

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

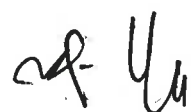
The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2022

	Individual Quarter		Cumulative Quarter	
	Current Year	Preceding Year	Current Year-	Preceding Year
	Quarter	Corresponding	To-Date	Corresponding
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	RM'000	RM'000	RM'000	RM'000
Revenue	578,586	651,559	1,152,620	1,138,631
Cost of sales	(600,143)	(578,772)	(1,204,379)	(997,353)
Gross (loss)/profit	(21,557)	72,787	(51,759)	141,278
Operating expenses	(29,178)	(29,983)	(58,248)	(54,215)
Other (expense)/operating income	(190)	3,046	1,189	4,974
(Loss)/Profit from operations	(50,925)	45,850	(108,818)	92,037
Interest income	394	182	1,475	392
Finance costs	(7,573)	(6,484)	(14,886)	(13,890)
Share of (loss)/profit in an associated company, net of tax	(732)	753	(1,731)	1,454
(Loss)/Profit before taxation	(58,836)	40,301	(123,960)	79,993
Taxation	410	(644)	3,664	(5,250)
(Loss)/Profit from continuing operations	(58,426)	39,657	(120,296)	74,743
Loss from a discontinued operation, net of tax (N1)	(2,617)	(5,309)	(5,482)	(8,162)
(Loss)/Profit for the period	(61,043)	34,348	(125,778)	66,581
(Loss)/Profit attributable to:				
Owners of the Company	(60,727)	34,225	(125,166)	66,343
Non-controlling interests	(316)	123	(612)	238
(Loss)/Profit for the period	(61,043)	34,348	(125,778)	66,581
(Loss)/Earnings per ordinary share (sen): -				
(a) Basic	(10.18)	5.74	(20.99)	11.13
(b) Fully diluted	(10.18)	5.74	(20.99)	11.13

(N1) Southern HRC Sdn Bhd ("SHRC"), a wholly-owned subsidiary of the Company had ceased its hot rolled coil operation in the financial year ended 30 June 2020. Accordingly, the financial result 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 Audited Financial Statements for the Financial Year Ended 30 June 2022.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2022 (cont'd)

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2022 RM'000	Preceding Year Corresponding Quarter 31/12/2021 RM'000	Current Year- To-Date 31/12/2022 RM'000	Preceding Year Corresponding Period 31/12/2021 RM'000
(Loss)/Profit for the period	(61,043)	34,348	(125,778)	66,581
<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	101	72	(65)	96
<i>Item that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	(30)	(2)	(2)	2
Cash flow hedge	(1,515)	(735)	(1,304)	(567)
Total comprehensive (expense)/income for the period	(62,487)	33,683	(127,149)	66,112
Total comprehensive (expense)/income attributable to:				
Owners of the Company	(62,138)	33,568	(126,512)	65,891
Non-controlling interests	(349)	115	(637)	221
Total comprehensive (expense)/income for the period	(62,487)	33,683	(127,149)	66,112

The Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	As At End of Current Quarter 31/12/2022 RM'000	As At End of Preceding Financial Year 30/06/2022 RM'000
ASSETS		
Property, plant and equipment ("PPE")	386,531	394,078
Rights-of-use assets ("ROU")	316,438	322,694
Goodwill on consolidation	30,256	30,256
Investments in an associated company	13,072	14,803
Other investments	446	511
Deferred tax assets	49,254	42,233
Tax credit receivable	7,647	7,647
Other receivables	121,128	121,128
Total non-current assets	924,772	933,350
Inventories	412,618	568,055
Trade and other receivables, including derivatives	148,343	168,636
Current tax assets	1,685	4,040
Cash and cash equivalents	59,670	67,333
Asset to be returned to vendor	193,132	193,132
Assets held for sale	-	54,031
Total current assets	815,448	1,055,227
TOTAL ASSETS	1,740,220	1,988,577
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	641,010	641,010
Reserves	(137,385)	(10,873)
	503,625	630,137
NON-CONTROLLING INTERESTS		
	6,130	6,767
TOTAL EQUITY	509,755	636,904
LIABILITIES		
Lease liabilities	9,911	10,969
Deferred tax liabilities	15,535	15,666
Deferred income	2,582	3,336
Employee benefits	27,258	27,084
Loans and borrowings	112,450	244,400
Total non-current liabilities	167,736	301,455

SOUTHERN STEEL BERHAD (196301000443 (5283-X))



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (cont'd)

	As At End of Current Quarter	As At End of Preceding Financial Year
	31/12/2022	30/06/2022
	RM'000	RM'000
Lease liabilities	2,089	2,038
Employee benefits	1,239	963
Provisions	3,188	3,735
Trade and other payables, including derivatives	207,535	241,600
Contract liability	193,132	193,132
Loans and borrowings	655,169	606,685
Current tax liabilities	377	2,065
Total current liabilities	<u>1,062,729</u>	<u>1,050,218</u>
TOTAL LIABILITIES	<u>1,230,465</u>	<u>1,351,673</u>
TOTAL EQUITY AND LIABILITIES	<u>1,740,220</u>	<u>1,988,577</u>
Net assets per share attributable to owners of the Company (RM)	0.84	1.06

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

SOUTHERN STEEL BERHAD (196301000443 (5283-X))



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022

	Attributable to owners of the Company						Total equity RM'000		
	Share capital RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Hedging reserve RM'000	Accumulated losses RM'000		Total RM'000	Non- controlling interests RM'000
Current year-to-date ended 31 December 2022									
At 1 July 2022	641,010	288,112	30,000	1,859	795	(331,639)	630,137	6,767	636,904
Loss for the period	-	-	-	-	-	(125,166)	(125,166)	(612)	(125,778)
Other comprehensive expense:									
- Loss on fair value of equity instruments	-	-	-	-	-	(65)	(65)	-	(65)
- Foreign currency translation differences	-	-	-	(2)	-	-	(2)	-	(2)
- Cash flow hedge	-	-	-	-	(1,279)	-	(1,279)	(25)	(1,304)
Total comprehensive expense for the period	-	-	-	(2)	(1,279)	(125,231)	(126,512)	(637)	(127,149)
Transfer	-	(21,651)	-	-	-	21,651	-	-	-
At 31 December 2022	641,010	266,461	30,000	1,857	(484)	(435,219)	503,625	6,130	509,755

SOUTHERN STEEL BERHAD (196301000443 (5283-X))



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

**The figures have not been audited
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022 (cont'd)**

	Attributable to owners of the Company							Total equity RM'000	
	Share capital RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Hedging reserve RM'000	Accumulated losses RM'000	Total RM'000		Non- controlling interests RM'000
Preceding year corresponding period ended 31 December 2021 At 1 July 2021	641,010	295,156	30,000	1,828	972	(243,685)	725,281	6,763	732,044
Profit for the period	-	-	-	-	-	66,343	66,343	238	66,581
Other comprehensive income/(expense):	-	-	-	-	-	96	96	-	96
- Gain on fair value of equity investments	-	-	-	-	-	-	-	-	-
- Foreign currency translation differences	-	-	-	2	-	-	2	-	2
- Cash flow hedge	-	-	-	-	(550)	-	(550)	(17)	(567)
Total comprehensive income/(expense) for the period	-	-	-	2	(550)	66,439	65,891	221	66,112
At 31 December 2021	641,010	295,156	30,000	1,830	422	(177,246)	791,172	6,984	798,156

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2022

	Current Year- To-Date 31/12/2022 RM'000	Preceding Year Corresponding Period 31/12/2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation		
Continuing operations	(123,960)	79,993
Discontinued operation	(5,482)	(8,162)
	<u>(129,442)</u>	<u>71,831</u>
Adjustments for:-		
Depreciation of PPE	14,801	15,882
Depreciation and amortisation of ROU	6,256	7,174
Net financing costs	16,019	16,292
Share of loss/(profit) in an associated company, net of tax	1,731	(1,454)
Non-cash items	(10,294)	(1,807)
Operating (loss)/profit before changes in working capital	<u>(100,929)</u>	<u>107,918</u>
Changes in working capital		
Net change in current assets	175,605	(36,108)
Net change in current liabilities	(35,933)	(42,051)
Taxation paid, net	(2,821)	(83)
Finance costs paid	(17,494)	(16,684)
Retirement benefits paid	(798)	(804)
Interest income received	1,475	392
Net cash generated from operating activities	<u>19,105</u>	<u>12,580</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(7,354)	(985)
Proceeds from disposal of plant and equipment	61	9
Proceeds from disposal of asset held for sale	65,000	33,088
Net cash generated from investing activities	<u>57,707</u>	<u>32,112</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(83,466)	(90,043)
Payment of lease liabilities	(1,007)	(1,825)
Net cash used in financing activities	<u>(84,473)</u>	<u>(91,868)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(7,661)</u>	<u>(47,176)</u>
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	67,333	133,011
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	(2)	2
CASH & CASH EQUIVALENTS AT END OF PERIOD	<u>59,670</u>	<u>85,837</u>



SOUTHERN STEEL BERHAD (196301000443 (5283-X))



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2022 (cont'd)

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

	31/12/2022	31/12/2021
	RM'000	RM'000
Deposits, cash and bank balances	59,670	85,837

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the Financial Year Ended 30 June 2022.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

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1. Basis of preparation

The interim financial report is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“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 2022. This interim financial report also complies with International Accounting Standard 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 2022 except for the adoption of MFRSs, amendments and interpretations that are effective for annual period beginning on or after 1 January 2022 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 cyclical nature 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 was 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 2022

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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 loss	(108,566)	(252)	(2,875)	(111,693)

Included in the measure of segment loss are:

Revenue from external customers	1,152,620	-	-	1,152,620
Depreciation of PPE	12,122	-	2,679	14,801
Depreciation and amortisation of ROU	6,006	250	-	6,256

Reconciliation of reportable segment loss

	RM'000
Loss	
Reportable segment	(111,693)
Loss from a discontinued operation	2,875
Interest income	1,475
Finance costs	(14,886)
Share of loss in an associated company, net of tax	(1,731)
Consolidated loss before taxation (excluding a discontinued operation)	<u>(123,960)</u>

9. Material events not reflected in the financial statements

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

10. Changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

11. Review of performance

For the quarter under review, excluding a discontinued operation, the Group revenue was RM579 million and loss before taxation ("LBT") was RM59 million as compared with revenue and profit before taxation ("PBT") of RM652 million and RM40 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2022 ("FY2022").

The lower revenue and loss for the quarter were mainly attributable to depressed selling prices resulting in lower margins.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

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11. Review of performance (cont'd)

For the financial year-to-date, excluding a discontinued operation, the Group revenue was RM1,153 million and LBT was RM124 million as compared with revenue and PBT of RM1,139 million and RM80 million respectively for the corresponding period of FY2022.

The higher revenue for the financial year-to-date was due to higher sales volume. However, the lower selling prices and higher input costs had led to the loss for the financial year-to-date.

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

For the quarter under review, excluding a discontinued operation, the Group revenue of RM579 million was comparable with that of the preceding quarter of RM574 million.

The Group LBT, excluding a discontinued operation, was RM59 million for the quarter under review as compared with RM65 million for the preceding quarter. The improvement was mainly attributable to higher sales volume.

13. Prospects

Steel prices and demand showed signs of revival from the loosening of Covid-19 regulations across China which may improve global steel demand. On the domestic front, the easing of foreign workers hiring will lead to increase activities in the construction industry. The Group will continue to be responsive to market conditions and optimise operational efficiencies. The Board expects the Group's performance to gradually improve towards the end of the financial year.

14. Profit forecast/profit guarantee

This note is not applicable.

15. (Loss)/Profit before taxation

	Current Year Quarter 31/12/2022 RM'000	Current Year- To-Date 31/12/2022 RM'000
(Loss)/Profit before taxation is arrived at after charging/(crediting):		
Continuing operations		
Depreciation of PPE	5,993	12,122
Depreciation and amortisation of ROU	3,129	6,256
Reversal of impairment loss on trade receivables	-	(40)
Write down of inventories	545	11,875
Gain on foreign exchange	734	(733)
Fair value gain on derivative instruments	(313)	(334)
Gain on disposal of plant and equipment	-	(61)
Gain on disposal of asset held for sale	-	(10,870)
Write-off of plant and equipment	-	1
Discontinued operation		
Depreciation of PPE	1,337	2,679

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

The figures have not been audited

16. Taxation

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 31/12/2022 RM'000	Preceding Year Corresponding Quarter 31/12/2021 RM'000	Current Year- To-Date 31/12/2022 RM'000	Preceding Year Corresponding Period 31/12/2021
Current taxation				
- Current year	93	758	3,488	4,156
Deferred taxation				
- Current year	(503)	(114)	(7,152)	1,094
	<u>(410)</u>	<u>644</u>	<u>(3,664)</u>	<u>5,250</u>

The current quarter taxation was mainly from the reversal of deferred tax liabilities from surplus of land revaluation. The year-to-date taxation was mainly from a credit of RM3.2 million arising from the real property gains tax and the reversal of deferred tax liabilities being recognised, due to the disposal of a leasehold land.

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 2022 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	112,450
Unsecured short-term borrowings	<u>655,169</u>
	<u>797,619</u>

There were no borrowings denominated in foreign currencies as at 31 December 2022.

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.

i. Commencement of Arbitration Proceedings by SHRC

Following the termination of the Contract and Service Agreement, SHRC commenced arbitration proceedings against Danieli and DMSB. SHRC claimed several reliefs against Danieli and DMSB, including repayment of contract sum and damages for misrepresentation and breach of contract.



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19. Material Litigation (cont'd)

ii. Commencement of Arbitration Proceedings against SHRC by Danieli and DMSB

Danieli and DMSB also commenced arbitration proceedings against SHRC. Danieli and DMSB sought several declarations in relation to the Contract and the Service Agreement and claiming damages, interest and costs.

The aforementioned arbitration proceedings were consolidated ("First Arbitration") and heard 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 ("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.

The same arbitral tribunal for the First Arbitration also heard the Second Arbitration.

On 28 November 2019, the Tribunal decided and determined as follows:

A. The First Arbitration

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.

(hereinafter called "First Award")

B. The Second Arbitration

The Tribunal decided in Danieli Thailand's favour and awarded, inter alia, 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 RM193 million will be removed from SHRC's Balance Sheet.

Danieli's and DMSB's application to the Singapore High Court to set aside the First Award was unsuccessful and dismissed by the Singapore High Court on 12 August 2020 ("High Court's Decision").



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19. Material Litigation (cont'd)

Danieli and DMSB appealed to the Singapore Court of Appeal against the High Court's Decision ("Danieli's Appeal").

On 12 June 2020, SHRC obtained a recognition order of the First 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"). On 9 February 2021, the Italian Court of Appeal granted the Stay Application pending decision by the Singapore Court of Appeal but ordered Danieli to provide a security of EUR6.5 million by way of a bank guarantee.

The Singapore Court of Appeal delivered its judgment on 18 July 2022 and decided, inter alia, as follows:-

- i) The Court of Appeal dismissed Danieli's Appeal in relation to the Transfer Order (the order where SHRC is to transfer the title of the Plant, together with additional equipment installed thereon, to Danieli);
- ii) The Court of Appeal dismissed Danieli's Appeal in relation to the Repayment Order (the order where Danieli and DMSB are to pay 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); and
- iii) The Court of Appeal allowed Danieli's Appeal in relation to the Damages Order and set the Damages Order aside (the order where Danieli and DMSB are to pay SHRC RM176,245,250 as damages for misrepresentation).

Following the Singapore Court of Appeal's decision, SHRC and Danieli filed their applications at the Italian Court of Appeal on 29 September 2022 and 14 October 2022 respectively to reactivate the Challenge Proceeding previously filed by Danieli in Italy. After a brief hearing at the Italian Court of Appeal on 31st January 2023, the matter is fixed for final hearing on 2nd May 2023.

To date, Danieli and DMSB have not satisfied any part of the First Award.

On 3 January 2022, Danieli Thailand commenced proceedings against SHRC in the Malaysian Courts to recognise and enforce the Second Award in favour of Danieli Thailand against SHRC ("Danieli Thailand's Action"). SHRC is opposing and challenging Danieli Thailand's Action.

20. Dividend

The Board does not recommend any interim dividend for the quarter ended 31 December 2022.

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21. (Loss)/Earnings per ordinary share
(a) Basic (loss)/earnings per ordinary share

The basic (loss)/earnings per ordinary share for the quarter under review is calculated by dividing the Group's loss attributable to owners of the Company of RM60,727,000 (2nd quarter FY2022 profit attributable to owners of the Company: RM34,225,000) by the weighted average number of ordinary shares during the quarter of 596,313,450 (2nd quarter FY2022: 596,313,450).

The basic (loss)/earnings per ordinary share for the financial year-to-date is calculated by dividing the Group's loss attributable to owners of the Company of RM125,166,000 (FY2022 profit attributable to owners of the Company: RM66,343,000) by the weighted average number of ordinary shares during the period of 596,313,450 (FY2022: 596,313,450).

	<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
	31/12/2022	31/12/2021	31/12/2022	31/12/2021
	'000	'000	'000	'000
Issued ordinary shares at beginning of period/Weighted average number of ordinary shares (basic)	596,313	596,313	596,313	596,313
Basic (loss)/earnings per ordinary share (sen)	(10.18)	5.74	(20.99)	11.13

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

The Group's diluted (loss)/earnings per ordinary share in the quarter under review and financial year-to-date is the same as the basic (loss)/earnings per ordinary share since the Group does not have any anti-dilutive instrument.

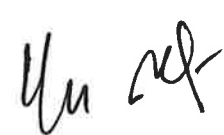
22. Derivatives

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 2022, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount	Fair Value Assets/ (Liabilities)
	RM'000	RM'000
Less than 1 year	55,959	(798)



SOUTHERN STEEL BERHAD (196301000443 (5283-X))



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER
ENDED 31 DECEMBER 2022**

The figures have not been audited

22. Derivatives (cont'd)

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 FY2022.

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
20 February 2023

A handwritten signature in black ink, appearing to be 'Wong Wei Fong'.