QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIFTH QUARTER ENDED 30 SEPTEMBER 2025

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2025

	Individual Quarter 3 months ended		Cumulative Quarter 15 months ended	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2025 RM'000	30/09/2024 RM'000	30/09/2025 RM'000	30/09/2024 RM'000
Revenue	560,077	-	2,679,752	-
Cost of sales	(516,439)	-	(2,552,701)	-
Gross profit	43,638	-	127,051	-
				-
Operating expenses	(28,148)	-	(146,035)	-
Other operating expenses	(37,241)	-	(56,360)	-
Loss from operations	(21,751)	-	(75,344)	-
Interest income	580	-	6,098	-
Finance costs	(3,124)	-	(34,627)	-
Share of loss in an associated company, net of tax	(717)	-	(1,972)	-
Loss before taxation	(25,012)	-	(105,845)	-
				-
Taxation	(5,393)	-	(2,260)	-
Loss from continuing operations	(30,405)	-	(108,105)	-
Profit from a discontinued operation, net of tax **(N1)**	-	-	47,813	-
Loss for the period	(30,405)	-	(60,292)	-
(Loss)/Profit attributable to:				
Owners of the Company	(30,536)	-	(60,431)	-
Non-controlling interests	131	-	139	-
Loss for the period	(30,405)	-	(60,292)	-
Loss per ordinary share (sen):-				
(a) Basic	(2.03)	-	(5.44)	-
(b) Fully diluted	(2.03)	-	(5.44)	-

(N1) Southern HRC Sdn Bhd ("SHRC"), a wholly-owned subsidiary of the Company, had ceased its hot rolled coil operations in the financial year ended 30 June 2020. Accordingly, the financial results of the operation was separately disclosed as a discontinued operation. No financial result on the discontinued operation will be reported from April 2025 after the full and final settlement of the litigation of hot rolled coil operation.

The Group has changed its financial year end from 30 June to 30 September. Consequently, there are no comparative figures for the preceding year's corresponding periods.

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 2024.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIFTH QUARTER ENDED 30 SEPTEMBER 2025

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 30 SEPTEMBER 2025 (cont'd)

	Individual Quarter 3 months ended		Cumulative Quarter 15 months ended	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2025 RM'000	30/09/2024 RM'000	30/09/2025 RM'000	30/09/2024 RM'000
Loss for the period	(30,405)	-	(60,292)	-
Items that will not be reclassified subsequently to profit or loss				
Loss on fair value of equity instrument at fair value through other comprehensive income	(12)	-	(184)	-
Re-measurement of defined benefit liability	(1,362)	-	(1,362)	-
Items that are or may be reclassified subsequently to profit or loss				
Cash flow hedge	942	-	(87)	-
Total comprehensive expense for the period	(30,837)	-	(61,925)	-
Total comprehensive (expenses)/income attributable to:				
Owners of the Company	(30,986)	-	(62,064)	-
Non-controlling interests	149	-	139	-
Total comprehensive expense for the period	(30,837)	-	(61,925)	-

The Group has changed its financial year end from 30 June to 30 September. Consequently, there are no comparative figures for the preceding year's corresponding periods.

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 2024.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIFTH QUARTER ENDED 30 SEPTEMBER 2025

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2025

	As At End of Current Quarter 30/09/2025 RM'000	As At End of Preceding Financial Year 30/09/2024 RM'000
ASSETS		
Property, plant and equipment ("PPE")	273,210	375,125
Right-of-use assets ("ROU")	405,823	445,619
Goodwill on consolidation	-	30,256
Investments in an associated company	53,738	12,506
Other investments	229	413
Deferred tax assets	25,104	26,755
Tax credit receivable	253	2,313
Other receivables	-	143,452
Total non-current assets	758,357	1,036,439
Inventories	402,832	359,795
Trade and other receivables, including derivatives	171,940	167,752
Current tax assets	1,626	2,284
Cash and cash equivalents	76,491	86,742
Asset to be returned to vendor	-	193,132
Total current assets	652,889	809,705
TOTAL ASSETS	1,411,246	1,846,144
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	1,021,026	641,010
Reserves	(136,172)	(72,669)
	884,854	568,341
NON-CONTROLLING INTERESTS	6,266	6,129
TOTAL EQUITY	891,120	574,470
LIABILITIES		
Lease liabilities	348	7,457
Deferred tax liabilities	14,798	18,272
Deferred income	1,385	1,792
Employee benefits	19,951	28,063
Loans and borrowings	-	143,900
Total non-current liabilities	36,482	199,484

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIFTH QUARTER ENDED 30 SEPTEMBER 2025

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2025 (cont'd)

	As At End of Current Quarter 30/09/2025 RM'000	As At End of Preceding Financial Year 30/09/2024 RM'000
Lease liabilities	1,349	1,370
Employee benefits	456	912
Provisions	-	2,669
Trade and other payables, including derivatives	207,069	145,546
Contract liability	3,922	193,132
Loans and borrowings	270,845	728,561
Current tax liabilities	3	-
Total current liabilities	483,644	1,072,190
TOTAL LIABILITIES	520,126	1,271,674
TOTAL EQUITY AND LIABILITIES	1,411,246	1,846,144
Net assets per share attributable to owners of the Company (RM)	0.59	0.95

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 2024.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIFTH QUARTER ENDED 30 SEPTEMBER 2025

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 SEPTEMBER 2025

	← Attributable to owners of the Company →									
	← Non-distributable →									
	Share capital	Reserve for own share	Revaluation reserve	Merger reserve	Hedging reserve	Executive share scheme reserve	Accumulated losses	Total	Non-controlling interests	Total equity
Current year-to-date ended 30 September 2025	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 July 2024	641,010	(44)	402,194	30,000	159	55	(505,033)	568,341	6,129	574,470
(Loss)/Profit for the period	-	-	-	-	-	-	(60,431)	(60,431)	139	(60,292)
Other comprehensive (expense)/income:										
- Loss on fair value of equity instruments	-	-	-	-	-	-	(184)	(184)	-	(184)
- Re-measurement of defined benefit liability	-	-	-	-	-	-	(1,365)	(1,365)	3	(1,362)
- Cash flow hedge	-	-	-	-	(82)	-	-	(82)	(5)	(87)
Total comprehensive (expense)/income for the period	-	-	-	-	(82)	-	(61,980)	(62,062)	137	(61,925)
Issuance of shares	315,864	-	-	-	-	-	-	315,864	-	315,864
Private placement share issuance	64,152	-	-	-	-	-	-	64,152	-	64,152
Share issuance expenses	-	-	-	-	-	-	(1,430)	(1,430)	-	(1,430)
Purchase of own shares	-	(41)	-	-	-	-	-	(41)	-	(41)
Disposal of a subsidiary	-	-	(34,612)	-	-	-	34,612	-	-	-
Share-based payments	-	-	-	-	-	30	-	30	-	30
Shares vested under Executive Share Scheme ("ESS")	-	85	-	-	-	(85)	-	-	-	-
Total transactions with owners	380,016	44	(34,612)	-	-	(55)	33,182	378,575	-	378,575
At 30 September 2025	1,021,026	-	367,582	30,000	77	-	(533,831)	884,854	6,266	891,120

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIFTH QUARTER ENDED 30 SEPTEMBER 2025

The figures have not been audited

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2025

	Current Year-To-Date 15 months ended 30/09/2025 RM'000	Preceding Year Corresponding Period 15 months ended 30/09/2024 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before taxation		
Continuing operations	(105,845)	-
Discontinued operation	47,813	-
	(58,032)	-
Adjustments for:-		
Depreciation of PPE	27,794	-
Depreciation and amortisation of ROU	23,199	-
Net financing costs	28,529	-
Loss on disposal of subsidiary	7,959	
Share of loss in an associated company, net of tax	1,972	-
Non-cash items	(4,491)	-
Operating profit before changes in working capital	26,930	-
Changes in working capital		
Net change in current assets	12,505	-
Net change in current liabilities	121,736	-
Taxation paid, net	(4,128)	-
Finance costs paid	(34,629)	-
Interest income received	6,098	-
Retirement benefits paid	(3,049)	-
Legal fees paid	(6,677)	
Net cash generated from operating activities	118,786	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(7,182)	-
Proceeds from disposal of plant and equipment	49,894	-
Proceeds from disposal of subsidiary	48,539	-
Proceed from share issuance	315,864	-
Proceed from private placement share issuance	64,152	-
Net cash generated from investing activities	471,267	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(598,616)	-
Contract liabilities	3,922	
Share issuance expenses	(1,430)	-
Purchase of own shares	(41)	-
Payment of lease liabilities	(4,139)	-
Net cash used in financing activities	(600,304)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,251)	-
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	86,742	-
EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH HELD	-	-
CASH & CASH EQUIVALENTS AT END OF PERIOD	76,491	-

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2025 (cont'd)

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

	30/09/2025 RM'000	30/09/2024 RM'000
Deposits, cash and bank balances	76,491	-

The Group has changed its financial year end from 30 June to 30 September. Consequently, there are no comparative figures for the preceding year's corresponding periods.

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 2024.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIFTH QUARTER ENDED 30 SEPTEMBER 2025

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 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 2024. 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 2024 except for the adoption of MFRSs, amendments and interpretations that are effective for the financial year beginning on or after 1 July 2024 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.

Change in Financial Year End

The Board of Directors has approved a change in the Company's financial year end from 30 June to 30 September. Accordingly, the audited financial statements will cover a 15-month period from 1 July 2024 to 30 September 2025. Thereafter, the financial year end shall fall on 30 September for each subsequent year.

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 cyclicality 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 share buy-back, share cancellation, resale of treasury shares or repayments of debt or equity securities during the quarter under review. For the financial year-to-date, a total of 74,844 ordinary shares of the Company ("SSB Shares") were purchased by the Executive Share Scheme Trust ("ESS Trust"). During the financial year-to-date, a total of 162,963 of SSB shares held in the ESS trust were transferred to an eligible executive of the Group following the vesting of free SSB shares pursuant to the ESS. There is no Ordinary Shares in Southern Steel Berhad held by the ESS Trust as at 30 September 2025.

6. **Issuances, cancellations, repurchases, resale and repayments of debt and equity securities (cont'd)**

In addition, the following issuances of ordinary shares were undertaken during the financial year:

a) Issuance of 752,057,840 new ordinary shares in Southern Steel Berhad ("SSB") ("SSB Shares") ("Issuance Shares") to Green Esteel Pte. Ltd. at an issue price of RM0.42 per Issuance Share, representing approximately 50.10% of the enlarged issued share capital of SSB after completion of the Issuance of Shares and Private Placement

b) Private placement of up to 152,742,000 new SSB Shares ("Placement Shares") to third-party investor(s) at an issue price of RM0.42 per Placement Share, representing up to approximately 10.18% of the enlarged issued share capital of SSB after completion of the Issuance of Shares and Private Placement

Following the above issuances, the total issued share capital of the Company increased from 596,313,450 ordinary shares as at 30 June 2024 to 1,501,113,290 ordinary shares as at 30 September 2025.

7. **Dividend paid**

There was 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	Discontinued Hot rolled coil operation RM'000	Total RM'000
Segment (loss)/profit	(74,156)	(1,188)	47,813	(27,531)
Included in the measure of segment (loss)/profit are:				
Revenue from external customers	2,679,752	-	-	2,679,752
Depreciation of PPE	23,853	-	3,941	27,794
Depreciation and amortisation of ROU	22,100	1,099	-	23,199
Gain on arbitration settlement	-	-	26,459	26,459
Gain on disposal of plant and machinery	13,890	-	29,433	43,323

Reconciliation of reportable segment (loss)/profit

	RM'000
(Loss)/Profit	
Reportable segment	(27,531)
Profit from a discontinued operation	(47,813)
Loss from continuing operations	(75,344)
Interest income	6,098
Finance costs	(34,627)
Share of loss in an associated company, net of tax	(1,972)
Consolidated loss before taxation (excluding a discontinued operation)	(105,845)

9. **Material events not reflected in the financial statements**

There are no material subsequent events to be disclosed except for the same disclosed in note 18.

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. **Also refer to note 18.**

11. **Contingent liabilities and contingent assets**

A wholly-owned subsidiary of the Company 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.

12. **Review of performance**

The Group has changed its financial year end from 30 June to 30 September. Accordingly, there are no comparative figures for the cumulative corresponding period of the preceding financial year.

For the quarter under review, the Group recorded revenue of RM560 million and loss before tax of RM25 million, primarily attributable to provisions for obsolete items, impairment of plant and machinery, impairment of goodwill and loss on disposal of a subsidiary.

For the financial year-to-date, excluding a discontinued operation, the Group recorded total revenue of RM2,680 million and a loss before tax of RM106 million. The cumulative loss was largely attributable to one-off impairment and restructuring charges amounting to RM65 million, partially offset by gains from the disposal of plant and machinery and lower financing costs.

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

For the quarter under review, excluding the effects of a discontinued operation, the Group recorded a revenue of RM560 million, slightly lower than RM574 million in the preceding quarter. The decrease was mainly due to lower average selling prices, partially offset by lower input costs and higher sales volume.

The Group recorded a LBT of RM25 million for the current quarter compared to a breakeven position in the preceding quarter. The weaker performance was mainly attributable to a loss on disposal of a subsidiary, impairment of goodwill & provisions for obsolete items.

14. **Prospects**

The global steel industry remained subdued during the quarter, weighed down by weak demand and lingering geopolitical uncertainties. In Malaysia, domestic demand was modest, supported mainly by ongoing construction projects, while overall market sentiment stayed cautious amid high input costs and competitive pricing pressures. Despite these headwinds, the Group remained focused on its strategic initiatives and continued to strengthen its operational competitiveness.

The entry of Green Esteel Pte Ltd as a strategic shareholder started to yield tangible benefits through its extensive raw material sourcing network and methodical operational management, which has improved the Group's cost efficiency and competitiveness.

Subsequent to the financial period, the Group entered into an agreement on 21 November 2025 to dispose of a 45% stake of its wholly-owned subsidiary - Southern PC Steel Sdn Bhd ("SPC") - to De Xun Holdings Pte Ltd, Singapore ("De Xun"), forming a joint venture that leverages De Xun's production expertise and technical capabilities to enhance SPC's efficiency and expand its export markets.

The Ministry of Investment, Trade and Industry (MITI) launched a Steel Industry Roadmap 2035 ("SIR 2035") on 29 September 2025. This SIR 2035 aims to stabilise, transform and decarbonise the Malaysia steel sector. Some of the key strategies include managing overcapacity, advancing trade remedies, enforcing closure of unlicensed operations and laying the groundwork for low-carbon transitions. This roadmap is seen as a strong commitment by the government to revamp the steel industry and reaffirm steel as a strategic industry in Malaysia.

15. **Profit forecast/profit guarantee**

This note is not applicable.

16. **Loss before taxation**

	Current Year Quarter 3 months ended 30/09/2025 RM'000	Current Year-To-Date 15 months ended 30/09/2025 RM'000
Loss before taxation is arrived at after charging/(crediting):		
Continuing operations		
Depreciation of PPE	4,733	23,853
Depreciation and amortisation of ROU	4,528	23,199
Impairment loss on trade receivables	982	1,051
Provision for inventories	408	1,340
Loss on foreign exchange	206	3,156
Fair value loss on derivative instruments	1	13
Loss/(Gain) on disposal of plant and equipment	208	(13,890)
Loss on disposal of Subsidiaries	7,959	7,959
Impairment loss on plant and equipment	3,013	24,206
Write-off of plant and equipment	637	786
Discontinued operation		
Depreciation of PPE	-	3,941
Loss on foreign exchange	-	3
Gain on disposal of plant and equipment	-	(29,433)
Gain on arbitration settlement	-	(26,459)

17. **Taxation**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year-To-Date	Preceding Year Corresponding Period
	30/09/2025 RM'000	30/09/2024 RM'000	30/09/2025 RM'000	30/09/2024 RM'000
Current taxation				
- Current year	1,642	-	1,730	-
- Prior year	1,184	-	1,184	-
	2,826	-	2,914	-
Deferred taxation				
- Current year	2,533	-	(688)	-
- Prior year	34	-	34	-
	2,567	-	(654)	-
	5,393	-	2,260	-

The current quarter tax credit mainly arose from the amortisation of deferred tax liabilities in respect of land revaluation surplus.

18. **Corporate proposals**

On 29 October 2024, Hong Leong Investment Bank Berhad, on behalf of the Board, announced that the Company proposed to undertake the following:

(i) proposed issuance of 752,057,840 new ordinary shares in Southern Steel Berhad ("SSB Shares") ("Issuance Shares") to Green Esteel Pte. Ltd. ("Esteel") at an issue price of RM0.42 per Issuance Share, representing approximately 50.10% of the enlarged issued share capital of the Company after completion of the Proposed Issuance of Shares and Proposed Private Placement ("Proposed Issuance of Shares");

(ii) proposed exemption under Paragraph 4.08(1)(b) of the Rules on Take-overs, Mergers and Compulsory Acquisitions for Esteel and its controlling shareholder, You Zhenhua, from the obligation to undertake a mandatory take-over offer to acquire all the remaining SSB Shares not already owned by them upon completion of the Proposed Issuance of Shares ("Proposed Exemption"); and

(iii) proposed private placement of up to 152,742,000 new SSB Shares ("Placement Shares") to third-party investor(s) at an issue price of RM0.42 per Placement Share, representing up to approximately 10.18% of the enlarged issued share capital of the Company after completion of the Proposed Issuance of Shares and Proposed Private Placement ("Proposed Private Placement").

Proposed Issuance of Shares, Proposed Exemption and Proposal Private Placement (collectively referred to as the "Proposals").

On 16 January 2025, Hong Leong Investment Bank Berhad, on behalf of the Board, announced that 752,057,840 Issuance Shares and 152,742,000 Placement Shares have been listed and quoted on the Main Market of Bursa Securities today, marking the completion of the Proposed Issuance of Shares and Proposed Private Placement. Pursuant to the completion of the Proposals, Esteel emerges as the new controlling shareholder of SSB and SSB in turn becomes a subsidiary of Esteel.

18. **Corporate proposals (cont'd)**

The status of utilisation of the said proceeds as at 30 September 2025, is as follows:

No	Details of utilisation	Utilisation as set out in the Previous Circular		Approved Variation			Actual Utilisation	Balance Proceeds
		Approved utilisation	Timeframe for utilisation of proceeds	Revised utilisation of the Proceeds	Deviation	Revised timeframe for utilisation of the Proceeds		
		RM'000		**RM'000**	**%**		**RM'000**	**RM'000**
1	Upgrading of plant and machinery	250,000	Within 36 months	-		Within 36 months	-	-
2	Working capital	128,556	Within 6 months	128,556		Within 6 months	128,556	-
3	Repayment of bank borrowings	-	-	250,000	65.8	Within 6 months	250,000	-
4	Expenses for the share issuance	1,460	Within 1 month	1,460		Within 1 month	1,430	30
		380,016		380,016			379,986	30

On 21 March 2025, the resolutions on variation of the utilisation of proceeds raised from issuance of 752,057,850 new ordinary shares in Southern Steel Berhad ("SSB Share(s)") and private placement of 152,742,000 New SSB Shares were passed by shareholders.

18 **Corporate proposals (cont'd)**

On behalf of the Board, UOB Kay Hian Securities (M) Sdn Bhd ("UOBKH") announced that the Company had, on 22 April 2025, entered into a conditional share purchase agreement ("SPA") with BRC Asia Limited ("BRC") in relation to the Proposed Disposal for a total cash consideration of RM61.05 million.

Upon completion of the Proposed Disposal, BRC will have an equity interest of approximately 55.0% in Southern Steel Mesh Sdn Bhd ("SSM"), while SSB will retain an equity interest of approximately 45.0% in SSM, resulting in SSM becoming an associate company of SSB.

The Disposal Consideration of RM61.05 million is subject to adjustments in the event that SSM declares a dividend to its shareholder prior to the completion of the Disposal. As such, following the declaration and full payment of dividend of RM14.99 million by SSM to SSB, the Disposal Consideration has been revised from RM61.05 million to approximately RM52.80 million accordingly.

Further, the revised Disposal Consideration of approximately RM52.80 million has been fully settled in cash by BRC on 14 August 2025, hence marking the completion of the Disposal in accordance with the SPA.

19. **Group's borrowings and debt securities**

Particulars of the Group's borrowings and debt securities as at 30 September 2025 are as follows:

	RM'000
Unsecured short-term borrowings	270,845

There were no borrowings denominated in foreign currencies as at 30 September 2025.

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.

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")

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

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 ("**Singapore Court Judgment**"):-.

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. In October 2023, SHRC (i) filed an application for the recognition of the Singapore Court Judgment in Italy; and (ii) appealed to the Italian Supreme Court against the decision of the Italian Court of Appeal. On 10 April 2024, the Italian Court of Appeal delivered its decision and recognised the Singapore Court Judgment as enforceable in Italy. SHRC took steps to enforce the Singapore Court Judgment in Italy by freezing Danieli's bank accounts in Italy and attaching the receivable debts owed by Danieli's clients in Italy. Danieli is opposing and challenging the enforcement actions in Italy. In July 2024, the Court allowed Danieli's application to stay the enforcement actions in Italy. SHRC's appeal against the Court's decision was dismissed in October 2024. SHRC's next step in pursuing enforcement in Italy is pending the outcome of Danieli's challenge on the enforcement actions, which is fixed for hearing at the end of January 2025.

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 November 2023, the Court rejected Danieli's application to stay the enforcement actions in France. In October 2024, SHRC received EUR 423,837.29 as part of the enforcement actions in France.

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

In Luxembourg, the court bailiff has seized (saisie arret conservatoire) the shares of two of Danieli's wholly owned subsidiaries, which are now frozen. In September 2023, the Court rejected Danieli's application for interim reliefs against the attachments in Luxembourg. In October 2024, the Court ordered Danieli to deposit EUR 37.18mil with Caisse de Consignation (a French bank) and ordered that this amount remains frozen until a final decision is made on Danieli's challenge against the recognition order of the First Award in Luxembourg. The shares of Danieli's subsidiaries in Luxembourg will be lifted as soon as the amount is deposited by Danieli. SHRC is seeking advice from its lawyers on the next course of action.

Danieli has filed appeals against the enforcement and recognition orders obtained in Luxembourg and France. In France, the hearing of Danieli's appeal is fixed on 4 February 2025, while in Luxembourg, no hearing date has 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. A Court order recognising the Second Award as a judgment of the High Court ("Court Order") was served on SHRC on 15 January 2024. SHRC's application to set aside the Court Order was dismissed by the High Court on 8 October 2024. SHRC has filed an appeal against the decision and seeking advice from its lawyers on applying for a stay pending appeal.

Settlement

On 6 November 2024, SHRC had entered into a settlement agreement ("**Settlement Agreement**") with Danieli, DMSB and Danieli Thailand (collectively, "**Danieli Entities**"), to fully and finally settle the legal proceedings commenced in connection with the First Award and Second Award ("**Legal Proceedings**"). Pursuant to the terms of the Settlement Agreement:

(i) SHRC and Danieli Entities have deposited with an independent escrow stakeholder jointly appointed by SHRC and Danieli Entities ("**Escrow Stakeholder**"):

(a) letters of instructions to their respective lawyers to withdraw, discontinue and/or terminate, with prejudice, the respective Legal Proceedings initiated by them; and

(b) plant transfer agreement transferring ownership of the Plant to Danieli upon fulfilment of certain conditions ("**PTA**"),

(collectively called "**the Escrow Documents**").

Upon confirmation of receipt of the monies referred to in paragraphs (ii) and (iii) below by the relevant persons, the Escrow Stakeholder shall release (a) the Escrow Documents to the lawyers of the respective parties for them to proceed with the withdrawals, discontinuance or termination of the Legal Proceedings; and (b) the PTA to SHRC and Danieli Entities.

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

Settlement (cont'd)

(ii) Danieli Entities shall make the following payments to SHRC's bank account:

(a) EUR28,378,376.56 and USD119,233.00 being the first settlement sum in respect of the Plant;

(b) EUR3,550,000 being 50% of the balance settlement sum of EUR7,100,000 in respect of the Plant; and

(c) EUR700,000 being 10% of the equipment price of EUR7 million for the purchase of certain fixed assets comprising unused spare parts and equipment ("**Equipment**") from SHRC.

(iii) Danieli Entities shall also pay EUR3,550,000, being the remaining balance settlement sum ("**Second Balance Settlement Payment**") into the Escrow Stakeholder's bank account to be released by the Escrow Stakeholder to SHRC after Danieli Entities have inspected the Plant and issued or deemed to issue a notice of clearance to the Escrow Stakeholder. In the event Danieli Entities claim that there are missing parts or components, and the matter cannot be resolved between the parties, the dispute shall be referred to an independent expert whose adjustment to the Second Balance Settlement Payment shall be final and binding on the parties.

(iv) Danieli Entities have agreed to purchase the Equipment from SHRC on an "as is where is" basis at the equipment price as described in subparagraph (ii)(c) above ("**Equipment Price**"). The Equipment Price is payable as follows:

(a) The First Equipment Price being 10% of the Equipment Price is payable upon signing of the Settlement Agreement, as mentioned in subparagraph (ii)(c) above;

(b) 45% of the Equipment Price upon Danieli Entities issuing a notice of clearance in respect of the Equipment. In the event Danieli Entities allege that there are missing parts or components, and the matter cannot be resolved by the parties, the dispute shall be referred to an independent expert whose adjustment to the Equipment Price shall be final and binding on the parties; and

(c) 45% of the Equipment Price (if there are no adjustments) prior to or upon removal of the Equipment by Danieli Entities from SHRC's site.

(v) SHRC will grant access to its site to Danieli Entities for Danieli Entities to dismantle and remove the Plant from SHRC's site with such access to last for a period ending on 6 November 2025.

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

Settlement (cont'd)

On 12 November 2024,

1. SHRC has received the following payments by Danieli:
   a) EUR28,378,376.56 and USD119,233.00 being the First Settlement Sum in respect of the Plant;

   b) EUR3,550,000 being 50% of the Balance Settlement Sum of EUR7,100,000 in respect of the Plant; and

   c) EUR700,000 being 10% of the Equipment Price of EUR7,000,000 for the purchase of Equipment by Danieli Italy from SHRC.

2. The Escrow Stakeholder has received EUR3,550,000 in the Escrow Stakeholder's bank account to be released in accordance with Paragraph 2.2 of the Announcement.

3. Following the receipt of the abovementioned monies, the Settlement Agreement has now become effective and binding on the Parties.

On 3 February 2025, SHRC has received EUR3,550,000 being 50% of the Second Balance Settlement Sum of EUR7,100,000 in respect of the Plant by Escrow Stakeholder.

On 14 February 2025, SHRC has received UR6,300,000 being 90% of the Equipment Price of EUR7,000,000 for the purchase of Equipment by Danieli Italy from SHRC.

Both parties acknowledge that full and final settlement has been made pursuant to the Settlement Agreement, with no further claims or recourse arising therefrom by either party.

21. **Dividend**

The Board does not recommend any interim dividend for the quarter ended 30 September 2025.

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 RM30,537,000 by the weighted average number of ordinary shares during the quarter of 1,501,113,290.

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 RM60,432,000 by the weighted average number of ordinary shares during the period of 1,111,026,097.

Weighted average number of ordinary shares

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter 30/09/2025 '000	**Preceding Year Corresponding Quarter 30/09/2024 '000**	**Current Year-To-Date 30/09/2025 '000**	**Preceding Year Corresponding Period 30/09/2024 '000**
Issued ordinary shares at beginning of period	1,501,113	-	596,313	-
ESS Trust Shares held at beginning of period	-	-	(88)	-
	1,501,113	-	596,225	-
Issuance of shares	-	-	514,766	-
Effect of ESS Trust Shares purchased	-	-	(43)	-
Effect of ESS Trust Vested	-	-	78	-
Weighted average number of ordinary shares (basic)	1,501,113	-	1,111,026	-
Basic loss per ordinary share (sen)	(2.03)	-	(5.44)	-

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

The Group’s diluted earnings/(loss) per ordinary share in the quarter under review is the same as the basic earnings/(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 September 2025, the contract amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Contract amount RM'000	Fair Value Assets/ (Liabilities) RM'000
Less than 1 year	122,770	52

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 16.

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 FY2024.

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

Yeow Sze Min
Low Seow Wei
Tan Rou Yiing
Company Secretaries

26 November 2025