

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2019**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2019 RM'000	31/12/2018 RM'000	31/12/2019 RM'000	31/12/2018 RM'000
<b>Revenue</b>	589,402	809,508	1,243,141	1,738,543
Cost of sales	(628,026)	(798,729)	(1,281,791)	(1,670,761)
<b>Gross (loss)/profit</b>	(38,624)	10,779	(38,650)	67,782
Operating expenses	(30,337)	(41,105)	(51,311)	(82,379)
Other operating expenses	(251,380)	(18,838)	(261,899)	(22,274)
<b>Loss from operation</b>	(320,341)	(49,164)	(351,860)	(36,871)
Interest income	663	372	869	746
Finance costs	(15,083)	(11,666)	(29,153)	(23,845)
Share of (loss)/profit in associated companies, net of tax	(491)	140	(997)	(263)
<b>Loss before taxation</b>	(335,252)	(60,318)	(381,141)	(60,233)
Taxation	324	15,932	714	17,659
<b>Loss for the period</b>	(334,928)	(44,386)	(380,427)	(42,574)
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company	(334,957)	(44,414)	(380,540)	(42,626)
Non-controlling interests	29	28	113	52
<b>Loss for the period</b>	(334,928)	(44,386)	(380,427)	(42,574)
<b>Loss per ordinary share (sen): -</b>				
(a) Basic	(77.24)	(10.24)	(87.75)	(9.83)
(b) Fully diluted	N/A	(7.43)	N/A	(7.10)

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 SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2019 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2019 RM'000	Preceding Year Corresponding Quarter 31/12/2018 RM'000	Current Year- To-Date 31/12/2019 RM'000	Preceding Year Corresponding Period 31/12/2018 RM'000
<b>Loss for the period</b>	(334,928)	(44,386)	(380,427)	(42,574)
<i>Item 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	23	(523)	(149)	(428)
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operation	(11)	(1)	(3)	92
Cash flow hedge	(572)	(3,393)	(362)	(2,402)
<b>Total comprehensive expense for the period</b>	<b>(335,488)</b>	<b>(48,303)</b>	<b>(380,941)</b>	<b>(45,312)</b>
<b>Total comprehensive (expense)/income attributable to:</b>				
Owners of the Company	(335,519)	(48,262)	(381,067)	(45,283)
Non-controlling interests	31	(41)	126	(29)
<b>Total comprehensive expense for the period</b>	<b>(335,488)</b>	<b>(48,303)</b>	<b>(380,941)</b>	<b>(45,312)</b>

**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 SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019**

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2019 RM'000	30/06/2019 RM'000
<b>ASSETS</b>		
Property, plant and equipment	509,377	1,117,399
Rights-of-use assets ("ROU")	153,952	-
Goodwill on consolidation	30,256	30,256
Investments in associated companies	12,854	13,851
Other investments	481	630
Deferred tax assets	106,660	106,151
Tax credit receivable	19,947	19,941
<b>Total non-current assets</b>	<b>833,527</b>	<b>1,288,228</b>
Inventories	485,848	672,589
Trade and other receivables, including derivatives	445,853	208,528
Current tax assets	12,825	14,559
Cash and cash equivalents	242,176	43,938
<b>Total current assets</b>	<b>1,186,702</b>	<b>939,614</b>
<b>TOTAL ASSETS</b>	<b>2,020,229</b>	<b>2,227,842</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	470,205	470,205
Reserves	(149,241)	242,610
Redeemable Convertible Unsecured Loan Stocks ("RCULS") (Equity Portion)	141,524	141,524
	462,488	854,339
<b>NON-CONTROLLING INTERESTS</b>	<b>5,710</b>	<b>5,584</b>
<b>TOTAL EQUITY</b>	<b>468,198</b>	<b>859,923</b>
<b>LIABILITIES</b>		
Deferred tax liabilities	6,258	8,852
Deferred income	8,334	9,158
Employee benefits	30,487	29,293
Lease liabilities	112,017	-
Borrowings	24,900	85,000
<b>Total non-current liabilities</b>	<b>181,996</b>	<b>132,303</b>
RCULS (Liability Portion)	595	4,789
Employee benefits	790	1,107
Provisions	8,590	11,081
Trade and other payables, including derivatives	176,042	359,323
Lease liabilities	44,097	-
Borrowings	1,139,448	858,970
Current tax liabilities	473	346
<b>Total current liabilities</b>	<b>1,370,035</b>	<b>1,235,616</b>
<b>TOTAL LIABILITIES</b>	<b>1,552,031</b>	<b>1,367,919</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,020,229</b>	<b>2,227,842</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>1.07</b>	<b>1.97</b>

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 SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019**

	←————— Attributable to owners of the Company —————→										
	Share capital	←————— Non-distributable —————→					Distributable		Total	Non-controlling interests	Total equity
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	RM'000	RM'000	RM'000	RM'000
<b>Current year-to-date ended 31 December 2019</b>											
<b>At 1 July 2019</b>	470,205	141,524	30,000	-	(58)	1,823	10,784	200,061	854,339	5,584	859,923
(Loss)/Profit for the period	-	-	-	-	-	-	-	(380,540)	(380,540)	113	(380,427)
Other comprehensive (expense)/income:											
- Loss on fair value of equity instruments	-	-	-	-	-	-	-	(149)	(149)	-	(149)
- Foreign currency translation differences	-	-	-	-	-	(3)	-	-	(3)	-	(3)
- Cash flow hedge	-	-	-	-	(375)	-	-	-	(375)	13	(362)
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	(375)	(3)	-	(380,689)	(381,067)	126	(380,941)
Share-based payments	-	-	-	-	-	-	(10,784)	-	(10,784)	-	(10,784)
<b>At 31 December 2019</b>	470,205	141,524	30,000	-	(433)	1,820	-	(180,628)	462,488	5,710	468,198

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2019 (cont'd)**

	← Attributable to owners of the Company →											
	← Non-distributable →							Distributable		Non-controlling interests		Total equity
	Share capital	RCULS (equity portion)	Merger reserve	Other reserve	Hedging reserve	Foreign currency translation reserve	Executive share scheme reserve	Retained earnings	Total			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Preceding year corresponding period ended 31 December 2018</b>												
<b>At 1 July 2018</b>	469,494	141,524	30,000	150	221	1,730	5,898	317,496	966,513	5,574	972,087	
(Loss)/Profit for the period	-	-	-	-	-	-	-	(42,626)	(42,626)	52	(42,574)	
Other comprehensive (expense)/income:												
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(428)	(428)	-	(428)	
- Foreign currency translation differences	-	-	-	-	-	92	-	-	92	-	92	
- Cash flow hedge	-	-	-	-	(2,321)	-	-	-	(2,321)	(81)	(2,402)	
<b>Total comprehensive (expenses)/income for the period</b>	-	-	-	-	(2,321)	92	-	(43,054)	(45,283)	(29)	(45,312)	
Share-based payments	-	-	-	-	-	-	2,413	-	2,413	-	2,413	
<b>At 31 December 2018</b>	469,494	141,524	30,000	150	(2,100)	1,822	8,311	274,442	923,643	5,545	929,188	

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 SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2019**

	Current Year- To-Date 31/12/2019 RM'000	Preceding Year Corresponding Period 31/12/2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(381,141)	(60,233)
Adjustments for:-		
Depreciation and amortisation	20,482	24,086
Depreciation of ROU	23,045	-
Net financing costs	28,284	23,099
Share of loss in associated companies, net of tax	997	263
Impairment loss on plant and equipment	258,230	-
Non-cash items	(12,991)	5,924
Operating loss before changes in working capital	(63,094)	(6,861)
Changes in working capital		
Net change in current assets	205,234	123,547
Net change in current liabilities	(98,598)	(79,843)
Taxation paid	(535)	(7,931)
Financing costs paid	(24,969)	(23,565)
Retirement benefits paid	(623)	(884)
Interest income received	869	746
<b>Net cash generated from operating activities</b>	18,284	5,209
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment	(10,851)	(6,187)
Proceeds from disposal of plant and equipment	10	68
<b>Net cash used in investing activities</b>	(10,841)	(6,119)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of borrowings	220,378	21,330
RCULS coupon payment	(4,235)	(4,235)
Payment of lease liabilities	(25,345)	-
<b>Net cash generated from financing activities</b>	190,798	17,095
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	198,241	16,185
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	43,938	53,762
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	(3)	92
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	242,176	70,039

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

	31/12/2019 RM'000	31/12/2018 RM'000
Deposits, cash and bank balances	242,176	70,039

**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 SECOND QUARTER ENDED 31 DECEMBER 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 ROU 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
<b>Non-current assets</b>			
Right-of-use assets	-	175,558	175,558
<b>Non-current liabilities</b>			
Lease liabilities	-	127,802	127,802
<b>Current liabilities</b>			
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 SECOND QUARTER ENDED 31 DECEMBER 2019**

The figures have not been audited

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, other than an impairment loss of RM258 million recognised on plant and equipment as disclosed in Note 11.

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 31 December 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
<b>Segment loss</b>	(351,813)	(47)	(351,860)
Included in the measure of segment loss are:			
Revenue from external customers	1,243,141	-	1,243,141
Depreciation and amortisation	20,470	12	20,482
Depreciation of ROU	23,045	-	23,045
Impairment loss on plant and equipment	258,230	-	258,230
<b>Reconciliation of reportable segment loss</b>			<b>RM'000</b>
<b>Loss</b>			
Reportable segment			(351,860)
Interest income			869
Finance costs			(29,153)
Share of loss in associated companies, net of tax			(997)
Loss before taxation			(381,141)



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**

**The figures have not been audited**

**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, other than the mandatory conversion of the Company's 5-year 5% RCULS upon its maturity on 24 January 2020 where RM170,804,885 nominal amount of the RCULS were converted into 162,671,149 new ordinary shares of the Company. Following this, the number of ordinary shares of the Company had increased from 433,642,301 ordinary shares to 596,313,450 ordinary shares.

**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 RM589 million and loss before taxation ("LBT") was RM335 million as compared with revenue and LBT of RM810 million and RM60 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2019 ("FY2019").

For the financial year-to-date, the Group's revenue was RM1,243 million and LBT was RM381 million as compared with revenue and LBT of RM1,739 million and RM60 million respectively for the corresponding period of the FY2019.

Included in the LBT of RM335 million for the quarter under review was an impairment loss of RM258 million recognised on plant and equipment including spares relating to the Group's hot rolled coil investment after taking into consideration the award by the Tribunal on the two arbitration proceedings as disclosed in Note 19.

Excluding this impairment loss, the operating LBT of RM77 million was higher than the corresponding quarter due to lower sales volume and compressed margin arising from a lower selling price.

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

The Group recorded a LBT of RM335 million for the current quarter as compared with LBT of RM46 million for the preceding quarter due to the impairment loss of RM258 million as disclosed in Note 11, and lower selling prices.

**13. Prospects**

Despite the bottom out of selling prices, the market remains volatile. Barring any unforeseen circumstances, the Board expects better operating performance for the coming quarters with firmer selling prices and continuous cost saving measures.

**14. Profit forecast/profit guarantee**

This note is not applicable.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**15. Loss before taxation**

	<b>Current Year Quarter 31/12/2019 RM'000</b>	<b>Current Year- To-Date 31/12/2019 RM'000</b>
Loss before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	9,920	20,482
Depreciation of ROU	11,512	23,045
(Reversal)/Provision for inventories	(5,586)	8,446
Gain on foreign exchange	(97)	(3,139)
Fair value gain on financial instruments designated as hedge instrument	(399)	(456)
Write-off of plant and equipment	10	49
Gain on disposal of plant and equipment	-	(10)
Impairment loss on plant and equipment	258,230	258,230
Reversal of trade receivables written-off	(168)	-

**16. Taxation**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter 31/12/2019 RM'000</b>	<b>Preceding Year Corresponding Quarter 31/12/2018 RM'000</b>	<b>Current Year- To-Date 31/12/2019 RM'000</b>	<b>Preceding Year Corresponding Period 31/12/2018 RM'000</b>
Current taxation				
- Current year	1,669	842	2,460	4,289
Deferred taxation				
- Current year	(1,993)	(16,174)	(3,174)	(21,852)
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	(600)	-	(96)
	<b>(324)</b>	<b>(15,932)</b>	<b>(714)</b>	<b>(17,659)</b>

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**18. Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 31 December 2019 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	24,900
Unsecured short term borrowings	1,139,448
	1,164,348
Debt Securities:	
RCULS – Liability Portion	595

There were no borrowings denominated in foreign currencies as at 31 December 2019.

**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 EUR2,843,650.90 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 EUR34,908,670.70. 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.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**

**The figures have not been audited**

**19. Changes in material litigation (cont'd)**

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 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.

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.

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.

On 28 Nov 2019, the Tribunal decided and determined as follows:

A. The First Arbitration - Arbitration proceedings by SHRC against Danieli and DMSB; and Arbitration proceedings against SHRC by Danieli and DMSB

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.

*Handwritten initials/signature*

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**19. Changes in material litigation (cont'd)**
**B. The Second Arbitration - Arbitration Proceedings against SHRC by Danieli Thailand**

The Tribunal decided in Danieli Thailand's favour and awarded, inter alia, the following:-

- i) SHRC shall pay Danieli Thailand the sum of EUR2,795,796.98 ("Second Award") being the balance purchase price of spare parts under the Sale Contract.

Arising from this award, upon receipt of the requisite payments from Danieli, the Plant currently stated at RM423 million will be removed from its Balance Sheet.

As of today, Danieli has not satisfied the award of the First Arbitration. SHRC has not satisfied the award of the Second Arbitration as SHRC is seeking to set-off the sums owed by SHRC to Danieli Thailand against the sums owed by Danieli to SHRC.

**20. Dividend**

- (a) The Board does not recommend any interim dividend for the quarter ended 31 December 2019 of financial year ending 30 June 2020 (2<sup>nd</sup> quarter 2018/2019: Nil).
- (b) For the financial year-to-date, no dividend (2019/2020: Nil) has been declared.

**21. 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 RM334,957,000 (2<sup>nd</sup> quarter 2018/2019: RM44,414,000) by the weighted average number of ordinary shares during the quarter of 433,642,301 (2<sup>nd</sup> quarter 2018/2019: 433,642,301).

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 RM380,540,000 (2018/2019: RM42,626,000) by weighted average number of ordinary shares during the period of 433,642,301 (2018/2019: 433,642,301)

	<i>Weighted average number of ordinary shares</i>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter</b>	<b>Preceding Year Corresponding Quarter</b>	<b>Current Year-To-Date</b>	<b>Preceding Year Corresponding Period</b>
	<b>31/12/2019</b>	<b>31/12/2018</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
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 per ordinary share (sen)	(77.24)	(10.24)	(87.75)	(9.83)



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2019**
**The figures have not been audited**
**21. Loss per ordinary share (cont'd)**

## (b) Diluted loss per ordinary share

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

**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 31 December 2019, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	<b>Contract amount</b>	<b>Fair Value Assets / (Liabilities)</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than 1 year	(45,876)	(1,191)

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

Kuala Lumpur  
25 February 2020