

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2021

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2021 RM'000	Preceding Year Corresponding Quarter 31/3/2020 RM'000	Current Year- To-Date 31/3/2021 RM'000	Preceding Year Corresponding Period 31/3/2020 RM'000
Revenue	493,275	470,368	1,382,620	1,713,509
Cost of sales	(418,457)	(461,240)	(1,240,013)	(1,740,414)
Gross profit/(loss)	74,818	9,128	142,607	(26,905)
Operating expenses	(27,544)	(23,663)	(76,306)	(74,974)
Other operating income/(expense)	2,852	(5,802)	(8,397)	(11,711)
Profit/(Loss) from operations	50,126	(20,337)	57,904	(113,590)
Interest income	209	520	781	1,389
Finance costs	(7,028)	(11,559)	(23,635)	(36,563)
Share of profit/(loss) in an associated company, net of tax	700	(762)	585	(1,759)
Profit/(Loss) before taxation	44,007	(32,138)	35,635	(150,523)
Taxation	(537)	234	(476)	948
Profit/(Loss) from continuing operations	43,470	(31,904)	35,159	(149,575)
Loss from a discontinued operation, net of tax (N1)	(2,482)	(5,575)	(11,393)	(268,331)
Profit/(Loss) for the period	40,988	(37,479)	23,766	(417,906)
Profit/(Loss) attributable to:				
Owners of the Company	40,830	(37,584)	23,455	(418,124)
Non-controlling interests	158	105	311	218
Profit/(Loss) for the period	40,988	(37,479)	23,766	(417,906)
Earnings/(Loss) per ordinary share (sen): -				
(a) Basic	6.85	(7.45)	3.93	(82.91)
(b) Fully diluted	N/A	N/A	N/A	N/A

(N1) Southern HRC Sdn Bhd (“SHRC”), a wholly-owned subsidiary of the Company had ceased its hot rolled coil operation in the 4th quarter of the preceding financial year ended 30 June 2020. Accordingly, the financial results of the operation is separately disclosed as a discontinued operation.

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the Financial Year Ended 30 June 2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2021 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2021 RM'000	Preceding Year Corresponding Quarter 31/3/2020 RM'000	Current Year- To-Date 31/3/2021 RM'000	Preceding Year Corresponding Period 31/3/2020 RM'000
Profit/(Loss) for the period	40,988	(37,479)	23,766	(417,906)
<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	41	(309)	517	(458)
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	16	27	(18)	24
Cash flow hedge	1,673	3,545	1,563	3,183
Total comprehensive income/(expense) for the period	42,718	(34,216)	25,828	(415,157)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	42,522	(34,299)	25,487	(415,366)
Non-controlling interests	196	83	341	209
Total comprehensive income/(expense) for the period	42,718	(34,216)	25,828	(415,157)

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 THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	As At End of Current Quarter 31/3/2021 RM'000	As At End of Preceding Financial Year 30/06/2020 RM'000
ASSETS		
Property, plant and equipment ("PPE")	436,084	460,585
Rights-of-use assets ("ROU")	412,114	426,075
Goodwill on consolidation	30,256	30,256
Investments in an associated company	12,513	11,928
Other investments	862	345
Deferred tax assets	33,928	32,639
Tax credit receivable	18,959	19,941
Total non-current assets	944,716	981,769
Inventories	288,678	406,016
Trade and other receivables, including derivatives	433,860	410,747
Current tax assets	8,824	14,113
Cash and cash equivalents	167,948	219,427
Asset to be returned to vendor	369,377	369,377
Total current assets	1,268,687	1,419,680
TOTAL ASSETS	2,213,403	2,401,449
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	641,010	641,010
Reserves	56,366	30,879
	697,376	671,889
NON-CONTROLLING INTERESTS		
	6,719	6,378
TOTAL EQUITY	704,095	678,267
LIABILITIES		
Lease liabilities	22,867	25,622
Deferred tax liabilities	24,789	24,983
Deferred income	6,332	7,513
Employee benefits	31,413	29,996
Loans and borrowings	343,880	-
Total non-current liabilities	429,281	88,114
Lease liabilities	3,651	5,409
Employee benefits	1,383	1,579
Provisions	3,026	8,954
Trade and other payables, including derivatives	198,025	178,118
Contract liability	369,377	369,377
Loans and borrowings	504,401	1,071,612
Current tax liabilities	164	19
Total current liabilities	1,080,027	1,635,068
TOTAL LIABILITIES	1,509,308	1,723,182
TOTAL EQUITY AND LIABILITIES	2,213,403	2,401,449
Net assets per share attributable to owners of the Company (RM)	1.17	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 THIRD QUARTER ENDED 31 MARCH 2021
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2021

	← 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	
Current year-to-date ended 31 March 2021											
At 1 July 2020	641,010	-	295,156	30,000	391	1,845	-	(296,513)	671,889	6,378	678,267
Profit for the period	-	-	-	-	-	-	-	23,455	23,455	311	23,766
Other comprehensive income/(expense):											
- Gain on fair value of equity instruments	-	-	-	-	-	-	-	517	517	-	517
- Foreign currency translation differences	-	-	-	-	-	(18)	-	-	(18)	-	(18)
- Cash flow hedge	-	-	-	-	1,533	-	-	-	1,533	30	1,563
Total comprehensive income/(expense) for the period	-	-	-	-	1,533	(18)	-	23,972	25,487	341	25,828
At 31 March 2021	641,010	-	295,156	30,000	1,924	1,827	-	(272,541)	697,376	6,719	704,095

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2021 (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	
Preceding year corresponding period ended 31 March 2020											
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	-	-	-	-	-	-	-	(418,124)	(418,124)	218	(417,906)
Other comprehensive income/(expense):											
- Loss on fair value of equity investments	-	-	-	-	-	-	-	(458)	(458)	-	(458)
- Foreign currency translation differences	-	-	-	-	-	24	-	-	24	-	24
- Cash flow hedge	-	-	-	-	3,192	-	-	-	3,192	(9)	3,183
Total comprehensive income/(expense) for the period	-	-	-	-	3,192	24	-	(418,582)	(415,366)	209	(415,157)
Conversion of RCULS	170,805	(141,524)	-	-	-	-	-	(29,234)	47	-	47
Share-based payments	-	-	-	-	-	-	(10,784)	-	(10,784)	-	(10,784)
Total transactions with owners	170,805	(141,524)	-	-	-	-	(10,784)	(29,234)	(10,737)	-	(10,737)
At 31 March 2020	641,010	-	-	30,000	3,134	1,847	-	(247,755)	428,236	5,793	434,029

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 THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2021

	Current Year- To-Date 31/3/2021 RM'000	Preceding Year Corresponding Period 31/3/2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
Continuing operations	35,635	(150,523)
Discontinued operation	(11,393)	(268,331)
	<u>24,242</u>	<u>(418,854)</u>
Adjustments for:-		
Depreciation of PPE	25,110	30,363
Depreciation and amortisation of ROU	13,961	7,723
Net financing costs	26,437	40,707
Share of (profit)/loss in an associated company, net of tax	(585)	1,759
Impairment loss on plant and equipment	-	258,230
Non-cash items	1,603	(10,963)
Operating profit/(loss) before changes in working capital	<u>90,768</u>	<u>(91,035)</u>
Changes in working capital		
Net change in current assets	95,089	678,058
Net change in current liabilities	14,006	(462,869)
Taxation refunded/(paid), net	4,457	(1,146)
Finance costs paid	(26,164)	(40,755)
Retirement benefits paid	(867)	(1,319)
Interest income received	781	1,389
Net cash generated from operating activities	<u>178,070</u>	<u>82,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(634)	(12,081)
Proceeds from disposal of plant and equipment	-	33
Net cash used in investing activities	<u>(634)</u>	<u>(12,048)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of borrowings	(223,331)	75,510
RCULS coupon payment	-	(8,493)
Payment of lease liabilities	(5,566)	(6,524)
Net cash (used in)/generated from financing activities	<u>(228,897)</u>	<u>60,493</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(51,461)	130,768
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	219,427	43,938
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(18)	24
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>167,948</u>	<u>174,730</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2021 (cont'd)

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

	31/3/2021	31/3/2020
	RM'000	RM'000
Deposits, cash and bank balances	167,948	174,730

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 THIRD QUARTER ENDED 31 MARCH 2021**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 THIRD QUARTER ENDED 31 MARCH 2021

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	Discontinued Hot rolled coil operation RM'000	Total RM'000
Segment profit/(loss)	58,290	(386)	(7,810)	50,094

Included in the measure of segment profit/(loss) are:

Revenue from external customers	1,382,620	-	84	1,382,704
Depreciation of PPE	22,621	-	2,489	25,110
Depreciation and amortisation of ROU	13,586	375	-	13,961

Reconciliation of reportable segment profit

	RM'000
Profit	
Reportable segment	50,094
Loss from a discontinued operation	7,810
Interest income	781
Finance costs	(23,635)
Share of profit in an associated company, net of tax	585
Consolidated profit before taxation (excluding a discontinued operation)	<u>35,635</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 other than SHRC's cessation of hot rolled coil operation in June 2020.

11. Review of performance

For the quarter under review, excluding a discontinued operation, the Group's revenue was RM493 million and profit before taxation ("PBT") was RM44 million as compared with revenue and loss before taxation ("LBT") of RM470 million and RM32 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2020 ("FY2020").

For the financial year-to-date, excluding a discontinued operation, the Group's revenue was RM1,383 million and PBT was RM36 million as compared with revenue and LBT of RM1,714 million and RM151 million respectively for the corresponding period of FY2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

11. Review of performance (cont'd)

The higher revenue for the quarter under review as compared with the corresponding quarter of FY2020 was due to higher selling prices despite lower sales volume. The lower revenue for the financial year-to-date as compared with the corresponding period of FY2020 was due to lower sales volume. The profit for the quarter under review and financial year-to-date as compared with the loss in the corresponding quarter and period of FY2020 were attributable to higher selling prices and cost reduction exercises.

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

The Group's PBT, excluding a discontinued operation, was RM44 million for the quarter under review as compared with PBT of RM18 million for the preceding quarter. The improved performance was due to higher selling prices and improved operating cost.

13. Prospects

Although there is an improvement in the Group's performance, market conditions remain uncertain due to the COVID-19 pandemic. The Group will continue to be responsive to market changes and the Board expects to remain profitable in the final quarter of this financial year.

14. Profit forecast/profit guarantee

This note is not applicable.

15. Profit/(Loss) before taxation

	Current Year Quarter 31/3/2021 RM'000	Current Year- To-Date 31/3/2021 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
Continuing operations		
Depreciation of PPE	7,330	22,621
Depreciation and amortisation of ROU	4,039	13,961
Reversal of provision for inventories		
(Gain)/Loss on foreign exchange	(422)	384
Fair value (gain)/loss on financial instruments designated as hedge instrument	(11)	725
Reversal of impairment loss on trade receivables	-	(14)
Write-off of PPE	25	25
Discontinued operation		
Depreciation of PPE	830	2,489
Reversal of provision for inventories	-	(4)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021
The figures have not been audited
16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year-	Preceding Year
	Quarter	Corresponding	To-Date	Corresponding
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	721	(391)	955	2,069
- Prior year	22	1,370	22	1,370
	743	979	977	3,439
Deferred taxation				
- Current year	(663)	(1,213)	(1,483)	(4,387)
- Prior year	(437)	-	(437)	-
	(1,100)	(1,213)	(1,920)	(4,387)
Utilisation of tax credit receivable arising from unutilised reinvestment allowance				
- Current year	894	-	1,419	-
	537	(234)	476	(948)

17. Corporate proposals

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 31 March 2021 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	343,880
Unsecured short-term borrowings	504,401
	848,281

There were no borrowings denominated in foreign currencies as at 31 March 2021.

19. Material Litigation

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

19. Material Litigation (cont'd)

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.

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

19. Material Litigation (cont'd)

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.

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. On 10 September 2020, Danieli and DMSB appealed to the Singapore Court of Appeal against the High Court's Decision ("Danieli's Appeal"). The Singapore Court of Appeal has yet to fix a hearing date for the Danieli's Appeal.

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 applied to the Italian Court of Appeal to challenge the recognition order ("Challenge Proceeding") and to stay the proceedings pending the outcome of Danieli's Appeal before the Singapore Court of Appeal ("Stay Application"). SHRC opposed the Challenge Proceeding and the Stay Application. The Italian Court of Appeal has fixed a date in February 2021 for the hearing of the Challenge Proceeding.

Having failed in the Setting Aside Proceeding in Singapore and pending hearing of Danieli's Appeal, Danieli applied to the Kuala Lumpur High Court on 9 October 2020 to inspect the Plant ("Malaysian Application"). The Malaysian Application was dismissed by the Kuala Lumpur High Court on 15 December 2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021
The figures have not been audited
19. Material Litigation (cont'd)

Having failed in Malaysia, Danieli applied to the Italian Court of Appeal for an order to inspect the Plant (“Inspection Application in Italy”).

On 9 February 2021, the Italian Court of Appeal dismissed the Inspection Application in Italy. It granted Danieli’s Stay Application. The Italian Court of Appeal ordered Danieli to provide a security of EUR6.5 million by way of a bank guarantee.

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, as mutually agreed.

20. Dividend

- (a) The Board does not recommend any interim dividend for the quarter ended 31 March 2021 of financial year ending 30 June 2021 (3rd quarter FY2020: Nil).
- (b) For the financial year-to-date, no dividend (FY2020: Nil) has been declared.

21. Earnings/(Loss) per ordinary share

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

The basic earnings per ordinary share for the quarter under review is calculated by dividing the Group's profit attributable to owners of the Company of RM40,829,000 (3rd quarter FY2020 loss attributable to owners of the Company: RM37,584,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (3rd quarter FY2020: 504,310,915).

The basic earnings per ordinary share for the financial year-to-date is calculated by dividing the Group’s profit attributable to owners of the Company of RM23,455,000 (FY2020 loss attributable to owners of the Company: RM418,124,000) by weighted average number of ordinary shares during the period of 596,313,450 (FY2020: 504,310,915)

	<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
	31/3/2021	31/3/2020	31/3/2021	31/3/2020
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	596,313	433,642	596,313	433,642
Effect of RCULS conversion	-	70,669	-	70,669
Weighted average number of ordinary shares (basic)	596,313	504,311	596,313	504,311
Basic earnings/(loss) per ordinary share (sen)	6.85	(7.45)	3.93	(82.91)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2021

The figures have not been audited

21. Earnings/(Loss) per ordinary share (cont'd)

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

The Group's diluted earnings/(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 March 2021, 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	(144,691)	877

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 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

Wong Wei Fong
Zoe Lim Hoon Hwa
Company Secretaries

Kuala Lumpur
25 May 2021