

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

The figures have not been audited

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Revenue	444,948	589,402	889,345	1,243,141
Cost of sales	(403,402)	(626,880)	(821,556)	(1,279,174)
Gross profit/(loss)	41,546	(37,478)	67,789	(36,033)
Operating expenses	(24,623)	(30,337)	(48,762)	(51,311)
Other operating income/(expense)	7,976	6,924	(11,249)	(5,908)
Profit/(Loss) from operations	24,899	(60,891)	7,778	(93,252)
Interest income	221	663	572	869
Finance costs	(6,865)	(13,187)	(16,607)	(25,005)
Share of loss in an associated company, net of tax	(148)	(491)	(115)	(997)
Profit/(Loss) before taxation	18,107	(73,906)	(8,372)	(118,385)
Taxation	(232)	324	61	714
Profit/(Loss) from continuing operations	17,875	(73,582)	(8,311)	(117,671)
Loss from a discontinued operation, net of tax (N1)	(7,023)	(261,346)	(8,910)	(262,756)
Profit/(Loss) for the period	10,852	(334,928)	(17,221)	(380,427)
Profit/(Loss) attributable to:				
Owners of the Company	10,760	(334,957)	(17,374)	(380,540)
Non-controlling interests	92	29	153	113
Profit/(Loss) for the period	10,852	(334,928)	(17,221)	(380,427)
Earnings/(Loss) per ordinary share (sen): -				
(a) Basic	1.80	(77.24)	(2.91)	(87.75)
(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 SECOND QUARTER ENDED 31 DECEMBER 2020

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

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2020 RM'000	31/12/2019 RM'000	31/12/2020 RM'000	31/12/2019 RM'000
Profit/(Loss) for the period	10,852	(334,928)	(17,221)	(380,427)
<i>Item that will not be reclassified subsequently to profit or loss</i>				
Profit/(Loss) on fair value of equity instrument at fair value through other comprehensive income	512	23	476	(149)
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	(18)	(11)	(34)	(3)
Cash flow hedge	(494)	(572)	(110)	(362)
Total comprehensive income/(expense) for the period	10,852	(335,488)	(16,889)	(380,941)
Total comprehensive income/(expense) attributable to:				
Owners of the Company	10,470	(335,519)	(17,034)	(381,067)
Non-controlling interests	382	31	145	126
Total comprehensive income/(expense) for the period	10,852	(335,488)	(16,889)	(380,941)

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 SECOND QUARTER ENDED 31 DECEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	As At End of Current Quarter 31/12/2020 RM'000	As At End of Preceding Financial Year 30/06/2020 RM'000
ASSETS		
Property, plant and equipment (“PPE”)	443,824	460,585
Rights-of-use assets (“ROU”)	416,153	426,075
Goodwill on consolidation	30,256	30,256
Investments in an associated company	11,813	11,928
Other investments	821	345
Deferred tax assets	33,330	32,639
Tax credit receivable	19,416	19,941
Total non-current assets	955,613	981,769
Inventories	269,586	406,016
Trade and other receivables, including derivatives	425,148	410,747
Current tax assets	9,538	14,113
Cash and cash equivalents	176,257	219,427
Asset to be returned to vendor	369,377	369,377
Total current assets	1,249,906	1,419,680
TOTAL ASSETS	2,205,519	2,401,449
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	641,010	641,010
Reserves	13,845	30,879
	654,855	671,889
NON-CONTROLLING INTERESTS		
	6,523	6,378
TOTAL EQUITY	661,378	678,267
LIABILITIES		
Lease liabilities	23,797	25,622
Deferred tax liabilities	24,854	24,983
Deferred income	6,726	7,513
Employee benefits	31,474	29,996
Loans and borrowings	343,880	-
Total non-current liabilities	430,731	88,114
Lease liabilities	3,605	5,409
Employee benefits	922	1,579
Provisions	5,014	8,954
Trade and other payables, including derivatives	180,143	178,118
Contract liability	369,377	369,377
Loans and borrowings	554,165	1,071,612
Current tax liabilities	184	19
Total current liabilities	1,113,410	1,635,068
TOTAL LIABILITIES	1,544,141	1,723,182
TOTAL EQUITY AND LIABILITIES	2,205,519	2,401,449
Net assets per share attributable to owners of the Company (RM)	1.10	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 SECOND QUARTER ENDED 31 DECEMBER 2020
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 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 31 December 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	-	-	-	-	-	-	-	(17,374)	(17,374)	153	(17,221)
Other comprehensive income/(expense):											
- Profit on fair value of equity instruments	-	-	-	-	-	-	-	476	476	-	476
- Foreign currency translation differences	-	-	-	-	-	(34)	-	-	(34)	-	(34)
- Cash flow hedge	-	-	-	-	(102)	-	-	-	(102)	(8)	(110)
Total comprehensive (expense)/income for the period	-	-	-	-	(102)	(34)	-	(16,898)	(17,034)	145	(16,889)
At 31 December 2020	641,010	-	295,156	30,000	289	1,811	-	(313,411)	654,855	6,523	661,378

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

	← Attributable to owners of the Company →										
	← Non-distributable →							Distributable			Total equity
	Share capital	RCULS (equity portion)	Revaluation reserve	Merger reserve	Hedging reserve	Exchange fluctuation reserve	Executive share scheme reserve	Retained earnings	Total	Non-controlling interests	
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 December 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	-	-	-	-	-	-	-	(380,540)	(380,540)	113	(380,427)
Other comprehensive (expense)/income:											
- Loss on fair value of available-for-sale financial assets	-	-	-	-	-	-	-	(149)	(149)	-	(149)
- Foreign currency translation differences	-	-	-	-	-	(3)	-	-	(3)	-	(3)
- Cash flow hedge	-	-	-	-	(375)	-	-	-	(375)	13	(362)
Total comprehensive (expense)income for the period	-	-	-	-	(375)	(3)	-	(380,689)	(381,067)	126	(380,941)
Share-based payments	-	-	-	-	-	-	(10,784)	-	(10,784)	-	(10,784)
At 31 December 2019	470,205	141,524	-	30,000	(433)	1,820	-	(180,628)	462,488	5,710	468,198

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 SECOND QUARTER ENDED 31 DECEMBER 2020
The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2020

	Current Year- To-Date	Preceding Year Corresponding Period
	31/12/2020	31/12/2019
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation		
Continuing operations	(8,372)	(118,385)
Discontinued operation	(8,910)	(262,756)
	<u>(17,282)</u>	<u>(381,141)</u>
Adjustments for:-		
Depreciation of PPE	16,951	20,482
Depreciation and amortisation of ROU	9,922	23,045
Net financing costs	16,035	28,284
Share of loss in an associated company, net of tax	115	997
Impairment loss on plant and equipment	-	258,230
Non-cash items	1,620	(12,991)
Operating profit/(loss) before changes in working capital	<u>27,361</u>	<u>(63,094)</u>
Changes in working capital		
Net change in current assets	122,016	205,234
Net change in current liabilities	(2,982)	(98,598)
Taxation refunded/(paid), net	4,506	(535)
Finance costs paid	(15,887)	(24,969)
Retirement benefits paid	(617)	(623)
Interest income received	572	869
Net cash generated from operating activities	<u>134,969</u>	<u>18,284</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(189)	(10,851)
Proceeds from disposal of plant and equipment	-	10
Net cash used in investing activities	<u>(189)</u>	<u>(10,841)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of borrowings	(173,567)	220,378
RCULS coupon payment	-	(4,235)
Payment of lease liabilities	(4,349)	(25,345)
Net cash (used in)/generated from financing activities	<u>(177,916)</u>	<u>190,798</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	43,136	198,241
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	219,427	43,938
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(34)	(3)
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>176,257</u>	<u>242,176</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2020 (cont'd)

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

	31/12/2020	31/12/2019
	RM'000	RM'000
Deposits, cash and bank balances	176,257	242,176

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 SECOND QUARTER ENDED 31 DECEMBER 2020

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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 SECOND QUARTER ENDED 31 DECEMBER 2020

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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)	8,034	(256)	(6,742)	1,036
Included in the measure of segment profit/(loss) are:				
Revenue from external customers	889,345	-	84	889,429
Depreciation of PPE	15,291	-	1,660	16,951
Depreciation and amortisation of ROU	9,672	250	-	9,922
Reconciliation of reportable segment profit/(loss)				RM'000
Loss				
Reportable segment				1,036
Loss from a discontinued operation				6,742
Interest income				572
Finance costs				(16,607)
Share of loss in an associated company, net of tax				(115)
Consolidated loss before taxation (excluding a discontinued operation)				<u>(8,372)</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 RM445 million and profit before taxation ("PBT") was RM18 million as compared with revenue and loss before taxation ("LBT") of RM589 million and RM74 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 RM889 million and LBT was RM8 million as compared with revenue and LBT of RM1,243 million and RM118 million respectively for the corresponding period of FY2020.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2020

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11. Review of performance (cont'd)

The lower revenue for the quarter under review and financial year-to-date as compared with the corresponding quarter and period of FY2020 was due to lower sales volume. The profit for the quarter under review as compared with the loss in the corresponding quarter of FY2020, and the lower loss for the financial year-to-date as compared with the corresponding period of FY2020 were attributable to improved margins 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 RM18 million for the quarter under review as compared with LBT of RM26 million for the preceding quarter. The improved performance was due to improved margins and ongoing cost reduction exercises.

13. Prospects

Although there is an improvement in the Group's performance, the market condition remains uncertain due to the COVID-19 pandemic. The Group will remain responsive to any changes in the market while continuing on the cost reduction and cash conservation measures during this period.

14. Profit forecast/profit guarantee

This note is not applicable.

15. Profit/(Loss) before taxation

	Current Year Quarter 31/12/2020 RM'000	Current Year- To-Date 31/12/2020 RM'000
Profit/(Loss) before taxation is arrived at after charging/(crediting):		
Continuing operations		
Depreciation of PPE	7,548	15,291
Depreciation and amortisation of ROU	4,962	9,922
Reversal of provision for inventories	(1,632)	(1,857)
Loss on foreign exchange	353	806
Fair value loss on financial instruments designated as hedge instrument	361	736
Reversal of impairment loss on trade receivables	-	(14)
Discontinued operation		
Depreciation of PPE	830	1,660
Reversal of provision for inventories	(4)	(4)

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16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2020 RM'000	Preceding Year Corresponding Quarter 31/12/2019 RM'000	Current Year- To-Date 31/12/2020 RM'000	Preceding Year Corresponding Period 31/12/2019 RM'000
Current taxation				
- Current year	20	1,669	234	2,460
Deferred taxation				
- Current year	(313)	(1,993)	(820)	(3,174)
Utilisation of tax credit receivable arising from unutilised reinvestment allowance				
- Current year	525	-	525	-
	232	(324)	(61)	(714)

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 December 2020 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	343,880
Unsecured short-term borrowings	554,165
	898,045

There were no borrowings denominated in foreign currencies as at 31 December 2020.

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 SECOND QUARTER ENDED 31 DECEMBER 2020

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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 20(i) and 20(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.

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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. 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.

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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 application for a stay of proceedings of the Challenge Proceeding pending the outcome of Danieli’s Appeal in Singapore. 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 December 2020 of financial year ending 30 June 2021 (2nd 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 RM10,760,000 (2nd quarter FY2020 loss attributable to owners of the Company: RM334,957,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (2nd quarter FY2020: 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 RM17,374,000 (FY2020: RM380,540,000) by weighted average number of ordinary shares during the period of 596,313,450 (FY2020: 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
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	'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)	596,313	433,642	596,313	433,642
Basic earnings/(loss) per ordinary share (sen)	1.80	(77.24)	(2.91)	(87.75)

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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 December 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	(18,465)	(418)

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

 Joanne Leong Wei Yin
 Company Secretary

 Kuala Lumpur
 24 February 2021