

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2023**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2023 RM'000	Preceding Year Corresponding Quarter 30/06/2022 RM'000	Current Year- To-Date 30/06/2023 RM'000	Preceding Year Corresponding Period 30/06/2022 RM'000
<b>Revenue</b>	581,754	579,169	2,386,435	2,308,915
Cost of sales	(564,708)	(555,787)	(2,392,225)	(2,107,119)
<b>Gross profit/(loss)</b>	17,046	23,382	(5,790)	201,796
Operating expenses	(31,483)	(27,396)	(118,148)	(110,317)
Other operating (expense)/income	(558)	22,571	11,873	30,946
<b>(Loss)/Profit from operations</b>	(14,995)	18,557	(112,065)	122,425
Interest income	869	222	2,863	798
Finance costs	(9,284)	(9,606)	(32,628)	(29,952)
Share of (loss)/profit in an associated company, net of tax	(103)	211	(1,946)	1,994
<b>(Loss)/Profit before taxation</b>	(23,513)	9,384	(143,776)	95,265
Taxation	3,318	3,058	7,721	(2,126)
<b>(Loss)/Profit from continuing operations</b>	(20,195)	12,442	(136,055)	93,139
Profit/(Loss) from a discontinued operation, net of tax (N1)	2,546	(176,723)	(5,670)	(187,642)
<b>Loss for the period</b>	(17,649)	(164,281)	(141,725)	(94,503)
<b>(Loss)/Gain attributable to:</b>				
Owners of the Company	(17,932)	(164,381)	(141,437)	(94,897)
Non-controlling interests	283	100	(288)	394
<b>Loss for the period</b>	(17,649)	(164,281)	(141,725)	(94,503)
<b>Loss per ordinary share (sen):-</b>				
(a) Basic	(3.01)	(27.57)	(23.72)	(15.91)
(b) Fully diluted	(3.01)	(27.57)	(23.72)	(15.91)

(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 FOURTH QUARTER ENDED 30 JUNE 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 JUNE 2023 (cont'd)**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/06/2023 RM'000	Preceding Year Corresponding Quarter 30/06/2022 RM'000	Current Year- To-Date 30/06/2023 RM'000	Preceding Year Corresponding Period 30/06/2022 RM'000
<b>Loss for the period</b>	(17,649)	(164,281)	(141,725)	(94,503)
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Loss on fair value of equity instrument at fair value through other comprehensive income	(177)	(155)	(117)	(101)
Revaluation of land	18,000	-	18,000	-
Revaluation of right-of-use assets	118,063	-	118,063	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Foreign currency translation differences for a foreign operation	29	26	30	31
Cash flow hedge	312	2	(775)	(180)
<b>Total comprehensive income/(expense) for the period</b>	<b>118,578</b>	<b>(164,408)</b>	<b>(6,524)</b>	<b>(94,753)</b>
<b>Total comprehensive income/(expense) attributable to:</b>				
Owners of the Company	117,893	(164,508)	(6,634)	(95,144)
Non-controlling interests	685	100	110	391
<b>Total comprehensive income/(expense) for the period</b>	<b>118,578</b>	<b>(164,408)</b>	<b>(6,524)</b>	<b>(94,753)</b>

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 FOURTH QUARTER ENDED 30 JUNE 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	As At End of Current Quarter 30/06/2023 RM'000	As At End of Preceding Financial Year 30/06/2022 RM'000
<b>ASSETS</b>		
Property, plant and equipment ("PPE")	398,203	394,078
Right-of-use assets ("ROU")	464,427	322,694
Goodwill on consolidation	30,256	30,256
Investments in an associated company	12,857	14,803
Other investments	394	511
Deferred tax assets	21,261	42,233
Tax credit receivable	5,523	7,647
Other receivables	126,447	121,128
<b>Total non-current assets</b>	<b>1,059,368</b>	<b>933,350</b>
Inventories	408,160	568,055
Trade and other receivables, including derivatives	144,236	168,636
Current tax assets	2,393	4,040
Cash and cash equivalents	119,321	67,333
Asset to be returned to vendor	193,132	193,132
Assets held for sale	-	54,031
<b>Total current assets</b>	<b>867,242</b>	<b>1,055,227</b>
<b>TOTAL ASSETS</b>	<b>1,926,610</b>	<b>1,988,577</b>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	641,010	641,010
Reserves	(15,808)	(10,873)
	625,202	630,137
<b>NON-CONTROLLING INTERESTS</b>		
	6,130	6,767
<b>TOTAL EQUITY</b>	<b>631,332</b>	<b>636,904</b>
<b>LIABILITIES</b>		
Lease liabilities	8,827	10,969
Deferred tax liabilities	20,737	15,666
Deferred income	1,829	3,336
Employee benefits	27,256	27,084
Loans and borrowings	221,900	244,400
<b>Total non-current liabilities</b>	<b>280,549</b>	<b>301,455</b>

SOUTHERN STEEL BERHAD (196301000443 (5283-X))



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023**

**The figures have not been audited**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023 (cont'd)**

	<b>As At End of Current Quarter 30/06/2023 RM'000</b>	<b>As At End of Preceding Financial Year 30/06/2022 RM'000</b>
Lease liabilities	2,142	2,038
Employee benefits	1,516	963
Provisions	1,226	3,735
Trade and other payables, including derivatives	190,632	241,600
Contract liability	193,132	193,132
Loans and borrowings	626,059	606,685
Current tax liabilities	22	2,065
<b>Total current liabilities</b>	<b>1,014,729</b>	<b>1,050,218</b>
<b>TOTAL LIABILITIES</b>	<b>1,295,278</b>	<b>1,351,673</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,926,610</b>	<b>1,988,577</b>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<b>1.05</b>	<b>1.06</b>

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.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023****The figures have not been audited****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023**

	Attributable to owners of the Company									Non-controlling interests	Total equity
				Non-distributable							
	Share capital	Reserve for own share	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	Executive share scheme reserve	Accumulated losses	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Current year-to-date ended 30 June 2023</b>											
<b>At 1 July 2022</b>	641,010	-	288,112	30,000	1,859	795	-	(331,639)	630,137	6,767	636,904
Loss for the period	-	-	-	-	-	-	-	(141,437)	(141,437)	(288)	(141,725)
Other comprehensive income/(expense):											
- Loss on fair value of equity instruments	-	-	-	-	-	-	-	(117)	(117)	-	(117)
- Foreign currency translation differences	-	-	-	-	30	-	-	-	30	-	30
- Cash flow hedge	-	-	-	-	-	(771)	-	-	(771)	(4)	(775)
- Revaluation of land	-	-	17,598	-	-	-	-	-	17,598	402	18,000
- Revaluation of right-of-use assets	-	-	118,063	-	-	-	-	-	118,063	-	118,063
<b>Total comprehensive income/(expense) for the period</b>	-	-	135,661	-	30	(771)	-	(141,553)	(6,634)	110	(6,524)



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023 (cont'd)**

	Attributable to owners of the Company								Total	Non-controlling interests	Total equity
	Non-distributable										
	Share capital	Reserve for own share	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	Executive share scheme reserve	Accumulated losses			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Purchase of own shares	-	(40)	-	-	-	-	-	-	(40)	-	(40)
Share-based payments	-	-	-	-	-	-	1,273	-	1,273	-	1,273
Acquisition from non-controlling interests	-	-	72	-	-	-	-	394	466	(747)	(281)
<b>Total transactions with owners</b>	-	(40)	72	-	-	-	1,273	394	1,699	(747)	952
Transfer on realisation of revalued assets held for sale	-	-	(21,651)	-	-	-	-	21,651	-	-	-
<b>At 30 June 2023</b>	641,010	(40)	402,194	30,000	1,889	24	1,273	(451,147)	625,202	6,130	631,332



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023**

The figures have not been audited

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023 (cont'd)**

	← Attributable to owners of the Company →						Total	Non-controlling interests	Total equity
	← Non-distributable →								
	Share capital	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	Accumulated losses			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Preceding year corresponding period ended 30 June 2022</b>									
<b>At 1 July 2021</b>	641,010	295,156	30,000	1,828	972	(243,685)	725,281	6,763	732,044
(Loss)/Profit for the period	-	-	-	-	-	(94,897)	(94,897)	394	(94,503)
Other comprehensive income/(expense):									
- Loss on fair value of equity instruments	-	-	-	-	-	(101)	(101)	-	(101)
- Foreign currency translation differences	-	-	-	31	-	-	31	-	31
- Cash flow hedge	-	-	-	-	(177)	-	(177)	(3)	(180)
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	31	(177)	(94,998)	(95,144)	391	(94,753)
Dividend paid to non-controlling interests of a subsidiary	-	-	-	-	-	-	-	(387)	(387)
<b>Total transactions with owners</b>	-	-	-	-	-	-	-	(387)	(387)
Transfer on realisation of revalued assets held for sale	-	(7,044)	-	-	-	7,044	-	-	-
<b>At 30 June 2022</b>	641,010	288,112	30,000	1,859	795	(331,639)	630,137	6,767	636,904

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 FOURTH QUARTER ENDED 30 JUNE 2023**
**The figures have not been audited**
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023**

	<b>Current Year- To-Date 30/06/2023 RM'000</b>	<b>Preceding Year Corresponding Period 30/06/2022 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss)/Profit before taxation		
Continuing operations	(143,776)	95,265
Discontinued operation	(5,670)	(187,642)
	<u>(149,446)</u>	<u>(92,377)</u>
Adjustments for:-		
Depreciation of PPE	29,448	31,249
Depreciation and amortisation of ROU	13,613	14,298
Net financing costs	29,765	23,246
Share of loss/(profit) in an associated company, net of tax	1,946	(1,994)
Impairment loss on other receivables	-	176,245
Non-cash items	(9,674)	5,769
Operating (loss)/profit before changes in working capital	<u>(84,348)</u>	<u>156,436</u>
Changes in working capital		
Net change in current assets	184,168	(130,241)
Net change in current liabilities	(53,384)	(7,381)
Taxation paid, net	(3,791)	(279)
Finance costs paid	(37,775)	(35,394)
Retirement benefits paid	(1,833)	(1,331)
Interest income received	2,863	798
Dividend income received	-	275
<b>Net cash generated from/(used in) operating activities</b>	<u>5,900</u>	<u>(17,117)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of plant and equipment	(13,674)	(12,436)
Proceeds from disposal of plant and equipment	217	180
Proceeds from disposal of asset held for sale	65,000	33,088
<b>Net cash generated from investing activities</b>	<u>51,543</u>	<u>20,832</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to non-controlling interests	-	(387)
Repayment of borrowings	(3,126)	(65,412)
Acquisition of non-controlling interest	(281)	-
Purchase of own shares	(40)	-
Payment of lease liabilities	(2,038)	(3,625)
<b>Net cash used in financing activities</b>	<u>(5,485)</u>	<u>(69,424)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	51,958	(65,709)
<b>CASH &amp; CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	67,333	133,011
<b>EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD</b>	30	31
<b>CASH &amp; CASH EQUIVALENTS AT END OF PERIOD</b>	<u>119,321</u>	<u>67,333</u>



SOUTHERN STEEL BERHAD (196301000443 (5283-X))

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023**

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023 (cont'd)**

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

	<b>30/06/2023</b>	<b>30/06/2022</b>
	<b>RM'000</b>	<b>RM'000</b>
Deposits, cash and bank balances	<u>119,321</u>	<u>67,333</u>

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 FOURTH QUARTER ENDED 30 JUNE 2023**

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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 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**

During the quarter under review and financial year-to-date, a total of 81,500 ordinary shares of the Company (“SSB Shares”) were purchased by the Employee Share Scheme Trust (“ESS Trust”). The total number of SSB Shares held by the ESS Trust as at 30 June 2023 was 81,500 shares.

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 FOURTH QUARTER ENDED 30 JUNE 2023**
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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
<b>Segment loss</b>	(111,428)	(637)	(5,842)	(117,907)

Included in the measure of segment loss are:

Revenue from external customers	2,386,435	-	-	2,386,435
Depreciation of PPE	24,167	-	5,281	29,448
Depreciation and amortisation of ROU	13,050	563	-	13,613
Interest income	2,863	-	5,319	8,182
Finance cost	32,628	-	5,147	37,775

**Reconciliation of reportable segment loss**

	RM'000
<b>Loss</b>	
Reportable segment	(117,907)
Loss from a discontinued operation	5,842
Interest income	2,863
Finance costs	(32,628)
Share of loss in an associated company, net of tax	(1,946)
Consolidated loss before taxation (excluding a discontinued operation)	(143,776)

**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. Contingent liabilities and contingent assets**

A wholly owned subsidiary of the Group is in dispute with the Minister of Finance on the eligibility to claim for certain tax exemption. This has resulted in an additional tax (including penalty) amounted to RM15.5 million. The Board, as advised by the solicitors, is of the view that the Company is entitled to the tax exemption.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023**

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**12. Review of performance**

For the quarter under review, excluding a discontinued operation, the Group revenue was RM582 million and loss before taxation (“LBT”) was RM24 million as compared with revenue and profit before tax (“PBT”) of RM579 million and RM9 million respectively for the corresponding quarter of the preceding financial year ended 30 June 2022 (“FY2022”).

The higher revenue for the quarter was attributable to higher sales volume, however, lower selling prices led to the loss for the quarter.

For the financial year ended 30 June 2023, excluding a discontinued operation, the Group revenue was RM2,386 million and LBT was RM144 million as compared with revenue and PBT of RM2,309 million and RM95 million respectively for the corresponding period of FY2022.

The higher revenue was due to higher sales volume, however, depressed selling prices and higher input costs led to the loss for the financial year.

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

For the quarter under review, excluding a discontinued operation, the Group revenue decreased to RM582 million from RM652 million of the preceding quarter.

The Group LBT, excluding a discontinued operation, was RM24 million for the quarter under review as compared with PBT of RM4 million for the preceding quarter. The loss for the quarter was mainly attributable to lower sales volume and higher input cost.

**14. Prospects**

The industry continues to face strong headwinds as demand for steel remains soft amidst an uncertain global economic situation. The domestic demand is not expected to improve. The Group will continue to be responsive to market conditions, optimise operational efficiencies, and focus on cash flow and inventory management.

**15. Profit forecast/profit guarantee**

This note is not applicable.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023**
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**16. (Loss)/Profit before taxation**

	<b>Current Year Quarter 30/06/2023 RM'000</b>	<b>Current Year- To-Date 30/06/2023 RM'000</b>
(Loss)/Profit before taxation is arrived at after charging/(crediting):		
<b>Continuing operations</b>		
Depreciation of PPE	6,136	24,167
Depreciation and amortisation of ROU	4,226	13,613
Impairment loss on trade receivables	409	214
Provision for inventories	2,427	4,531
Gain on foreign exchange	(2,637)	(3,370)
Fair value loss/(gain) on derivative instruments	228	(644)
Loss/(Gain) on disposal of plant and equipment	21	(117)
Gain on disposal of asset held for sale	-	(10,969)
Write-off of plant and equipment	-	1
<b>Discontinued operation</b>		
Depreciation of PPE	1,320	5,281
Reversal of provision for inventories	(8)	(8)

**17. Taxation**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year Quarter 30/06/2023 RM'000</b>	<b>Preceding Year Corresponding Quarter 30/06/2022 RM'000</b>	<b>Current Year- To-Date 30/06/2023 RM'000</b>	<b>Preceding Year Corresponding Period 30/06/2022 RM'000</b>
<b>Current taxation</b>				
- Current year	(177)	12,775	3,403	16,617
- Prior year	(5)	(15)	2,116	(103)
	(182)	12,760	5,519	16,514
<b>Deferred taxation</b>				
- Current year	(3,313)	(16,373)	(11,296)	(14,943)
- Prior year	177	555	(1,944)	555
	(3,136)	(15,818)	(13,240)	(14,388)
	(3,318)	(3,058)	(7,721)	2,126

The current quarter taxation was mainly from the recognition of deferred tax assets in respect of unutilised tax benefits for certain subsidiaries in the group. 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 in addition to the recognition of deferred tax assets for the current quarter as mentioned.

**18. Corporate proposals**

There are no corporate proposals announced but not completed as at the date of this report.

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 30 JUNE 2023**
**The figures have not been audited**
**19. Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 30 June 2023 are as follows:

	RM'000
Borrowings:	
Unsecured long-term borrowings	221,900
Unsecured short-term borrowings	626,059
	847,959

There were no borrowings denominated in foreign currencies as at 30 June 2023.

**20. Material Litigation**

Southern HRC Sdn Bhd ("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.

**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.



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**The figures have not been audited**

**20. Material Litigation (cont'd)**

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.

**First Award**

Danieli and DMSB applied to the Singapore Courts to set aside the First Award. They were unsuccessful at the Singapore High Court. On appeal to the Singapore Court of Appeal ("CA"), the CA decided, inter alia, as follows:-

- i) The CA 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 CA 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).

On 4 August 2023, the Italian Court of Appeal allowed Danieli's challenge and revoked the recognition order of the First Award obtained by SHRC in Italy on 12 June 2020. SHRC has been advised by its Italian lawyer that the decision was based on technical grounds and does not deny SHRC the right to pursue recovery in Italy of the amounts due under the First Award which have not been set aside by the Singapore Court of Appeal ("Modified Award"). SHRC will pursue all avenues to register and enforce the Modified Award in Italy.



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**The figures have not been audited**

**20. Material Litigation (cont'd)**

Separately, SHRC has also commenced enforcement actions in France and Luxembourg and obtained recognition orders of the First Award in France and Luxembourg on 30 January 2023 and 15 March 2023 respectively.

In France, the court bailiff has seized and attached (i) receivable debts owed by certain clients of Danieli in France and (ii) patents belonging to Danieli in France.

In Luxembourg, the court bailiff has seized (saisie arret conservatoire) the shares of two of Danieli's wholly owned subsidiaries, which are now frozen.

Danieli has filed appeals against the enforcement orders obtained in Luxembourg and France, but no hearing dates have been fixed yet. SHRC will continue to pursue enforcement of the First Award.

Second 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.

**21. Dividend**

The Board does not recommend any interim dividend for the quarter ended 30 June 2023.

**22. 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 RM17,932,000 (4<sup>th</sup> quarter FY2022: RM164,381,000) by the weighted average number of ordinary shares during the quarter of 596,232,120 (4<sup>th</sup> quarter FY2022: 596,313,450).

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 RM141,437,000 (FY2022: RM94,897,000) by the weighted average number of ordinary shares during the period of 596,232,120 (FY2022: 596,313,450).

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

## (a) Basic loss per ordinary share (cont'd)

	<i>Weighted average number of ordinary shares</i>			
	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>Current Year</b>	<b>Preceding Year</b>	<b>Current Year To-Date</b>	<b>Preceding Year</b>
	<b>Quarter</b>	<b>Corresponding Quarter</b>	<b>Period</b>	<b>Corresponding Period</b>
	<b>30/06/2023</b>	<b>30/06/2022</b>	<b>30/06/2023</b>	<b>30/06/2022</b>
	<b>'000</b>	<b>'000</b>	<b>'000</b>	<b>'000</b>
Issued ordinary shares at beginning of period	596,313	596,313	596,313	596,313
ESS Trust Shares held	(81)	-	(81)	-
<b>Weighted average number of ordinary shares (basic)</b>	<b>596,232</b>	<b>596,313</b>	<b>596,232</b>	<b>596,313</b>
<b>Basic loss per ordinary share (sen)</b>	<b>(3.01)</b>	<b>(27.57)</b>	<b>(23.72)</b>	<b>(15.91)</b>

## (b) Diluted loss per ordinary share

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

**23. Derivatives**

The Group has entered into a number of forward foreign exchange contracts to hedge the cash flow risk in relation to the variations of cash flows arising from future forecasted transactions.

The forward foreign exchange contracts are stated at fair value using observable market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate.

As at 30 June 2023, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	<b>Contract amount</b>	<b>Fair Value Assets/ (Liabilities)</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than 1 year	6,132	(4)

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.

SOUTHERN STEEL BERHAD (196301000443 (5283-X))

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**The figures have not been audited**

**24. 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  
Valerie Mak Mew Chan  
Company Secretaries

Kuala Lumpur  
29 August 2023