plant and equipment	39	39
Gain on disposal of plant and equipment	(10)	(10)
Write off of trade receivables	168	168

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16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2019 RM'000	Preceding Year Corresponding Quarter 30/9/2018 RM'000	Current Year- To-Date 30/9/2019 RM'000	Preceding Year Corresponding Period 30/9/2018 RM'000
Current taxation				
- Current year	792	3,447	792	3,447
Deferred taxation				
- Current year	(1,180)	(5,678)	(1,180)	(5,678)
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	504	-	504
	<u>(388)</u>	<u>(1,727)</u>	<u>(388)</u>	<u>(1,727)</u>

17. Corporate proposals

Other than the proposed formation of a strategic alliance between the Company and Ann Joo Resources Berhad ("AJRB") in relation to the long product steel manufacturing businesses of the Company and AJRB through a joint venture company, there are no corporate proposals announced but not completed as at the date of this report.

18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 September 2019 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	49,900
Unsecured short term borrowings	1,079,173
	<u>1,129,073</u>
Debt Securities:	
Redeemable Convertible Unsecured Loan Stocks – Liability Portion	<u>2,705</u>

There were no borrowings denominated in foreign currencies as at 30 September 2019.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

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19. Changes in material litigation

Southern HRC Sdn Bhd (“SHRC”), a wholly-owned subsidiary of Southern Steel Berhad, has 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.

Danieli Co. Ltd (a wholly-owned subsidiary of Danieli) (“Danieli Thailand”) has demanded payment of €2,843,650.90 being the balance purchase price of the spare parts sold and delivered. SHRC is disputing Danieli’s aforesaid claims.

i. Commencement of Arbitration Proceedings by SHRC

Following the termination of the Contract and Service Agreement as mentioned above, SHRC has commenced arbitration proceedings against Danieli and DMSB by way of a Request for Arbitration dated 29 August 2016 under the Arbitration Rules of the International Chamber of Commerce (“ICC Rules”) arising out of the Contract and Service Agreement.

SHRC is claiming 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 have also commenced arbitration proceedings against SHRC by way of a Request for Arbitration under the ICC Rules and the Request came to the attention of SHRC’s management on 25 August 2016.

Danieli and DMSB are seeking several declarations in relation to the Contract and the Service Agreement and claiming damages, interest and costs as well as payment of €34,908,670.70. As mentioned in Note 19(i) above, SHRC is disputing and claiming several reliefs against Danieli and DMSB.

Both arbitration proceedings in Note 19(i) and 19(ii) were consolidated (“First Arbitration”) and would be heard together by an arbitral tribunal in Singapore.

iii. Commencement of Arbitration Proceedings against SHRC by Danieli Thailand

Danieli Thailand has commenced arbitration proceedings against SHRC by way of a Request for Arbitration under the ICC Rules and the Request came to the attention of SHRC’s management on 24 November 2016 (“Second Arbitration”).

Danieli Thailand is claiming the sum of €2,800,000.00, 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.

SHRC is disputing and will be challenging the claim by Danieli Thailand in the arbitration proceedings.

The same arbitral tribunal for the First Arbitration was constituted to hear this Second Arbitration. The arbitral tribunal directed that the Second Arbitration shall be heard jointly with the First Arbitration.

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19. Changes in material litigation (cont'd)

The Tribunal fixed 30 October 2018 to 9 November 2018 for oral hearing of the arbitration.

The Tribunal completed hearing of the arbitration after a total of 9 days' hearing, i.e. from 30 October to 9 November 2018.

At the end of the hearing, the Tribunal directed the parties to file and exchange post-hearing submissions by 28 February 2019.

The Tribunal further fixed 15 March 2019 for oral closing submissions in Singapore.

The Tribunal completed hearing of the oral closing submissions on 15 March 2019.

Parties are awaiting the Tribunal's decision.

20. Dividend

- (a) The Board does not recommend any interim dividend for the quarter ended 30 September 2019 of financial year ending 30 June 2020 (1st quarter 2018/2019: Nil).
- (b) For the financial year-to-date, no dividend (2018/2019: Nil) has been declared.

21. (Loss)/Earnings per ordinary share

- (a) Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM45,586,000 (1st quarter 2018/2019: profit attributable to owners of the Company of RM1,788,000) by the weighted average number of ordinary shares during the quarter of 433,642,301 (1st quarter 2018/2019: 433,642,301).

	<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
	30/9/2019	30/9/2018	30/9/2019	30/9/2018
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	433,642	433,642	433,642	433,642
Effect of RCULS conversion	-	-	-	-
Weighted average number of ordinary shares (basic)	<u>433,642</u>	<u>433,642</u>	<u>433,642</u>	<u>433,642</u>
Basic (loss)/earnings per ordinary share (sen)	(10.51)	0.41	(10.51)	0.41

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

The Group's diluted loss per ordinary share in the quarter under review is not presented as the assumed potential new ordinary shares are anti-dilutive.

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22. Derivatives

The Group has entered into a number of forward foreign exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 30 September 2019, 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	(68,385)	(315)

Derivatives (which are classified as financial assets/liabilities) categorised as fair value through profit or loss are subsequently measured at their fair values with the gains/losses recognised in profit or loss. Net gain/loss arising from fair value changes of derivatives is as disclosed in Note 15.

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the previous financial year ended 30 June 2019.

23. Gains/losses arising from fair value changes of financial liabilities

Other than derivatives which are classified as financial liabilities when they are at fair value loss position, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

By Order of the Board
Southern Steel Berhad

Joanne Leong Wei Yin
Company Secretary

Penang
21 November 2019