

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 30 JUNE 2020

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Year- To-Date 30/6/2020 RM'000	Preceding Year Corresponding Period 30/6/2019 RM'000
Revenue	199,227	696,978	1,912,736	3,135,484
Cost of sales	(211,847)	(685,099)	(1,954,045)	(3,082,161)
Gross (loss)/profit	(12,620)	11,879	(41,309)	53,323
Operating expenses	(22,947)	(36,361)	(98,446)	(153,527)
Other operating income/(expenses)	4,051	(5,594)	(268,102)	(10,196)
Loss from operation	(31,516)	(30,076)	(407,857)	(110,400)
Interest income	542	349	1,931	1,382
Finance costs	(6,606)	(11,704)	(48,749)	(48,076)
Share of loss in associated companies, net of tax	(164)	(570)	(1,923)	(1,090)
Loss before taxation	(37,744)	(42,001)	(456,598)	(158,184)
Taxation	(11,265)	7,216	(10,317)	39,275
Loss for the period	(49,009)	(34,785)	(466,915)	(118,909)
(Loss)/Gain attributable to:				
Owners of the Company	(48,931)	(34,850)	(467,055)	(119,048)
Non-controlling interests	(78)	65	140	139
Loss for the period	(49,009)	(34,785)	(466,915)	(118,909)
Loss per ordinary share (sen): -				
(a) Basic	(9.70)	(8.04)	(92.61)	(27.45)
(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 2019.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 30 JUNE 2020

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Year- To-Date 30/6/2020 RM'000	Preceding Year Corresponding Period 30/6/2019 RM'000
Loss for the period	(49,009)	(34,785)	(466,915)	(118,909)
<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	173	(12)	(285)	(393)
Remeasurement of defined benefit liability	-	2,579	-	2,579
Revaluation of land	-	-	295,805	-
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operation	(2)	10	22	93
Cash flow hedge	(2,729)	(716)	454	(304)
Total comprehensive expense for the period	(51,567)	(32,924)	(170,919)	(116,934)
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(52,152)	(32,986)	(171,713)	(117,060)
Non-controlling interests	585	62	794	126
Total comprehensive expense for the period	(51,567)	(32,924)	(170,919)	(116,934)

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 FORTH QUARTER ENDED 30 JUNE 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	As At End of Current Quarter 30/6/2020 RM'000	As At End of Preceding Financial Year 30/6/2019 RM'000
ASSETS		
Property, plant and equipment ("PPE")	460,585	1,117,399
Right-of-use assets ("ROU")	426,075	-
Goodwill on consolidation	30,256	30,256
Investments in associated companies	11,928	13,851
Other investments	345	630
Deferred tax assets	25,690	106,151
Tax credit receivable	19,941	19,941
Total non-current assets	974,820	1,288,228
Asset to be returned to vendor	369,377	-
Inventories	406,016	672,589
Trade and other receivables, including derivatives	410,747	208,528
Current tax assets	14,114	14,559
Cash and cash equivalents	219,427	43,938
Total current assets	1,419,681	939,614
TOTAL ASSETS	2,394,501	2,227,842
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	641,011	470,205
Reserves	30,879	242,610
Redeemable Convertible Unsecured Loan Stocks ("RCULS") (Equity Portion)	-	141,524
	671,890	854,339
NON-CONTROLLING INTERESTS		
	6,378	5,584
TOTAL EQUITY	678,268	859,923
LIABILITIES		
Deferred tax liabilities	18,034	8,852
Deferred income	7,513	9,158
Employee benefits	29,996	29,293
Lease liabilities	25,622	-
Borrowings	-	85,000
Total non-current liabilities	81,165	132,303
Contract liability	369,377	-
RCULS (Liability Portion)	-	4,789
Employee benefits	1,579	1,107
Provisions	8,954	11,081
Trade and other payables, including derivatives	178,118	359,323
Lease liabilities	5,409	-
Borrowings	1,071,612	858,970
Current tax liabilities	19	346
Total current liabilities	1,635,068	1,235,616
TOTAL LIABILITIES	1,716,233	1,367,919
TOTAL EQUITY AND LIABILITIES	2,394,501	2,227,842
Net assets per share attributable to owners of the Company (RM)	1.13	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.

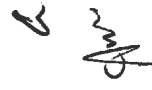
SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 30 JUNE 2020

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	Attributable to owners of the Company											
	Non-distributable					Distributable						
	Share capital	RCULS (equity portion)	Revaluation reserve	Merger reserve	Other reserve	Hedging reserve	Foreign currency translation reserve	Executive share scheme reserve	Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	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 June 2020	470,205	141,524	-	30,000	-	(58)	1,823	10,784	200,061	854,339	5,584	859,923
At 1 July 2019	-	-	-	-	-	-	-	-	(467,055)	(467,055)	140	(466,915)
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(285)	(285)	-	(285)
Other comprehensive income/(expense):	-	-	-	-	-	-	-	-	-	-	-	-
- Loss on fair value of equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign currency translation differences	-	-	-	-	-	-	22	-	-	22	-	22
- Cash flow hedge	-	-	-	-	-	449	-	-	-	449	5	454
- Revaluation of land	-	-	295,156	-	-	-	-	-	-	295,156	649	295,805
Total comprehensive income/(expense) for the period	-	-	295,156	-	-	449	22	-	(467,340)	(171,713)	794	(170,919)
Conversion of RCULS	170,806	(141,524)	-	-	-	-	-	-	(29,234)	48	-	48
Share-based payments	-	-	-	-	-	-	-	(10,784)	-	(10,784)	-	(10,784)
Total transactions with owners	170,806	(141,524)	-	-	-	-	-	(10,784)	(29,234)	(10,736)	-	(10,736)
At 30 June 2020	641,011	-	295,156	30,000	-	391	1,845	-	(296,513)	671,890	6,378	678,268



SOUTHERN STEEL BERHAD (5283-X)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 30 JUNE 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020 (cont'd)

	Attributable to owners of the Company											
	Share capital	RCULS (equity portion)	Revaluation reserve	Merger reserve	Other reserve	Hedging reserve	Foreign currency translation reserve	Executive share scheme reserve	Distributable Retained earnings	Total	Non-controlling interests	Total equity
	RM'000	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 2019	469,494	141,524	-	30,000	150	221	1,730	5,898	317,496	966,513	5,574	972,087
At 1 July 2018	-	-	-	-	-	-	-	-	(119,048)	(119,048)	139	(118,909)
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	(393)	(393)	-	(393)
Other comprehensive (expense)/income:	-	-	-	-	-	-	-	-	-	-	-	-
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	-	-
- Remeasurement of defined benefit liability	-	-	-	-	-	-	-	-	2,567	2,567	12	2,579
- Foreign currency translation differences	-	-	-	-	-	-	93	-	-	93	-	93
- Cash flow hedge	-	-	-	-	-	(279)	-	-	-	(279)	(25)	(304)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(279)	93	-	(116,874)	(117,060)	126	(116,934)
Share-based payments	-	-	-	-	-	-	-	4,886	-	4,886	-	4,886
Dividend paid	-	-	-	-	-	-	-	-	-	-	(116)	(116)
Others	711	-	-	-	(150)	-	-	-	(561)	-	-	-
Total transactions with owners	711	-	-	-	(150)	-	-	4,886	(561)	4,886	(116)	4,770
At 30 June 2019	470,205	141,524	-	30,000	-	(58)	1,823	10,784	200,061	854,339	5,584	859,923

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.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 30 JUNE 2020

The figures have not been audited

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

	Current Year- To-Date 30/6/2020 RM'000	Preceding Year Corresponding Period 30/6/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(456,598)	(158,184)
Adjustments for:-		
Depreciation and amortisation	57,035	46,148
Net financing costs	46,818	46,694
Share of loss in associated companies, net of tax	1,923	1,090
Impairment loss on plant and equipment	258,230	-
Other non-cash items	(23,561)	8,619
Operating loss before changes in working capital	(116,153)	(55,633)
Changes in working capital		
Net change in current assets	319,983	248,362
Net change in current liabilities	(78,362)	(23,715)
Taxation paid	(1,163)	(6,363)
Financing costs paid	(46,967)	(47,616)
Retirement benefits paid	(1,781)	(2,054)
Interest income received	1,931	1,382
Dividend income received	-	275
Net cash generated from operating activities	77,488	114,638
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(12,876)	(10,630)
Proceeds from disposal of plant and equipment	404	40
Net cash used in investing activities	(12,472)	(10,590)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown/(Repayment) of borrowings	127,642	(105,308)
RCULS coupon payment	(8,493)	(8,541)
Dividend paid to minority interest	-	(116)
Payment of lease liabilities	(8,698)	-
Net cash generated/(used in) from financing activities	110,451	(113,965)
NET CHANGE IN CASH AND CASH EQUIVALENTS	175,467	(9,917)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,938	53,762
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	22	93
CASH & CASH EQUIVALENTS AT END OF PERIOD	219,427	43,938

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 30 JUNE 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020 (cont'd)

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

	30/6/2020	30/6/2019
	RM'000	RM'000
Deposits, cash and bank balances	219,427	43,938

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.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 30 JUNE 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 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 rights-of-use assets of the underlying lease asset and future lease payments liabilities in the statement of financial position and the reclassification of leasehold land as ROU.

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			
PPE	1,117,399	(102,961)	1,014,438
ROU	-	140,631	140,631
Non-current liabilities			
Lease liabilities	-	31,031	31,031
Current liabilities			
Lease Liabilities	-	6,992	6,992
Trade and other payables, including derivatives	359,323	(353)	358,970

Pursuant to Paragraph 9.19(46) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Company wishes to inform that the Group had changed its accounting policy for land from cost model to revaluation model with effect from 1 July 2019. The purpose of the revaluation is to reflect the fair value of the land owned by the Group.

An independent valuation on all the land owned by the Group had been carried out by an independent professional valuer, CH Williams Talhar & Wong Sdn Bhd. The valuation reports dated 2 April 2019 to 4 April 2019 are available for inspection at the registered office of the Company at Level 31, Menara Hong Leong, No 6, Jalan Damanela, Bukit Damansara, 50490 Kuala Lumpur during normal office hours for a period of 3 months from the date of this announcement.

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1. Basis of preparation (cont'd)

The total market value for all the land owned by the Group is RM503.7 million while the total net book value of the land as at 1 July 2019 was RM128.8 million. The revaluation surplus (net of deferred taxation) arising from the revaluation of RM295.8 million has been credited to the Revaluation Reserve while a revaluation deficit of RM1.5 million has been charged to the Statement of Profit or Loss in accordance with the applicable financial reporting standards in Malaysia.

The financial impact on the financial statements of the Group and the effect on the net assets per share of the Group arising from the adoption of the revaluation model for land on 1 July 2019 are as follows:

Condensed Statement of Financial Position

	At 1 July 2019	Adoption of revaluation policy	At 1 July 2019 (after revaluation)
	RM'000	RM'000	RM'000
Non-current assets			
PPE	1,014,438	69,501	1,083,939
ROU	140,631	305,364	445,995
Net Assets	854,339	294,257	1,148,596
Net Assets per share	RM1.97	RM0.68	RM2.65

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 were 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 and the conversion of RM170,804,885 nominal value of the RCULS into share capital as disclosed in Note 6.

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.

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6. Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no 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, other than the mandatory conversion of all outstanding RCULS upon its maturity on 24 January 2020 where RM170,804,885 nominal value 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.

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	(407,244)	(613)	(407,857)
Included in the measure of segment loss are:			
Revenue from external customers	1,912,736	-	1,912,736
Depreciation and amortisation	56,535	500	57,035
Impairment loss on plant and equipment	258,230	-	258,230
Reconciliation of reportable segment loss			RM'000
Loss			
Reportable segment			(407,857)
Interest income			1,931
Finance costs			(48,749)
Share of loss in associated companies, net of tax			(1,923)
Loss before taxation			(456,598)

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 30 JUNE 2020

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11. Review of performance

For the quarter under review, the Group's revenue was RM199 million and loss before taxation ("LBT") was RM38 million as compared with revenue and LBT of RM697 million and RM42 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2019 ("FY2019").

The lower revenue was due to the drop in sales volume and lower selling price especially during the period where the Movement Control Order ("MCO") was implemented to contain the Covid-19 pandemic ("Pandemic"). However, LBT was slightly lower due to lower operating expenses during the MCO period and recognition of foreign exchange gain.

For the financial year-to-date, the Group's revenue was RM1,913 million and LBT was RM457 million as compared with revenue and LBT of RM3,135 million and RM158 million respectively for the corresponding period of FY2019.

The financial year-to-date's LBT of RM457 million was inclusive of 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 of the award by the Tribunal on the two arbitration proceedings as disclosed in Note 19. Excluding this impairment loss, the operating LBT of RM199 million was still higher than the corresponding period of FY2019 due to poor market condition exacerbated by the Pandemic.

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

The Group's LBT for the current quarter was RM38 million, which was at the same level as in the preceding quarter. The poor performance was due to lower plant utilisation during the Pandemic period.

13. Prospects

The Group anticipates the market condition to gradually improve but there would still be uncertainties due to the Pandemic. The Group has embarked on various cost cutting measures in order to maintain a lean cost structure and will continue conserving cash during this period.

14. Profit forecast/profit guarantee

This note is not applicable.

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15. Loss before taxation

	Current Year Quarter 30/6/2020 RM'000	Current Year- To-Date 30/6/2020 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	18,949	57,035
Provision/Write-down of inventories	8,392	25,605
Gain on foreign exchange	(15,434)	(16,946)
Fair value gain on financial instruments designated as hedge instrument	(317)	(343)
Fair value loss on land	-	1,547
Write-off of plant and equipment	39	88
Gain on disposal of plant and equipment	(102)	(130)
Impairment loss on plant and equipment	-	258,230
Impairment loss on trade receivables	17	17

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/6/2020 RM'000	Preceding Year Corresponding Quarter 30/6/2019 RM'000	Current Year- To-Date 30/6/2020 RM'000	Preceding Year Corresponding Period 30/6/2019 RM'000
Current taxation				
- Current year	(2,034)	998	35	2,614
- Prior year	(118)	(188)	1,252	195
	<u>(2,152)</u>	<u>810</u>	<u>1,287</u>	<u>2,809</u>
Deferred taxation				
- Current year	13,365	(8,757)	8,978	(32,756)
- Prior year	52	(368)	52	(10,277)
	<u>13,417</u>	<u>(9,125)</u>	<u>9,030</u>	<u>(43,033)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	949	-	949
- Prior year	-	150	-	-
	<u>-</u>	<u>1,099</u>	<u>-</u>	<u>949</u>
	<u>11,265</u>	<u>(7,216)</u>	<u>10,317</u>	<u>(39,275)</u>

17. Corporate proposals

The Company had, on 27 May 2020, announced that the Company and Ann Joo Resources Berhad had mutually agreed to terminate the Memorandum Of Understanding for the formation of a strategic alliance in relation to the long product steel manufacturing businesses of both parties with immediate effect due to uncertain market conditions caused by the Pandemic. There are no other 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 June 2020 are as follows:

	RM'000
Borrowings:	
Unsecured short-term borrowings	<u>1,071,612</u>

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

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") 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 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 and the Request came to the attention of SHRC's management on 25 August 2016.

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. As mentioned in Note 19(i) above, SHRC disputed the claims by Danieli and DMSB and claimed 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 FORTH QUARTER ENDED 30 JUNE 2020

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 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 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 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.

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The figures have not been audited

19. Changes in material litigation (cont'd)

Arising from this award, upon receipt of the requisite payments from Danieli, the Plant currently stated at RM423 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 has opposed the Setting Aside Proceeding.

The Singapore High Court had fixed in August 2020 for hearing of the Setting Aside Proceeding.

On 12 August 2020, the Singapore High Court dismissed the Setting Aside Proceeding with costs.

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 Proceedings. The Italian Court of Appeal has fixed a date in January 2021 for the hearing of the Challenge Proceeding.

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 final dividend for the financial year ended 30 June 2020.

(b) For the financial year-to-date, no dividend (2018/2019: 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 RM48,931,000 (4th quarter 2018/2019: RM34,850,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (4th 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 RM467,055,000 (2018/2019: RM119,048,000) by the weighted average number of ordinary shares during the period of 596,313,450 (2018/2019: 433,642,301)

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The figures have not been audited
21. Loss per ordinary share (cont'd)

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year-To-Date	Preceding Year
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	504,311	433,642	433,642	433,642
Effect of RCULS conversion	-	-	70,669	-
Weighted average number of ordinary shares (basic)	504,311	433,642	504,311	433,642
Basic loss per ordinary share (sen)	(9.70)	(8.04)	(92.61)	(27.45)

(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 30 June 2020, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets
	RM'000	/(Liabilities)
	RM'000	RM'000
Less than 1 year	(51,871)	(6)

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.

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ENDED 30 JUNE 2020**

The figures have not been audited

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
24 August 2020