

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2020 RM'000	Preceding Year Corresponding Quarter 31/3/2019 RM'000	Current Year- To-Date 31/3/2020 RM'000	Preceding Year Corresponding Period 31/3/2019 RM'000
Revenue	470,368	699,963	1,713,509	2,438,506
Cost of sales	(460,407)	(726,301)	(1,742,198)	(2,397,062)
Gross profit/(loss)	9,961	(26,338)	(28,689)	41,444
Operating expenses	(24,188)	(34,787)	(75,499)	(117,166)
Other operating (expenses)/income	(10,254)	17,672	(272,153)	(4,602)
Loss from operation	(24,481)	(43,453)	(376,341)	(80,324)
Interest income	520	287	1,389	1,033
Finance costs	(12,990)	(12,527)	(42,143)	(36,372)
Share of loss in associated companies, net of tax	(762)	(257)	(1,759)	(520)
Loss before taxation	(37,713)	(55,950)	(418,854)	(116,183)
Taxation	234	14,440	948	32,059
Loss for the period	(37,479)	(41,550)	(417,906)	(84,124)
Loss attributable to:				
Owners of the Company	(37,584)	(41,572)	(418,124)	(84,198)
Non-controlling interests	105	22	218	74
Loss for the period	(37,479)	(41,550)	(417,906)	(84,124)
Loss per ordinary share (sen): -				
(a) Basic	(6.30)	(9.59)	(70.12)	(19.42)
(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 THIRD QUARTER ENDED 31 MARCH 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2020 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2020 RM'000	Preceding Year Corresponding Quarter 31/3/2019 RM'000	Current Year- To-Date 31/3/2020 RM'000	Preceding Year Corresponding Period 31/3/2019 RM'000
Loss for the period	(37,479)	(41,550)	(417,906)	(84,124)
<i>Item that will not be reclassified subsequently to profit or loss</i>				
(Loss)/Gain on fair value of equity instrument at fair value through other comprehensive income	(309)	47	(458)	(381)
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for foreign operation	27	(9)	24	83
Cash flow hedge	3,545	2,814	3,183	412
Total comprehensive expense for the period	(34,216)	(38,698)	(415,157)	(84,010)
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(34,299)	(38,791)	(415,366)	(84,074)
Non-controlling interests	83	93	209	64
Total comprehensive expense for the period	(34,216)	(38,698)	(415,157)	(84,010)

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 THIRD QUARTER ENDED 31 MARCH 2020
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/3/2020	30/06/2019
	RM'000	RM'000
ASSETS		
Property, plant and equipment	500,721	1,117,399
Rights-of-use assets ("ROU")	29,946	-
Goodwill on consolidation	30,256	30,256
Investments in associated companies	12,092	13,851
Other investments	172	630
Deferred tax assets	108,053	106,151
Tax credit receivable	19,947	19,941
Total non-current assets	701,187	1,288,228
Asset to be returned to vendor	369,377	-
Inventories	411,830	672,589
Trade and other receivables, including derivatives	419,765	208,528
Current tax assets	12,862	14,559
Cash and cash equivalents	174,730	43,938
Total current assets	1,388,564	939,614
TOTAL ASSETS	2,089,751	2,227,842
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	641,011	470,205
Reserves	(212,774)	242,610
Redeemable Convertible Unsecured Loan Stocks ("RCULS") (Equity Portion)	-	141,524
	428,237	854,339
NON-CONTROLLING INTERESTS		
	5,793	5,584
TOTAL EQUITY	434,030	859,923
LIABILITIES		
Deferred tax liabilities	6,441	8,852
Deferred income	7,953	9,158
Employee benefits	30,144	29,293
Lease liabilities	26,518	-
Borrowings	24,900	85,000
Total non-current liabilities	95,956	132,303
Contract liability	369,377	-
RCULS (Liability Portion)	-	4,789
Employee benefits	1,184	1,107
Provisions	9,092	11,081
Trade and other payables, including derivatives	178,365	359,323
Lease liabilities	6,294	-
Borrowings	994,580	858,970
Current tax liabilities	873	346
Total current liabilities	1,559,765	1,235,616
TOTAL LIABILITIES	1,655,721	1,367,919
TOTAL EQUITY AND LIABILITIES	2,089,751	2,227,842
Net assets per share attributable to owners of the Company (RM)	0.72	1.97

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020

	← Attributable to owners of the Company →							Total	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
	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 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 instruments	-	-	-	-	-	-	-	(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	170,806	(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 31 March 2020	641,011	-	30,000	-	3,134	1,847	-	(247,755)	428,237	5,793	434,030

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020 (cont'd)

	← Attributable to owners of the Company →										Non-controlling interests	Total equity	
	← Non-distributable →							Distributable		Total			RM'000
	Share capital	RCULS (equity portion)	Merger reserve	Other reserve	Hedging reserve	Foreign currency translation reserve	Executive share scheme reserve	Retained earnings	RM'000				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Preceding year corresponding period ended 31 March 2019													
At 1 July 2018	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	-	-	-	-	-	-	-	(84,198)	(84,198)	74	(84,124)		
Other comprehensive income/(expense):													
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(381)	(381)	-	(381)		
- Foreign currency translation differences	-	-	-	-	-	83	-	-	83	-	83		
- Cash flow hedge	-	-	-	-	422	-	-	-	422	(10)	412		
Total comprehensive income/(expense) for the period	-	-	-	-	422	83	-	(84,579)	(84,074)	64	(84,010)		
Share-based payments	-	-	-	-	-	-	3,658	-	3,658	-	3,658		
At 31 March 2019	469,494	141,524	30,000	150	643	1,813	9,556	232,917	886,097	5,638	891,735		

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 THIRD QUARTER ENDED 31 MARCH 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	Current Year- To-Date 31/3/2020 RM'000	Preceding Year Corresponding Period 31/3/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(418,854)	(116,183)
Adjustments for:-		
Depreciation and amortisation	30,363	35,610
Depreciation of ROU	7,723	-
Net financing costs	40,707	35,339
Share of loss in associated companies, net of tax	1,759	520
Impairment loss on plant and equipment	258,230	-
Other non-cash items	(10,963)	4,611
Operating loss before changes in working capital	(91,035)	(40,103)
Changes in working capital		
Net change in current assets	678,058	222,525
Net change in current liabilities	(462,869)	(133,807)
Taxation paid	(1,146)	(8,672)
Financing costs paid	(40,755)	(35,990)
Retirement benefits paid	(1,319)	(1,387)
Interest income received	1,389	1,033
Net cash generated from operating activities	82,323	3,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(12,081)	(7,619)
Proceeds from disposal of plant and equipment	33	69
Net cash used in investing activities	(12,048)	(7,550)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of borrowings	75,510	30,029
RCULS coupon payment	(8,493)	(8,540)
Payment of lease liabilities	(6,524)	-
Net cash generated from financing activities	60,493	21,489
NET CHANGE IN CASH AND CASH EQUIVALENTS	130,768	17,538
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,938	53,762
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	24	83
CASH & CASH EQUIVALENTS AT END OF PERIOD	174,730	71,383

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

	31/3/2020 RM'000	31/3/2019 RM'000
Deposits, cash and bank balances	174,730	71,383

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 THIRD QUARTER ENDED 31 MARCH 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 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
Non-current assets			
Right-of-use assets	-	37,670	37,670
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

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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020
The figures have not been audited
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 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	(376,267)	(74)	(376,341)
Included in the measure of segment loss are:			
Revenue from external customers	1,713,509	-	1,713,509
Depreciation and amortisation	30,345	18	30,363
Depreciation of ROU	7,723	-	7,723
Impairment loss on plant and equipment	258,230	-	258,230
Reconciliation of reportable segment loss			RM'000
Loss			
Reportable segment			(376,341)
Interest income			1,389
Finance costs			(42,143)
Share of loss in associated companies, net of tax			(1,759)
Loss before taxation			(418,854)

9. Material events not reflected in the financial statements

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020**The figures have not been audited****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 RM470 million and loss before taxation ("LBT") was RM38 million as compared with revenue and LBT of RM700 million and RM56 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2019 ("FY2019").

The lower revenue was due to lower sales volume and selling price. The lower LBT was due to improved margin from lower inventory cost.

For the financial year-to-date, the Group's revenue was RM1,714 million and LBT was RM419 million as compared with revenue and LBT of RM2,439 million and RM116 million respectively for the corresponding period of the FY2019.

The financial year-to-date's LBT of RM419 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 the award by the Tribunal on the two arbitration proceedings as disclosed in Note 19. Excluding this impairment loss, the operating LBT of RM161 million was higher than the corresponding period due to decreased sales volume and compressed margin arising from intense competition.

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

The Group's LBT was RM38 million for the current quarter as compared with LBT of RM77 million (excluding impairment loss of RM258 million) for the preceding quarter due to improved margin from lower inventory cost.

13. Prospects

The coronavirus (COVID-19) pandemic has adversely affected the Group's operation. The Group's plants were shut down on 18 March 2020 due to the Movement Control Order imposed by the Government of Malaysia. Although the Group has recently obtained permission from Ministry of International Trade and Industry (MITI) to begin operation, the Management will have to understand fully the supply chain and market demand before production can be step up. Therefore, the Board has decided to suspend all views on the prospects of the Group until such time that the overall impact of the COVID-19 pandemic on the Group becomes clearer.

In the meantime, the Management's focus is to conserve cash within the business. To this end, all senior managers have agreed to a voluntary reduction in base salary and continued to explore ways to reduce cost.

14. Profit forecast/profit guarantee

This note is not applicable.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020
The figures have not been audited
15. Loss before taxation

	Current Year Quarter 31/3/2020 RM'000	Current Year- To-Date 31/3/2020 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Depreciation and amortisation	9,881	30,363
Depreciation of ROU	2,574	7,723
Provision for inventories	8,767	17,213
Loss/(Gain) on foreign exchange	1,627	(1,512)
Fair value loss/(gain) on financial instruments designated as hedge instrument	430	(26)
Write-off of plant and equipment	-	49
Gain on disposal of plant and equipment	(18)	(28)
Impairment loss on plant and equipment	-	258,230
Reversal of trade receivables written-off	-	-

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/3/2020 RM'000	Preceding Year Corresponding Quarter 31/3/2019 RM'000	Current Year- To-Date 31/3/2020 RM'000	Preceding Year Corresponding Period 31/3/2019 RM'000
Current taxation				
- Current year	(391)	(2,673)	2,069	1,616
- Prior year	1,370	383	1,370	383
	<u>979</u>	<u>(2,290)</u>	<u>3,439</u>	<u>1,999</u>
Deferred taxation				
- Current year	(1,213)	(2,147)	(4,387)	(23,999)
- Prior year	-	(9,909)	-	(9,909)
	<u>(1,213)</u>	<u>(12,056)</u>	<u>(4,387)</u>	<u>(33,908)</u>
Utilisation of tax credit receivable arising from unutilised reinvestment allowances				
- Current year	-	96	-	-
- Prior year	-	(150)	-	(150)
	<u>-</u>	<u>(54)</u>	<u>-</u>	<u>(150)</u>
	<u>(234)</u>	<u>(14,400)</u>	<u>(948)</u>	<u>(32,059)</u>

17. Corporate proposals

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020
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 March 2020 are as follows:

	RM'000
Borrowings:	
Unsecured long term borrowings	24,900
Unsecured short term borrowings	994,580
	1,019,480
Debt Securities:	
RCULS – Liability Portion	-

There were no borrowings denominated in foreign currencies as at 31 March 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”) 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 THIRD QUARTER ENDED 31 MARCH 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 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 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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2020

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 its Balance Sheet.

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

SHRC is opposing the Setting Aside Proceeding.

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

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 March 2020 of financial year ending 30 June 2020 (3rd quarter 2018/2019: Nil).

(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 RM37,584,000 (3rd quarter 2018/2019: RM41,573,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (3rd 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 RM418,124,000 (2018/2019: RM84,198,000) by the weighted average number of ordinary shares during the period of 596,313,450 (2018/2019: 433,642,301)

	<i>Weighted average number of ordinary shares</i>			
	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	31/3/2020	31/3/2019	31/3/2020	31/3/2019
	'000	'000	'000	'000
Issued ordinary shares at beginning of period	433,642	433,642	433,642	433,642
Effect of RCULS conversion	162,671	-	162,671	-
Weighted average number of ordinary shares (basic)	596,313	433,642	596,313	433,642
Basic loss per ordinary share (sen)	(6.30)	(9.59)	(70.12)	(19.42)

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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 March 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	(77,449)	3,543

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
18 May 2020