

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2020 RM'000	Preceding Year Corresponding Quarter 30/9/2019 RM'000	Current Year- To-Date 30/9/2020 RM'000	Preceding Year Corresponding Period 30/9/2019 RM'000
Revenue	444,397	653,739	444,397	653,739
Cost of sales	(419,002)	(653,765)	(419,002)	(653,765)
Gross profit/(loss)	25,395	(26)	25,395	(26)
Operating expenses	(24,139)	(20,974)	(24,139)	(20,974)
Other operating expense	(19,215)	(10,520)	(19,215)	(10,520)
Loss from operation	(17,959)	(31,520)	(17,959)	(31,520)
Interest income	351	206	351	206
Finance costs	(10,791)	(14,070)	(10,791)	(14,070)
Share of profit/(loss) in associated companies, net of tax	33	(506)	33	(506)
Loss before taxation	(28,366)	(45,890)	(28,366)	(45,890)
Taxation	293	388	293	388
Loss for the period	(28,073)	(45,502)	(28,073)	(45,502)
(Loss)/Profit attributable to:				
Owners of the Company	(28,134)	(45,586)	(28,134)	(45,586)
Non-controlling interests	61	84	61	84
Loss for the period	(28,073)	(45,502)	(28,073)	(45,502)
Loss per ordinary share (sen): -				
(a) Basic	(4.72)	(10.51)	(4.72)	(10.51)
(b) Fully diluted	N/A	N/A	N/A	N/A

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 2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2020 RM'000	Preceding Year Corresponding Quarter 30/9/2019 RM'000	Current Year- To-Date 30/9/2020 RM'000	Preceding Year Corresponding Period 30/9/2019 RM'000
Loss for the period	(28,073)	(45,502)	(28,073)	(45,502)
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Loss on fair value of equity instrument at fair value through other comprehensive income	(36)	(172)	(36)	(172)
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operation	(16)	8	(16)	8
Cash flow hedge	384	210	384	210
Total comprehensive expense for the period	(27,741)	(45,456)	(27,741)	(45,456)
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(27,809)	(45,551)	(27,809)	(45,551)
Non-controlling interests	68	95	68	95
Total comprehensive expense for the period	(27,741)	(45,456)	(27,741)	(45,456)

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 2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	As At End of Current Quarter 30/9/2020 RM'000	As At End of Preceding Financial Year 30/06/2020 RM'000
ASSETS		
Property, plant and equipment ("PPE")	452,230	460,585
Rights-of-use assets ("ROU")	421,115	426,075
Goodwill on consolidation	30,256	30,256
Investments in associated companies	11,961	11,928
Other investments	309	345
Deferred tax assets	33,083	32,639
Tax credit receivable	19,941	19,941
Total non-current assets	968,895	981,769
Inventories	242,716	406,016
Trade and other receivables, including derivatives	427,481	410,747
Current tax assets	12,185	14,113
Cash and cash equivalents	235,823	219,427
Asset to be returned to vendor	369,377	369,377
Total current assets	1,287,582	1,419,680
TOTAL ASSETS	2,256,477	2,401,449
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	641,010	641,010
Reserves	3,070	30,879
	644,080	671,889
NON-CONTROLLING INTERESTS		
	6,446	6,378
TOTAL EQUITY	650,526	678,267
LIABILITIES		
Lease liabilities	24,715	25,622
Deferred tax liabilities	24,920	24,983
Deferred income	7,120	7,513
Employee benefits	31,486	29,996
Loans and borrowings	-	-
Total non-current liabilities	88,241	88,114
Lease liabilities	4,513	5,409
Employee benefits	461	1,579
Provisions	8,192	8,954
Trade and other payables, including derivatives	221,677	178,118
Contract liability	369,377	369,377
Loans and borrowings	913,300	1,071,612
Current tax liabilities	190	19
Total current liabilities	1,517,710	1,635,068
TOTAL LIABILITIES	1,605,951	1,723,182
TOTAL EQUITY AND LIABILITIES	2,256,477	2,401,449
Net assets per share attributable to owners of the Company (RM)	1.08	1.13

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	← Attributable to owners of the Company →							Total	Non-controlling interests	Total equity	
	← Non-distributable →				→ Distributable						
	Share capital	Redeemable convertible unsecured loan stocks ("RCULS") (equity portion)	Revaluation reserve	Merger reserve	Hedging reserve	Exchange fluctuation 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
Current year-to-date ended 30 September 2020											
At 1 July 2020	641,010	-	295,156	30,000	391	1,845	-	(296,513)	671,889	6,378	678,267
(Loss)/Profit for the period	-	-	-	-	-	-	-	(28,134)	(28,134)	61	(28,073)
Other comprehensive income/(expense):											
- Loss on fair value of equity instruments	-	-	-	-	-	-	-	(36)	(36)	-	(36)
- Foreign currency translation differences	-	-	-	-	-	(16)	-	-	(16)	-	(16)
- Cash flow hedge	-	-	-	-	377	-	-	-	377	7	384
Total comprehensive income/(expense) for the period	-	-	-	-	377	(16)	-	(28,170)	(27,809)	68	(27,741)
At 30 September 2020	641,010	-	295,156	30,000	768	1,829	-	(324,683)	644,080	6,446	650,526

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2020 (cont'd)

	← Attributable to owners of the Company →							Total	Non-controlling interests	Total equity	
	← Non-distributable →				Distributable						
	Share capital	RCULS (equity portion)	Revaluation reserve	Merger reserve	Hedging reserve	Exchange fluctuation 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	
Preceding year corresponding period 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	-	-	-	-	-	-	-	(45,586)	(45,586)	84	(45,502)
Other comprehensive income/(expense):											
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(172)	(172)	-	(172)
- 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

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 2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Current Year- To-Date 30/9/2020 RM'000	Preceding Year Corresponding Period 30/9/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(28,366)	(45,890)
Adjustments for:-		
Depreciation of PPE	8,573	10,562
Depreciation and amortisation of ROU	4,960	11,534
Net financing costs	10,440	13,864
Share of (gain)/loss in associated companies, net of tax	(33)	506
Non-cash items	1,242	(13,200)
Operating loss before changes in working capital	(3,184)	(22,624)
Changes in working capital		
Net change in current assets	146,667	(56,353)
Net change in current liabilities	42,214	(46,118)
Taxation refunded/(paid), net	1,885	(648)
Finance costs paid	(10,420)	(11,899)
Retirement benefits paid	(397)	(270)
Interest income received	351	206
Net cash generated from/(used in) operating activities	177,116	(137,706)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(218)	(7,754)
Proceeds from disposal of plant and equipment	-	10
Net cash used in investing activities	(218)	(7,744)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of borrowings	(158,312)	185,103
RCULS coupon payment	-	(4,235)
Payment of lease liabilities	(2,174)	(12,672)
Net cash (used in)/generated from financing activities	(160,486)	168,196
NET CHANGE IN CASH AND CASH EQUIVALENTS	16,412	22,746
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	219,427	43,938
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(16)	8
CASH & CASH EQUIVALENTS AT END OF PERIOD	235,823	66,692

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

	30/9/2020 RM'000	30/9/2019 RM'000
Deposits, cash and bank balances	235,823	66,692

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

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 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 2020. 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 financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2020 except for the adoption of MFRSs, amendments and interpretations that are effective for annual periods beginning on or after 1 January 2020 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 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 were no dividend paid during the quarter under review and financial year-to-date.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited

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	(17,828)	(131)	(17,959)
Included in the measure of segment loss are:			
Revenue from external customers	444,397	-	444,397
Depreciation of PPE	8,573	-	8,573
Depreciation and amortisation of ROU	4,835	125	4,960
Reconciliation of reportable segment loss			RM'000
Loss			
Reportable segment			(17,959)
Interest income			351
Finance costs			(10,791)
Share of profit in associated companies, net of tax			33
Loss before taxation			<u>(28,366)</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.

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 RM444 million and loss before taxation ("LBT") was RM28 million as compared with revenue and LBT of RM654 million and RM46 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2020 ("FY2020").

The lower revenue for the quarter under review as compared with the corresponding quarter of FY2020 was due to lower sales volume. Despite including restructuring cost relating to voluntary exit schemes and plant stoppage, loss for the quarter under review was lower due to ongoing cost reduction exercises.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited

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

The Group's LBT was RM28 million for the current quarter as compared with LBT of RM38 million for the preceding quarter. The lower loss was due to the resumed production activities and ongoing cost reduction exercises.

13. Prospects

The market condition remains uncertain due to the coronavirus (COVID-19) pandemic. The Group will continue on its various cost reduction and cash conservation measures during this period.

14. Profit forecast/profit guarantee

This note is not applicable.

15. Loss before taxation

	Current Year Quarter 30/9/2020 RM'000	Current Year- To-Date 30/9/2020 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Depreciation of PPE	8,573	8,573
Depreciation and amortisation of ROU	4,960	4,960
Reversal of provision for inventories	(225)	(225)
Loss on foreign exchange	453	453
Fair value loss on financial instruments designated as hedge instrument	375	375
Write-off of plant and equipment	-	-
Gain on disposal of plant and equipment	-	-
Reversal of impairment loss on trade receivables	(14)	(14)

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/9/2020 RM'000	Preceding Year Corresponding Quarter 30/9/2019 RM'000	Current Year- To-Date 30/9/2020 RM'000	Preceding Year Corresponding Period 30/9/2019 RM'000
Current taxation				
- Current year	214	792	214	792
Deferred taxation				
- Current year	(507)	(1,180)	(507)	(1,180)
	<u>(293)</u>	<u>(388)</u>	<u>(293)</u>	<u>(388)</u>

17. Corporate proposals

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

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18. Group's borrowings and debt securities

Particulars of the Group's borrowings and debt securities as at 30 September 2020 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	-
Unsecured short-term borrowings	913,300
	<u>913,300</u>

There were no borrowings denominated in foreign currencies as at 30 September 2020.

19. 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 as mentioned above, SHRC 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 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 by way of a Request for Arbitration under the ICC Rules.

Danieli and DMSB sought 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. SHRC disputed the claims by Danieli and DMSB and counter-claimed several reliefs against Danieli and DMSB.

Both arbitration proceedings in Note 19(i) and 19(ii) were consolidated ("First Arbitration") and heard together by the same arbitral tribunal in Singapore.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2020

The figures have not been audited

19. Material Litigation (cont'd)

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 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 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.

SHRC disputed and challenged 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 Second Arbitration was directed to be heard jointly with the First Arbitration.

The First and Second Arbitration were heard by the arbitral tribunal from 30 October 2018 to 9 November 2018.

On 28 November 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.

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 carrying amount of RM369 million will be removed from SHRC's Balance Sheet.

Danieli and DMSB applied to the Singapore High Court to set aside the final award of the First Arbitration ("Setting Aside Proceeding").

SHRC opposed the Setting Aside Proceeding.

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19. Material Litigation (cont'd)

The Setting Aside Proceeding was fixed for hearing on 11 and 12 August 2020.

On 12 August 2020, the Singapore High Court dismissed the Setting Aside Proceeding with costs, after hearing the parties' lawyers' submissions.

Separately, in order to enforce the final award of the First Arbitration in Italy, SHRC had obtained a recognition order of the said award from the Italian Court of Appeal against Danieli. Danieli has applied to the Italian Court of Appeal to challenge the recognition order ("Challenge Proceeding") and SHRC is opposing the Challenge Proceeding. The Italian Court of Appeal has fixed a date in February 2021 for the hearing of the Challenge Proceeding.

On 10 September 2020, Danieli and DMSB appealed to the Singapore Court of Appeal against the High Court's Decision ("Danieli's Appeal").

SHRC will oppose Danieli's Appeal.

Having failed in the Setting Aside Proceeding in Singapore and pending hearing of Danieli's Appeal, Danieli applied to the Kuala Lumpur High Court to inspect the Plant ("Malaysian Application"). Danieli claimed that the condition of the Plant could have a material impact on the outcome of the Challenge Proceeding in Italy.

SHRC has opposed and challenged the Malaysian Application on the grounds that it is inter alia vexatious and oppressive and in breach of the arbitration agreement between Danieli and SHRC.

Further, SHRC has filed an anti-suit injunction ("ASI") against Danieli in the Singapore High Court to permanently restrain Danieli from further pursuing the Malaysian Application and to compel Danieli to discontinue the Malaysian Application on the grounds that the Malaysian Application is inter alia an attempt by Danieli to undermine the final award of the First Arbitration and/or to relitigate the merits of the First Arbitration.

SHRC is in the process of serving the ASI on Danieli.

To date, Danieli and DMSB have not satisfied the final award of the First Arbitration. SHRC will set-off the sums owed by SHRC to Danieli Thailand in the final award of the Second Arbitration against the sums owed by Danieli to SHRC in the final award of the First Arbitration.

20. Dividend

- (a) The Board does not recommend any interim dividend for the quarter ended 30 September 2020 of financial year ending 30 June 2021 (1st quarter FY2020: Nil).
- (b) For the financial year-to-date, no dividend (FY2020: Nil) has been declared.

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The figures have not been audited

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 RM28,134,000 (1st quarter FY2020: RM45,586,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (1st quarter FY2020: 433,642,301).

	<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	Year To-Date	Corresponding Period
	30/9/2020	30/9/2019	30/9/2020	30/9/2019
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	596,313	433,642	596,313	433,642
Effect of RCULS conversion	-	-	-	-
Weighted average number of ordinary shares (basic)	<u>596,313</u>	<u>433,642</u>	<u>596,313</u>	<u>433,642</u>
Basic loss per ordinary share (sen)	(4.72)	(10.51)	(4.72)	(10.51)

(b) Diluted loss 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.

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 2020, 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	(63,579)	75

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.

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The figures have not been audited

22. Derivatives (cont'd)

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 FY2020.

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
23 November 2020