南達

Southern Steel Berhad

A Member of the Hong Leong Group

Annual Report **2022**

What's Inside

1 AT A GLANCE

02 Company Profile
03 Corporate Information
04 Notice of Annual General Meeting and Statement Accompanying Notice of Annual General Meeting
11 Board of Directors
15 Key Senior Management

2 CHAIRMAN'S STATEMENT — *pg 16*

3 MANAGEMENT DISCUSSION AND ANALYSIS — *pg 17*

4 GROUP FINANCIAL HIGHLIGHTS — *pg 19*

5 SUSTAINABILITY STATEMENT — *pg 20*

6 GOVERNANCE

57 Corporate Governance Overview Statement, Risk Management and Internal Control
72 Board Audit & Risk Management Committee Report

7 FINANCIAL STATEMENTS — *pg 76*

8 OTHER INFORMATION

185 Other Information

Form of Proxy

Company Profile

Southern Steel Berhad ("SSB") is a public listed company and its shares are traded on the Main Market of Bursa Malaysia Securities Berhad.

SSB is principally an investment holding company and involved in the manufacturing, sale and trading in steel bars and related products whilst the principal activities engaged by its subsidiaries are that of manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete strands, bars and wires, steel pipes, steel wires and other related products, and investment holding.

SSB also has an associated company which is involved in the manufacturing and trading of steel bars.

VISION

To be a supplier of choice achieving total customer satisfaction and enhancing shareholder value through technology driven products and continuous improvement culture

MISSION

We are committed to deliver sustainable stakeholder value through customer-centric partnerships with innovative products and solutions to co-create values in the industry

Corporate Information

DIRECTORS

YBhg Datuk Kwek Leng San
(Chairman)

Mr Yeoh Choon Kwee
(Group Managing Director)

YBhg Dato' Dr Tan Tat Wai

Dr Kwa Lay Keng

YBhg Dato' Ahmad Johari Bin Abdul Razak

YBhg Dato' Tan Ang Meng

Ms Chin Siew Siew

COMPANY SECRETARIES

Ms Wong Wei Fong
Ms Zoe Lim Hoon Hwa

AUDITORS

KPMG PLT
Level 18, Hunza Tower
163E Jalan Kelawei
10250 Penang
Tel : 04-238 2288
Fax : 04-238 2222

REGISTRAR

Hong Leong Share Registration Services Sdn Bhd
Level 25, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2088 8818
Fax : 03-2088 8990

REGISTERED OFFICE

Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9200
Fax : 03-2080 9238

COUNTRY OF INCORPORATION/ DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Sixtieth Annual General Meeting of Southern Steel Berhad ("the Company") will be held at Training Room C, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang, Malaysia on Thursday, 10 November 2022 at 11.00 a.m. in order:

1. To lay before the meeting the audited financial statements together with the reports of the Directors and Auditors thereon for the financial year ended 30 June 2022.

2. To approve the payment of Director Fees of RM545,220/- (2021: RM503,287/-) for the financial year ended 30 June 2022, to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM46,000/- from the Sixtieth Annual General Meeting ("AGM") to the Sixty-first AGM of the Company. **Resolution 1**

3. To re-elect the following Directors pursuant to the Company's Constitution:

   (a) YBhg Datuk Kwek Leng San **Resolution 2**
   (b) Ms Chin Siew Siew. **Resolution 3**

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

SPECIAL BUSINESS

As special business, to consider and, if thought fit, pass the following motions as resolutions:

5. **Ordinary Resolution**
   - Authority To Directors To Allot Shares
   - Waiver Of Pre-Emptive Rights Over New Ordinary Shares ("Shares") Or Other Convertible Securities In The Company Under Section 85(1) Of The Companies Act 2016 ("Act") Read Together With Clause 50 Of The Constitution Of The Company

   "**THAT** subject to the Act, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ["MMLR"], the Company's Constitution and approval of the relevant governmental regulatory authorities, if required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Act to issue and allot new Shares in the Company, grant rights to subscribe for Shares in the Company, convert any security into Shares in the Company, or allot Shares under an agreement or option or offer at any time and from time to time, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, to any persons who are not caught by Paragraph 6.04(c) of the MMLR provided that the aggregate number of Shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued Shares of the Company for the time being and that the Directors be and are also empowered to obtain approval for the listing of and quotation for the additional Shares so allotted on Bursa Securities and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company.

   AND THAT in connection with the above, pursuant to Section 85(1) of the Act read together with Clause 50 of the Constitution of the Company, the shareholders of the Company do hereby waive their pre-emptive rights over all new Shares, options over or grants of new Shares or any other convertible securities in the Company and/or any new Shares to be issued pursuant to such options, grants or other convertible securities, such new Shares when issued, to rank pari passu with the existing Shares in the Company." **Resolution 5**

Notice of Annual General Meeting

(Cont'd)

6. **Ordinary Resolution**
- Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Company (Malaysia) Berhad ("HLCM"), GuoLine Capital Assets Limited ("GCA") And Persons Connected With Them

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(A) of the Circular to Shareholders dated 12 October 2022 with HLCM, GCA and persons connected with them ("Hong Leong Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Leong Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

Resolution 6

7. **Ordinary Resolution**
- Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Bee Hardware Company, Sdn Berhad ("Hong Bee Hardware") And Its Subsidiary

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 12 October 2022 with Hong Bee Hardware and its subsidiary ("Hong Bee Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the Hong Bee Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

Resolution 7

Notice of Annual General Meeting

(Cont'd)

8. **Ordinary Resolution**
- Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature With Hong Leong Investment Holdings Pte. Ltd. ("HLIH") And Persons Connected With HLIH

"**THAT** approval be and is hereby given for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature as set out in Section 2.3(B) of the Circular to Shareholders dated 12 October 2022 with HLIH and persons connected with HLIH ("HLIH Group") provided that such transactions are undertaken in the ordinary course of business, on commercial terms which are not more favourable to the HLIH Group than those generally available to and/or from the public, where applicable, and are not, in the Company's opinion, detrimental to the minority shareholders;

AND THAT such approval shall continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed; or
(b) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this ordinary resolution."

Resolution 8

9. **Ordinary Resolution**
- Proposed Establishment Of A New Executive Share Scheme Comprising A Proposed New Executive Share Option Scheme ("Proposed ESOS") And A Proposed New Executive Share Grant Scheme ("Proposed ESGS") Of Up To 10% Of The Total Number Of Issued Ordinary Shares In Southern Steel Berhad ("SSB" or "Company") (Excluding Treasury Shares) For The Eligible Executives And/Or Directors Of SSB And Its Subsidiaries (Collectively, "Eligible Executives") (The Proposed ESOS And The Proposed ESGS Shall Collectively Be Called "Proposed ESS")
- Waiver Of Pre-Emptive Rights Over New Ordinary Shares ("Shares") Or Other Convertible Securities In SSB Under Section 85(1) Of The Companies Act 2016 ("Act") Read Together With Clause 50 Of The Constitution Of SSB

"**THAT**, subject to the approvals of the relevant authorities and/or parties (where applicable) being obtained, approval be and is hereby given to the Directors of SSB ("Board of SSB") to:

(i) approve the draft bye-laws ("Bye-Laws") of the Proposed ESS as set out in Appendix I of the Circular to Shareholders of SSB in relation to the Proposed ESS and Proposed Allocation (as defined herein) dated 12 October 2022 ("Circular - ESS");

(ii) establish and implement the Proposed ESS in accordance with the provisions of the Bye-Laws; and that the Proposed ESS shall be administered by the Board of SSB or board of directors of the relevant subsidiaries of SSB (as the case may be, in respect of Eligible Executives in the said subsidiary only) or a duly authorised committee thereof or an individual authorised by the relevant board of directors;

Notice of Annual General Meeting

(Cont'd)

(iii) allot and issue such number of new Shares, transfer treasury Shares, transfer existing Shares and/or cash settle, from time to time to the Eligible Executives upon the exercise of options under the Proposed ESOS ("Options") and/or vesting of grants under the Proposed ESGS ("Grants"), subject to the terms and conditions of the Bye-Laws, provided that at any point of time during the existence of the Proposed ESS, the aggregate number of Shares comprised in the Options and/or Grants under the Proposed ESS, and any other executive share schemes established by SSB which are still subsisting, shall not exceed an amount equivalent to 10% of the total number of issued Shares (excluding treasury Shares) at any one time; and that any new Shares which are to be allotted and issued pursuant to the Proposed ESS shall, upon allotment and issue, rank equally in all respects with the existing issued Shares, except that they will not rank for any dividend, right, entitlement and/or distribution, in respect of which the record date precedes the allotment date of the new Shares and will be subject to all the provisions of the Constitution of the Company relating to transfer, transmission or otherwise;

(iv) add, amend, modify and/or delete all or any part of the terms and conditions as set out in the Bye-Laws, from time to time provided that such addition, amendment, modification and/or deletion are effected in accordance with the provisions of the Bye-Laws; and

(v) do all such acts, execute all such documents and to enter into all such transactions, arrangements and agreements, deeds or undertakings and to make such rules or regulations, or impose such terms and conditions to delegate its power as may be necessary or expedient in order to give full effect to the Proposed ESS;

AND THAT the Board of SSB be and is hereby authorised to give effect to the Proposed ESS with full power to assent to any conditions, modifications, variations and/or amendments in any manner as may be required by the relevant authorities and to deal with all matters relating thereto and take all such steps and do all acts, deeds and things as they may consider necessary and/or expedient to implement, finalise and give full effect to the Proposed ESS as the Board of SSB deems fit, appropriate and in the best interest of the Company;

AND THAT pursuant to Section 85(1) of the Act read together with Clause 50 of the Constitution of SSB, the shareholders of SSB do hereby waive their pre-emptive rights over all Options, Grants and/or any new Shares to be issued pursuant to the exercise of such Options by and/or the vesting of such Grants in the Eligible Executives including the Group Managing Director of SSB, such new Shares, when issued, to rank pari passu with the existing Shares.

Resolution 9

10. **Ordinary Resolution**
- Proposed Allocation Of Options And/Or Grants To The Group Managing Director Of SSB ("Proposed Allocation")

"**THAT** subject to the passing of Ordinary Resolution 9 above and for so long as such approval remains in force and the approvals of all relevant authorities and/or parties (where applicable) being obtained, authority be and is hereby given to the Board of SSB, from time to time, to offer to Mr Yeoh Choon Kwee, the Group Managing Director of SSB, Options to subscribe for/purchase such number of Shares and/or Grants comprising such number of Shares under the Proposed ESS as they shall deem fit PROVIDED THAT not more than 10% of the Maximum Aggregate (as defined in the Bye-Laws) are allotted to him if he, either singly or collectively through persons connected with him, holds 20% or more of the total number of issued Shares (excluding treasury Shares) subject always to such terms and conditions and/or any adjustment which may be made in accordance with the provisions of the Bye-Laws."

Resolution 10

Notice of Annual General Meeting

(Cont'd)

11. To consider any other business of which due notice shall have been given.

By Order of the Board

Wong Wei Fong
SSM PC No. 201908001352
MAICSA 7006751

Zoe Lim Hoon Hwa
SSM PC No. 202108000147
MAICSA 7031771

Company Secretaries

Kuala Lumpur
12 October 2022

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 2 November 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

2. *Save for a member who is an exempt authorised nominee, a member entitled to attend and vote at this meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote in his stead. A proxy may but need not be a member of the Company. A member who is an authorised nominee may appoint not more than two (2) proxies in respect of each securities account it holds. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*

3. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid.*

4. *The Form of Proxy must be deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*

5. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice will be put to a vote by way of a poll.*

Explanatory Notes:

1. *Resolution 1 - Director Fees And Directors' Other Benefits*

   Director Fees of RM545,220/- are inclusive of Board Committee Fees of RM191,467/-; and Directors' Other Benefits refer to Directors and Officers Liability Insurance coverage based on premium paid/payable and Directors' training benefits of up to an amount of RM46,000/-.

2. *Resolutions 2 to 3 - Re-Election of Directors*

   The Nominating Committee ("NC") has considered the performance and contribution of each of the retiring Directors and has also assessed the independence of the Independent Non-Executive Director ("ID") seeking for re-election at the Sixtieth Annual General Meeting ("AGM").

   Based on the results of the Board Annual Assessment conducted for the financial year ended 30 June 2022, the performance of each of the retiring Directors was found to be satisfactory with the retiring ID complied with the independence criteria as required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

   The Board has endorsed the NC's recommendation on the re-election of the retiring Directors. The retiring Directors had abstained from deliberations and decisions on their own re-election at the NC and Board meetings.

   The details and profiles of the Directors who are standing for re-election at the Sixtieth AGM are provided in the Board of Directors section on pages 11 to 14 of the Company's Annual Report 2022.

Notice of Annual General Meeting

(Cont'd)

3. *Resolution 5 - Authority To Directors To Allot Shares And Waiver Of Pre-Emptive Rights*

   The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary shares ("Shares") of the Company from time to time and expand the mandate to grant rights to subscribe for Shares in the Company, convert any security into Shares in the Company, or allot Shares under an agreement or option or offer, provided that the aggregate number of Shares issued and allotted, to be subscribed under any rights granted, to be issued from conversion of any security, or to be issued and allotted under an agreement or option or offer, pursuant to this resolution does not exceed 10% of the total number of issued Shares of the Company for the time being ("Renewed General Mandate"). In computing the aforesaid 10% limit, Shares issued or agreed to be issued or subscribed pursuant to the approval of shareholders in a general meeting where precise terms and conditions are approved shall not be counted. The Renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

   As at the date of this Notice, no new Shares in the Company were issued and allotted pursuant to the general mandate given to the Directors at the last AGM held on 1 December 2021 and which will lapse at the conclusion of the Sixtieth AGM. The Renewed General Mandate will enable the Directors to take swift action in case of, inter alia, a need for corporate exercises or in the event business opportunities or other circumstances arise which involve the issuance and allotment of new Shares, grant of rights to subscribe for Shares, conversion of any security into Shares, or allotment of Shares under an agreement or option or offer, and to avoid delay and cost in convening general meetings to approve the same.

   Please refer Section 85(1) of the Companies Act 2016 ("Act") and Clause 50 of the Constitution of the Company as detailed below.

4. *Resolutions 6 to 8 - Proposed Renewal Of Shareholders' Mandate For Recurrent Related Party Transactions Of A Revenue Or Trading Nature*

   The proposed ordinary resolutions, if passed, will empower the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Southern Steel Berhad ("SSB") Group, subject to the transactions being in the ordinary course of business and on terms which are not more favourable to the related parties than those generally available to and/or from the public and are not, in the Company's opinion, detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate").

   Detailed information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 12 October 2022, which is available on the Company's website at www.southsteel.com/gm-current.

5. *Resolutions 9 to 10 – Proposed ESS and Proposed Allocation*

   The Company currently has in place an existing 10-year executive share scheme, comprising executive share option scheme ("Existing ESOS") and executive share grant scheme ("Existing ESGS"), which was implemented on 28 February 2014 ("Existing ESS").

   The Existing ESS has a remaining period of less than 2 years up to its expiry on 27 February 2024. In view that most of the options offers and/or grant offers ("Offers") are performance based with performance period straddling 3 years or more, any new Offers would need to be made under a new executive share scheme with a longer expiry period. Notwithstanding the establishment and implementation of the Proposed ESS, the aggregate number of Shares available under the Proposed ESS and Existing ESS shall not, in any event, exceed 10% of the total number of issued Shares (excluding treasury Shares) at any one time.

   The proposed ordinary resolutions, if passed, will enable the Company to align the long-term interests of eligible executives and/or directors of SSB and its subsidiaries with those of the shareholders of the Company, as well as to motivate and reward them.

   Please refer Section 85(1) of the Act and Clause 50 of the Company's Constitution as detailed below.

   Detailed information on the Proposed ESS and Proposed Allocation is set out in the Circular to Shareholders dated 12 October 2022, which is available on the Company's website at www.southsteel.com/gm-current.

Notice of Annual General Meeting

(Cont'd)

Details Of Section 85(1) Of The Act And Clause 50 Of The Company's Constitution

Pursuant to Section 85(1) of the Act read together with Clause 50 of the Constitution of the Company, shareholders have pre-emptive rights to be offered any new Shares in the Company which rank equally to the existing issued Shares or other convertible securities.

Section 85(1) of the Act provides as follows:

"85. Pre-emptive rights to new shares

(1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders."

Clause 50 of the Constitution of the Company provides as follows:

"50. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities, shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled...

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person."

In order for the Board to issue any new Shares or other convertible securities free of pre-emptive rights, such pre-emptive rights must be waived. The proposed ordinary resolutions, if passed, will exclude your pre-emptive rights over all new Shares, options over or grant of new Shares or any other convertible securities in the Company and/or any new Shares to be issued pursuant to such options, grants or other convertible securities under the Authority To Directors To Allot Shares and pre-emptive rights over options or grants offered or to be offered pursuant to the Proposed ESS and/or any new Shares to be issued by the Company pursuant to the Proposed ESS.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

1. Details of individuals who are standing for election as Directors

   No individual is seeking election as a Director at the Sixtieth Annual General Meeting of the Company.

2. Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

   Details of the general mandate to allot shares in the Company pursuant to Sections 75 and 76 of the Companies Act 2016 are set out in Explanatory Note 3 of the Notice of the Sixtieth Annual General Meeting.

Board of Directors

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/ Non-Independent

Age 67, Male, Singaporean

Datuk Kwek Leng San graduated from University of London with a Bachelor of Science (Engineering). He also holds a Master of Science (Finance) from City University London. He has extensive business experience in various business sectors, including financial services and manufacturing.

Datuk Kwek was appointed to the Board of Directors ("Board") of Southern Steel Berhad ("SSB") on 27 October 1992 and assumed the position of Chairman on 18 June 2003. He does not sit on any Board committee of SSB.

He is the Chairman of Hong Leong Industries Berhad, Malaysian Pacific Industries Berhad and Hume Cement Industries Berhad, companies listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is also a Director of Hong Leong Company (Malaysia) Berhad, a public company.

MR YEOH CHOON KWEE

Group Managing Director/ Non-Independent

Age 54, Male, Singaporean

Mr Yeoh Choon Kwee graduated from Nanyang Technological University with a Bachelor of Electrical and Electronics Engineering (Honours). He also holds a Master of Business Administration from the Nanyang Business School, Singapore.

Mr Yeoh has over 28 years of experience in the steel industry, starting as an Applied Research and Development engineer in NatSteel Limited ("NatSteel"), Singapore, in 1993. He subsequently held various operational and management roles in Singapore and overseas. In 2005, Mr Yeoh served as the Managing Director of a leading pre-stressed concrete wires company in Thailand. Concurrently, he was also the Managing Director of a new start-up joint venture company with a Japanese public listed company in the steel wire business. In 2013, Mr Yeoh returned to Singapore to head the Building Solutions business of NatSteel.

Mr Yeoh joined SSB Group in December 2017 as the Managing Director of SSB, a position he held until August 2021. He had brought commercial discipline, professionalised sales management and had driven a focus on digitalisation agenda within the business divisions he managed. Mr Yeoh was appointed as Group Managing Director of SSB on 27 August 2021 and is a member of the Research & Development Committee of SSB.

He is a Director of Malaysian Iron & Steel Industry Federation.

Board of Directors

(Cont'd)

YBHG DATO' DR TAN TAT WAI

Non-Executive Director/ Non-Independent

Age 75, Male, Malaysian

Dato' Dr Tan Tat Wai holds a Bachelor of Science in Electrical Engineering and Economics from the Massachusetts Institute of Technology, a Master of Economics from University of Wisconsin-Madison and a PhD in Economics from Harvard University.

He started his career with Bank Negara Malaysia ("BNM") in 1978, undertaking research in economic policies and subsequently as consultant to BNM, World Bank and the United Nations University for several years. He served as the Secretary and a member on the Council of Malaysian Invisible Trade set up to formulate policies to reduce Malaysia's deficit in service trade. He was a member of the Government-appointed Malaysian Business Council, the APEC Business Advisory Council, the Penang Industrial Council, the Industrial Coordination Council (ICC) and the National Committee on Business Competitiveness (NCBC) set up by the Ministry of International Trade and Industry. He was a Council Member for Wawasan Open University.

On 18 May 1984, Dato' Dr Tan was appointed as the Chief Executive Officer ("CEO") as well as a Director of SSB. He was appointed as the Managing Director of SSB in September 1990 and assumed the position of Group Managing Director in December 1993 until 1 January 2014, when he was re-designated as Executive Director of SSB. Subsequently, he was re-designated as Non-Executive Director of SSB in January 2016. Dato' Dr Tan is also a member of the Research & Development Committee of SSB.

Dato' Dr Tan is a Director of NSL Ltd ("NSL"), a public company listed on the Singapore Stock Exchange.

Previously, he was the Chairman of Maybank Philippines Inc. and a Director of Maybank Trustees Berhad, Malayan Banking Bhd, Shangri-La Hotels (M) Bhd and Titan Chemicals Corp. Bhd. He was the President of the Board of Lam Wah Ee Hospital, Penang from 2009 until 2012. He remained as a member of the Board after leaving the presidency. He is also a Vice-President of Phor Tay Schools, Penang Chinese Girls' Schools and the Penang Home For The Infirm and Aged.

DR KWA LAY KENG

Non-Executive Director/ Independent

Age 63, Female, Singaporean

Dr Kwa Lay Keng graduated from University of Leeds, Leeds, United Kingdom ("UK") with a Bachelor of Science in Mechanical Engineering (Honours) and a PhD.

Dr Kwa currently serves as a Director on the Board of Barghest Building Performance Pte Ltd and Sembcorp Industries Ltd. She is also the Board member of Science and Engineering Advisory Council, A*Star, Singapore and Agency for Science, Technology and Research (A*Star), Singapore.

Dr Kwa started her career as a Senior Officer with the Singapore Economic Development Board in 1983. She joined NSL in 1988 and was appointed the Group Chief Operating Officer of NSL in July 2005. In January 2011, she was appointed the CEO of NSL and retired in the same year.

Dr Kwa was appointed to the Board of SSB on 4 February 2013. She is the Chairman of the Research & Development Committee and a member of the Board Audit & Risk Management Committee of SSB.

Board of Directors

(Cont'd)

YBHG DATO' AHMAD JOHARI BIN ABDUL RAZAK

Non-Executive Director/ Independent

Age 67, Male, Malaysian

Dato' Ahmad Johari Bin Abdul Razak graduated from University of Kent, UK with a Bachelor of Law and is qualified as a Barrister-at-Law, Lincoln's Inn.

Dato' Ahmad Johari started his career as a Chambering Student/Legal Assistant with Rithaudeen & Aziz in January 1977 before joining Shearn Delamore & Co ("Shearn Delamore") in 1979. Prior to his retirement from Shearn Delamore on 31 December 2017, he was a Partner in the Corporate Department handling legal matters related to listing/restructuring/acquisition of companies, joint ventures, loans as well as company secretarial matters. Presently, he is a consultant at Ancom Nylex Berhad, an investment holding company listed on the Main Market of Bursa Securities and involved in the provision of management services to subsidiary companies.

Dato' Ahmad Johari was appointed to the Board of SSB on 16 April 2018. He is the Chairman of the Nominating Committee and Remuneration Committee and also a member of the Board Audit & Risk Management Committee of SSB.

He is also a Director of Daiman Development Berhad and Daiman Golf Berhad, both public companies.

YBHG DATO' TAN ANG MENG

Non-Executive Director/ Independent

Age 66, Male, Malaysian

Dato' Tan Ang Meng is a Certified Public Accountant and was admitted to the membership of the Malaysian Institute of Certified Public Accountants in 1980.

Dato' Tan started his career in 1975 with PricewaterhouseCoopers, Kuala Lumpur in the audit division and subsequently joined UMW Holdings Berhad in 1981 as Group Accountant. In 1983, he joined Guinness Malaysia Berhad as Financial Controller and Deputy Company Secretary. Following the merger between Guinness Malaysia Berhad and Malayan Breweries (Malaya) Sdn Bhd, he was transferred to Asia Pacific Breweries Ltd in 1991 and served within the Group until 2001. In March 2001, he was appointed as CEO of Fraser & Neave Holdings Berhad, a position he held until his retirement in November 2010.

Dato' Tan was appointed to the Board of SSB on 12 May 2021. He is the Chairman of the Board Audit & Risk Management Committee and also a member of the Nominating Committee and Remuneration Committee of SSB.

Dato' Tan is a Director of GLM REIT Management Sdn Bhd, the Manager of Tower Real Estate Investment Trust and Red Sena Berhad (under members' voluntary liquidation), both listed on the Main Market of Bursa Securities and a Director of QBE Insurance (Malaysia) Berhad, a public company.

Board of Directors

(Cont'd)

MS CHIN SIEW SIEW

Non-Executive Director/ Independent

Age 58, Female, Malaysian

Ms Chin Siew Siew graduated from University of Arkansas, United States of America with a Bachelor of Computer Science.

Ms Chin has more than 30 years of information technology (IT) management experience. She started her career in programming and progressed to leadership roles in multinational corporations. Her last 23 years of working experience were with IBM where she served as the country Chief Digital Officer and as the ASEAN Services Leader for IBM Multivendor Business before retiring in 2019. At IBM Malaysia, her accomplishments included transforming businesses for small and medium-sized enterprises ("SMEs") and leveraging on digital technologies for business growth. In support of the SMEs, she led the building of a Centre of Digital Excellence as the hub and relevant connections to start-ups, investment partners, technology partners, as well as government stakeholders in the country. Her experience and exposure extended beyond Malaysia to the ASEAN countries where she held several leadership roles in the Global Technology Services group, driving the execution of IBM's strategic initiatives across the region.

Ms Chin was appointed to the Board of SSB on 1 July 2022. She is a member of the Nominating Committee and Remuneration Committee of SSB.

Ms Chin is a Director of Kenanga Investment Bank Berhad, a company listed on the Main Market of Bursa Securities. She is also a Director of SW Homeowners Berhad and AIG Malaysia Insurance Berhad, both public companies.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   YBhg Datuk Kwek Leng San is a brother of YBhg Tan Sri Quek Leng Chan, a major shareholder of SSB. Save as disclosed herein, none of the Directors has any family relationship with any other Director and/or major shareholder of SSB.
2. ***Conflict of Interest***
   None of the Directors has any conflict of interest with SSB.
3. ***Conviction of Offences***
   None of the Directors has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.
4. ***Attendance of Directors***
   Details of Board meeting attendance of each Director are disclosed in the Corporate Governance Overview Statement, Risk Management And Internal Control in the Annual Report.

Key Senior Management

MR ANG MENG CHUAN

Chief Financial Officer, Southern Steel Berhad

Age 60, Male, Malaysian

Mr Ang Meng Chuan holds a professional accountancy qualification and is a Fellow of the Association of Chartered Certified Accountants.

Mr Ang started his career in a public accounting firm in 1986 before joining the Hong Leong Group in 1989 where he has served in various capacities ranging from finance to projects and operations. In 2001, Mr Ang was transferred to Southern Steel Berhad ("SSB") as Financial Controller and subsequently held various senior management positions in several subsidiaries of SSB. He assumed the position of Group Financial Controller of SSB on 3 August 2016 until 1 January 2017 when he was re-designated as Chief Financial Officer.

MR CHEONG KHAI KONG

Managing Director, Southern Steel Berhad, Bar & Rod Business

Age 59, Male, Malaysian

Mr Cheong Khai Kong graduated from University Science Malaysia with a Bachelor of Applied Science (Honours). He also holds a Certified Diploma in Accounting & Finance from the Association of Chartered Certified Accountants and a Master of Business Administration from University of Nottingham, United Kingdom.

Mr Cheong started his career in Carsem (M) Sdn Bhd, a related company, as Production Supervisor before he joined the SSB Group as Management Trainee in 1987. He held various senior management positions within the SSB Group before assuming the position of Chief Operating Officer of Rod Division on 1 June 2012. Mr Cheong moved on to Southern Steel Rod Sdn Bhd ("SSR"), a wholly-owned subsidiary of SSB, on 1 June 2015, to assume the position of Chief Operating Officer until 1 April 2017 when he was re-designated as Managing Director of SSR.

Mr Cheong was appointed as the Managing Director of SSB, Bar & Rod Business on 1 September 2021.

Notes:

1. ***Family Relationship with Director and/or Major Shareholder***
   None of the Key Senior Management has any family relationship with any Director and/or major shareholder of SSB.
2. ***Conflict of Interest***
   None of the Key Senior Management has any conflict of interest with SSB.
3. ***Conviction of Offences***
   None of the Key Senior Management has been convicted of any offences (excluding traffic offences) within the past 5 years and there were no public sanctions or penalties imposed by the relevant regulatory bodies during the financial year ended 30 June 2022.

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Southern Steel Berhad ("the Company"), I am pleased to present the Annual Report and Financial Statements of the Group and of the Company for the financial year ended 30 June 2022 ("FY 2022").

The Group recorded a profit before taxation ("PBT") of RM84 million (excluding impairment on Other Receivables of RM176 million) in FY 2022, a significant improvement over the PBT of RM47 million in the financial year ended 30 June 2021 ("FY 2021"). After a strong recovery from the Covid-19 pandemic in FY 2021, steel demand became sluggish in the second half of FY 2022 due to supply chain disruptions and developing geopolitical risks. With the setting aside by the Singapore Court of Appeal of the arbitration award of RM176 million in a material arbitration case, it reversed the PBT of the Group into a loss before taxation of RM92 million for FY 2022.

Given the volatile market conditions, the Group will continue its cost mitigation efforts and manage its businesses in accordance with the market changes. In addition, the Group will emphasise on environmental, social and governance ("ESG") matters to enhance its sustainable value and uphold the trust of stakeholders.

On behalf of the Board, I warmly welcome Ms Chin Siew Siew, who was appointed as an Independent Non-Executive Director of the Company in July 2022 and I look forward to her support and contributions. I also extend our sincere appreciation to Mr Ang Kong Hua who retired as an Independent Non-Executive Director of the Company for his valuable guidance and contributions to the Group.

Last but not least, I wish to express my sincere appreciation to the Board of Directors, our management team and all our employees for their commitment, contribution and dedication to the Group. Our appreciation also goes to our valued customers, financiers, business associates, vendors, shareholders and the Government for their continuous support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman

Management Discussion And Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Southern Steel Berhad ("SSB") is a public company listed on the Main Market of Bursa Malaysia Securities Berhad.

The SSB Group of Companies ("the Group") is an established producer of a wide range of high quality steel products, and broadly categorised under the following segments:

- Upstream business: includes billets, steel bars and wire rods.
- Downstream business: includes cut and bend bars, wire mesh, pre-stressed concrete steel products and steel welded pipes.

The main manufacturing operations of the Group's upstream businesses are located in Prai, while the downstream businesses are in the Northern and Central regions of Peninsular Malaysia. The Group's markets cover the whole of Malaysia and export.

GROUP'S FINANCIAL PERFORMANCE

The Group recorded a higher revenue of RM2,309 million for the financial year ended 30 June 2022 ("FY 2022") as compared with RM1,741 million for the previous financial year ended 30 June 2021 ("FY 2021"). The higher revenue was due to the increased selling prices.

In FY 2022, an impairment was made for Other Receivable of RM176 million. This arose from the Singapore Court of Appeal's decision in setting aside the Damages Order (the order where Danieli & C. Officine Meccaniche S.p.A and Danieli Malaysia Sdn Bhd are to pay Southern HRC Sdn Bhd RM176,245,250 as damages for misrepresentation, awarded by the Arbitration Tribunal in November 2019) as detailed in Note 38 to the Financial Statements on "Material Litigation".

With this impairment, the Group reported a loss before taxation ("LBT") of RM92 million. Excluding this impairment, the operating profit inclusive of discontinued business was RM84 million as compared with RM47 million in FY 2021. Higher profit was due to improved margin.

Management Discussion And Analysis

(Cont'd)

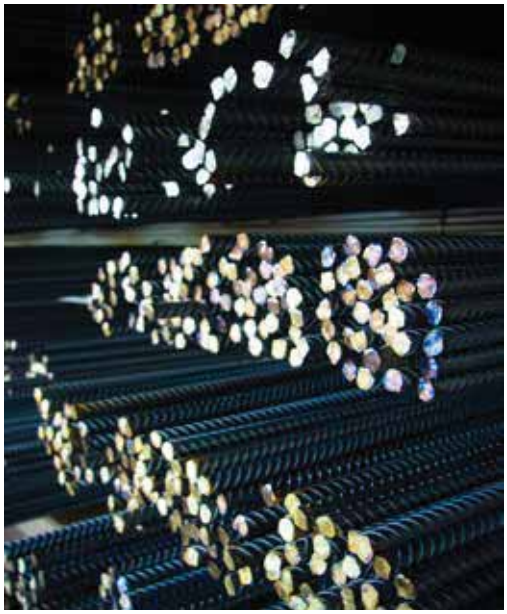
REVIEW OF OPERATIONS

Upstream business:

After a strong recovery from the Covid-19 pandemic in FY 2021, steel demand became sluggish in 2nd half of FY 2022 due to global supply chain disruptions and developing geopolitical risks. Local demand was also affected in the absence of any major infrastructure projects. However, selling prices remained high since the previous financial year in line with international price trends for steel products. Higher profit was due to improved margins.

Downstream business:

The business of wire mesh and cut and bend bar continued to be profitable since the previous financial year from improved margins for new segment products and export. The pre-stressed concrete steel business remained loss making from adverse competition due to a very weak market as many projects came to completion. The pipe business improved its profitability as compared with FY 2021 due to higher steel prices and its focus on higher margin products.



FINANCIAL CONDITION OF THE GROUP

Despite the impact of the Pandemic, global supply chain disruptions and developing geopolitical risks, the Group was able to achieve higher operational profit in the financial year as a result of higher steel prices and our continued efforts on internal restructuring to maintain a leaner cost structure. The Group will continue to be prudent in managing its working capital in light of the volatility of steel prices while maintaining focus on cost containment, new product developments and our channels to the market. As part of our financial management discipline, the Group will continue to monitor the level of debt to capital ratio and borrowing limits for each of the operating companies.

DIVIDEND

No dividend was paid during FY 2022.

KNOWN TREND AND EVENTS WHICH HAVE SIGNIFICANT IMPACT ON OPERATION

Domestic demand for steel in Malaysia is still relatively soft due to weak construction market. China market also remained sluggish with the continued disruption in supply chain from Covid-19 related restrictions, the problems in the property sector and developing geopolitical risks.

Given the unpredictable market conditions, the Group will continue its cost mitigation efforts and manage its businesses in accordance with the market change. In addition, the Group will emphasise on environmental, social and governance ("ESG") matters to enhance its sustainable value and uphold the trust of stakeholders.

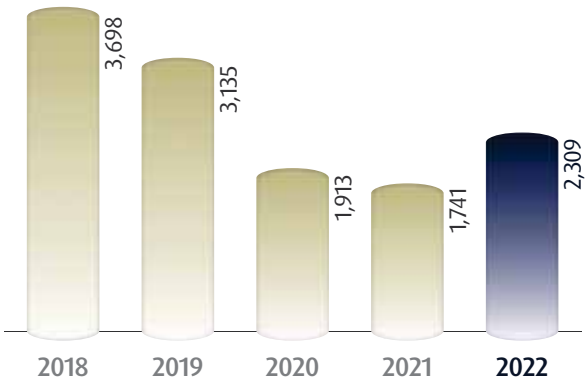
PROSPECTS AND OUTLOOK

Although there has been an improvement in the Group's performance, market conditions going forward remained uncertain due to continued supply chain disruption, labour shortage and uncertainty in global political and economic situations. The Group will continue to be responsive to market changes, maintain a lean cost structure, control inventory levels and to focus and grow the downstream business.

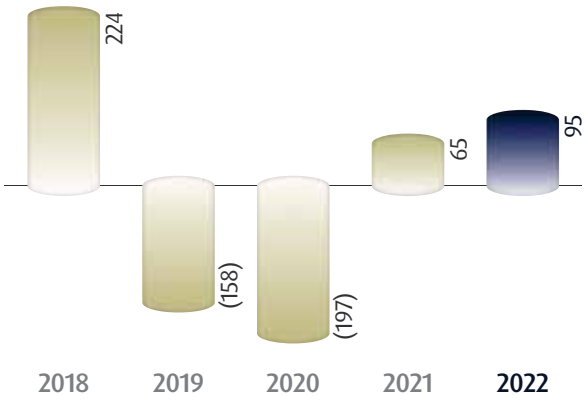
Group Financial Highlights

RM'million	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	3,698	3,135	1,913	1,741	**2,309**
Profit/(Loss) before taxation from continuing operations	224	(158)	(197)	65	**95**
Loss from a discontinued operation	-	-	(259)	(18)	**(188)**
Profit/(Loss) before taxation	224	(158)	(457)	47	**(92)**
Profit/(Loss) attributable to owners of the Company	211	(119)	(467)	48	**(95)**
Exceptional items	-	-	258	-	**176**
Net earning/(loss) per share (sen)	49	(27)	(93)	8	**(16)**
Net dividend per share (sen)	3.5	-	-	-	**-**
Total equity	972	860	678	732	**637**
Total assets	2,489	2,228	2,401	2,354	**1,989**
Capital expenditure	11	11	13	10	**12**

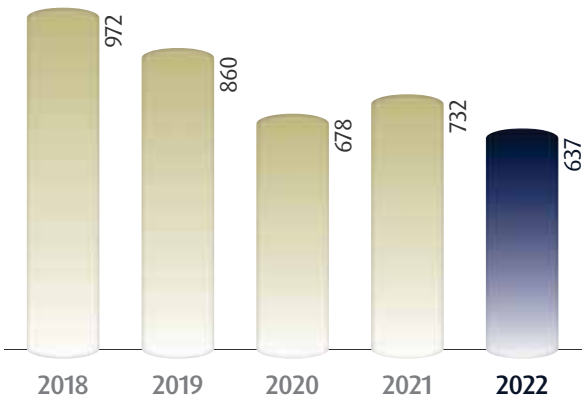
REVENUE
(RM'million)



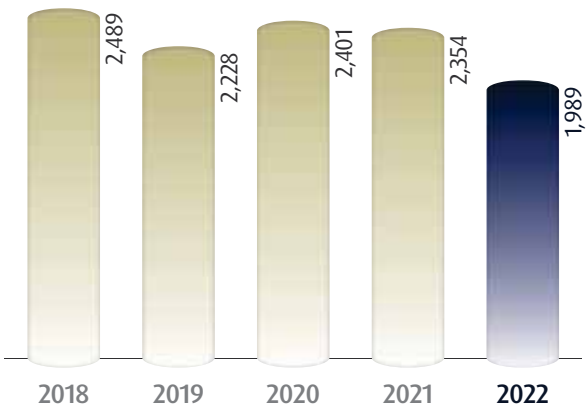
PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS
(RM'million)



TOTAL EQUITY
(RM'million)



TOTAL ASSETS
(RM'million)



SUSTAINABILITY STATEMENT

Contents:

1 INTRODUCTION 21
1.1 Who We Are 21
1.2 About this Report 21
1.2.1 Reporting Scope and Boundary 21
1.2.2 Reporting Period 22
1.2.3 Reporting Standards 22
1.2.4 Reference and Guidelines 22

2 SUSTAINABILITY FRAMEWORK 22
2.1 Sustainability Approach 22
2.2 Sustainability Governance 22
2.3 Governance Structure 23

3 STAKEHOLDER ENGAGEMENT 24

4 MATERIAL SUSTAINABILITY ISSUES 25
4.1 Materiality Assessment 25
4.2 Alignment to the United Nations' Sustainability Development Goals 26

5 DISCLOSURES ON IDENTIFIED MATERIAL SUSTAINABILITY ISSUES 29
5.1 Governance 29
5.1.1 Risk Management 30
5.1.2 Ethics and Integrity 31
5.2 Economic Sustainability 33
5.2.1 Customer Management 34
5.2.2 Supply Chain Management 34
5.2.3 Innovation 35
5.2.4 Product and Quality 36
5.3 Environmental Sustainability 41
5.3.1 Environmental Management 42
5.3.2 Response to Climate Change 43
5.3.3 Circular Economy and Waste Management 44
- Recycling of steel scrap 45
- Waste management 46

5.3.4 Water Management 47
5.3.5 Energy Management 47
5.4 Social Sustainability 49
5.4.1 Occupational Safety and Health 49
- Safety and Health performance 49
- Disaster management 51
- 5S 51

5.4.2 Human Capital 52
- Employment best practices 52
- General workforce statistics 53
- Learning and development 54

5.4.3 Community Engagement 54

6 LOOKING FORWARD 56

Sustainability Statement

(Cont'd)

1. Introduction

1.1 Who We Are

Founded in 1963, Southern Steel Berhad Group of Companies ("the Group") is a leading Malaysian Steel Group with almost 60 years of experience and expertise in steel products manufacturing. The Group has grown from a small galvanised iron sheet plant to a major steel manufacturing group. Today, we are an established producer of a wide range of high-quality steel products including billets, wire rods for industrial application and construction, mild steel round bars, high yield deformed bars for construction, steel pipes, pre-stressed concrete strand and wires. We also provide customised value-added off-site cut, bent rebars and steel welded mesh for the construction industry in Malaysia.

The Group is committed to partnership with our customers in providing quality and innovative products and services with emphasis on technology driven products and continuous improvement culture.

1.2 About this Report

We are guided by the mission and philosophy set out in the Hong Leong Manufacturing Group ("HLMG") Code of Conduct and Ethics, which sets a high standard of professionalism, ethics and integrity for our employees in the conduct of business and professional activities. The Group strives to protect the environment and is committed to comply with laws and regulations, ensures safety and health of employees, respects cultural diversity and make positive impact on the lives of people in the communities where we conduct business.

This report enunciates a clear outline of what sustainability means to us and the details of managing significant sustainability issues in terms of governance, economic, environmental and social sustainability. Despite the challenges from the Covid-19 pandemic, we have taken the initiatives to strengthen sustainability culture throughout the organisation by reassessing the material sustainability matters and to recognise the impact of additional sustainability matters.

For a comprehensive overview of the Group's performance for FY 2022, this report should be read in conjunction with the other statements in this Annual Report.

1.2.1 Reporting Scope and Boundary

As in the previous years, this report focused mainly on the Group's upstream operations (i.e. Bar, Rod and Billet operations at the Prai area) as the other subsidiary companies' operations do not have significant impact on our overall operations in terms of environment, economic and social aspects. Nevertheless, this year, the impacts from our downstream operations have also been included, where applicable, to better reflect the Group's overall impact and to demonstrate a greater commitment in sustainability matters.

Sustainability Statement

(Cont'd)

1.2.2 Reporting Period

This report, which is prepared annually, covers the period from 1 July 2021 to 30 June 2022 [Financial Year 2022 ("FY 2022")]. For selected indicators that have only been tracked recently, the reporting duration would be mentioned within this report. For those applicable prior years' data, they had been restated to reflect impacts from downstream operations.

1.2.3 Reporting Standards

This report is prepared by reference to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), Bursa Malaysia's Sustainability Reporting Guide and Global Reporting Initiative Standards.

1.2.4 Reference and Guidelines

This report reflects the Group's activities in relation to ISO 9001, ISO 45001, ISO 14001, ISO 37001 (International standards for Quality Management System, Occupational Health and Safety Management System, Environmental Management System and Anti-Bribery Management System respectively), and other standards where applicable.

In addition, the Group operates business in a responsible and fair manner with adherence to the corporate values as defined in the HLMG Code of Conduct and Ethics.

Qualification ISO 9001

Qualification ISO 45001

Qualification ISO 14001

Qualification ISO 37001

HLMG Code of Conduct and Ethics

2. Sustainability Framework

2.1 Sustainability Approach

For FY 2022, the Group's sustainability approach focused on operational excellence, safe and healthy working condition, compliance, green product and human capital development, which are an integral part of our business strategies and decisions.

2.2 Sustainability Governance

The Board of Directors and the Sustainability Steering Committee ("SSC") of Southern Steel Berhad ("SSB") plan the sustainability goals, review the strategies, management processes, initiatives, targets and performances in relation to sustainability matters. This enables the setting of integrity culture and overall accountability across the organisation, along with building stakeholders' trust that the Group is working towards delivering sustainable stakeholders' value.

Sustainability Statement

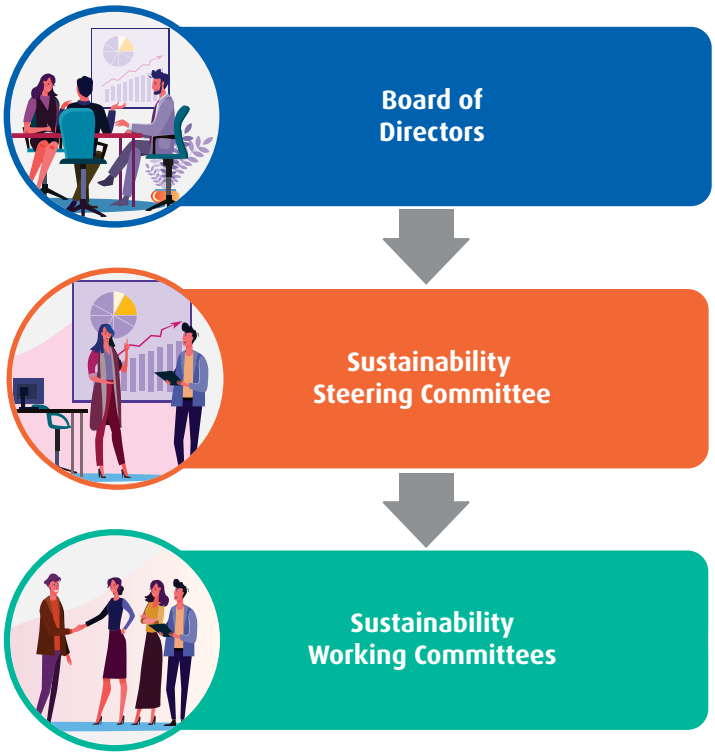
(Cont'd)

2.3 Governance Structure

The Group had established a governance led from the top, with clear accountabilities for continual implementation of sustainability initiatives with the objective of striving for sound and sustainable growth.

The Group's SSC comprises senior Head of Department of the relevant operations and is chaired by the Group Managing Director ("GMD"), with the Chief Financial Officer as deputy. The GMD plays the role of Chief Sustainability Officer, reporting directly to the Board on any sustainability matters. The SSC oversees the implementation of the Group's sustainability approach and ensures that key targets are being monitored.

The SSC is assisted by Sustainability Working Committees ("SWC") comprising key staff from various departments of the operating companies nominated by the SSC. The SWC's reporting duties include provision of information, collection of feedback from stakeholders, addressing material sustainability issues and driving initiatives approved by the SSC.



Sustainability Statement

(Cont'd)

3. Stakeholder Engagement

The Group defines its stakeholders as individuals or organisations that are expected to be affected or being affected by our business activities. Input, views and feedback from stakeholders were gathered during communication and engagement sessions, which were then taken into consideration in aligning with our business activities. Meetings and events were carried out in accordance with Government guidelines on the Covid-19 Pandemic.

Stakeholders	Engagement Channels	Purpose
Board of Directors	• Board meetings	• To engage actively with the board of directors in strategic planning, review on corporate governance practices, research and development and sustainability matters.
Employees	• Town Hall • Intranet • Events • Trainings • Virtual meetings • Physical meetings • Surveys	• To align employees with the Group's goals and provide a clear perspective of what the Group wants to achieve in terms of sustainability. • To enhance employees' sense of well-being. • To improve employees' workplace conditions.
Customers	• Email communications • Telephone calls • Virtual meetings • Site visits • Surveys	• To build a strong relationship with customers with consistently meeting their expectations in quality and service.
Suppliers	• Email communications • Telephone calls • Virtual meetings • Site visits • Site audits • Surveys	• To proactively engage with suppliers to ensure the best quality, service and effort in consistently meeting our expectations.
Union	• Meetings	• To cultivate a good relationship through effective communications. • To obtain constructive feedbacks and concerns pertaining to the Union workers' welfare.
Shareholders	• Annual General Meeting • Annual report • Announcements	• Precise and timely disclosure of the Group's sustainability strategies and business performance to facilitate decision making by shareholders.

Sustainability Statement

(Cont'd)

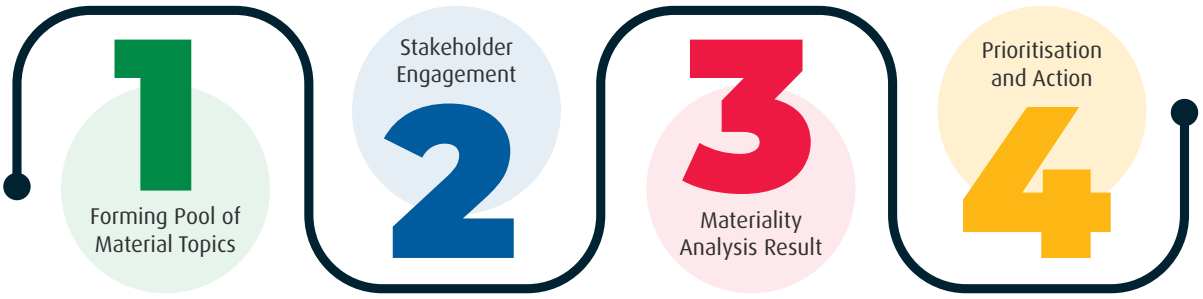
Stakeholders	Engagement Channels	Purpose
Government/ Regulatory Authorities	• Email communications • Telephone calls • Consultations • Dialogues • Audits and inspections	• To build a good rapport with government and regulatory authorities in order to obtain support and update of the latest information on regulatory issues related to the Group's activities. • To strictly comply with applicable laws and regulations.
Trade association	• Active participation in the steel association • Conferences	• To provide constructive inputs in policy making for the benefit of the industry. • To actively participate in conferences, improvement and innovation competitions organised by the association.
Communities	• Events and campaigns	• To establish a good relationship and build trust by carrying out corporate social responsibilities' activities to local communities.

4. Material Sustainability Issues

4.1 Materiality Assessment

Taking into consideration the characteristics of the steel industry, the Group has identified key material issues that were important to sustainability through internal and external surveys to ascertain the "Business Impact" and "Stakeholder Impact" for each and every material issue identified. These material issues were then prioritised and categorised under Governance, Economic, Environment and Social. The material issues and action plans were then deliberated in the monthly SSC meetings.

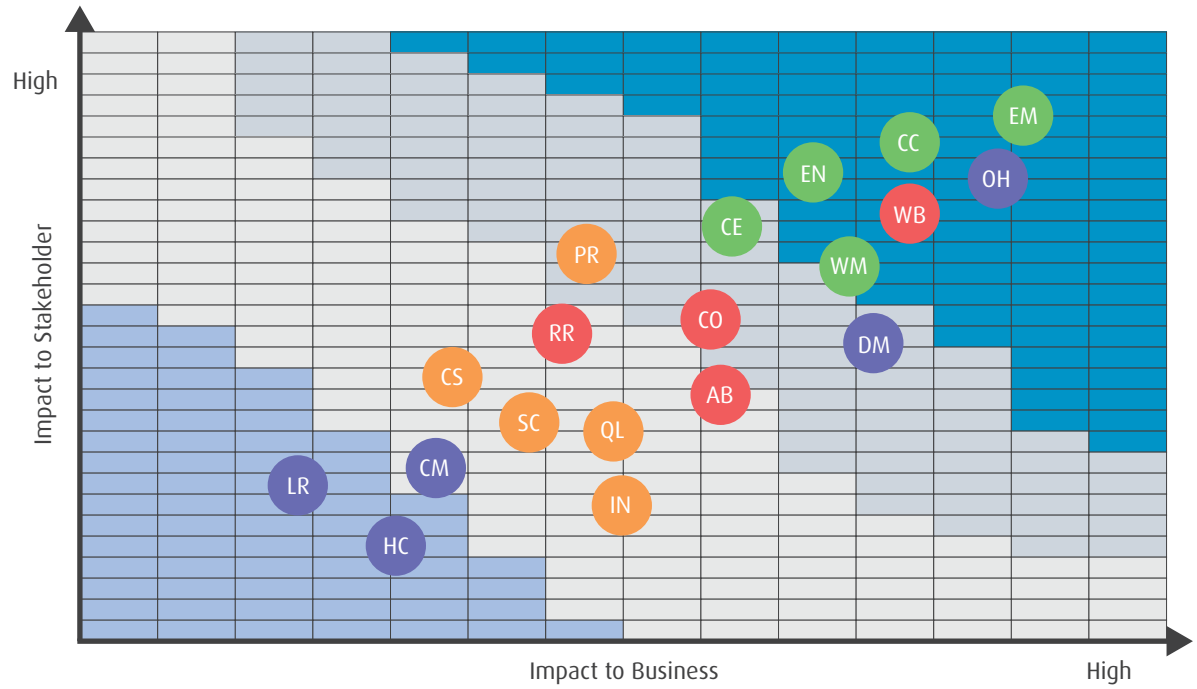
Materiality Analysis Process



Sustainability Statement

(Cont'd)

Materiality Analysis Result



Environment	Social	Economic	Governance
EM Environmental Management	OH Occupational Safety & Health	PR Product	WB Whistle Blowing
EN Energy Management	CM Community & Mother Nature	QL Quality	AB Anti-Bribery
CE Circular Economy	DM Disaster Management	CS Customer Satisfaction	CO Code of Conduct
CC Response to Climate Change	HC Human Capital	IN Innovative	RR Risk Review
WM Water Management	LR Labour Right	SC Supply Chain	

4.2 Alignment to the United Nations' Sustainability Development Goals ("SDG")

The SDGs are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. In support of this, the Group has identified 11 SDGs that are closely associated with our materiality issues and will continue to promote these SDGs as part of our sustainability effort.

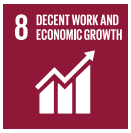
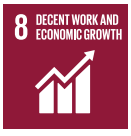
Sustainability Statement

(Cont'd)

	SSB's Sustainability Material Issues	Reasons	Alignment With SDG
Governance	Risk review	The Group understands the importance of effective risk management to ensure long-term business growth. We have established Risk Management and frequent risk review to mitigate or eliminate potential risks.	
	Ethics and integrity	The Group is committed to uphold integrity, accountability and transparency in the operations. We are certified to ISO 37001 Anti-Bribery Management System, whereby adequate procedures have been established with intention to prevent bribery and corruption from taking place. The Group constantly articulates the values we wish to foster in leaders and employees, and defines the desired behaviour in day-to-day operation and decision making. To uphold business integrity, the Group encourages reporting of genuine concerns on improper or wrongful conduct of any bribery and corruption cases within the workplace.	
Economic Sustainability	Customer satisfaction	The Group recognises that building trust and strengthening relationship with customers through meeting customers' expectation consistently is the key to business sustainability.	
	Supply chain management	The Group continues to strengthen its supply chain management in order to ensure consistent supply of materials and services without compromising the quality and competitive prices.	
	Innovative culture	The Group believes in fostering innovative culture to enhance the development of new ideas in business strategy, customer services, product development and process improvement.	
	Product and quality	The Group continues to uphold rigorous effort to ensure the product quality meets the local and international standards as mutually agreed with the customers. As part of our commitment to environmental responsibility, SSB has been certified by SIRIM on the eco-labelling scheme, ECO 032:2020.	

Sustainability Statement

(Cont'd)

	SSB's Sustainability Material Issues	Reasons	Alignment With SDG
Environment Sustainability	Environment management	The Group adopted ISO 14001, which specified the requirements for an environmental management system that an organisation could use to enhance its environment performance.	
	Response to climate change	In response to the fight against global climate change, the Group has proactively conducted preliminary assessment of Greenhouse Gas ("GHG") emissions in the Group to establish GHG emission baseline.	
	Circular economy and waste management	As a contribution to circular economy, the Group aims to maximise the recycling of steel scrap, by-products and waste.	
	Water management	The Group is concerned about the scarcity of fresh water globally as well as locally. Therefore, we are committed to manage water consumption by maximising the recycling of water.	
	Energy management	Energy is one of the major costs of our processes and a reduction in consumption will lead to abatement of GHG emissions as well as reduction in energy cost. Therefore, the Group has an established energy policy to monitor and manage energy activities.	
Social Sustainability	Occupational safety and health	The Group targets to ensure safety, health and welfare of employees are well taken care of by implementing safety improvement programmes and activities.	
	Disaster management	Covid-19 pandemic has brought enormous adverse impact to the health of the employees and our business operations. Therefore, we have established Covid-19 Risk assessment and mitigation plans to minimise Covid-19 cases within the Group.	

Sustainability Statement

(Cont'd)

	SSB's Sustainability Material Issues	Reasons	Alignment With SDG
Social Sustainability	Human capital	The Group upholds labour rights by prohibiting the use of child labour and forced labour. The Group also acknowledges the importance of human capital development towards our business growth. Over the years, we placed great emphasis in developing and equipping our employees with necessary skill sets.	
	Community engagement	The Group aims to contribute to the society by engaging our employees in activities of giving back to the communities and mother nature. This is done through our Heart-to-Heart ("H2H") club.	

5. Disclosures on Identified Material Sustainability Issues

5.1 Governance

The Group strongly believes that good governance is the key to sustainability. The governance structure and framework of the Group aspires to promote accountability, transparency, efficiency and abide to the rule of laws to ensure that we are acting prudently, ethically and legally as well as operating in the best interest of stakeholders.

SDG	The Group's Efforts
	• Conducted ongoing review of identified and potential new risks.

Sustainability Statement

(Cont'd)

SDG	The Group's Efforts
	• Conducted half-yearly Gift and Entertainment declaration for all employees except those on prolonged hospitalisation leave. • Completed ISO 37001 Anti-Bribery Management System Surveillance audit and continued certification. • Organised briefing session on Whistle Blowing and Gift and Entertainment policies to enhance the understanding of ABCMS policies. • Established E-Training and Evaluation Portal for employees to go through ABCMS refresher training at least once in every three years. • Set up ABCMS corners at each operating company. • Continued to promote ABCMS to business associates.

5.1.1 Risk Management

The Group understands that risk management has perhaps never been more important than it is now. The risks that the Group faces have grown more complex, fueled by the rapid pace of globalisation, pandemic, use of digital technology and climate change. The effective management of risk is vital for long-term sustainability of the Group. The Board of SSB and its subcommittee are committed in overseeing and maintaining a sound risk management system to ensure smooth business operation.

Our risk management is a continual process, which comprises of the identification and examination of risks, including materiality risks and the potential impact on our business operation and strategies. We rate the risks according to a metric that consists of likelihood and consequences, and then, take necessary measures to address and monitor the risks.

The Group is certified to several ISO Management Systems, where one of the key requirements in these management systems is on managing risks. We therefore are required to identify, manage and monitor the issues pertaining to ethics and integrity, quality, environmental, safety and health. Subsequently, the risks and opportunities that could impact the achievement of long-term sustainability goals in relation to ethics and integrity, environmental, occupational safety and health are identified. The audit by certification bodies benefits the Group, whereby it assists in ensuring that the management systems have been properly implemented and maintained, as well as identifying opportunities for improvements and potential risks that may have been missed out.

Sustainability Statement

(Cont'd)

Risk Exposure	Risk Identification and Mitigation	Outcome
• Strategic • Operations • Compliance • Cyber / IT	• Control Self Audit ("ICQ") • SSB Risk Register • Anti-Bribery Risk Register • Quality Risk Register • Register of Environmental Aspect and Impact • Safety and Health Hazard Identification and Risk Control ("HIRAC") • Quality Risk Register	• Value creation to business, stakeholders and material sustainability • Enhance stakeholders' confidence and trust

5.1.2 Ethics and Integrity

The Group recognises the expectation from the employees, stakeholders and communities in which we operate to act in an ethical and honest manner. We are committed to uphold integrity, promote accountability and transparency as a way of doing business and transaction. The Group adopts procedures which are guided by the HLMG policies. The Group is certified with ISO 37001 Anti-Bribery Management System, which defines the expectation in the way the stakeholders act, so as to ensure that the decisions made are lawful, ethical and honest in line with our policy.

An overview of the Group's key policies, codes, procedures and activities are listed as below:

Anti-bribery and Corruption Management System ("ABCMS") Risk Assessment

In addition to the requirement of ISO 37001, the Group adopts the practice of HLMG to identify and review ABCMS risk on quarterly basis. From the list of identified risks, especially the significant risks, the respective risk owner will establish mitigation plan to address the risk accordingly.

Anti-Bribery and Corruption ("ABC") Policy

The Group is committed to conducting business ethically in compliance with applicable anti-bribery and corruption laws of every country in which we operate. We do not condone any form of bribery and corruption.

The Board Audit and Risk Management Committee ("BARMC") is the governing body for the Group, approving the policy and has oversight over the implementation of the policy. The Group's ABCMS Compliance Function Officer is responsible for the overall implementation of ABCMS and ensuring that the objectives of ABCMS are met.

The stakeholders can report any bribery and corruption related concern or suspicion to the Head of Internal Audit or Head of Human Resources as stated in the policy.

Sustainability Statement

(Cont'd)

Whistle Blowing Policy

The Group promotes and supports the culture where people feel comfortable to raise genuine and legitimate concerns about inappropriate conduct and behaviour. We encourage our employees to speak up if they become aware of any improper or wrongful act involving the Group.

The Group is committed to protecting people who make genuine and legitimate disclosures from adverse employment action to the extent permitted by law.

For FY 2022, there was no whistleblowing disclosure reported through any of the various whistleblowing channels and no investigation case was conducted.

Conflict of Interest

To avoid any potential conflict of interest during tendering process, the tender committee members are required to make self-declaration on whether there is potential conflict of interest with the tenderers. During the recruitment interview, the interviewee is also required to declare if he/she has any family members or relatives who are currently working in the Group.

Refer to FY 2022 Annual Report page 14 for Statement of Declaration by the Board members.

Donation policy

The Group adopts the Donation policy of HLMG. The scope of the policy includes corporate donations made to charities, non-profit organisations, and/or causes of greater good by an operating company.

Refer to FY 2022 Annual Report page 54 for Community Engagement details on donation.

Gift and Entertainment Policy

The Group adopts a "No Gift Policy" whereby all employees are prohibited, save as expressly permitted by the policy, from giving and/or receiving gifts and entertainment.

Effective from 1st January 2021, the Group's policy requires all employees to make half-yearly declaration on giving and/or receipt of gifts and entertainments.

The Group has achieved a declaration rate of 100% for first half of FY 2022 with exclusion of those under long hospitalisation leave during the period of declaration.

ISO 37001 Anti-Bribery Management System Surveillance audit

The Group has completed the first surveillance audit by SIRIM QAS and the certification is continued.

Training

The Group continues to enhance the understanding of ABCMS and policies. We have set up E-Training and Evaluation Portal for employees to go through refresher training once in every three years.

In FY 2021, we had conducted an employee survey on understanding of ABCMS that was implemented. We had achieved a rating of 4.4 out of the total of 5. Our Compliance Officer had further analysed the outcome of the survey and launched a two years program until the end of FY 2023 to brief and refresh the Gift and Entertainment Policy and Whistle Blowing Policy to employees.

Annual ABCMS Awareness Program

As part of the continuing effort to create awareness, the Group has set up ABCMS corners at each operating company.

Sustainability Statement

(Cont'd)

Promoting ABCMS to Business Associates

The Group promotes ABCMS to business associates by communicating through email and providing them with our ABC Policy. In addition, suppliers are also provided with the Suppliers' Code of Conduct and Ethics. We have been actively following up with the business associates for their acknowledgement. For FY 2022, the cumulative business associates' responses were as below:

- Southern Steel Berhad 90%
- Southern Steel Mesh Sdn Bhd 97%
- Southern PC Steel Sdn Bhd 96%
- Southern Pipe Industry (M) Sdn Bhd and Southern Steel Pipe Sdn Bhd 82%

5.2 Economic Sustainability

In our endeavor to deliver sustainable stakeholders' value, the Group has to remain resilient in the face of global pandemic. We use our resources responsibly and thoughtfully in order to nurture a stable and long-term growth of our businesses. As part of our commitment to environmental and social responsibility, the Group has embarked on the journey of progressively getting the products certified with Eco-Labelling scheme of SIRIM QAS International.

SDG	The Group's Efforts
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Conducted customer satisfaction survey to collect feedback on how the customers gauge the Group in meeting their expectations and develop mitigation plans to address the weakness.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Performed due diligence on suppliers prior to including them into the list of qualified suppliers. The Group also conducted annual supplier performance assessment on existing suppliers.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	• Organised Kaizen Competition and Annual Innovation Competition and reward the employees as a recognition to their innovative effort to bring the Group forward. • Represented Malaysia to participate in 2021 SEASI Improvement and Quality Competition and won first prize.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Received steel bar and wire rod products certified with Eco-Labelling scheme of SIRIM QAS International.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Ensured that product quality is consistently meeting local and international standards as well as customers' expectation by holding and maintaining 29 certified product licenses.

Sustainability Statement

(Cont'd)

5.2.1 Customer Management

The Group understands that keeping the customers contented is the key to drive business sustainability. We believe that customer satisfaction is essential in attracting new and retaining existing customers as well as maintaining reputation and brand name. We actively engage with the customers via meetings, email communications and telephone conversations. We also conduct customer satisfaction survey on alternate financial year ("FY") for steel bar, wire rod, steel mesh, cut and bend customers to collect feedback on how the customers gauge the Group in meeting their expectations in term of sales and marketing service, product quality, complaint management, finance related response, speed of delivery and our e-business platform.

From the survey, we perform impact analysis, acknowledge strengths identified and at the same time, develop mitigation plans to address the weaknesses. The index of Customer Satisfaction Survey is tabulated below:

	FY 2019	FY 2021
Wire rod	73	78
Steel bar	57	77
Steel mesh	70	73
Cut and Bend	81	72

5.2.2 Supply Chain Management

The Group believes that supply chain management is important for us to remain agile. We aim to manage the supply chain such that the practices can secure stable supply of materials and services at competitive prices with quality and prompt delivery of the products to meet the expectation and specifications.

Our suppliers are the critical partners that influence the achievement of the Group's business objectives. Active suppliers have been communicated to adhere to the Supplier Code of Conduct and Ethics.

Prior to supply of materials and services to the Group, the suppliers are required to go through New Vendor Pre-Qualification process, where due diligence will be conducted to ensure the suppliers are genuine and appropriate.

Sustainability Statement

(Cont'd)

At the end of each financial year, we will perform supplier/vendor performance assessment. The current rating criteria is based on:

- Product Application/Quality/Technical Support
- Delivery
- Service
- Packaging/Labelling

The Group will review the rating criteria to include sustainability related matter in future.

Note:

1) Not all operating companies perform supplier rating based on financial year. Some operating companies perform according to calendar year. The practice will be standardised in future.
2) Supplier's rating for FY 2022 is to be conducted in Q1 FY 2023.

At the end of the assessment, the suppliers will be rated as "Good", "Satisfactory" or "Poor". Those suppliers in the category of "Poor" will be notified to improve on their performance.

5.2.3 Innovation

The Group believes that seeking continuous innovation is the way to sustain in this dynamic and ever-changing world. With 5S as the foundation to continuous improvement, we aim to foster innovative thinking across all level of personnel.

In FY 2022, the Group organised Kaizen Competition and Annual Innovation Competition and rewarded the employees accordingly as a recognition of their innovative effort. The competitions were conducted virtually to adhere to the Covid-19 pandemic guidelines that were imposed by the government.

SSB also represented Malaysia to participate in 2021 South East Asia Iron and Steel Institute ("SEASI") Improvement and Quality Competition, an event held under the 2021 SEASI Sustainability and Construction Fortnight e-Event. Our team was ranked as the first winner among the participants from Malaysia, Singapore, Thailand and Vietnam.

Sustainability Statement

(Cont'd)

The project

The achievement

Rank	Delegation	Company	Country
1st	Power Team	Southern Steel Berhad	Malaysia
2nd	SYS Smart Surface	Siam Yamato Steel	Thailand
3rd	New Gen SYS	Siam Yamato Steel	Thailand

5.2.4 Product and Quality

The Group manufactures a wide range of steel products, with the core products as below:

- Steel bar for construction
- Wire rod for construction and industrial applications
- Steel mesh for construction purposes
- Pre-stressed concrete steel wire and strand for construction
- Steel pipe for construction and industrial applications.

Sustainability Statement

(Cont'd)

We also have steel service centres, which tailor in cutting, bending and forming the steel bar according to specific requirement for construction purposes.

Steel Bar

Steel Bar in Coil

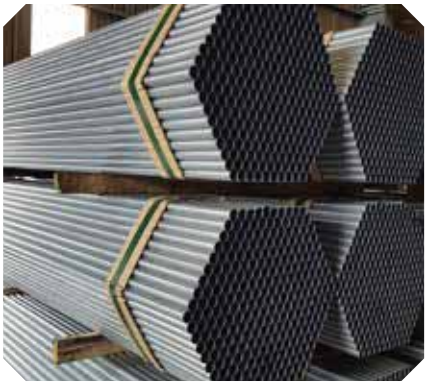
Wire Rod

Steel Mesh

Pre-stressed Concrete Wire

Pre-stressed Concrete Strand

Steel Pipe (Rectangular Pipe)



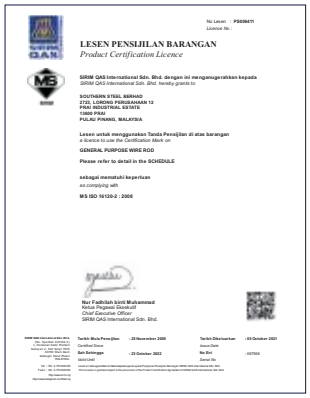
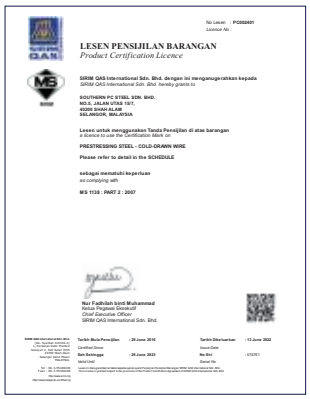
Steel Pipes (ULTRAGAL)

Cut and Bend products

Sustainability Statement

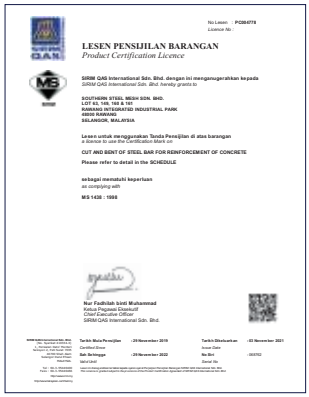
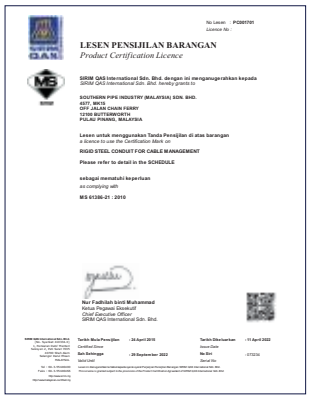
(Cont'd)

We produce our products with rigorous effort and care to ensure that the product quality meets the mutually agreed local and international standards with our customers. Currently, the Group has 29 products with product licence under Product Certification Scheme of SIRIM QAS International.

SSB Rebar: 8 Product Licenses Wire rod: 3 Product Licenses	 LESEN PENSIJILAN BARANGAN *Product Certification Licence* SOUTHERN STEEL BERHAD 2720, LORONG PERUSAHAAN 12 PIAS INDUSTRIAL ESTATE 13600 PIAS PULAU PINANG, MALAYSIA HOT ROLLED RIBBED WELDABLE REINFORCING STEEL MS 146 : 2014 Nur Fadhilah binti Muhammad Ketua Pegawai Eksekutif Chief Executive Officer SIRIM QAS International Sdn. Bhd.  LESEN PENSIJILAN BARANGAN *Product Certification Licence* SOUTHERN STEEL BERHAD 2720, LORONG PERUSAHAAN 12 PIAS INDUSTRIAL ESTATE 13600 PIAS PULAU PINANG, MALAYSIA GENERAL PURPOSE WIRE ROD MS ISO 16120-2 : 2008 Nur Fadhilah binti Muhammad Ketua Pegawai Eksekutif Chief Executive Officer SIRIM QAS International Sdn. Bhd.	1. Hot-rolled ribbed weldable reinforcing steel (MS146:2014) 2. Hot-rolled plain steel bar for reinforcement of concrete (MS146:2006) 3. Hot-rolled weldable steel for reinforcement of concrete (BS4449:2005+A3:2016) 4. Hot-rolled plain steel bar for reinforcement of concrete (BS4449:1997) 5. Hot-rolled steel wire for reinforcement of concrete products (straight) (MS144:2014) 6. Hot-rolled steel wire for reinforcement of concrete products (decoiled) (MS144:2014) 7. Steel reinforcing bars for the reinforcement of concrete (CS2:2012) 8. Hot-rolled ribbed weldable reinforcing steel (SS560:2016) 9. Low carbon steel wire rod (JIS G3505:2004) 10. General purpose wire rod (MS ISO 16120-2:2008) 11. Hot-rolled steel wire for reinforcement of concrete products (coil) (MS144:2014)
Southern PC Steel Sdn Bhd ("SPC")	 LESEN PENSIJILAN BARANGAN *Product Certification Licence* SOUTHERN PC STEEL SDN. BHD. NO.3, JALAN UTAS 15/7, 40250 SHAH ALAM SELANGOR, MALAYSIA PRESTRESSING STEEL - COLD-DRAWN WIRE MS 1138 : PART 2 : 2007 Nur Fadhilah binti Muhammad Ketua Pegawai Eksekutif Chief Executive Officer SIRIM QAS International Sdn. Bhd.	12. Pre-stressing steel-cold-drawn wire (MS1138:Part2:2007) 13. Steel strand, uncoated seven-wire for pre-stressed concrete (ASTM A416/A416M-2012a) 14. Steel strand, uncoated seven-wire for pre-stressed concrete (MS1138:Part4:2007) 15. Strand for the pre-stressing of concrete

Sustainability Statement

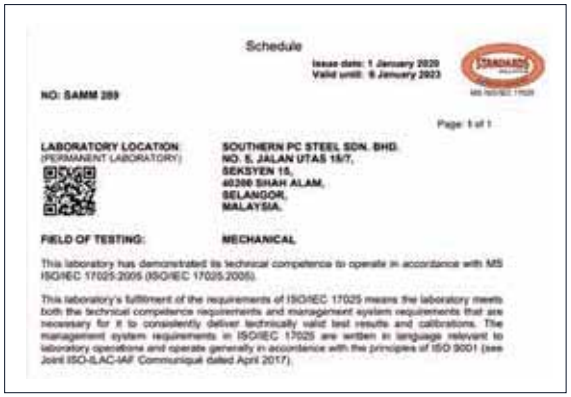
(Cont'd)

Southern Steel Mesh Sdn Bhd – Mesh	 LESEN PENSIJILAN BARANGAN *Product Certification Licence* SIRIM QAS International Sdn. Bhd. dengan ini menganugerahkan kepada SIRIM QAS International Sdn. Bhd. hereby grants to SOUTHERN STEEL MESH SDN. BHD. 2408, LORONG PERUSAHAAN 12 PKN INDUSTRIAL ESTATE 13600 PSAI, PENANG, MALAYSIA Lesen untuk menggunakan Tanda Pensijilan di atas barangan a licence to use the Certification Mark on STEEL FABRIC FOR THE REINFORCEMENT OF CONCRETE Please refer to detail in the SCHEDULE sebagai mematuhi keperluan as complying with MS 145 : 2014 Nur Fadhilah binti Muhammad Ketua Pegawai Eksekutif Chief Executive Officer SIRIM QAS International Sdn. Bhd.	16. Steel fabric for reinforcement of concrete (Prai) (MS145:2014) 17. Cold worked ribbed weldable reinforcing steel (MS146:2014) 18. Steel fabric for reinforcement of concrete (Klang) (MS145:2014) 19. Cut and bend of bar for reinforcement of concrete (MS1438:1998)
Southern Steel Mesh Sdn Bhd – Cut and Bend	 LESEN PENSIJILAN BARANGAN *Product Certification Licence* SIRIM QAS International Sdn. Bhd. dengan ini menganugerahkan kepada SIRIM QAS International Sdn. Bhd. hereby grants to SOUTHERN STEEL MESH SDN. BHD. LOT 63, 140, 169 & 181 KAWASAN INTEGRATED INDUSTRIAL PARK 68100 BATU CAVES SELANGOR, MALAYSIA Lesen untuk menggunakan Tanda Pensijilan di atas barangan a licence to use the Certification Mark on CUT AND BENT OF STEEL BAR FOR REINFORCEMENT OF CONCRETE Please refer to detail in the SCHEDULE sebagai mematuhi keperluan as complying with MS 1438 : 1999 Nur Fadhilah binti Muhammad Ketua Pegawai Eksekutif Chief Executive Officer SIRIM QAS International Sdn. Bhd.	20. Cut and bend of bar for reinforcement of concrete (MS1438:1998)
Southern Pipe Industry (M) Sdn Bhd	 LESEN PENSIJILAN BARANGAN *Product Certification Licence* SIRIM QAS International Sdn. Bhd. dengan ini menganugerahkan kepada SIRIM QAS International Sdn. Bhd. hereby grants to SOUTHERN PIPE INDUSTRY (MALAYSIA) SDN. BHD. 4377, MK19 JALAN PERMATANG CHAIN FERRY 13700 BUTTERWORTH PULAU PINANG, MALAYSIA Lesen untuk menggunakan Tanda Pensijilan di atas barangan a licence to use the Certification Mark on RIGID STEEL CONDUIT FOR CABLE MANAGEMENT Please refer to detail in the SCHEDULE sebagai mematuhi keperluan as complying with MS 61386-21 : 2010 Nur Fadhilah binti Muhammad Ketua Pegawai Eksekutif Chief Executive Officer SIRIM QAS International Sdn. Bhd.	21. Rigid steel conduit for cable management (MS61386-21:2010) 22. Welded steel pipe (Bare) (MS863:2010) 23. Cold formed welded structural hollow sections of non-alloys steel (MS EN 10219-1:2015) 24. Welded steel pipe (Hot dip) (MS863:2010) 25. Non-alloy steel tube for water and sewerage (Span TS21827:Part 2:2013) 26. Carbon steel tube for general structure (JIS G 3444:2015) 27. Welded steel tube (Nibong Tebal) (BS EN 10255:2004) 28. Welded steel tube (Butterworth) (BS EN 10255:2004) 29. Steel conduit for electrical wiring (BS31:1940)

The main testing laboratory in SSB is an accredited laboratory in accordance with MS ISO 17025:2017 General Requirement for the Competence of Testing and Calibration Laboratories by the Department of Standard Malaysia. There is another accredited laboratory in SPC. Both laboratories have their own scope of testing which includes tensile test, bend and re-bend test on steel bars for reinforcement of concrete and steel products; tensile test and relaxation test on strand for pre-stressed concrete; elementary analysis arc spark spectrometry on metal products of stainless steel, carbon and low alloy steel; microstructure and non-metallic inclusion identification on carbon and low alloy steel products.

Sustainability Statement

(Cont'd)

SSB		
SPC		

The Group has also embarked on the journey of progressively getting the products certified with Product Eco-Labelling of SIRIM QAS International. For FY 2022, the Group had successfully attained certificates for steel bar in straight length and wire rod products under Product Eco-Labelling Scheme of SIRIM QAS International.

SIRIM ECO-LABEL **Non-Hazardous and Non-Radioactive Steel** **SIRIM ECO 032:2020** **License No.: EL000202**	Wire Rod: • Low Carbon Mesh and Drawing Quality Bar: • Deformed bar in straight length • Plain bar in straight length

Sustainability Statement

(Cont'd)

5.3 Environmental Sustainability

In our quest to be a supplier of choice, reducing environmental footprint is one of the key focuses in our journey. The Group strives to minimise environmental footprint and impacts derived from the operations and products, with the efforts as listed below.

The environmental laws of Malaysia have provided us with framework, guidelines and steps to manage environmental sustainability matters. We have also groomed and maintained environmental competent persons for clean air, scheduled waste and industrial effluent in compliance with the Environmental Quality Act and Regulation.

SDG	The Group's Efforts
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Initiated monthly environmental Genba Walk and raised observation's points to operational personnel for environmental sustainability improvement.
13 CLIMATE ACTION	• Conducted a preliminary assessment of GHG emission of the Group. • Completed Scope 1 and Scope 2 GHG emissions' baseline for operation at Prai sites in Penang.
8 DECENT WORK AND ECONOMIC GROWTH 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Maximised the use of steel scrap in steel production in support of global circular economy without scarifying the quality of the products. • Recovered steel scraps and metallics from the subsidiary companies for recycling in electric arc furnace ("EAF"). • One of the subsidiary companies of SSB provides cutting, bending and forming services to construction industry to reduce steel wastage at construction site. • Collaborated with local licensed recycler to recover valuable zinc compound from co-product and EAF dust. • Engages contractors for treatment, processing and marketing of EAF slag.
6 CLEAN WATER AND SANITATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Monitor and record the total volume of water consumed. • Continued to operate water treatment facilities at active manufacturing plants to recycle, reclaim, treat and reuse the process water.
7 AFFORDABLE AND CLEAN ENERGY 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	• Implemented energy conservation project and activity to reduce energy consumption. • Appointed Competent Registered Electrical Energy Manager ("REEM") in line with the requirements of Efficient Management of Electrical Energy Regulations, 2008 to ensure efficient management of electrical energy. • Established Energy Management Committee to review, plan and monitor energy management activities.

Sustainability Statement

(Cont'd)

5.3.1 Environmental Management

To support our journey in reducing environmental footprint and achieve environmental sustainability, SSB has been certified with ISO 14001 since year 2011. ISO 14001 maps out a framework that allows us to follow in setting up an organised environment management system to demonstrate compliance with current statutory and regulatory requirement and improve environmental performance through more efficient use of resources and reduction of waste.

The Group is of the opinion that protecting the environment is the responsibility of everyone. We have included Environmental Awareness Training as part of the onboarding program for newly recruited staff and contractors, so that they are well informed before commencing their work. We also conduct refresher training for ISO 14001 Environmental Management System to build long-term retention in the minds of the staff and to keep the whole environmental culture in place.

As an ISO 14001 certified company, SSB undergoes annual internal audit by our internal environmental auditors and external audit by the external certification body. In the second half of FY 2022, SSB has initiated monthly environmental Genba walk and raised observation points to operational personnel with the objective to enhance environmental sustainability through continuous monitoring and follow up.

Environmental Observations

Scheduled Waste Genba walk/Audit on 3rd January 2022

No	Area	Before	Action Taken	Deadline & PIC	Status	After
3	RM2 SW409 Contaminated Containers	Inventories are stored properly in SW storage and complete with label.	Not required	Not applicable	Keep it up	Not applicable

SSB aims to have all the subsidiary companies adopt the same framework and be certified with ISO 14001 by FY 2023. Although the downstream operations in the subsidiary companies have less impact on the environment when compared to the upstream business, we strongly believe that every single effort placed for environment sustainability will in one way or another contribute to the betterment of the environment.

Sustainability Statement

(Cont'd)

5.3.2 Response to Climate Change

Climate change is an imminent threat to the globe. The Prime Minister, Ismail Sabri Yaakob has announced that Malaysia aims to be a carbon-neutral nation by as early as year 2050. There will be multiple government plannings and strategies geared towards sustainability being introduced. In line with this, there will also be increased regulatory, economic and public pressure to reduce carbon emissions.

SSB utilises EAF for steel making. Until today, EAF remains as a greener option among the iron and steel making technologies. EAF can use up to more than 90% of recycled steel scrap, depending on the availability of raw materials and chemistry requirements of the finished product. The GHG emissions of EAF is comparatively much lower than steel mill that utilises blast furnace ("BF") or blast oxygen furnace ("BOF"). The shift from BF-based to EAF-based steel making is part of the industry's decarbonisation drive and strategy around the globe.

The Group recognises the urgency to mitigate climate change and wishes to be part of the global effort to mitigate climate change. In this journey, we quantify our GHG emissions, promote energy conservation, water management, circular economy and waste management, as detailed in the later part of this report.

Our GHG Emissions

The Group began to report its GHG emissions in FY 2022 by conservatively setting the target to initially cover Scope 1 and Scope 2 emissions of SSB's operations at Prai sites in Penang. Moving forward, we aim to expand the scope of reporting to include the subsidiary companies.

SSB refers to ISO 14404 (Calculation method of carbon dioxide emissions intensity from iron and steel production) and World Business Council for Sustainable Development and World Resources Institute ("WBCSD/WRI") GHG Protocol to calculate the GHG emissions.

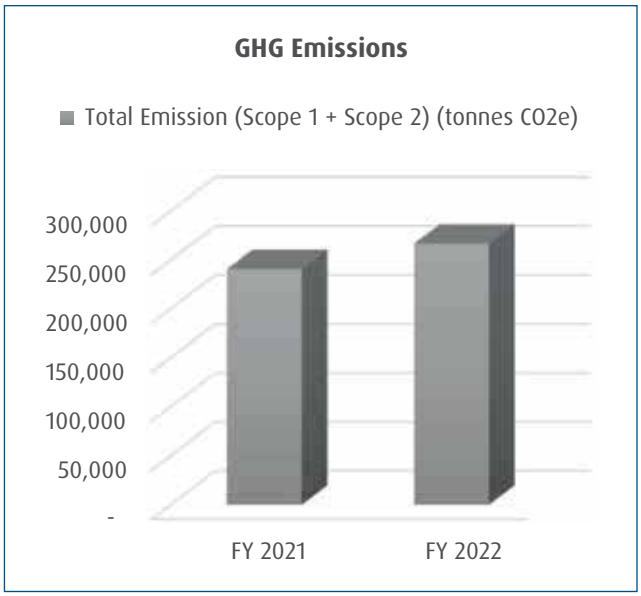
SSB measures Scope 1 emissions by utilising ISO 14404 to calculate direct emissions that were released during the production processes. In addition, SSB also uses GHG Protocol to calculate some categories of Scope 1, such as Mobile Sources and Purchased Electricity (not related to production, i.e. office buildings), but decided not to include their results as they accounted to only less than 0.5% of our total Scope 1 and Scope 2 emissions.

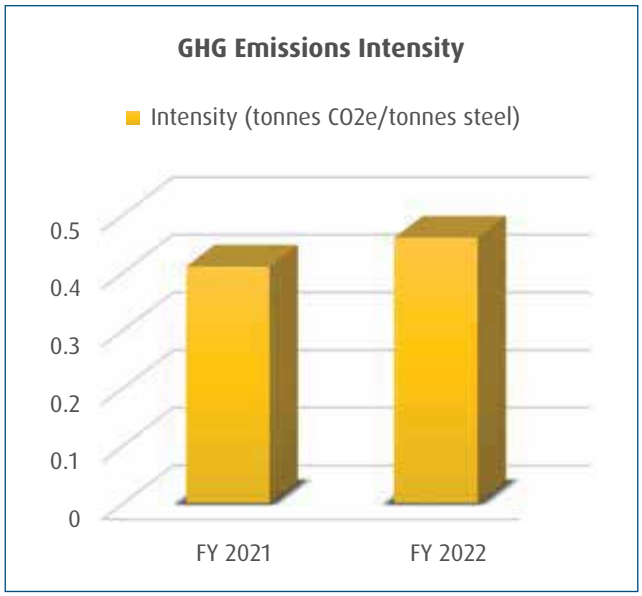
For the calculation of Scope 2 emissions, SSB utilises the grid electricity emission factor of Peninsular Malaysia which was reported in 2017 Clean Development Mechanism ("CDM") Baseline for Malaysia that was prepared by Malaysian Green Technology Corporation ("GreenTech Malaysia").

Being a steel making company which only utilises EAF in the production of steel, SSB's GHG emissions are mainly contributed by indirect emissions from purchased electricity (Scope 2). Our Scope 2 emissions account for more than half of the total emissions.

Sustainability Statement

(Cont'd)





Gradual progression to normalcy from the Movement Control Order ("MCO") phase allowed for a more stable operating time which increased production in steel making. This has resulted SSB's GHG emissions to increase from FY 2021 to FY 2022. Our GHG emissions intensity is also in the uptrend due to the increased production in EAF. We will continue to explore efforts to reduce GHG emissions.

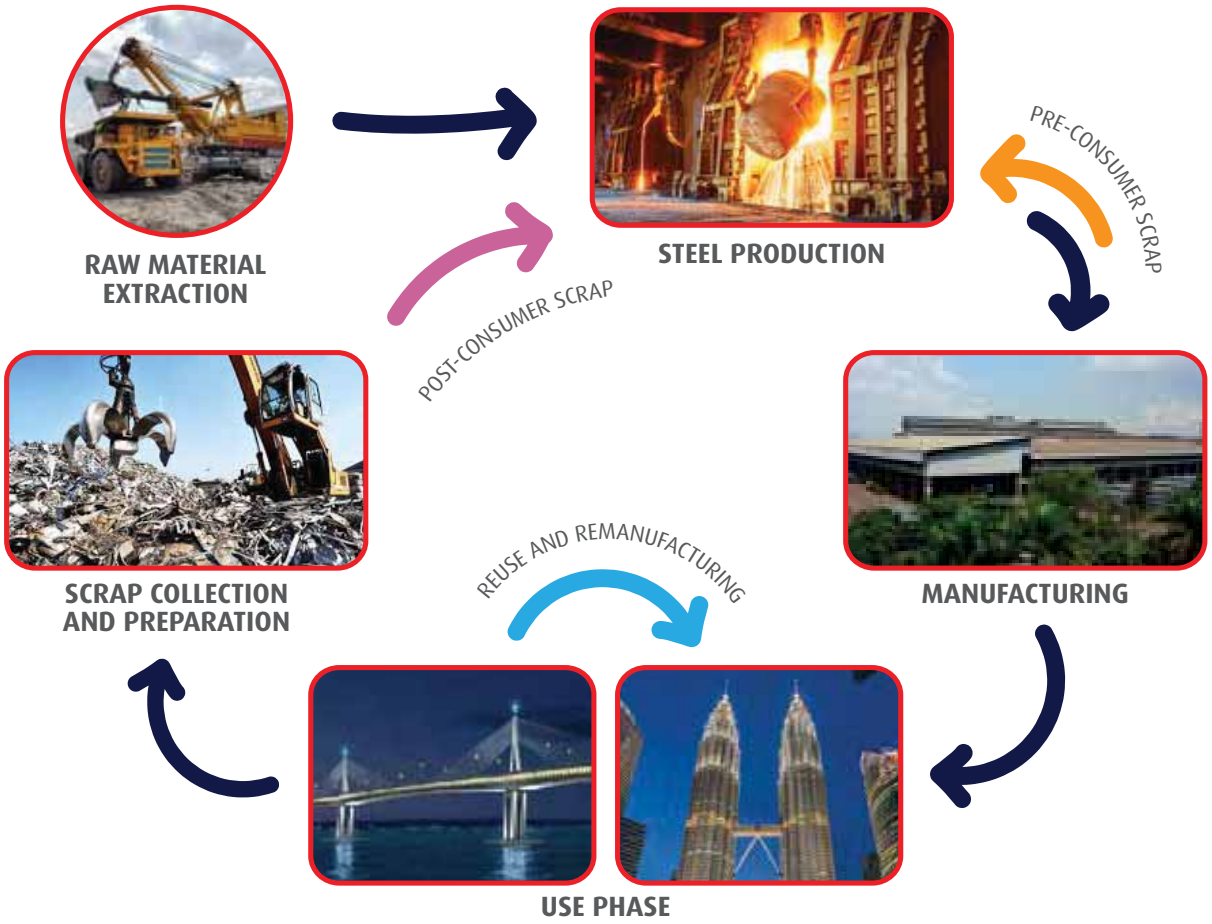
5.3.3 Circular Economy and Waste Management

Circular Economy

The most recycled material in the world, steel, is a flexible material that can be recycled repeatedly, hence a good model of circular economy. SSB recycles substantial quantity of steel scrap in the steel making, which is an approach to support global circularity economy. SSB also strives to recycle and reuse the co-products generated from its manufacturing processes as shown below. The recycling business model of the Group is imperative for environment sustainability, which enables preservation of natural resources.

Sustainability Statement

(Cont'd)



Reference: The European Steel Association - EUROFER, Oct 3, 2016

Recycling of Steel Scrap

SSB's core activity is recycling of steel scrap in EAF and converts steel scrap into valuable semi-finished product billets, which are then hot rolled into steel bars and wire rods to be supplied to construction sites and steel processing industry. SSB makes an effort to enhance circularity through maximisation of steel scrap usage in EAF whilst ensuring product quality meets the customers' requirements.

Steel scrap generated by SSB's subsidiary companies are sent to SSB for recycling in its EAF. Apart from this, SSB has a subsidiary that provides service to construction industry by cutting the steel bar into required length or forming into the required shape prior to delivering to the construction site. With such service, steel wastage at construction sites is being reduced.

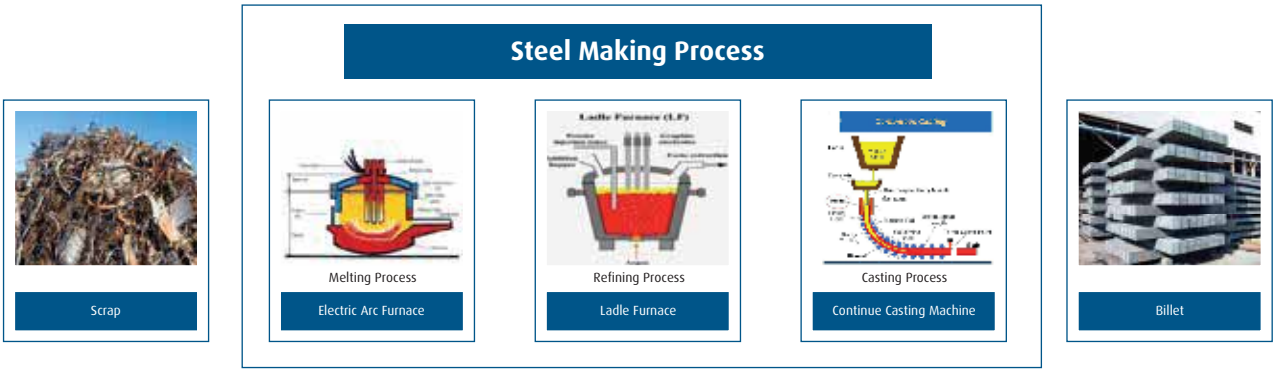
SSB strives to maximise the use of recycled and recovered steel scrap in our EAF. In FY 2021 and FY 2022, we managed to use 93% of scrap when EAF product mix was mainly construction grade with minimum industrial grade. EAF product mix is the key influencing factor that determines the percentage of recycled and recovered steel scrap used. The volume of industrial grade in the product mix is the limiting factor to ensure that we meet the quality requirement of our customers whilst optimising our efforts in preserving natural resources.

	FY 2020	FY 2021	FY 2022
Recycled and recovered steel scrap used in EAF (%)	82	93	93
Group recovered steel scrap (Mt)	14,103	10,538	10,613

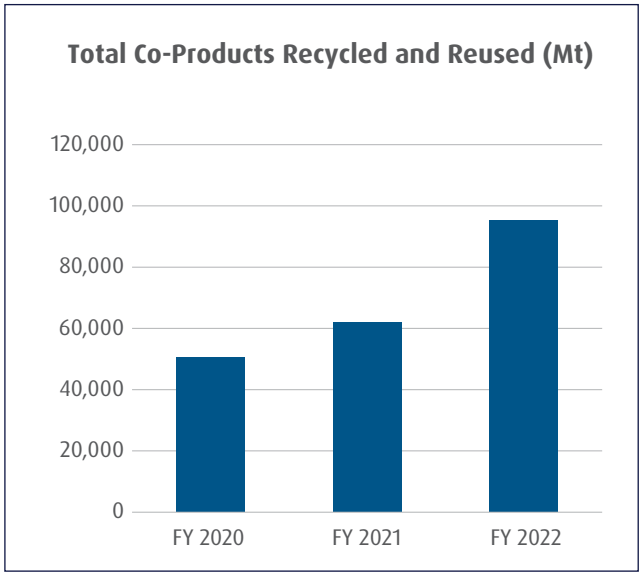
Sustainability Statement

(Cont'd)

Waste Management



In the process of recycling steel scrap in the EAF, co-products are generated. SSB's approach on co-products is to classify them based on their characteristic and potential to adversely affect public's health and environment and into scheduled and non-scheduled waste. The co-products are then managed in accordance with the Environment Quality Act, 1974. SSB also endeavors to maximise the resource value of co-products through research and development as well as promotion in recycle and reuse of co-products. The disposal of significant co-products for recycling and reuse is shown as below:



EAF dust is a co-product categorised under the Scheduled Wastes Code, SW104 of the First Schedule of the Environment Quality (Scheduled Waste) Regulations, 2005. EAF dust has high zinc compound which can be recovered. The strategy of SSB is to seek and develop a local licensed recycler, which is nearby to us to recycle the EAF dust and extract valuable zinc compound. The distance of the recycler is one of the conditions considered, whereby the nearer the recycler is, the shorter the EAF dust is on the road. This will reduce the risk of EAF dust spills on the road and cause of pollution. On top of this, a shorter transportation distance also contributes to reduction in carbon emission.

SSB aims to minimise the EAF dust inventory level. We have spent approximately RM140,000 to modify the dust collection facility in the fourth quarter of FY 2019 to enable the loading of generated dust directly onto a specially designed roll-on-roll-off trucks for the licensed recycler to collect. The EAF dust inventory has been maintained at 0Mt from FY 2020 to FY 2022.

EAF slag is a non-metallic co-product that forms during the steel making process, which is categorised as a non-scheduled waste. EAF slag is used as an alternative to rock fragments, which is commonly used as an aggregate for landfill. The strategy of SSB is to treat EAF slag in-house to recover as much of the metallic as possible before further processing the slag for other applications. The metallic recovered will then be reused in EAF as an input material for steel making. The in-house treatment and processing process has reduced the need for external transportation and hence, reduces some carbon emissions.

Ladle furnace slag is another non-metallic co-product that formed during steel refining process at ladle furnace, which is also categorised as non-scheduled waste. Ladle furnace slag together with other used refractory materials are disposed to bricks maker to produce cement bricks.

Sustainability Statement

(Cont'd)

5.3.4 Water Management

Steel making and hot rolling industry requires vast usage of water. Water is used mainly for the cooling of products, processes and equipment. Water is also used for other purposes such as rinsing of products and cleaning.

Malaysia is classified as one of the countries with low to medium water stress by year 2040 (Source: World Resource Institute). The projection done by National Water Research Institute Malaysia shows that coastal area along the west coast of Peninsular Malaysia will have high-water stress by year 2030. The Group is located at these areas where high-water stress is projected. We are concerned about the future of water resources and security as the nature of our operations consume substantial volume of water.

The Group has several closed loop water treatment facilities, whereby the processed water is recycled, reclaimed, treated and reused for its beneficial purposes. As shown in the table below, we also have a small percentage of processed water which is being treated according to the Environment Quality Industrial Effluent Regulation 2009, Standard B prior to discharge.

By recycling the processed water, we are doing our part to conserve precious water resources and at the same time, reducing operational costs accordingly. The record of water consumption of the Group is tabulated as below:

	FY 2020	FY 2021	FY 2022
Water withdrawal supplied by third party, megaliters	863.9	855.3	941.3
Group water consumption – Freshwater, PBA (≤1000 mg/L Total dissolved Solids), megaliters	857.6	847.9	933.0
Water discharged by level of treatment – Environment Quality Industrial Effluent Regulation 2009, Standard B, megaliters	6.3	7.4	8.2

The operations of the Group in FY 2020 and FY 2021 were affected by Covid-19 pandemic, hence, lesser water withdrawal and discharge.

5.3.5 Energy Management

The iron and steel industry is one of the most energy intensive industrial sectors in Malaysia. SSB has appointed REEM in line with the requirements of Efficient Management of Electrical Energy Regulations, 2008 to ensure efficient management of electrical energy. The REEM submits energy report to Energy Commission of Malaysia on half-yearly basis.

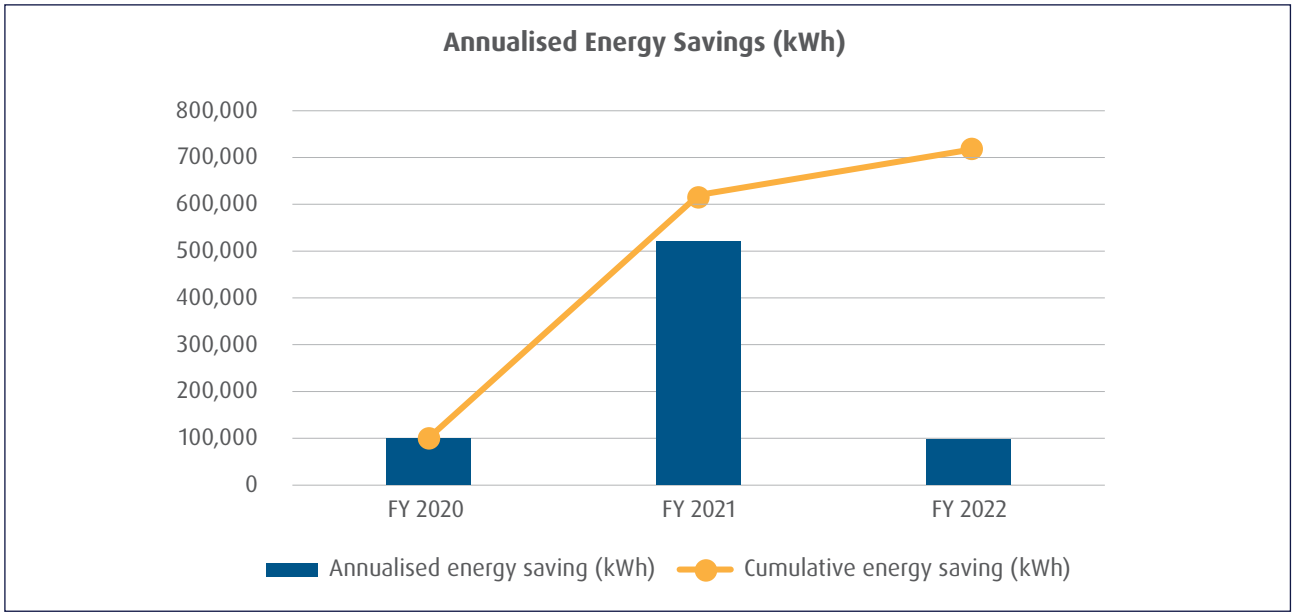
Apart from regulatory compliance, the Group is committed to be a responsible corporation by taking a proactive approach in energy conservation and energy efficiency, with the intention to mitigate climate change. The reduction in energy consumption will lead to the abatement of GHG emissions as well as reduction in energy cost.

Sustainability Statement

(Cont'd)

The Energy Management Committee was tasked to plan, monitor and review the energy management activities in accordance to the Group's Energy Policy, such as the staggered upgrading of inverter controls, conversion to energy savings light and automation of temperature control. The objective of the committee is to conserve resources by improving efficiency in energy consumption through utilisation of technology, which then contributes to a reduction in utility costs as well as GHG emissions. The Group's achievement in energy management can be summarised in table as follows:

	FY 2020	FY 2021	FY 2022
Annualised energy savings (kWh)	99,000	521,000	96,480
Cummulative energy savings (kWh)	99,000	620,000	716,480



Project/activity and energy savings achieved in FY 2022 were listed as below:

Project	Description	Estimated savings in kWh per month	Status
Inverter control system	Upgraded indirect pump IP3 56kW Auto Trans starter to inverter control system.	8,040	Installed. Monitoring and data collection in progress.

The quantum of energy savings in FY 2022 is low due to the adverse Covid-19 pandemic impacts on the progress of various projects. The Group will continue to review and make plans to catch up as this is a temporary setback in the execution of energy management activities.

Sustainability Statement

(Cont'd)

5.4 Social Sustainability

The most valuable resource in the Group is the people with a diversity of background, ideas and life experiences. We aim to contribute to the growth of sustainable society, enhance corporate value and uphold respect for human capital in the operations.

SDG	The Group's Efforts
3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH	• Established Safety Committee to consolidate best practices and safety visual standards. • Implemented various safety programmes to achieve safety performance. • Achieved high Covid-19 vaccination rate for employees. • Implemented 5S to improve workplace efficiency.
8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• The Group's Code of Conduct and other labour policies protected labour rights. • Maintained a healthy general workforce mix in terms of age demographics and gender balance.
4 QUALITY EDUCATION	• Provided various types of training, which included job related trainings and soft skill trainings.
1 NO POVERTY; 11 SUSTAINABLE CITIES AND COMMUNITIES	• Initiated fund-raising activity for employees affected by flash flood. • Visited orphanage home and sponsored necessities to the unfortunate children. • Organised blood donation campaign in conjunction with the World Blood Donor Day.

5.4.1 Occupational Safety and Health

The Group integrates safety and risk management in its daily operations to cultivate a safe and healthy work culture. Despite numerous challenges due to the Covid-19 pandemic and floods, we have continued to strive towards ensuring the well-being of employees and business associates are taken care of.

Safety and Health Performance

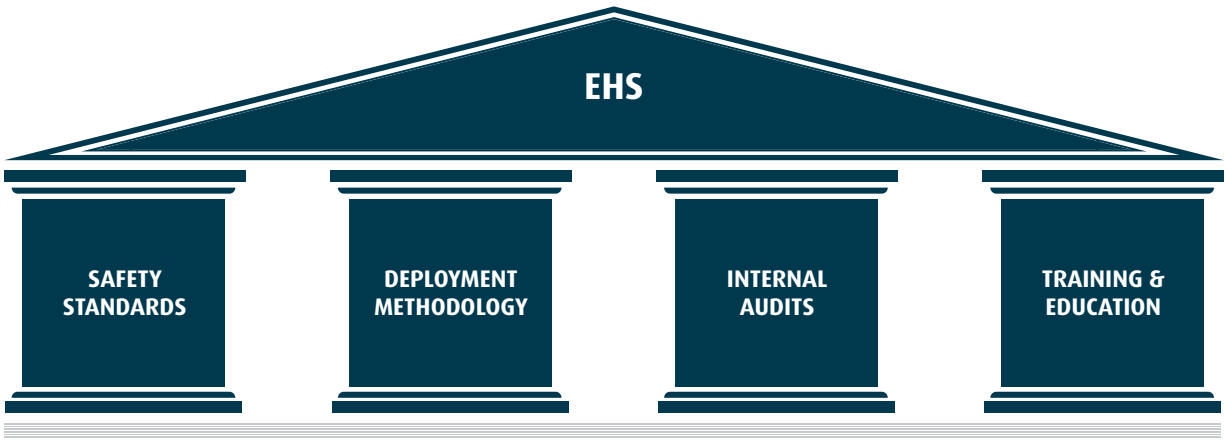
The Group aims to advocate the best practices and to ensure the performance of Environment, Health and Safety ("EHS") with the adoption of the following management systems:

- ISO 14001:2015 Environmental Management System
- ISO 45001:2018 Occupational Health and Safety Management System.

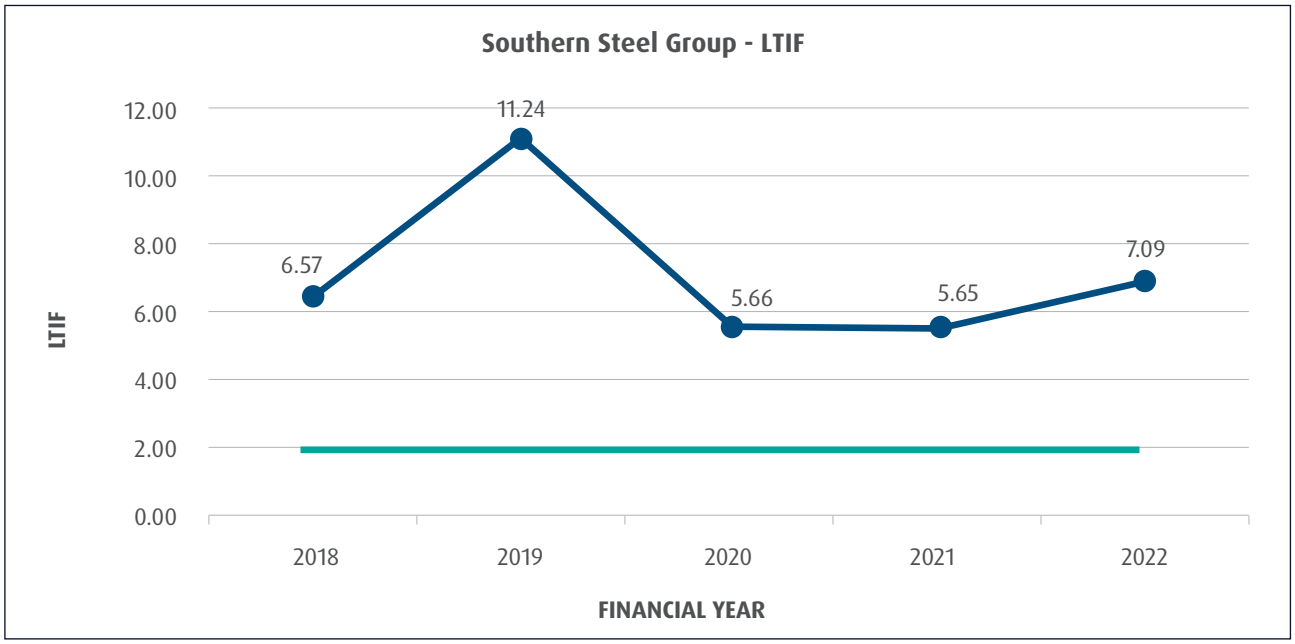
Sustainability Statement

(Cont'd)

The Group established Safety Committee to consolidate best practices from all operating companies as well as to incorporate common and specific safety visual standards. The strategical implementation of control, sustainability and improvement have been defined as the Four Pillars of EHS.



The chart below shows the Group's Lost Time Injury Frequency ("LTIF") rate:



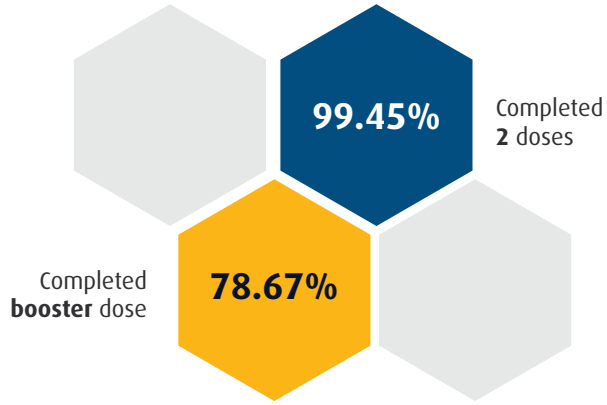
Note: Prior year's figure has been restated to reflect financial year instead of calendar year in order to be consistent with other data. Prior year's figure has also been restated to include impacts from downstream businesses.

The Group has set the LTIF baseline as 2. Although the target has yet to be achieved, numerous efforts were put into organising safety programmes and initiatives, such as Genba walks, safety drills and trainings in order to reduce industrial accidents. We also emphasise on encouraging employees to participate in identifying and mitigating unsafe conditions in the workplace.

Sustainability Statement

(Cont'd)

Disaster management



The Covid-19 pandemic has continued to impact on the Group's operation. As the factory requires most of the employees to be physically present to ensure manufacturing processes can be executed smoothly, we put great emphasis on the employees' status of Covid-19 vaccination. The chart on the left shows the vaccination rate of the employees in the Group.

We have also put in place briefings, awareness notices, strict standard operating procedures ("SOP") and ongoing monitoring of SOP compliance to prevent Covid-19 infections in the workplace.

5S

The Group implements 5S as the foundation for preparing a conducive working environment for the employees. While instilling 5S into the culture, we notice that 5S has helped to enhance self-discipline and morale of employees, improve safety, productivity, quality and cost through Kaizen, on top of waste elimination and creation of more space. The Group practices periodic 5S audit, whereby our 5S auditors will share their findings at the end of the auditing processes, appraise good practices and highlight areas of improvement to the auditees.

The 5S auditors

Shine

Standardise

Sustainability Statement

(Cont'd)

Sort

Set in order

5.4.2 Human Capital

The Group fosters an inclusive and diverse work environment as we emphasise on upholding the labour rights of the employees.

Employment Best Practices

Human capitals are fundamental to the Group's core values of honesty, integrity and respect for people. Our approach is guided by the relevant laws in Malaysia, inclusive of the below non exhaustive list:

- Employment Act 1955 (Act 265)
- Industrial Relations Act 1967
- Holidays Act 1951 (Act 369)
- Children and Young Persons (Employment) Act 1966 (Act 350)
- Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 (Act 446)
- Employment (Termination and Lay-Off Benefits) Regulations 1980.

Sustainability Statement

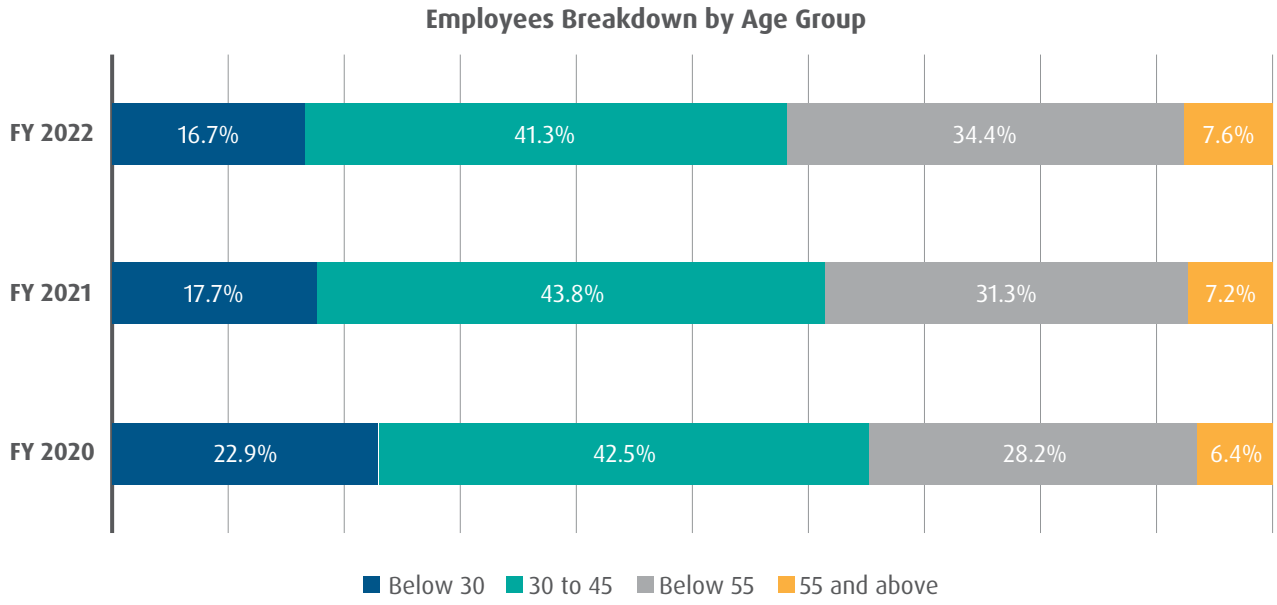
(Cont'd)

The Group considers engagements with employees essential as they provide valuable insights on what matters the most to them. Multiple sources and touchpoints have been used, such as targeted engagement through focused groups and one-on-one interviews, to understand specific sustainability issues as well as topics of interest. Townhalls, department meetings, feedback platforms and employees' events are some of the approaches taken.

General Workforce Statistics

The Group continues to invest and give the younger generation a chance to contribute to the success of our long-term growth. The inclusion of younger staff allows them to join us on the rapidly changing trends in innovation and technology as well as building future leaders.

In terms of age demographics, the Group's mix of employees at different age groups has remained fairly constant over a number of years. The competition in the market has led to movements among the younger and potentially more mobile employees. Therefore, the proportion of younger employees among overall employee population has shrunk as compared to previous years. Nevertheless, the overall mix remains healthy.



In terms of gender balance, we do not set any targets, but continuously strive to achieve a balance of genders at departmental and group levels. Although there are more male employees at the Group level, we continue to make an effort to identify more female candidates, especially for technical positions, where female applicants tend to be fewer. This approach has yielded a gradual but steady growth in the female population in general despite engineering still being a male-dominated field. This is true both among our management specifically and among the employees' population in general.

Employees by Gender	FY 2020	FY 2021	FY 2022
Male (All levels)	90%	90%	90%
Female (All levels)	10%	10%	10%
Male (Executive and above)	68%	68%	69%
Female (Executive and above)	32%	32%	31%

Sustainability Statement

(Cont'd)

Learning and Development

The Group has conducted development analysis to understand the development needs of the employees. This allows the identification of knowledge and skill gaps within the organisation against external factors, such as industry and regulatory changes, employee expectations and the latest innovation and technological advancements.

The Group also places great emphasis on "On-the-Job" training ("OJT") as we believe that the workforce will be able to gain more from first-hand technical experiences. With this, we have offered more hours of OJT than classroom trainings. Employees are trained by internal subject matter experts or external trainers on the application of new methods and on the machinery and systems used in the Group's operations. Soft skill trainings and team building activities are also arranged to build team spirit and ensure that the employees are aware of the latest leadership and management thinking, approaches to stress management, and people management.

Staff developments and trainings are central to the Group's Human Resources policies. In view of the Covid-19 pandemic, employees underwent trainings specifically on Covid-19 Standard Operating Procedures as well as Do's and Don't's. The practical approach to Self-test is also included.

We will continue to focus on people development as a continuous effort to raise the employees' service and skill levels to ensure a steady supply of talent for now and the future. There has been a significant reduction in training hours and expenditures in FY 2021 and FY 2022 primarily due to the effects of the Covid-19 pandemic, the MCO in Malaysia, together with the enforced absence of physical classroom sessions and the slowdown in some of the Group's businesses.

5.4.3 Community Engagement

The Group strives to create a positive influence and betterment of the community in the areas that we operate in. To this end, H2H club had been established as a vehicle to facilitate the integration of corporate social responsibility activities across the Group. To draw the goodness out of people, H2H club gathered and brought enthusiastic employees together in the spirit of volunteerism to help the less fortunate, both within and outside of the Group by carrying out the activities below.

December 2021 – Little things make a big difference

On 16th December 2021, a tropical depression made landfall on the eastern coast of Peninsular Malaysia, bringing torrential downpours throughout the peninsula for three days. Declared by the government officials as an "once in a century" disaster, many were affected by the flash flood including our employees staying in the affected areas of Selangor. To relieve the burden of employees negatively impacted by the flood, H2H club initiated a fund-raising activity which resulted in a total of RM33,000 accumulated to assist 44 affected employees.

Sustainability Statement

(Cont'd)

May 2022 – Selamat Hari Raya Aidilfitri

Rumah Anak Yatim Gemilang, Sik Kedah, established since 1997, is an orphanage home which provides shelter to a total of 66 children from the poor and orphans. Members from H2H club made a visit to the orphanage home on 27th May 2022. During the visit, the members had an interactive get together session and cheerful lunch treat with the children. Apart from that, the H2H club sponsored bedsheets and groceries, which were the most required necessity. The visit was then wrapped up with duit raya given to each of the children to celebrate the Raya festival.

June 2022 – "Give blood and keep the world beating"

World Blood Donor Day takes place on 14th June each year. In support of this, SSB organised a blood donation campaign on 16th June 2022, in collaboration with Penang General Hospital. The campaign attracted 160 participants with 135 successful donors. As a token of appreciation for their essential contribution, refreshment was prepared and each donor was also given 5kgs rice.

Besides the blood donation, SSB also coordinated with an in-house clinic, Qualitas, to be involved in this campaign by providing free health check to donors, which the response was positive.

Sustainability Statement

(Cont'd)

The above activities were executed with strict preventive measures to avoid any potential exposure to the Covid-19 pandemic.

6. Looking forward

The Group believes that serving the community is not only integral to running a successful business, but is also part of its responsibility as a socially responsible corporate citizen. Although essential steps have been taken to integrate sustainable practices into the core of our businesses, we will continue to build upon them and learn from its past initiatives and activities to create a better community for all.

The perspective and insights presented in this Report are based on available resources and internal assessments, which may vary from other external analysis.

Corporate Governance Overview Statement, Risk Management and Internal Control

"Corporate Governance is the process and structure used to direct and manage the business and affairs of the Company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long term shareholder value, whilst taking into account the interest of other stakeholders." *~ Finance Committee on Corporate Governance*

The Board of Directors ("Board") of Southern Steel Berhad ("the Company") is pleased to present this statement with an overview of the corporate governance ("CG") practices of the Group which supports the three (3) key principles of the Malaysian Code on Corporate Governance ("MCCG"), namely Board leadership and effectiveness, effective audit and risk management, and integrity in corporate reporting and meaningful relationship with stakeholders.

The Corporate Governance Report 2022 of the Company in relation to this statement is published on the Company's website at www.southsteel.com ("Website").

BOARD LEADERSHIP AND EFFECTIVENESS

A. Roles And Responsibilities Of The Board

The Board assumes responsibility for effective stewardship and control of the Company and has established terms of reference ("TOR") to assist in the discharge of this responsibility.

In discharging its responsibilities, the Board has established functions which are reserved for the Board and those which are delegated to management. The key roles and responsibilities of the Board are set out in the Board Charter, which is reviewed annually by the Board and published on the Website. The key roles and responsibilities of the Board broadly cover reviewing and approving corporate policies and broad strategies, overseeing and evaluating the conduct of the Group's businesses, identifying principal risks and ensuring the implementation of appropriate systems to manage those risks, and reviewing and approving key matters such as financial results, investments and divestments, acquisitions and disposals, and major capital expenditure.

The day-to-day business of the Group is managed by the Group Managing Director ("GMD") who is assisted by the management team. The GMD and his management team are accountable to the Board for the performance of the Group. In addition, the Board delegates certain of its responsibilities to Board Committees, which operate within clearly defined TOR primarily to support the Board in the performance of its duties and responsibilities.

To discharge its oversight roles and responsibilities more effectively, the Board has delegated the independent oversight over, inter alia, internal and external audit functions, internal controls and risk management to the Board Audit & Risk Management Committee ("BARMC"). The Nominating Committee ("NC") is delegated the authority to, inter alia, assess and review Board, Board Committees and Chief Executive appointments and/or re-elections, and assess and evaluate the performance of the Board, Board Committees and Chief Financial Officer ("CFO"). The Remuneration Committee ("RC") assists the Board in reviewing and recommending matters relating to the remuneration of Directors and senior management ("SM") while the Research and Development ("R&D") Committee reviews and advises the Board on technological aspects of investments or initiatives of the Group. Although the Board has granted such authority to Board Committees, the ultimate responsibility and the final decision rest with the Board. The Chairmen of Board Committees report to the Board on matters dealt with at their respective Board Committee meetings. Minutes of Board Committee meetings are also tabled at Board meetings.

There is a clear division of responsibilities between the Chairman of the Board and the GMD. This division of responsibilities between the Chairman and the GMD ensures an appropriate balance of roles, responsibilities and accountability.

The Chairman leads the Board and ensures its smooth and effective functioning.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

A. Roles And Responsibilities Of The Board (cont'd)

The GMD is responsible for formulating the vision and recommending policies and the strategic direction of the Group for approval by the Board, implementing the decisions of the Board, initiating business ideas and corporate strategies to create competitive edge and enhancing shareholder wealth, providing management of the day-to-day operations of the Group and tracking compliance and business progress.

Independent Non-Executive Directors ("ID" or "IDs") are responsible for providing insights, unbiased and independent views, advice and judgment to the Board and bring impartiality to Board deliberations and decision-making. They also ensure effective checks and balances on the Board. There are no relationships or circumstances that could interfere with or are likely to affect the exercise of IDs' independent judgment or their ability to act in the best interest of the Company and its shareholders.

The Group continues to operate in a sustainable manner and seeks to contribute positively to the well-being of stakeholders. The Group takes a progressive approach in integrating sustainability into its businesses as set out in the Sustainability Statement which forms part of the Annual Report.

The Board observes the Code of Ethics for Company Directors established by the Companies Commission of Malaysia ("CCM"), which has been adopted by the Board and published on the Website.

B. Board Composition

The Board currently comprises seven (7) Directors, four (4) of whom are IDs. The profiles of the members of the Board are set out in the Annual Report.

The Company is guided by the Policy on Board Composition adopted by the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa") ["MMLR"] in determining its Board composition. The policy includes the following:

- The Board shall determine the appropriate size of the Board to enable an efficient and effective conduct of Board deliberation.
- The Board shall have a balance of skills and experience to commensurate with the complexity, size, scope and operations of the Company and shall have an appropriate balance of IDs comprising at least half of the Board.
- The Board shall include a balanced composition of Executive and Non-Executive Directors.
- Board members should have the ability to commit time and effort to carry out their duties and responsibilities effectively.

The Company has in place a Board Diversity Policy. The Board recognises the merits of Board diversity in adding value to collective skills, perspectives and strengths to the Board. Currently, there are two (2) women Directors on the Board. The Board will consider appropriate targets in Board diversity including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

Based on the review of the Board composition in August 2022, the Board is of the view that the current size and composition of the Board are appropriate and effective for the control and direction of the Group's strategy and business. The composition of the Board also fairly reflects the investment of shareholders in the Company.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees

Board Committees have been established by the Board to assist in the discharge of its duties.

- BARMC

  The composition of the BARMC and a summary of its activities in the discharge of its functions and duties for the financial year ("FY") ended 30 June 2022 ("FY 2022") are set out in the Board Audit & Risk Management Committee Report in the Annual Report.

  The TOR of the BARMC are published on the Website.

- NC

  The NC was established on 29 April 2013 and its TOR are published on the Website.

  The composition of the NC has been re-constituted as follows:

  YBhg Dato' Ahmad Johari Bin Abdul Razak
  Chairman, Independent Non-Executive Director
  (Re-designated as Chairman with effect from 1 December 2021)

  YBhg Dato' Tan Ang Meng
  Independent Non-Executive Director
  (Appointed with effect from 1 December 2021)

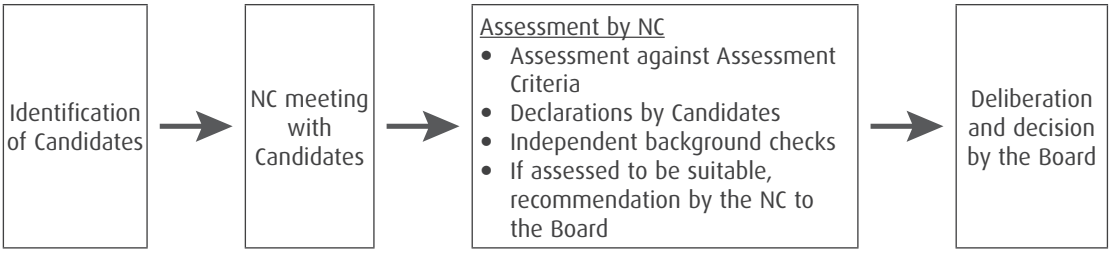
  Ms Chin Siew Siew
  Independent Non-Executive Director
  (Appointed with effect from 1 July 2022)

  Mr Ang Kong Hua
  Independent Non-Executive Director
  (Retired with effect from 1 December 2021)

  YBhg Datuk Kwek Leng San
  Non-Independent Non-Executive Director
  (Resigned with effect from 1 July 2022)

  (i) New Appointments

  The nomination, assessment and approval process for New Appointments, in accordance with the Directors' Fit and Proper Policy, shall be as follows:



Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC (cont'd)

(i) New Appointments (cont'd)

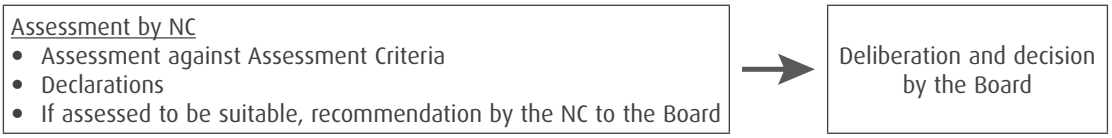
All candidates to the Board are assessed by the NC prior to their appointments, taking into account the assessment criteria, inter-alia, the candidates' character and integrity, the strategic and effective fit of the candidates for the Board, the overall desired Board composition including Board diversity and the required mix of skills, expertise, knowledge and experience in the industry, market and segment to enhance the Board's overall effectiveness and having regard to the candidates' attributes, qualifications, management, leadership, business experience, independence and time commitment, before they are recommended to the Board for approval. The Company maintains a pool of potential Board candidates from internal and external introductions, recommendations and independent sources with Director databases in its search for suitable Board candidates.

In evaluating any new appointment of SM, the Company is guided by the Hong Leong Group Recruitment Policy where all potential candidates are given equal opportunity regardless of gender, race, and religion and/or whether or not one has disability. SM positions are awarded based on qualifications, experience and potential.

In the case of Chief Executive, the NC will take into account the candidate's knowledge and experience in the industry, market and segment.

(ii) Re-election

The nomination and approval process for re-election of Directors as set out in the Directors' Fit and Proper Policy are as follows:



The Chairman, Directors and Chief Executive will be evaluated on their performance in the discharge of duties and responsibilities effectively, including, inter alia, contribution to Board deliberations, time commitment as well as the Annual Board Assessment (as defined below) results, contributions during the term of office, attendance at Board meetings, and for IDs, their continued independence.

(iii) Removal

For removal of Directors, the Company shall carry out such removal in accordance with the provisions of the Companies Act 2016 ("Act") and any other relevant regulatory requirements. The NC may recommend to the Board the removal of a Director who is ineligible, disqualified, incapacitated or who has failed in the discharge of fiduciary duties.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

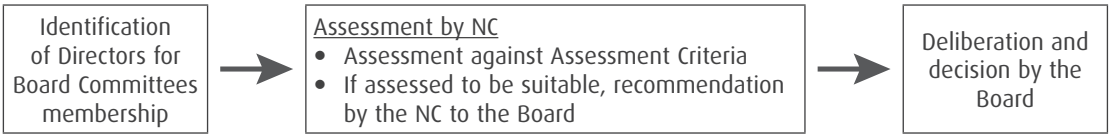
BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC (cont'd)

(iv) Board Committee Appointments

The nomination, assessment and approval process for appointments to Board Committees ("Board Committee Appointments") is as follows:



In line with the Directors' Fit and Proper Policy, the assessment for Board Committee Appointments will be based on the Directors' potential contributions and value-add to the Board Committees with regard to Board Committees' roles and responsibilities.

In addition, a formal evaluation process has been put in place to assess the effectiveness of the Board as a whole, Board Committees as a whole and the contribution and performance of each individual Director, Board Committee member, Chief Executive and CFO on an annual basis ("Annual Board Assessment"). For newly appointed Chairman, Directors, Chief Executive and CFO, the Annual Board Assessment will be conducted at the next annual assessment exercise following the completion of one (1) year of service.

For management succession planning, it has been embedded in the Group's process over the years to continuously identify, groom and develop key talents from within the Group. The Group also has a talent development programme to identify, retain and develop young high potential talents.

The NC meets at least once in each FY and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions.

During FY 2022, three (3) NC meetings were held and all the NC members attended the meetings.

The NC discharged its duties in accordance with its TOR during FY 2022. The NC considered and reviewed the following:

- Nominating Committee Charter, policies on Independence of Directors, Board Composition, Board Diversity and Directors' Training;
- Nominating Committee Report;
- composition of the Board and Board Committees;
- mix of skills, professional qualification, experience and other qualities of Directors including gender, ethnicity and age balance;
- independence of IDs and their tenure;
- training undertaken by Directors and recommendation of training programmes for Directors; and
- re-election of Directors.

The NC has also considered and recommended to the Board for approval, the appointment of Mr Yeoh Choon Kwee as the Group Managing Director of the Company, the appointment of Ms Chin Siew Siew, who was identified through an independent source, as an Independent Non-Executive Director of the Company, the retirement of Mr Ang Kong Hua after serving more than 10 years as an Independent Non-Executive Director of the Company, the re-constitution of Board Committees and the adoption of the Directors' Fit and Proper Policy.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- NC (cont'd)

  Having reviewed the Board composition, the NC was satisfied that the current Board comprises a good mix of skills and that the current size and composition of the Board are appropriate and effective in discharging its functions. The NC took cognisance of the merits of Board diversity, including gender, ethnicity and age balance on the Board and will take the necessary measures to meet these targets from time to time as appropriate.

  The NC has also evaluated the performance of the Board, Board Committees, each individual Director, each Board Committee member and the CFO, benchmarking their respective TOR and assessment criteria, and through the annual assessment conducted during FY 2022. The NC was satisfied that they have continued to operate effectively in discharging their duties and responsibilities. They have also fulfilled their responsibilities and are suitably qualified to hold their positions.

- RC

  The RC was established on 9 May 2005 and its TOR are published on the Website.

  The composition of the RC has been re-constituted as follows:

  YBhg Dato' Ahmad Johari Bin Abdul Razak
  Chairman, Independent Non-Executive Director
  (Re-designated as Chairman with effect from 1 July 2022)

  YBhg Dato' Tan Ang Meng
  Independent Non-Executive Director
  (Appointed with effect from 1 December 2021)

  Ms Chin Siew Siew
  Independent Non-Executive Director
  (Appointed with effect from 1 July 2022)

  Mr Ang Kong Hua
  Independent Non-Executive Director
  (Retired with effect from 1 December 2021)

  YBhg Datuk Kwek Leng San
  Non-Independent Non-Executive Director
  (Resigned with effect from 1 July 2022)

  The RC meets at least once in each FY and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions.

  During FY 2022, four (4) RC meetings were held and all the RC members attended the meetings.

  The RC discharged its duties in accordance with its TOR during FY 2022. The RC considered and reviewed the Remuneration Committee Charter, Remuneration Committee Report and remuneration packages (including salary and bonus) of the Directors, including the GMD and key SM ("Key SM").

  The Group's remuneration scheme for Executive Directors ("EDs") and SM is linked to performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry surveys conducted by human resource consultants. Performance is measured against profits and targets set in the Group's annual plan and budget.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- RC (cont'd)

  The level of remuneration of Non-Executive Directors reflects the scope of responsibilities and commitment undertaken by them, industry benchmark as well as complexity of the Group's businesses.

  The RC, in assessing and reviewing the remuneration packages of EDs and Key SM, ensures that a strong link is maintained between their rewards and individual performance, based on the provisions in the Group's Human Resources Manual, which are reviewed from time to time to align with market/industry practices.

  The fees of Directors are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at its Annual General Meeting ("AGM").

  The detailed remuneration of each Director is set out in the Corporate Governance Report which is published on the Website.

- R&D Committee

  The R&D Committee was established on 21 November 2014 and its TOR are published on the Website.

  The composition of the R&D Committee has been re-constituted as follows:

  Dr Kwa Lay Keng
  Chairman, Independent Non-Executive Director

  YBhg Dato' Dr Tan Tat Wai
  Non-Independent Non-Executive Director

  Mr Yeoh Choon Kwee
  Group Managing Director

  Mr Ang Kong Hua
  Independent Non-Executive Director
  (Retired with effect from 1 December 2021)

  The R&D Committee meets at least twice in each FY and additional meetings may be called at any time as and when necessary.

  The R&D Committee met twice during FY 2022 where all the R&D Committee members attended the meetings.

  The R&D Committee carried out its duties in accordance with its TOR during FY 2022. The R&D Committee carried out, among others, the following key activities during FY 2022:

  - Reviewed and recommended to the Board for approval the Research and Development Committee Charter.
  - Reviewed and recommended to the Board for approval the Research and Development Committee Report for inclusion in the Company's Annual Report.
  - Restructured corporate sustainability reporting to enlighten stakeholders and keep abreast with rapidly evolving reporting requirements.
  - Established scope 1 and scope 2 baseline GHG emission for upstream operation.
  - Imparted research information of sustainable steel product and development of clean technology for iron and steel making towards net carbon zero.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

C. Board Committees (cont'd)

- R&D Committee (cont'd)

  - Obtained SIRIM ECO Label 032:2020 for deformed and plain straight bar and low carbon mesh and drawing quality wire rod to pave the way into Green Market.
  - Successfully commercialised one product for industrial application.
  - Performed technical risk assessment on new investment in downstream.
  - Explored new IR4.0 ideas, implemented identified digitalisation projects and strengthened IT infrastructure to improve customer services and enhance business performance.
  - Organised SSB Innovation Competition to cultivate and promote innovation at workplace in the Group and inspired the Power Team of SSB to represent Malaysia and won 1st prize among 8 participated teams from Indonesia, Malaysia, Singapore, Thailand and Vietnam in 2021 SEASI Improvement and Quality Competition

  The following initiatives were launched during the year to support the sustainability journey of the Group to build resilience into operation infrastructure:

  - Environment Sustainability
    - Group wide data collection to establish baseline.
  - Learning and development
    - E-Learning Portal for Quality, Environment, Safety and Health as well as Anti-bribery and Corruption Management Systems

D. Independence

The Board takes cognisance of the provisions of the MCCG, which states that the tenure of an ID should not exceed a cumulative term of nine (9) years and upon completion of the nine (9) years, an ID may continue to serve on the Board subject to the Director's re-designation as a Non-ID. It further states that in the event the Board wishes to retain an ID who has served a cumulative term of nine (9) years and above, shareholders' approval shall be annually sought with justification through a two-tier voting process.

The Company has in place an Independence of Directors Policy ("ID Policy") which sets out the criteria for assessing the independence of IDs. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops. The ID Policy states that the tenure of an ID shall not exceed a cumulative term of nine (9) years from the date of his or her first appointment in the Company.

The IDs have declared their independence, and the NC and the Board have determined, at the annual assessment carried out, that the IDs have continued to bring independent and objective judgment to Board deliberations and decision making.

Save for Dr Kwa Lay Keng who will retire at the forthcoming AGM, the tenure of all the other IDs on the Board does not exceed nine (9) years.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

E. Commitment

The Directors are aware of their responsibilities and devote sufficient time to carry out such responsibilities. In line with the MMLR, Directors are required to comply with the restrictions on the number of directorships in public listed companies. Board meetings are scheduled ahead in order to enable full attendance at Board meetings. The Board meets quarterly with timely notices of issues to be discussed. Additional meetings may be convened on an ad-hoc basis as and when necessary. Where appropriate, decisions are also taken by way of Directors' Circular Resolutions. Directors are required to attend at least 50% of Board meetings held in each FY pursuant to the MMLR.

All Board members are supplied with information in a timely manner. The Company has moved towards electronic Board reports. Board reports are circulated electronically prior to Board and Board Committee meetings and the reports provide, among others, financial and corporate information, significant operational, financial and corporate issues, updates on the performance of the Company and of the Group and management's proposals which require the approval of the Board.

All Directors have access to the advice and services of qualified and competent Company Secretaries to facilitate the discharge of their duties effectively. The Company Secretaries are qualified to act under Section 235 of the Act. They are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and hold practising certificates issued by CCM. The Company Secretaries support the effective functioning of the Board, provide advice and guidance to the Board on policies and procedures, relevant rules, regulations and laws in relation to corporate secretarial and governance functions and facilitate effective information flow among the Board, Board Committees and SM. The Company Secretaries attend programmes and seminars to keep themselves abreast with, inter alia, regulatory requirements, company law and CG.

All Directors also have access to the advice and services of the internal auditors and in addition, to independent professional advice, where necessary, at the Company's expense, in consultation with the Chairman of the Company.

At Board meetings, active deliberations of issues by Board members are encouraged and such deliberations, decisions and conclusions are recorded by the Company Secretaries accordingly. Any Director who has an interest in the subject matter to be deliberated shall abstain from deliberating and voting on the same during the meetings.

The Board met five (5) times during FY 2022 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	5/5
Mr Yeoh Choon Kwee	5/5
YBhg Dato' Dr Tan Tat Wai	5/5
Dr Kwa Lay Keng	5/5
YBhg Dato' Ahmad Johari Bin Abdul Razak	5/5
YBhg Dato' Tan Ang Meng	5/5
Mr Ang Kong Hua *(Retired with effect from 1 December 2021)*	*2/2

* *reflects the attendance and the number of meetings held during the period the Director held office*

The Company recognises the importance of continuous professional development and training for its Directors.

The Company is guided by a Directors' Training Policy, which covers an Induction Programme and Continuing Professional Development ("CPD") for Directors of the Company. The Induction Programme which may include visits to the Group's business operations, is organised for newly appointed Directors to assist them to familiarise and to get acquainted with the Group's businesses. The CPD encompasses areas related to the industry or business of the Company, governance, risk management and regulations through a combination of courses and conferences. A training budget is allocated for Directors' training programmes.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

E. Commitment (cont'd)

All Directors of the Company have completed the Mandatory Accreditation Programme.

The Company organises in-house programmes, briefings and updates by its in-house professionals. The Directors are also encouraged to attend seminars and briefings in order to keep themselves abreast with the latest developments in the business environment and to enhance their skills and knowledge. Directors are kept informed of available training programmes on a regular basis.

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on CG, finance/accounting, risk management, internal control, information technology, cyber security, environmental, social and governance (ESG), industry-related and/or statutory/regulatory compliance, be recommended and arranged for the Directors to enhance their contributions to the Board.

During FY 2022, the Directors received regular briefings and updates on the Group's businesses, strategies, operations, risk management and compliance, internal controls, CG, finance/accounting, anti-bribery and corruption management, ESG and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes/briefings were also organised for the Directors and SM of the Company.

The Directors of the Company have also attended various programmes and forums facilitated by external professionals in accordance with their respective needs in discharging their duties as Directors.

During FY 2022, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Audit Oversight Board Conversation with Audit Committee
- Briefing on Hong Leong Manufacturing Group Sdn Bhd Anti-Bribery and Corruption Management System and Remuneration Framework
- Malaysian Code on Corporate Governance
- Mandatory Accreditation Programme
- Megatrends for the next Normal.
- TCFD 102: Building experience in climate-related financial reporting

F. Strengthening CG Culture

- **Code of Conduct and Ethics**

  The Group is committed to good business ethics and integrity as set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics ("HLMG Code"). To this, the Group commits to a high standard of professionalism and ethics in the conduct of business and professional activities.

  The HLMG Code is applicable to:

  - all employees who work in the Group across the jurisdictions in which the Group operates – including but not limited to permanent, part-time and temporary employees; and
  - any other persons permitted to perform duties or functions within the Group – including but not limited to vendors, service providers, contractors, secondees, interns, industrial attachment and agency staff.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

BOARD LEADERSHIP AND EFFECTIVENESS (cont'd)

F. Strengthening CG Culture (cont'd)

- **Anti-Bribery and Corruption Policy**

  The Group has adopted MS ISO 37001:2016 as its Anti-Bribery and Corruption Management System to provide a strong framework to prevent its employees, Directors, partners or persons who perform services for or on behalf of the Group from undertaking corrupt practices in relation to its business activities. The Anti-Bribery and Corruption Policy, published on the Website, outlines the Group's commitment to conducting business ethically in compliance with all applicable anti-bribery and corruption laws of every country in which the Group operates.

  Reports of any concern or suspicion may be made to the Head of Internal Audit or Head of Human Resources.

- **Whistleblowing Policy**

  The Company has a Whistleblowing Policy and it provides a structured channel for all employees of the Group to report any concern on any improper conduct or wrongful act committed within the Group. The Whistleblowing Policy is published on the Website.

  The Board has identified the Chairman of the BARMC to whom reports of any such concerns may be conveyed.

EFFECTIVE AUDIT AND RISK MANAGEMENT

Accountability And Audit

The financial reporting and internal control system of the Group is overseen by the BARMC which comprises all IDs. The primary responsibilities of the BARMC are set out in the Board Audit & Risk Management Committee Report.

The BARMC is supported by the Group Internal Audit Department ("GIAD") whose principal responsibilities are to conduct risk-based audits to ensure that adequate and effective controls are in place to mitigate risks, operational audits to identify opportunities for operational improvement, and also ensure compliance with standard operating procedures of the Group.

Investigation or special review will be carried out at the request of the BARMC and SM on specific areas of concern when necessary. Significant breaches and deficiencies identified are discussed at the BARMC meetings where appropriate actions will be taken.

I. Financial Reporting

The Board has a fiduciary responsibility to ensure the proper maintenance of accounting records of the Group. The Board receives the recommendation to adopt the financial statements from the BARMC, which assesses the integrity of financial statements with the assistance of the external auditors.

II. Directors' Responsibility In Financial Reporting

The MMLR require the Directors to prepare a statement explaining the Board of Directors' responsibility for preparing the annual audited financial statements and the Act requires the Directors to make a statement stating whether in their opinion, the audited financial statements are drawn up, in accordance with the applicable accounting standards, to give a true and fair view of the financial position and of the financial performance of the Group and of the Company for the FY.

The Directors of the Company are satisfied that the financial statements of the Group and of the Company for FY 2022 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Act in Malaysia and that the Group and the Company have adopted appropriate accounting policies and have applied them consistently.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

III. Risk Management and Internal Control

The Statement on Risk Management and Internal Control ("SORMIC") provides an overview of the system of internal controls and risk management framework of the Group.

- Responsibility of the Board

  The Board recognises its overall responsibility for the adequacy and effectiveness of the Group's system of internal controls and risk management framework to safeguard shareholders' investment and the Group's assets. The Board adopts MS ISO 31000:2010 as its risk management framework.

  Accordingly, the Board has entrusted the BARMC to provide oversight of the system of internal controls and risk management framework. The BARMC is assisted by the GIAD in this role.

- Risk Management Framework

  For FY 2022, management has structured the risk management framework using MS ISO 31000:2010. Based on the framework, management has carried out the following:

  - establish the context of risk in relation to the Group's risk appetite, i.e. how risks are perceived and the levels at which they are acceptable or otherwise;
  - identify risks in relation to the objectives of every business function of the Group's operating companies;
  - identify emerging risks faced by the Group in the operating environment of its various industries;
  - assess the likelihood and impact of such risks identified, using qualitative and also quantitative measures where applicable, to determine the risk level, i.e. "Severe", "Major", "Significant", "Minor" or "Trivial";
  - evaluate the severity of the risks and their treatment options to set priority of management's attention and devise appropriate actions to avoid, share, retain or mitigate risks within reasonable timeframes; and
  - record the details of risks and treatment plans in the risk registers and present to the BARMC quarterly to review the adequacy and effectiveness of the risk management measures.

  For bribery and corruption risks, the Group has adopted the Anti-Bribery Management System ("ABMS") under the MS ISO 37001:2016 and the Guidelines on Adequate Procedures pursuant to Subsection (5) of Section 17A under the Malaysian Anti-Corruption Commission (MACC) Act 2009 to prevent, detect and respond to bribery and corruption risks. The Company and its active subsidiaries have been certified for MS ISO 37001:2016 (ABMS) by SIRIM QAS International Sdn Bhd.

  Further, on an ongoing basis, each operating company's Chief Executive and authorised risk owners have clear accountabilities to:

  - monitor its existing risks, identify emerging risks and update the enterprise-wide risk registers;
  - maintain the adequacy, effectiveness and relevance of action plans and control systems to manage risks; and
  - prepare risk management reports on a quarterly basis for reporting to the BARMC.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

III. Risk Management and Internal Control (cont'd)

- System of Internal Controls

  The key elements of the Group's system of internal controls are described below:

  - A management structure exists with clearly defined delegation of responsibilities to the management of the Group's operating companies, including authorisation levels for all aspects of the business and operations. The management of the Group's operating companies own and manage risks and they are responsible for implementing controls to mitigate the risks pertaining to all aspects of the business and operations.
  - Documented corporate policies and procedures covering various aspects of the business and operations of the Group.
  - Promotion of a strong internal control culture through the Group's values and ethics and also the "tone at the top".
  - Diligent review of the quarterly financial results and reports and identifying the reasons for any unusual variances.
  - Internal control assurance activities such as self-audits and completion of internal control questionnaires undertaken by management of the operating companies. These activities are part of the Group's risk and control assurance framework, provide the breadth in risk and control assurance, and demonstrate management's commitment to effective risk management.
  - Risk-based internal audits carried out by the GIAD focusing on key risk areas which are selected from the Group's audit universe. The key risk areas are documented in the annual audit plan which is approved by the BARMC. The risk-based internal audits in FY 2022 covered tender and procurement, sales management, logistics and weighbridge management, and occupational safety and health review.
  - Quarterly reporting to the BARMC on the results of control assurance and audit activities, and also the management of risks throughout the Group.

- Management and Decision-Making Processes

  The internal control and risk management processes of the Group are in place for FY 2022 and up to the date of approval of the SORMIC for inclusion in the annual report, and reviewed quarterly by the BARMC. The BARMC reviews the principal risks, significant audit observations and/or areas for improvement and ascertains that appropriate remedial actions or improvements are taken by the management of the Group's operating companies. These processes are intended to manage and not expected to eliminate all risks of failure to achieve business objectives. Accordingly, they can only provide reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

  The Board has received assurance from the GMD and CFO that the Group's system of internal controls and risk management framework are operating adequately and effectively, in all material aspects, based on the internal control system and risk management framework of the Group.

  The SORMIC has not dealt with or included the state of risk management and internal control of the associates.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (cont'd)

Accountability And Audit (cont'd)

III. Risk Management and Internal Control (cont'd)

- Review of the SORMIC by External Auditors

  Pursuant to Paragraph 15.23 of the MMLR, the external auditors have reviewed the SORMIC pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the 2022 Annual Report, and reported to the Board that nothing has come to their attention that causes them to believe that the SORMIC is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers, nor is the SORMIC factually inaccurate. AAPG 3 does not require the external auditors to consider whether the SORMIC covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and management thereon. The external auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

- Board's Opinion

  The Board, through the BARMC, is of the view that the Group's risk management framework and system of internal controls are adequate and effective in safeguarding the shareholders' investments and the Group's assets.

IV. Relationship with Auditors

The Board, through the BARMC, maintains a formal and transparent professional relationship with the external auditors, KPMG PLT. The appointment of external auditors and their fees are recommended by the BARMC. The BARMC reviews the performance, suitability, independence and objectivity of the external auditors annually. The BARMC also reviews the nature and fees of non-audit services provided by the external auditors in assessing the independence of the external auditors. In accordance with the MIA, KPMG PLT rotates its Engagement Partner and Engagement Quality Control Review Partner once every seven (7) years to ensure objectivity, independence and integrity of the audit opinions.

The external auditors meet with the BARMC to:

- present the scope of the audit before the commencement of audit; and
- review the results of the audit, including key audit matters, as well as the management letter after the conclusion of the audit.

At least twice a year, the BARMC will have a separate session with the external auditors without the presence of SM.

For FY 2022, the BARMC members together with the CFO undertook an annual assessment on the performance, suitability, independence and objectivity of the external auditors. No major concerns were noted from the results of the assessment. The external auditors also gave their assurance confirming their independence and objectivity throughout the conduct of the audit engagement and the internal processes undertaken by them to determine their independence.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

A. Disclosure

The Company has in place a Corporate Disclosure Policy for compliance with the disclosure requirements set out in the MMLR, and to raise awareness and provide guidance to the Board and management on the Group's disclosure requirements and practices.

All timely disclosure and material information documents will be posted on the Website after release to Bursa.

Corporate Governance Overview Statement, Risk Management and Internal Control

(Cont'd)

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (cont'd)

B. Shareholders

I. Dialogue between Companies and Investors

The Board acknowledges the importance of regular communication with shareholders and investors via the annual reports, corporate governance reports, circulars to shareholders, quarterly financial reports and the various announcements made during the year, through which shareholders and investors can have an overview of the Group's performance and operation.

Notices of general meetings and the accompanying explanatory notes are provided within the prescribed notice period on the Website, Bursa's website, in the media and by post to shareholders. This allows shareholders to make the necessary arrangements to attend and participate in general meetings either in person, by corporate representative, by proxy or by attorney.

Shareholders can access the Company's information at the Website which includes the Board Charter, TORs of Board Committees, corporate information, announcements/press releases/briefings, financial information, products information and investor relations. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are also published on the Website.

In addition, shareholders and investors can have a channel of communication with the Company Secretary to direct queries and provide feedback to the Group.

Queries may be conveyed to the following person:

Name : Ms Wong Wei Fong
Tel : 03-2080 9200
Fax : 03-2080 9238
Email : IRelations@southsteel.com

II. AGM

The AGM provides an opportunity for the shareholders to seek and clarify any issues and to have a better understanding of the Group's performance. Shareholders are encouraged to attend and vote on all resolutions. Directors, CFO and the external auditors are also available to respond to shareholders' queries during the AGM.

In light of the Covid-19 pandemic and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 1 December 2021 was conducted in virtual manner through live streaming and online voting using Remote Participation and Electronic Voting facilities. All Directors of the Company attended the said AGM either physically at the broadcast venue or virtually to engage with shareholders and address issues of concern raised by the shareholders. Questions from the shareholders, which were raised prior to and during the meeting as well as the Company's response to the same were shared with all shareholders during the Question & Answer session at the AGM. Minutes of AGM and a summary of the key pertinent matters discussed at the AGM are also published on the Website.

Pursuant to Paragraph 8.29A(1) of the MMLR, all resolutions tabled at general meetings will be put to a vote by way of a poll and the voting results will be announced at the meetings and through Bursa.

This Corporate Governance Overview Statement, Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors.

Board Audit & Risk Management Committee Report

CONSTITUTION

The Board Audit & Risk Management Committee ("the Committee") of Southern Steel Berhad ("SSB" or "the Company") was established since 29 October 1993.

COMPOSITION

The composition of the Committee has been re-constituted as follows:

YBhg Dato' Tan Ang Meng
Chairman, Independent Non-Executive Director

Dr Kwa Lay Keng
Independent Non-Executive Director

YBhg Dato' Ahmad Johari Bin Abdul Razak
Independent Non-Executive Director
(Appointed with effect from 1 December 2021)

Mr Ang Kong Hua
Independent Non-Executive Director
(Retired with effect from 1 December 2021)

SECRETARY

The Secretary(ies) to the Committee shall be the Company Secretary(ies) of SSB.

AUTHORITY

The Committee is authorised by the Board of Directors ("Board") to review any activity of the Group within its Terms of Reference ("TOR"), details of which are available on the Company's website at www.southsteel.com. The Committee is authorised to seek any information it requires from any Director or member of management and all employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain independent legal or other professional advice if it considers necessary.

MEETINGS

The Committee meets at least four (4) times a year and additional meetings may be called at any time as and when necessary. Recommendations and decisions may also be taken by way of Circular Resolutions. All meetings to review the quarterly reports and annual financial statements are held prior to such quarterly reports and annual financial statements being presented to the Board for approval.

The head of finance, head of internal audit, risk manager, Group Managing Director and senior management may attend Committee meetings, at the invitation of the Committee, to provide information and clarification required on items on the agenda. Representatives of the external auditors are also invited to attend the Committee meetings to present their audit scope and plan, audit report and findings together with management's response thereto, and to brief the Committee members on significant audit and accounting areas which they noted in the course of their audit.

Issues raised, discussions, deliberations, decisions and conclusions made at the Committee meetings are recorded in the minutes of the Committee meetings. Where the Committee is considering a matter in which a Committee member has an interest, such member abstains from reviewing and deliberating on the subject matter.

Two (2) members of the Committee, who shall be independent, shall constitute a quorum and the majority of members present must be Independent Directors.

After each Committee meeting, the Chairman of the Committee shall report and update the Board on significant issues and concerns discussed during the Committee meetings and where appropriate, make the necessary recommendations to the Board.

Board Audit & Risk Management Committee Report

(Cont'd)

ACTIVITIES

An annual assessment on the performance and effectiveness of the Committee and each of its members for the financial year ended 30 June 2022 ("FY 2022") was carried out by the Nominating Committee ("NC"). The NC and the Board are satisfied that the Committee and its members had carried out their duties in accordance with the Committee's TOR.

During FY 2022, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
YBhg Dato' Tan Ang Meng	4/4
Dr Kwa Lay Keng	4/4
YBhg Dato' Ahmad Johari Bin Abdul Razak *(Appointed with effect from 1 December 2021)*	*2/2
Mr Ang Kong Hua *(Retired with effect from 1 December 2021)*	*2/2

** reflects the attendance and the number of meetings held during the period the committee members held office*

The Committee carried out the following key activities during FY 2022:

- Reviewed and recommended to the Board for approval, the annual financial statements of the Group and of the Company, drawn up in accordance with the relevant accounting standards, laws and regulations so as to give a true and fair view of the financial position of the Group and of the Company.
- Reviewed and recommended to the Board for approval, the quarterly reports focusing on any changes in accounting policies and practices, significant adjustments arising from the audits and the going concern assumptions to ensure compliance with relevant accounting standards, laws and regulations.
- Reviewed the financial performance of the Group including the impact of movement of bar and rod prices, and billet costs.
- Reviewed financial obligations of the Group including banking facilities and covenants.
- Assessed the performance, suitability, independence and objectivity of the external auditors, taking into consideration factors such as quality of service, adequacy of experience and resources of the firm and the professional staff assigned to the audit, and communication and interaction, and made recommendation to the Board for shareholders' approval on the re-appointment of the external auditors.
- Reviewed and recommended to the Board for approval, the audit fees and non-audit fees payable to the external auditors in respect of services provided to the Group. Further reviewed the provision of non-audit services by the external auditors to ascertain whether such provision of services would impair the external auditors' independence or objectivity. Details of non-audit fees incurred by the Group for FY 2022 are stated in the notes to the financial statements.
- Reviewed with the external auditors, the audit plan for FY 2022, nature and scope of the audit, considered significant changes in accounting and auditing issues, where relevant, reviewed the management letter and management's response, reviewed pertinent issues which had significant impact on the results of the Group and discussed applicable accounting and auditing standards.
- Held two (2) separate sessions with the external auditors without the presence of senior management to discuss all major issues, including co-operation of Group's officers rendered to the external auditors. During the separate sessions, no critical issues were raised.
- Discussed with the external auditors, the potential key audit matters and other significant audit matters identified by the external auditors.
- Reviewed and approved the annual internal audit scope and plan.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.

Board Audit & Risk Management Committee Report

(Cont'd)

ACTIVITIES (cont'd)

- Reviewed the internal audit findings and recommendations, including management responses, progress status and updates of management's action plans on internal audit's findings and recommendations thereto.
- Reviewed periodically and recommended to the Board for approval, the Whistleblowing Policy.
- Reviewed the adequacy and integrity of internal control systems, including risk management covering areas on compliance, operational and financial, Covid-19 pandemic impact and relevant management information system, including the processes in place to identify, evaluate and manage the significant risks encountered by the Group.
- Reviewed and assessed the Group's compliance with the existing occupational safety and health laws and regulations, as well as its readiness to meet the new requirements prescribed in Occupational Safety and Health (Amendment) Bill 2020.
- Reviewed and recommended to the Board for approval, the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Reviewed the Policy and Procedures of Recurrent Related Party Transactions ("Procedures") and various recurrent related party transactions ("RRPT") carried out by the Group to ensure that the Procedures are adequate to monitor, track and identify RRPT in a timely and orderly manner, and are sufficient to ensure that the RRPT are conducted on commercial terms consistent with the Group's usual business practice and policies and on terms not more favourable to the related parties than those generally available to and/or from the public.
- Reviewed the proposed mandate for RRPT with various related parties prior to the Board's recommendation for shareholders' approval.
- Reviewed the Statement on Risk Management and Internal Control ("SORMIC") of the Group and received the report of the external auditors in respect of their review on the SORMIC prior to the Board's approval for inclusion in the Company's Annual Report.
- Reviewed and recommended to the Board for approval, the Board Audit & Risk Management Committee Report for inclusion in the Company's Annual Report.
- Acted as Governing Body of Anti-Bribery and Corruption Management System ("ABCMS") and reviewed the Governing Body Report comprised ABCMS activities, progress updates on the Group's MS ISO 37001:2016 Anti-Bribery Management System certification, bribery and corruption risk assessment and ABCMS internal audit report, on a quarterly basis.
- Recommended to the Board for approval, the Directors' annual declaration of Hong Leong Manufacturing Group Gift and Entertainment Policy, Anti-Bribery and Corruption Policy and Code of Ethics for Company Directors.

INTERNAL AUDIT ("IA")

The IA function is carried out in-house by the Group IA Department ("GIAD") of HLMG Management Co Sdn Bhd, a wholly-owned subsidiary of Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). The provision of the IA services is part of the shared services of companies within the HLMG Group. As at 30 June 2022, there were twelve (12) staff in the GIAD and the total cost incurred by the GIAD for FY 2022 amounted to RM2,409,090.

The purpose, authority, scope, independence and responsibilities of IA function are provided in the Internal Audit Charter, which is approved by the Committee.

The GIAD, led by the Head of IA, reports to the Committee which has the authority to decide among others, the appointment and removal; scope of work; and performance evaluation of the IA function. Mr Teh Boon Ang has been appointed as Head of IA since 1 July 2017. Mr Teh is a Professional Member of the Institute of Internal Auditors Malaysia and holds the qualifications of Master of Criminal Justice, Certified Internal Auditor and Certified Fraud Examiners. The Committee is satisfied that the Head of IA has the relevant experience and sufficient standing and authority to discharge his duties as Head of IA.

The GIAD supports the Committee in the effective discharge of its responsibilities in respect of governance, internal controls and the risk management framework of the Group. The GIAD also challenges and adds value to the efficiency, effectiveness and economy of operating companies' operations; usage of assets and resources; and the integrity of management information systems. In doing so, the IA function is performed with impartiality, proficiency and due professional care. The GIAD has received cooperation in the performance of their work and do not have any disagreement that may have adverse impact on the audit process or findings.

Board Audit & Risk Management Committee Report

(Cont'd)

INTERNAL AUDIT ("IA") (cont'd)

All the IA personnel had declared to the Committee that they are free from any relationships or conflicts of interest which would impair their impartiality or objectivity. The Committee had undertaken an assessment on the performance of the GIAD for FY 2022 whereby it is satisfied with the performance of the GIAD. The Committee had also reviewed the GIAD's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept abreast with developments in the profession, industry and regulations by attending internal and external training courses. The Committee is hence satisfied with the competency of the GIAD and that it has adequate resources to carry out its functions.

The annual audit plan prepared by the GIAD is submitted to the Committee for review and approval. Internal audits are carried out as per the approved annual audit plan. IA reports are discussed and issued to management for their feedback and to formulate action plans with target implementation dates for improvements. Any resulting salient control concerns are reviewed by the Committee, and the implementation status of audit recommendations are monitored and reported to the Committee on a quarterly basis. The areas of IA's review during FY 2022 are described in the SORMIC.

The GIAD also facilitates the maintenance of the risk management framework of the Group on an ongoing basis.

The GIAD applies appropriate auditing standards in assessing the integrity and effectiveness of internal controls and compliance with the established policies and procedures; and is committed to continuously monitoring and improving the IA function.

The Board Audit & Risk Management Committee Report is made in accordance with the resolution of the Board of Directors.

Financial Statements

77 Directors' Report

82 Statements of Financial Position

84 Statements of Profit or Loss and Other Comprehensive Income

86 Statements of Changes In Equity

89 Statements of Cash Flows

92 Notes to the Financial Statements

180 Statement by Directors

180 Statutory Declaration

181 Independent Auditors' Report

Directors' Report

For the Financial Year Ended 30 June 2022

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding, manufacturing, sale and trading in steel bars and related products whilst the principal activities of the significant subsidiaries consist of investment holding, manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete strands, bars and wires, steel pipes, steel wires and other related products as disclosed in Note 3 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Hong Leong Company (Malaysia) Berhad, a company incorporated in Malaysia and regarded by the Directors as the Company's ultimate holding company during the financial year until the date of this report.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 3 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the year attributable to:		
Owners of the Company	(94,897)	(38,674)
Non-controlling interests	394	-
	(94,503)	(38,674)

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in Note 18 and Note 21 to the financial statements.

DIVIDEND

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2022.

Directors' Report

(Cont'd)

DIRECTORS

Directors who served during the financial year until the date of this report are:

Company

YBhg Datuk Kwek Leng San*, Chairman	
Mr Yeoh Choon Kwee*, Group Managing Director	(Appointed on 27 August 2021)
Mr Chow Chong Long*, Group Managing Director	(Retired on 26 August 2021)
YBhg Dato' Dr Tan Tat Wai	
Dr Kwa Lay Keng	
YBhg Dato' Ahmad Johari bin Abdul Razak	
YBhg Dato' Tan Ang Meng	
Ms Chin Siew Siew	(Appointed on 1 July 2022)
Mr Ang Kong Hua	(Retired on 1 December 2021)

Subsidiaries

Mr Tong Woei Luen	(Appointed on 1 July 2022)
Mr Goh Eng Tatt	(Resigned on 1 July 2022)
Ms Khor Sau Mooi	
Mr Cheong Khai Kong	
Mr Ang Meng Chuan	

* *These are also Directors of subsidiaries.*

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year who have beneficial interests in the ordinary shares and/or redeemable convertible unsecured loan stocks over ordinary shares of the Company and/or its related corporations during the financial year ended 30 June 2022 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016, are as follows:

	Number of ordinary shares/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	At 1.7.2021	Acquired	Sold	At 30.6.2022
Shareholdings in which Directors have direct interests				
Interests of YBhg Datuk Kwek Leng San in:				
Hong Leong Company (Malaysia) Berhad	160,895	-	-	160,895
Hong Leong Industries Berhad	2,588,334	44,166 (1)	-	2,632,500
	44,166 *	-	(44,166) *(1)	-
Malaysian Pacific Industries Berhad	1,108,334	90,833 (1)	-	1,199,167
	74,166 *	50,000 *	(90,833) *(1)	33,333 *
Hong Leong Bank Berhad	536,000	-	-	536,000
Hong Leong Financial Group Berhad	654,000	-	-	654,000
Hume Cement Industries Berhad	3,921,600	-	-	3,921,600
	2,017,142 #	-	-	2,017,142 #

Directors' Report

(Cont'd)

DIRECTORS' INTERESTS (cont'd)

	Number of ordinary shares/ordinary shares to be issued arising from the conversion of redeemable convertible unsecured loan stocks#/ordinary shares received or to be received arising from vesting of share grant*			
	At 1.7.2021	Acquired	Sold	At 30.6.2022
Shareholdings in which Directors have direct interests (cont'd)				
Interest of YBhg Dato' Dr Tan Tat Wai in:				
Southern Steel Berhad	21,927	-	-	21,927
Interests of YBhg Dato' Ahmad Johari bin Abdul Razak in:				
Hong Leong Industries Berhad	17,600	-	-	17,600
Hume Cement Industries Berhad	19,008	-	-	19,008
	9,774 #	-	-	9,774 #
Interest of YBhg Dato' Tan Ang Meng in:				
Hume Cement Industries Berhad	50,900	-	-	50,900
Shareholdings in which Director has indirect interest				
Interest of YBhg Dato' Dr Tan Tat Wai in:				
Southern Steel Berhad	41,203,760 (2)	-	-	41,203,760 (2)

Legend:
(1) Vesting of shares.
(2) Inclusive of an interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by a family member.

DIRECTORS' BENEFITS

No Director of the Company has since the end of the previous financial year received or become entitled to receive any benefit (other than fees, remuneration, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown below or the fixed salary of full time employees of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 30 June 2022 are as follows:

Directors of the Company:	Group RM'000	Company RM'000
Fee	513	513
Remuneration and other benefits	1,542	1,542
	2,055	2,055

There were no arrangements during and at the end of the financial year which has the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' Report

(Cont'd)

ISSUE OF SHARES AND DEBENTURES

There were no issue of shares and debentures of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, Directors and Officers of Hong Leong Manufacturing Group Sdn Bhd, together with its subsidiaries (the "Group" which includes Southern Steel Berhad and its subsidiaries and where applicable, associated companies) are covered under the Directors and Officers Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors and Officers of the Group subject to the terms of the policy. The total amount of Directors and Officers Liability Insurance effected for the Directors and Officers of the Group was RM10 million. The total amount of premium paid for the Directors and Officers Liability Insurance by the Group was RM63,481 and the apportioned amount of the said premium paid by the Company was RM14,933.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

(i) all known bad debts have been written off and adequate provision made for doubtful debts; and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts, in the Group and in the Company inadequate to any substantial extent; or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading; or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person; or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Directors' Report
(Cont'd)

OTHER STATUTORY INFORMATION (cont'd)

In the opinion of the Directors, other than impairment loss on other receivables and impairment loss on investment in a subsidiary company as disclosed in Note 31 and Note 27 respectively, the financial performance of the Group and of the Company for the financial year ended 30 June 2022 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENT

The details of such event are disclosed in Note 36 to the financial statements.

SUBSEQUENT EVENT

The details of such event are disclosed in Note 39 to the financial statements.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and of the Company during the year are RM365,000 and RM146,000 respectively.

On behalf of the Board,

Yeoh Choon Kwee

Dato' Tan Ang Meng

30 August 2022

Statements of Financial Position

As at 30 June 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	4	394,078	412,896	107,152	58,448
Right-of-use assets	5	322,694	345,982	263,771	285,498
Goodwill on consolidation	6	30,256	30,256	-	-
Investment in subsidiary companies	7	-	-	419,288	755,040
Investment in an associated company	8	14,803	13,084	5,500	5,500
Other investments	9	511	612	511	612
Deferred tax assets	10	42,233	36,452	22,115	15,462
Tax credit receivable	11	7,647	16,525	6,385	12,414
Other receivables	13	121,128	294,982	-	-
Total non-current assets		933,350	1,150,789	824,722	1,132,974
Inventories	12	568,055	562,613	395,600	307,871
Trade and other receivables, including derivatives	13	168,636	43,960	126,375	15,116
Current tax assets		4,040	9,350	-	566
Cash and cash equivalents	14	67,333	133,011	34,109	65,255
Asset to be returned to vendor	15	193,132	369,377	-	-
Assets held for sale	16	54,031	84,486	54,215	72,253
Total current assets		1,055,227	1,202,797	610,299	461,061
Total assets		1,988,577	2,353,586	1,435,021	1,594,035

Statements of Financial Position

As at 30 June 2022
(Cont'd)

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Equity					
Share capital	17	641,010	641,010	641,010	641,010
Reserves	18	(10,873)	84,271	(96,389)	(45,303)
Total equity attributable to owners of the Company		630,137	725,281	544,621	595,707
Non-controlling interests		6,767	6,763	-	-
Total equity		636,904	732,044	544,621	595,707
Liabilities					
Lease liabilities		10,969	21,926	10,969	21,926
Deferred tax liabilities	10	15,666	24,273	2,800	2,800
Deferred income	19	3,336	6,090	3,067	4,529
Employee benefits	20	27,084	25,865	14,736	11,653
Loans and borrowings	24	244,400	354,880	141,500	221,000
Total non-current liabilities		301,455	433,034	173,072	261,908
Lease liabilities		2,038	3,696	2,038	3,696
Employee benefits	20	963	1,020	436	568
Provisions	21	3,735	5,292	-	-
Trade and other payables, including derivatives	22	241,600	247,488	213,354	232,090
Contract liability	23	193,132	369,377	-	-
Loans and borrowings	24	606,685	561,617	499,511	500,066
Current tax liabilities		2,065	18	1,989	-
Total current liabilities		1,050,218	1,188,508	717,328	736,420
Total liabilities		1,351,673	1,621,542	890,400	998,328
Total equity and liabilities		1,988,577	2,353,586	1,435,021	1,594,035

The notes on pages 92 to 179 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Revenue	25	2,308,915	1,740,711	2,089,825	1,429,090
Cost of sales		(2,107,119)	(1,557,135)	(1,857,817)	(1,319,904)
Gross profit		201,796	183,576	232,008	109,186
Distribution expenses		(62,111)	(48,101)	(45,687)	(20,837)
Administrative expenses		(48,206)	(52,285)	(32,018)	(31,905)
Other operating expenses		(13,696)	(11,566)	(200,668)	(32,184)
Other operating income		44,642	21,876	25,445	27,743
Results from operations		122,425	93,500	(20,920)	52,003
Interest income		798	995	463	442
Finance costs	26	(29,952)	(30,635)	(27,193)	(26,171)
Share of profit in an associated company, net of tax		1,994	1,156	-	-
Profit/(Loss) before taxation	27	95,265	65,016	(47,650)	26,274
Taxation	28	(2,126)	1,749	8,976	2,477
Profit/(Loss) from continuing operations		93,139	66,765	(38,674)	28,751
Discontinued operation					
Loss from a discontinued operation, net of tax	31	(187,642)	(18,481)	-	-
(Loss)/Profit for the year		(94,503)	48,284	(38,674)	28,751
(Loss)/Profit attributable to:					
Owners of the Company		(94,897)	47,926	(38,674)	28,751
Non-controlling interests		394	358	-	-
		(94,503)	48,284	(38,674)	28,751
Basic and diluted earning/(loss) per ordinary share (sen):					
from continuing operations		15.55	11.14		
from discontinued operation		(31.46)	(3.10)		
	29	(15.91)	8.04		

Statements of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2022
(Cont'd)

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the year		(94,503)	48,284	(38,674)	28,751
Other comprehensive (expense)/income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
(Loss)/Gain on fair value of equity instrument at fair value through other comprehensive income		(101)	267	(101)	267
Re-measurement of defined benefit liability		-	4,650	-	2,360
		(101)	4,917	(101)	2,627
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation		31	(17)	-	-
Cash flow hedge		(180)	593	(26)	21
		(149)	576	(26)	21
Total other comprehensive (expense)/income for the year	30	(250)	5,493	(127)	2,648
Total comprehensive (expense)/income for the year		(94,753)	53,777	(38,801)	31,399
Total comprehensive (expense)/income attributable to:					
Owners of the Company		(95,144)	53,392	(38,801)	31,399
Non-controlling interests		391	385	-	-
		(94,753)	53,777	(38,801)	31,399

Statements of Changes In Equity

For the Year Ended 30 June 2022

	← Attributable to owners of the Company →								
	← Non-distributable →					Distributable			
	Share capital	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
At 1 July 2020	641,010	295,156	30,000	1,845	391	(296,513)	671,889	6,378	678,267
Profit for the year	-	-	-	-	-	47,926	47,926	358	48,284
Other comprehensive income/ (expense):									
- Gain on fair value of equity investments	-	-	-	-	-	267	267	-	267
- Foreign currency translation differences	-	-	-	(17)	-	-	(17)	-	(17)
- Cash flow hedge	-	-	-	-	581	-	581	12	593
- Re-measurement of defined benefit liability	-	-	-	-	-	4,635	4,635	15	4,650
Total comprehensive income/ (expense) for the year	-	-	-	(17)	581	52,828	53,392	385	53,777
At 30 June 2021	641,010	295,156	30,000	1,828	972	(243,685)	725,281	6,763	732,044
	Note 17								

Statements of Changes In Equity

For the Year Ended 30 June 2022
(Cont'd)

	← Attributable to owners of the Company →								
	← Non-distributable →					Distributable			
	Share capital	Revaluation reserve	Merger reserve	Exchange fluctuation reserve	Hedging reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
At 1 July 2021	641,010	295,156	30,000	1,828	972	(243,685)	725,281	6,763	732,044
(Loss)/Profit for the year	-	-	-	-	-	(94,897)	(94,897)	394	(94,503)
Other comprehensive income/ (expense):									
- Loss on fair value of equity investments	-	-	-	-	-	(101)	(101)	-	(101)
- Foreign currency translation differences	-	-	-	31	-	-	31	-	31
- Cash flow hedge	-	-	-	-	(177)	-	(177)	(3)	(180)
Total comprehensive income/ (expense) for the year	-	-	-	31	(177)	(94,998)	(95,144)	391	(94,753)
Dividend paid to non-controlling interests by a subsidiary	-	-	-	-	-	-	-	(387)	(387)
Total transactions with owners	-	-	-	-	-	-	-	(387)	(387)
Transfer on realisation of revalued assets held for sale	-	(7,044)	-	-	-	7,044	-	-	-
At 30 June 2022	641,010	288,112	30,000	1,859	795	(331,639)	630,137	6,767	636,904
	Note 17								

Statements of Changes In Equity

For the Year Ended 30 June 2022
(Cont'd)

	← Attributable to owners of the Company →					
	← Non-distributable →				Distributable	
	Share capital	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings/ (Accumulated losses)	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
At 1 July 2020	641,010	220,794	33,600	406	(331,502)	564,308
Profit for the year	-	-	-	-	28,751	28,751
Other comprehensive income:						
- Gain on fair value of equity investments	-	-	-	-	267	267
- Cash flow hedge	-	-	-	21	-	21
- Re-measurement of defined benefit liability	-	-	-	-	2,360	2,360
Total comprehensive income for the year	-	-	-	21	31,378	31,399
At 30 June 2021	641,010	220,794	33,600	427	(300,124)	595,707
	Note 17					

	← Attributable to owners of the Company →					
	← Non-distributable →				Distributable	
	Share capital	Revaluation reserve	Merger reserve	Hedging reserve	Retained earnings/ (Accumulated losses)	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
At 1 July 2021	641,010	220,794	33,600	427	(300,124)	595,707
Loss for the year	-	-	-	-	(38,674)	(38,674)
Other comprehensive expense:						
- Loss on fair value of equity investments	-	-	-	-	(101)	(101)
- Cash flow hedge	-	-	-	(26)	-	(26)
Total comprehensive expense for the year	-	-	-	(26)	(38,775)	(38,801)
Deficit reserve with the transfer of operations from a subsidiary company (Note 36)	-	-	-	-	(12,285)	(12,285)
Transfer on realisation of revalued assets held for sale	-	(7,044)	-	-	7,044	-
At 30 June 2022	641,010	213,750	33,600	401	(344,140)	544,621
	Note 17					

The notes on pages 92 to 179 are an integral part of these financial statements.

Statements of Cash Flows

For the Year Ended 30 June 2022

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
(Loss)/Profit before taxation				
- continuing operations	95,265	65,016	(47,650)	26,274
- discontinued operation	(187,642)	(18,481)	-	-
	(92,377)	46,535	(47,650)	26,274
Adjustments for:				
Property, plant and equipment:				
- depreciation	25,869	29,658	13,846	5,559
- gain on disposal	(169)	(88)	(156)	(88)
- write-off	1	24	-	-
Right-of-use asset:				
- depreciation	14,298	18,002	12,737	16,440
Gain on disposal of assets held for sale	(2,633)	-	(2,633)	-
Fair value gain on derivative instruments	(21)	(1)	-	-
Fair value (gain)/loss on financial instruments designated as hedge instruments	(36)	351	-	-
Provision for retirement benefits	2,493	2,861	1,280	1,077
Dividend income from subsidiary companies	-	-	(116,264)	(42,709)
Dividend income from an associated company	-	-	(275)	-
Interest income	(798)	(995)	(463)	(442)
Share of profit in an associated company	(1,994)	(1,156)	-	-
Finance costs (Note 26)	29,952	30,635	27,193	26,171
Amortisation of deferred income	(2,754)	(1,676)	(1,462)	(1,512)
Unrealised (gain)/loss on foreign exchange	(64)	24	2	(101)
Reversal of provision for environmental cost	-	(6,000)	-	(6,000)
Impairment loss on investment in a subsidiary	-	-	189,328	3,597
Impairment loss on amount due from a subsidiary	-	-	-	21,706
Non-cash items for a discontinued operation	187,169	17,568	-	-
Operating profit before working capital changes	158,936	135,742	75,483	49,972

Statements of Cash Flows

For the Year Ended 30 June 2022
(Cont'd)

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Inventories		(5,442)	(156,597)	66,324	(142,445)
Trade and other receivables		(124,799)	72,042	(111,285)	39,562
Trade and other payables		(5,824)	69,352	(18,735)	43,984
Cash generated from/(used in) operations		22,871	120,539	11,787	(8,927)
Retirement benefits paid		(1,331)	(1,433)	(809)	(932)
Finance costs paid		(35,394)	(35,640)	(27,193)	(26,171)
Dividend income received		275	-	116,539	31,574
Interest income received		798	995	463	442
Legal costs paid		(4,057)	(4,862)	-	-
Tax (paid)/refund, net		(279)	4,189	(1,378)	2,430
Net cash (used in)/generated from operating activities		(17,117)	83,788	99,409	(1,584)
Cash flows from investing activities					
Acquisition of business operation from a subsidiary	36	-	-	(213,076)	-
Advances to a subsidiary		-	-	(17,566)	(41,463)
Acquisition of plant and equipment		(12,436)	(9,751)	(1,050)	(1)
Acquisition of assets held for sale from a subsidiary company		-	-	(12,417)	-
Proceeds from disposal of plant and equipment		180	88	156	88
Proceeds from disposal of assets held for sale		33,088	-	33,088	-
Proceeds from redemption of redeemable preference shares from a subsidiary company		-	-	20,000	-
Proceeds from share capital reduction from subsidiary companies		-	-	143,990	-
Net cash generated from/(used in) investing activities		20,832	(9,663)	(46,875)	(41,376)

Statements of Cash Flows

For the Year Ended 30 June 2022
(Cont'd)

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities					
Dividend paid to non-controlling interests		(387)	-	-	-
Repayment of trade borrowings, net		(39,433)	(241,345)	(47,076)	(78,614)
Drawdown/(Repayment) of revolving credits		7,000	(194,000)	(10,000)	(176,000)
Drawdown of term loan		-	295,230	-	249,250
Repayment of term loan		(32,979)	(15,000)	(22,979)	(10,000)
Payment of lease liabilities	A	(3,625)	(5,409)	(3,625)	(5,409)
Net cash used in financing activities		(69,424)	(160,524)	(83,680)	(20,773)
Net change in cash and cash equivalents		(65,709)	(86,399)	(31,146)	(63,733)
Effect of exchange rate fluctuations on cash held		31	(17)	-	-
Cash and cash equivalents at 1 July		133,011	219,427	65,255	128,988
Cash and cash equivalents at 30 June	14	67,333	133,011	34,109	65,255

NOTES

A. Cash outflows for leases as a lessee

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Included in net cash from operating activities:					
Expenses relating to short-term leases		228	208	323	314
Interest paid in relation to lease liabilities	26	1,126	1,376	1,126	1,376
Included in net cash from financing activities:					
Payment of lease liabilities		3,625	5,409	3,625	5,409
Total cash outflows for leases		4,979	6,993	5,074	7,099

Notes to the Financial Statements

1. CORPORATE INFORMATION

Southern Steel Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

Registered office

Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur.

Principal place of business

2435, Lorong Perusahaan 12
Prai Industrial Estate
13600 Prai, Penang.

The immediate and ultimate holding companies of the Company are Hong Leong Manufacturing Group Sdn Bhd and Hong Leong Company (Malaysia) Berhad respectively, both incorporated in Malaysia.

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2022 comprise the Company, its subsidiaries (together referred to as "the Group") and the Group's interest in an associated company. The financial statements of the Company as at and for the financial year ended 30 June 2022 do not include other entities.

The principal activities of the Company are investment holding, manufacturing, sale and trading in steel bars and related products whilst the principal activities of the subsidiaries and associated companies are disclosed in Note 3 to the financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 30 August 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared on the historical cost basis, other than as disclosed in Note 2.2 to the financial statements.

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.1 Basis of preparation (cont'd)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

i) Note 6 - Impairment of goodwill

The management tests goodwill for impairment annually in accordance with the accounting policy stated in Note 2.2(f)(ii) to the financial statements. More regular reviews are performed if events indicate that this is necessary.

Measurement of recoverable amounts of cash generating units is derived based on value in use of the cash generating unit. Significant assumptions used to derive the value in use are as shown in Note 6.

ii) Note 7 - Investments in subsidiary companies

Significant judgements are required when identifying impairment indicators. Where impairment indicators exist, judgements and assumptions are required to determine the recoverable amount of the investment in the subsidiaries. Significant assumptions used to derive the recoverable amount are as shown in Note 7.

iii) Note 10 - Deferred tax assets

Estimating the deferred tax assets to be recognised requires a process that involves determining appropriate tax provisions, forecasting future years' taxable income and assessing our ability to utilise tax benefits through future earnings. The actual utilisation of tax benefit may be different from expected.

These financial statements are presented in Ringgit Malaysia ("RM"), which is the functional currency of the Company and all values are rounded to the nearest thousand ("RM'000"), unless otherwise stated.

2.2 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

Financial instrument (loans or advances) which, in substance, provides current access to the returns associated with an underlying ownership interest; or substantially all of the instrument's returns are driven by the financial performance of the subsidiaries such that the instrument provides an exposure similar to an investment in ordinary shares of the subsidiaries are also accounted for as investment in subsidiaries.

The results of all subsidiary companies are consolidated using the acquisition method of accounting except for the consolidation of Southern Steel Holdings Sdn Bhd sub-group prior to MFRS adoption using the merger method of accounting. The Group has applied MFRS 3, *Business Combination* prospectively.

Under the merger method of accounting, the results of the subsidiary companies are presented as if the merger had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amount from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the value of the shares received. Any resulting credit difference is classified as equity and regarded as a non-distributable merger reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged enterprises, to the extent that they have not been capitalised by a debit difference, are classified and presented as movement in other capital reserves.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities, that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established: for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

Business combinations arising from transfers of business from subsidiaries are accounted from the effective date of the transfer. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's consolidated financial statements. The difference between the consideration and the carrying amounts of assets and liabilities recorded is recognised directly in equity.

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset categorised at fair value through other comprehensive income depending on the level of influence retained.

(vi) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Associates (cont'd)

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of the investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost or revaluation less any accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(b) Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other operating income" and "other operating expenses" respectively in profit or loss.

Property, plant and equipment under the revaluation model

The Group and the Company revalue their land whenever the fair values of the revalued land are expected to differ materially from their carrying value or at intervals of at least once in three years.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the property revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset (or, where applicable, the revalue amount of the asset) less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment from the date they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Leasehold land (right-of-use)	30 to 99
Buildings	8 to 50
Plant and machinery	2 to 20
Office equipment	2 to 20
Motor vehicles	4 to 10

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of the reporting period.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(b) Property, plant and equipment (cont'd)

(iv) Asset to be returned to vendor

Assets that have been identified to fulfil the Group's obligation to return to the vendor following the arbitration awards as discussed in Note 38 is reclassified from property, plant and equipment to current assets. These assets are measured at the lower of their carrying amounts prior to their reclassification and the net recoverable amount following the arbitration awards as discussed in Note 38.

(c) Leased assets

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group or the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group or the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group or the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group or the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Leased assets (cont'd)

(ii) Recognition and initial measurement (cont'd)

(a) As a lessee (cont'd)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group or the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group or the Company is reasonably certain not to terminate early.

The Group or the Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group or the Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group or the Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group or the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group or the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group or the Company applies MFRS 15, Revenue from *Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group or the Company is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Company applies the exemption described above, then it classifies the sublease as an operating lease.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(c) Leased assets (cont'd)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. However, leasehold land is measured at revaluation less depreciation. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's or the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group or the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group or the Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

(d) Goodwill

Goodwill arising on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(e) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

Financial asset (unless it is a trade receivable without significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract if the host contract is not a financial asset and certain criteria are met and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

Financial assets

The Group and the Company categorise financial instruments as follows:

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(b) Fair value through other comprehensive income

I. Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

II. Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity instruments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 2.2 (f)(i)).

Financial liabilities

At initial recognition, all financial liabilities are measured at cost and subsequently measured at fair value through profit or loss or at amortised cost.

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch, and remaining amount of the change in fair value in the profit or loss.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses are also recognised in the profit or loss.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantee. Subsequently, they are amortised to profit or loss using straight line method over the contractual period, or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee.

Where the loss allowance determined in accordance with the impairment model as described in Note 2.2(f)(i) is higher than the amortised amount, the carrying amount of the financial guarantee is adjusted to the loss allowance amount.

Liabilities arising from financial guarantees are included with provisions.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting or settlement date in current date.

Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the entity, and
(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the entity.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired assets.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

(v) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

The Group designates only the change in fair value of the spot element of forward exchange contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ('forward points') is separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, the amount accumulated in the hedging reserve and the cost of hedging reserve is included directly in the initial cost of the non-financial item when it is recognised.

For all other hedged forecast transactions, the amount accumulated in the hedging reserve and the cost of hedging reserve is reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss.

However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(e) Financial instruments (cont'd)

(v) Hedge accounting (cont'd)

Fair value hedge (cont'd)

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Company has elected to present the subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at fair value through other comprehensive income, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets and financial guarantees measured at amortised cost or fair value through comprehensive income, except for investments in equity instruments and interests in subsidiaries and associates.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 month expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses. The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determine that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(f) Impairment (cont'd)

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(g) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's or the Company's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short-term commitment. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group or the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group and the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group and the Company recognises any impairment loss on the assets associated with that contract.

(k) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(m) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of financial assets categorised as equity instruments designated upon initial recognition (available-for-sale equity instruments in the previous financial year) or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 July 2011 which are reported using the exchange rates at the date of acquisition. The income and expenses of foreign operations are translated to RM at average exchange rates for the year.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(n) Revenue and other income

(i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Government grants

Wages subsidy from government that compensate the Group or the Company for expenses incurred are recognised in profit or loss to offset expenses on a systematic basis in the same period in which the expenses are recognised.

(o) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(p) Taxation

Taxation comprises current and deferred taxation. Current taxation and deferred taxation are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current taxation is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred taxation is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred taxation is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred taxation is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentives (other than investment tax credits) that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

The Group and the Company regard reinvestment allowance ("RA") and investment tax allowance ("ITA") as investment tax credits ("ITCs") and these ITCs are recognised as deferred income. Unutilised RA and ITA to the extent that they are probable that the future taxable profit will be available against which the unutilised RA and ITA can be utilised are recognised as a tax credit receivable.

The tax credit receivable will be charged out to the profit or loss based on the utilisation of RA and ITA in each financial period. Deferred income, on the other hand, will be amortised over the estimated remaining useful lives of the assets concerned to the profit or loss or other income.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(q) Earnings per ordinary share ("EPS")

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the weighted average number of ordinary shares outstanding, adjusted to assume full conversion of all dilutive potential ordinary shares, which comprise convertible loan stocks and share options granted to employees.

(r) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(ii) Post-employment benefits

The liability in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service cost.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed in the interval of every 3 years by a qualified actuary using the projected unit credit method and the last actuarial valuation was carried out in April 2021.

When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(r) Employee benefits (cont'd)

(ii) Post-employment benefits (cont'd)

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Company and its subsidiary companies have 6 unfunded plans.

Included in the unfunded plans is a plan established pursuant to the Collective Agreement between certain subsidiary companies and The Metal Industry Employees' Union for a duration of 3 years which ended on 31 December 2012. The unfunded defined benefits plan obligations are provided for based on triennial actuarial valuations last carried out in April 2021, using the projected unit credit method.

Effective 1 April 2002, the defined benefit plans of all eligible non-unionised employees of the Company and its subsidiary companies were changed to that of higher EPF contributions depending on years of service. The defined benefit obligation in respect of these employees up to 31 March 2002 under the unfunded old plans was carried forward as provision for retirement benefits in the financial statements. For other eligible employees, the defined benefit obligation is determined based on years of service of employees up to the reporting date.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group and the Company can no longer withdraw the offer of those benefits and when the Group and the Company recognise costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(s) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Board of Directors of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 Summary of significant accounting policies (cont'd)

(t) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset and liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

(u) Discontinued operation

A discontinued operation is a component of the business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(v) Contract liability

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer assets, goods or services to a counterparty for which consideration has been received or the amount is due from the counterparty. The amount will be credited to profit or loss as and when the Group or the Company losses control of the asset.

Notes to the Financial Statements

(Cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)* *

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts* *
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17* * *and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company do not plan to apply those amendments and standards that mark as "*" as above which will be effective for annual periods beginning on or after 1 January 2022 and 1 January 2023 respectively as they are not applicable to the Group and the Company.

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments, where applicable in the respective financial years when the above accounting standards, amendments and interpretation become effective.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and of the Company.

Notes to the Financial Statements

(Cont'd)

3. COMPANIES IN THE GROUP

The principal activities of the companies in the Group, their country of incorporation and the effective interest of Southern Steel Berhad are as shown below:

Name of Company	Country of incorporation	Effective interest		Principal activities
		2022	2021	
		%	%	
Subsidiary Companies				
Southern Steel Rod Sdn Bhd	Malaysia	100.0	100.0	Manufacture, sale and trading of billets, wire rods, deformed bar in coils and other related products
Southern HRC Sdn Bhd	Malaysia	100.0	100.0	Manufacture, sale and marketing of steel billets and other related products
Southern PC Steel Sdn Bhd	Malaysia	100.0	100.0	Manufacture and sale of pre-stressed concrete strands, wires, bars and other related products
Southern Steel Mesh Sdn Bhd	Malaysia	100.0	100.0	Manufacture, sale and marketing of steel wire mesh, concrete wires, cut and bend bars and other related products
Southern Pipe Industry (Malaysia) Sdn Bhd	Malaysia	96.1	96.1	Manufacture, sale and processing of steel pipes and other related products
• Southern Steel Pipe Sdn Bhd	Malaysia	96.1	96.1	Manufacture, sale and processing of steel pipes and other related products
Southern Steel Properties Sdn Bhd	Malaysia	100.0	100.0	Rental of properties
Danstil Sdn Bhd	Malaysia	100.0	100.0	Rental of properties
Southern Steel Holdings Sdn Bhd	Malaysia	100.0	100.0	Investment holding
• Starglow Investments Ltd#	Malaysia	100.0	100.0	In members' voluntary liquidation
Associated Company				
Steel Industries (Sabah) Sdn Bhd	Malaysia	27.5	27.5	Manufacture and trading of steel bars

The financial year end of all the subsidiary companies is co-terminous with the Company.

The financial year end of the associated company is on 31 December.

Notes:
- • Sub-subsidiary companies.
- # The financial statements of this subsidiary company is not audited by KPMG PLT.

Notes to the Financial Statements
(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Cost							
At 1 July 2020	94,562	470,649	1,455,774	68,112	15,678	209,333	2,314,108
Additions	-	-	9,025	38	-	688	9,751
Disposals	-	-	-	(33)	(1,000)	-	(1,033)
Write-off	-	-	(3,693)	(39)	(77)	-	(3,809)
Reclassification	-	403	9,969	92	-	(10,464)	-
Transfer to assets held for sale (Note 16)	-	(29,136)	-	-	-	-	(29,136)
At 30 June 2021/1 July 2021	94,562	441,916	1,471,075	68,170	14,601	199,557	2,289,881
Additions	-	-	1,520	810	133	9,973	12,436
Disposals	-	-	(193)	(4)	(561)	(7)	(765)
Write-off	-	-	(1)	(34)	(10)	-	(45)
Reclassification	-	-	1,301	-	-	(1,301)	-
At 30 June 2022	94,562	441,916	1,473,702	68,942	14,163	208,222	2,301,507

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Accumulated depreciation and impairment loss							
At 1 July 2020							
- Accumulated depreciation	-	247,795	1,295,198	65,999	12,391	-	1,621,383
- Accumulated impairment loss	-	10,700	22,763	7	-	198,670	232,140
	-	258,495	1,317,961	66,006	12,391	198,670	1,853,523
Charge for the year	-	7,217	26,124	1,105	575	-	35,021
Disposals	-	-	-	(33)	(1,000)	-	(1,033)
Write-off	-	-	(3,669)	(39)	(77)	-	(3,785)
Reclassification	-	(90)	-	(1)	-	91	-
Transfer to assets held for sale (Note 16)	-	(6,741)	-	-	-	-	(6,741)
At 30 June 2021/1 July 2021							
- Accumulated depreciation	-	248,271	1,317,653	67,032	11,889	-	1,644,845
- Accumulated impairment loss	-	10,610	22,763	6	-	198,761	232,140
	-	258,881	1,340,416	67,038	11,889	198,761	1,876,985

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Capital work-in-progress	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Accumulated depreciation and impairment loss							
At 30 June 2021/1 July 2021							
- Accumulated depreciation	-	248,271	1,317,653	67,032	11,889	-	1,644,845
- Accumulated impairment loss	-	10,610	22,763	6	-	198,761	232,140
	-	258,881	1,340,416	67,038	11,889	198,761	1,876,985
Charge for the year	-	6,680	23,323	824	422	-	31,249
Disposals	-	-	(193)	-	(561)	-	(754)
Write-off	-	-	(1)	(33)	(10)	-	(44)
Reversal of impairment loss	-	-	-	-	-	(7)	(7)
At 30 June 2022							
- Accumulated depreciation	-	254,951	1,340,782	67,823	11,740	-	1,675,296
- Accumulated impairment loss	-	10,610	22,763	6	-	198,754	232,133
	-	265,561	1,363,545	67,829	11,740	198,754	1,907,429
Carrying amounts							
At 1 July 2020	94,562	212,154	137,813	2,106	3,287	10,663	460,585
At 30 June 2021/1 July 2021	94,562	183,035	130,659	1,132	2,712	796	412,896
At 30 June 2022	94,562	176,355	110,157	1,113	2,423	9,468	394,078

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Cost						
At 1 July 2020	35,000	226,262	170,572	47,416	8,981	488,231
Additions	-	-	-	1	-	1
Disposals	-	-	-	(18)	(1,000)	(1,018)
Write-off	-	-	-	-	(77)	(77)
Transfer to assets held for sale (Note 16)	-	(14,383)	-	-	-	(14,383)
At 30 June 2021/1 July 2021	35,000	211,879	170,572	47,399	7,904	472,754
Additions	-	-	599	388	63	1,050
Disposals	-	-	-	-	(561)	(561)
Write-off	-	-	-	(8)	-	(8)
Business transfer from a subsidiary company (Note 36)	-	-	60,894	32	574	61,500
At 30 June 2022	35,000	211,879	232,065	47,811	7,980	534,735

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Accumulated depreciation and impairment loss						
At 1 July 2020						
- Accumulated depreciation	-	199,779	132,213	46,167	8,186	386,345
- Accumulated impairment loss	-	4,955	22,763	-	-	27,718
	-	204,734	154,976	46,167	8,186	414,063
Charge for the year	-	1,079	3,506	714	260	5,559
Write-off	-	-	-	-	(77)	(77)
Disposals	-	-	-	(18)	(1,000)	(1,018)
Transfer to assets held for sale (Note 16)	-	(4,221)	-	-	-	(4,221)
At 30 June 2021/1 July 2021						
- Accumulated depreciation	-	196,637	135,719	46,863	7,369	386,588
- Accumulated impairment loss	-	4,955	22,763	-	-	27,718
	-	201,592	158,482	46,863	7,369	414,306

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold land	Buildings	Plant and machinery	Office equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company						
Accumulated depreciation and impairment loss						
At 30 June 2021/1 July 2021						
- Accumulated depreciation	-	196,637	135,719	46,863	7,369	386,588
- Accumulated impairment loss	-	4,955	22,763	-	-	27,718
	-	201,592	158,482	46,863	7,369	414,306
Charge for the year	-	826	12,312	461	247	13,846
Write-off	-	-	-	(8)	-	(8)
Disposals	-	-	-	-	(561)	(561)
At 30 June 2022						
- Accumulated depreciation	-	197,463	148,031	47,316	7,055	399,865
- Accumulated impairment loss	-	4,955	22,763	-	-	27,718
	-	202,418	170,794	47,316	7,055	427,583
Carrying amounts						
At 1 July 2020	35,000	21,528	15,596	1,249	795	74,168
At 30 June 2021/1 July 2021	35,000	10,287	12,090	536	535	58,448
At 30 June 2022	35,000	9,461	61,271	495	925	107,152

Notes to the Financial Statements

(Cont'd)

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

4.1 Freehold land under revaluation model - Group and Company

All land of the Group and of the Company were remeasured at fair value based on an independent valuation carried out by an independent firm of valuers on an open market basis conducted in April 2019. The Directors classified this fair value as level 3 of the fair value hierarchy. The fair value was using the comparison approach with relevant adjustments made to key attributes such as land size and accessibility of the location. The most significant input into the valuation approach was price per square foot ranging from RM40 to RM80 (2021 : RM40 to RM80). The estimated fair value would increase/(decrease) if the price per square foot was higher/(lower).

Had the Group and the Company revalued land been carried under the cost model, their carrying amounts would have been RM25,061,000 (2021 : RM25,061,000) and RM6,997,000 (2021 : RM6,997,000) respectively.

5. RIGHT-OF-USE ASSETS

	Note	Land	Gas infrastructure facilities	Total
		RM'000	RM'000	RM'000
Group				
At 1 July 2020		396,073	30,002	426,075
Depreciation for the year		(12,181)	(5,821)	(18,002)
Transfer to assets held for sale	16	(62,091)	-	(62,091)
At 30 June 2021/1 July 2021		321,801	24,181	345,982
Remeasurement*		-	(13,839)	(13,839)
Addition		-	4,849	4,849
Depreciation for the year		(10,377)	(3,921)	(14,298)
At 30 June 2022		311,424	11,270	322,694
Company				
At 1 July 2020		334,027	30,002	364,029
Depreciation for the year		(10,619)	(5,821)	(16,440)
Transfer to assets held for sale	16	(62,091)	-	(62,091)
At 30 June 2021/1 July 2021		261,317	24,181	285,498
Remeasurement*		-	(13,839)	(13,839)
Addition		-	4,849	4,849
Depreciation for the year		(8,816)	(3,921)	(12,737)
At 30 June 2022		252,501	11,270	263,771

* The remeasurement of gas infrastructure of the Group and of the Company during 2022 is as a result of the Group entered into a supplementary agreement for reduction in committed purchase amount of gaseous oxygen.

The Group and the Company leased land and gas infrastructure facilities that run between 17 years to 90 years (2021 : 18 years to 91 years) and 14 years (2021: 6 years) respectively, with an option to renew the leases after the expiry of the initial lease periods.

Notes to the Financial Statements

(Cont'd)

5. RIGHT-OF-USE ASSETS (cont'd)

5.1 Extension options

Some leases of gas infrastructure facilities contain extension option exercisable by the Group up to one year before the end of the contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The disclosure of potential future lease payment has not been made as the Directors noted the amount to be inconsequential.

5.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5.3 Leasehold land under revaluation model - Group and Company

All land of the Group and of the Company were remeasured at fair value based on an independent valuation carried out by an independent firm of valuers on an open market basis conducted in April 2019. The Directors classified this fair value as level 3 of the fair value hierarchy. The fair value was using the comparison approach with relevant adjustments made to key attributes such as land size and accessibility of the location. The most significant input into this valuation approach was price per square foot ranging from RM32 to RM116 (2021 : RM32 to RM116). The estimated fair value would increase/(decrease) if the price per square foot is higher/(lower).

Had the Group and the Company revalued right-of-use of land been carried under the cost model, their carrying amounts would have been RM83,060,000 (2021 : RM97,173,000) and RM68,324,000 (2021 : RM82,125,000) respectively.

6. GOODWILL ON CONSOLIDATION

	Group	
	2022	2021
	RM'000	RM'000
At cost:		
At 1 July/30 June	30,256	30,256

Notes to the Financial Statements

(Cont'd)

6. GOODWILL ON CONSOLIDATION (cont'd)

(a) Impairment test of goodwill

The carrying amounts of goodwill allocated to the Group's cash-generating units are as follows:

	2022	2021
	RM'000	RM'000
Southern Steel Mesh Sdn Bhd and upstream business	19,767	19,767
Southern PC Steel Sdn Bhd	9,684	9,684
Danstil Sdn Bhd	805	805
	30,256	30,256

The Group undertakes an annual test for impairment evaluation. No impairment loss was identified for the aforesaid carrying amount of goodwill assessed at the reporting date as their recoverable amounts were in excess of their carrying amounts.

(b) Recoverable amount based on value-in-use

The recoverable amounts of cash-generating units containing the above goodwill are determined based on value-in-use calculations. These calculations use cash flow projections that have been projected based on financial budgets and projections prepared by the management and approved by the Board of Directors. The sales tonnage and margins of the cash-generating units used in preparing the projected cash flows were determined based on past business performance and management's expectations on market development. The cash flow projections is discounted using a rate of 12% (2021 : 12%) after considering the risks and uncertainties of the cashflows.

(c) Impact of possible change in key assumptions

The Group's review includes an impact assessment of changes in key assumptions. Based on the sensitivity analyses performed, management has concluded that no reasonable change in the key assumptions would cause the carrying amounts of the cash-generating units to exceed their recoverable amounts.

7. INVESTMENT IN SUBSIDIARY COMPANIES

		Company	
	Note	2022	2021
		RM'000	RM'000
At cost:			
Unquoted shares		1,193,768	928,703
Redeemable Preference Shares		50,000	70,000
Less: Impairment loss	7.2	(833,413)	(575,597)
		410,355	423,106
Amount due from a subsidiary	7.1	8,933	400,422
Less: Impairment loss	7.2	-	(68,488)
		419,288	755,040

The subsidiary companies and their principal activities are disclosed in Note 3 to the financial statements.

Notes to the Financial Statements

(Cont'd)

7. INVESTMENT IN SUBSIDIARY COMPANIES (cont'd)

7.1 The amount due is unsecured, interest free and with no fixed term of repayment. After considering the capital structure of the subsidiary, the Management is of the view that, in substance, the advances provided an exposure similar to an interest in equity shares of the subsidiary. Consequently, the amount due is classified as an interest in the subsidiary.

7.2 During the financial year, the Company recorded an additional impairment loss of RM189,328,000 (2021 : RM25,303,000) after having assessed the recoverable amount of a subsidiary based on the net shareholders' fund which approximates to its fair value less cost of disposal and is classified as level 3 of the fair value hierarchy.

In the assessment of recoverable amount of the fair value less cost of disposal for the subsidiary, the management considered the following key assumptions:

- The conclusion of the arbitration case referred to in Note 38 of the financial statements;
- Potential streamlining opportunities of operations for business efficiency including the transfer of remaining property, plant and equipment to the Company at their carrying amount; and
- All the current assets and liabilities to be realised at their net realisable value.

8. INVESTMENT IN AN ASSOCIATED COMPANY

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At cost:				
Unquoted shares	5,500	5,500	5,500	5,500
Share of post-acquisition reserves	9,303	7,584	-	-
	14,803	13,084	5,500	5,500

The associated company and its principal activities are disclosed in Note 3 to the financial statements.

The disclosure of summary of financial information of the associate has not been made as the Directors noted the amount to be inconsequential.

9. OTHER INVESTMENTS

	Group/Company	
	2022	2021
	RM'000	RM'000
Fair value through other comprehensive income		
Shares quoted in Malaysia	511	612

Notes to the Financial Statements

(Cont'd)

10. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	-	7,650	(34,640)	(36,767)	(34,640)	(29,117)
Right-of-use assets (including assets held for sale)	-	-	(67,514)	(74,852)	(67,514)	(74,852)
Unabsorbed capital allowances	2,200	6,825	-	-	2,200	6,825
Unutilised tax losses	78,215	56,431	-	-	78,215	56,431
Employee benefits	6,731	6,453	-	-	6,731	6,453
Trade and other payables	11,402	5,377	-	-	11,402	5,377
Provisions	896	1,270	-	-	896	1,270
Unutilised increased export allowance	25,050	29,792	-	-	25,050	29,792
Lease liabilities	3,122	6,149	-	-	3,122	6,149
Others	1,105	3,853	-	(2)	1,105	3,851
Deferred tax assets/(liabilities)	128,721	123,800	(102,154)	(111,621)	26,567	12,179
Set off of tax	(86,488)	(87,348)	86,488	87,348	-	-
Net deferred tax assets/(liabilities)	42,233	36,452	(15,666)	(24,273)	26,567	12,179
Company						
Property, plant and equipment	-	7,650	(7,222)	(2,800)	(7,222)	4,850
Right-of-use assets (including assets held for sale)	-	-	(56,542)	(63,575)	(56,542)	(63,575)
Unabsorbed capital allowances	-	3,175	-	-	-	3,175
Unutilised increased export allowance	25,050	29,792	-	-	25,050	29,792
Unutilised tax losses	44,408	27,860	-	-	44,408	27,860
Employee benefits	3,641	2,933	-	-	3,641	2,933
Trade and other payables	6,858	1,478	-	-	6,858	1,478
Lease liabilities	3,122	6,149	-	-	3,122	6,149
Deferred tax assets/(liabilities)	83,079	79,037	(63,764)	(66,375)	19,315	12,662
Set off of tax	(60,964)	(63,575)	60,964	63,575	-	-
Net deferred tax assets/(liabilities)	22,115	15,462	(2,800)	(2,800)	19,315	12,662

Notes to the Financial Statements

(Cont'd)

10. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Movements in temporary differences during the financial year are as follows:

	At 1.7.2020	Recognised in profit or loss (Note 28)	Recognised directly in equity (Note 30)	At 30.6.2021/ 1.7.2021	Recognised in profit or loss (Note 28)	At 30.6.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	(123,900)	94,783	-	(29,117)	(5,523)	(34,640)
Right-of-use assets (including assets held for sale)	(78,554)	3,702	-	(74,852)	7,338	(67,514)
Unabsorbed capital allowances	37,810	(30,985)	-	6,825	(4,625)	2,200
Unutilised tax losses	107,650	(51,219)	-	56,431	21,784	78,215
Employee benefits	7,334	587	(1,468)	6,453	278	6,731
Trade and other payables	18,082	(12,705)	-	5,377	6,025	11,402
Provisions	1,440	(170)	-	1,270	(374)	896
Unutilised increased export allowance	29,792	-	-	29,792	(4,742)	25,050
Lease liabilities	7,447	(1,298)	-	6,149	(3,027)	3,122
Others	555	3,296	-	3,851	(2,746)	1,105
	7,656	5,991	(1,468)	12,179	14,388	26,567

Notes to the Financial Statements

(Cont'd)

10. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Movements in temporary differences during the financial year are as follows: (cont'd)

	At 1.7.2020	Recognised in profit or loss (Note 28)	Recognised directly in equity (Note 30)	At 30.6.2021/ 1.7.2021	Transfer of business from a subsidiary company (Note 36)	Recognised in profit or loss (Note 28)	At 30.6.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company							
Property, plant and equipment	5,498	(648)	-	4,850	(12,285)	213	(7,222)
Right-of-use assets (including assets held for sale)	(66,970)	3,395	-	(63,575)	-	7,033	(56,542)
Unabsorbed capital allowances	4,548	(1,373)	-	3,175	-	(3,175)	-
Unutilised increased export allowance	29,792	-	-	29,792	-	(4,742)	25,050
Unutilised tax losses	23,851	4,009	-	27,860	-	16,548	44,408
Employee benefits	3,643	35	(745)	2,933	-	708	3,641
Trade and other payables	1,316	162	-	1,478	-	5,380	6,858
Provisions	1,440	(1,440)	-	-	-	-	-
Lease liabilities	7,448	(1,299)	-	6,149	-	(3,027)	3,122
	10,566	2,841	(745)	12,662	(12,285)	18,938	19,315

Included in the deferred tax assets as at 30 June 2022 were unused tax credits which arose from tax losses and tax incentives enjoyed by the Company and certain subsidiaries. The recognition of these deferred tax assets is dependent on whether it is probable that sufficient taxable profit is available.

In the recognition of deferred tax asset, the management considered the following key assumptions:

- The sales tonnage and selling price of products, purchase price of raw materials and the production of the Group and the Company based on past business performance and management's expectations on market development; and
- No changes in the existing tax legislation.

Notes to the Financial Statements

(Cont'd)

10. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	110,551	204,891	-	78,769
Unabsorbed capital allowances	2,189	2,552	-	-
Unabsorbed investment tax allowances	740,269	740,269	-	-
	853,009	947,712	-	78,769

Based on existing tax legislation,

(i) The unutilised tax losses can be carried forward for ten (10) (2021 : seven (7)) consecutive year of assessment ("YA") immediately following that YA.
(ii) The unabsorbed capital allowance and unabsorbed investment tax allowances do not expire under current tax legislation.

Deferred tax assets have not been recognised in respect of these items as it is not probable that future taxable profit will be available against which the unused tax losses and tax credits can be utilised before they expire.

The unutilised tax losses will expire in the following years of assessment:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Year of Assessment:				
2028 (2021 : 2025)	98,096	98,514	-	-
2029 (2021 : 2026)	7,195	7,195	-	-
2030 (2021 : 2027)	880	97,604	-	78,769
2031 (2021 : 2028)	1,555	1,578	-	-
2032	2,825	-	-	-
	110,551	204,891	-	78,769

Any amounts not utilised upon expiry period of the above YA will be disregarded.

Notes to the Financial Statements

(Cont'd)

11. TAX CREDIT RECEIVABLE

Tax credit receivable is attributable to the following:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Unutilised reinvestment allowances ("RA")	7,647	16,525	6,385	12,414

Tax credit receivable is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Movements in tax credit receivable during the financial year are as follows:

	At 1.7.2020	Utilisation of RA during the year	Recognition of unutilised RA during the year	At 30.6.2021/ 1.7.2021	Utilisation of RA during the year	At 30.6.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Unutilised reinvestment allowances	19,941	(3,669)	253	16,525	(8,878)	7,647
Company						
Unutilised reinvestment allowances	12,161	-	253	12,414	(6,029)	6,385

12. INVENTORIES

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Raw materials	354,626	431,435	253,008	259,869
Work-in-progress	14,749	12,639	-	-
Finished goods	157,808	81,825	107,540	43,010
General consumables and other stores	40,872	36,714	35,052	4,992
	568,055	562,613	395,600	307,871
Recognised in profit or loss:				
Inventories recognised as cost of sales	2,107,119	1,557,135	1,857,817	1,319,904
Write down/(Reversal for write down) of inventories	55	(13,044)	13,278	(2,509)

Notes to the Financial Statements

(Cont'd)

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Non-current					
Non-trade					
Other receivables	13.3	121,128	294,982	-	-
Current					
Trade					
Trade receivables					
- Third parties		150,635	39,760	68,596	3,309
- Subsidiaries		-	-	46,909	6,187
- Related parties		6,174	1,300	3,017	951
		156,809	41,060	118,522	10,447
Current					
Non-trade					
Amounts due from:					
- Subsidiaries	13.1	-	-	99	699
- Related parties	13.2	22	22	-	14
Other receivables	13.3	12,756	2,337	5,675	1,649
Deposits		1,342	1,515	866	866
Prepayments		2,019	3,198	1,412	1,614
Derivative financial assets:					
- Forward contracts		21	-	-	-
- Forward exchange contracts designated as hedge instruments		106	250	-	26
		16,266	7,322	8,052	4,868
Less: Impairment losses					
- trade		(4,439)	(4,422)	(199)	(199)
		168,636	43,960	126,375	15,116

13.1 The non-trade amounts due from subsidiaries are unsecured, interest-free and with no fixed term of repayment.

13.2 The non-trade amounts due from related parties are unsecured, interest-free and repayable on demand.

Notes to the Financial Statements

(Cont'd)

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (cont'd)

13.3 Included in the other receivables is RM121 million (2021 : RM295 million) in relation to the final award of the arbitration case as discussed in Note 15 and Note 38 which is interest-bearing at 5.33% (2021 : 5.33%) per annum. The amount owing is classified as non-current as at 30 June 2022 because the Group is taking enforcement action and is not expected that the enforcement can be completed within twelve (12) months.

13.4 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and liabilities that have been set off for presentation purpose:

	Note	Gross amount	Balances that are set off	Net carrying amount in the statement of financial position
		RM'000	RM'000	RM'000
Group				
2022				
Other receivables (including non-current portion)		218,500	(84,616)	133,884
Other payables	22	(106,090)	84,616	(21,474)
2021				
Other receivables (including non-current portion)		383,555	(86,236)	297,319
Other payables	22	(101,554)	86,236	(15,318)

Certain other receivables and other payables were set off for presentation purpose because the counter parties agree to set off and they intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Short-term money market fund	-	40,625	-	10,175
Deposits with licensed banks	17,183	2,586	9,420	2,316
Cash and bank balances	50,150	89,800	24,689	52,764
	67,333	133,011	34,109	65,255

Notes to the Financial Statements

(Cont'd)

14. CASH AND CASH EQUIVALENTS (cont'd)

14.1 Cash and cash equivalents managed by a related company licensed financial institutions

The funds placed in the short-term money market fund by the Group and the Company are managed by a related company.

Included in deposit with licensed banks and cash and bank balances at the end of the reporting period are the following balances maintained with a related company:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	12,633	-	4,870	-
Cash and bank balances	26,002	48,061	8,150	21,080
	38,635	48,061	13,020	21,080

15. ASSET TO BE RETURNED TO VENDOR

The hot rolled coil plant of the Group is presented as asset to be returned to vendor following the final award of the arbitration case referred to in Note 38 of the financial statements. The carrying amount of assets to be returned to vendor are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Plant and equipment	193,132	369,377

The Group has an obligation to return the asset to the vendor upon receiving payments from the vendor that are already due as discussed in Note 13.3. During the year, the Group recorded an impairment loss amounting to RM176,245,000 (2021 : Nil) following the latest delivered judgement as disclosed in the Note 38 to the financial statements.

Notes to the Financial Statements

(Cont'd)

16. ASSETS HELD FOR SALE

Certain leasehold land and buildings are presented as assets held for sale following the plan of the Group and the Company to dispose properties to improve their cashflows. The Group and the Company had entered into a sale and purchase agreement with a third party and the sales are expected to be completed within the financial year ending 30 June 2023. At 30 June 2022, the assets are as follows:

	Group					
	2022			2021		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Right-of-use of land	43,500	(1,702)	41,798	65,700	(3,609)	62,091
Buildings	14,756	(2,523)	12,233	29,136	(6,741)	22,395
Total	58,256	(4,225)	54,031	94,836	(10,350)	84,486

	Company					
	2022			2021		
	Cost	Accumulated depreciation	Carrying amount	Cost	Accumulated depreciation	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Right-of-use of land	43,500	(1,702)	41,798	65,700	(3,609)	62,091
Buildings	12,417	-	12,417	14,383	(4,221)	10,162
Total	55,917	(1,702)	54,215	80,083	(7,830)	72,253

The carrying value of assets is the same as it's carrying value before it was being reclassified to current assets.

17. SHARE CAPITAL

	Group/Company			
	2022		2021	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued ordinary shares with no par value:				
At 1 July/30 June	596,313	641,010	596,313	641,010

Notes to the Financial Statements

(Cont'd)

18. RESERVES

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Reserves consist of:					
Revaluation reserve	18.1	288,112	295,156	213,750	220,794
Merger reserve	18.2	30,000	30,000	33,600	33,600
Exchange fluctuation reserve	18.3	1,859	1,828	-	-
Hedging reserve	18.4	795	972	401	427
Accumulated losses		(331,639)	(243,685)	(344,140)	(300,124)
		(10,873)	84,271	(96,389)	(45,303)

18.1 The revaluation reserve relates to the revaluation of land and right-of-use of land (including assets held for sale).

18.2 Merger reserve is the difference between the cost of acquisition and the nominal value of the share capital and reserves of the merged subsidiary companies.

18.3 Exchange fluctuation reserve represents all foreign currency differences arising from the translation of the financial statements of foreign operations.

18.4 Hedging reserve represents the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

19. DEFERRED INCOME

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Non-current				
Reinvestment allowance	3,336	6,090	3,067	4,529

The tax benefits arising from reinvestment allowance are being amortised over the estimated useful lives of the underlying plant and equipment for which reinvestment allowances were claimed. During the financial year, a total of RM2,754,000 (2021 : RM1,676,000) and RM1,462,000 (2021 : RM1,512,000) have been amortised and recognised as other operating income in profit or loss of the Group and of the Company respectively.

Notes to the Financial Statements

(Cont'd)

20. EMPLOYEE BENEFITS

(a) Unfunded retirement benefits

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Non-current	27,084	25,865	14,736	11,653
Current	963	1,020	436	568
	28,047	26,885	15,172	12,221

Movements in net defined benefit liability

	Defined benefit liability	
	2022	2021
	RM'000	RM'000
Group		
At 1 July	26,885	31,575
Included in profit or loss		
Current service cost	1,302	1,270
Interest cost	1,191	1,591
	2,493	2,861
Included in other comprehensive income		
Actuarial loss/(gain) arising from:		
- Financial assumptions	-	1,753
- Experience adjustments	-	(7,871)
	-	(6,118)
Others		
Benefits paid	(1,331)	(1,433)
At 30 June	28,047	26,885

Notes to the Financial Statements

(Cont'd)

20. EMPLOYEE BENEFITS (cont'd)

(a) Unfunded retirement benefits (cont'd)

Movements in net defined benefit liability (cont'd)

	Defined benefit liability	
	2022	2021
	RM'000	RM'000
Company		
At 1 July	12,221	15,181
Included in profit or loss		
Current service cost	642	263
Interest cost	638	814
	1,280	1,077
Included in other comprehensive income		
Actuarial loss/(gain) arising from:		
- Financial assumptions	-	833
- Experience adjustments	-	(3,938)
	-	(3,105)
Others		
Benefits paid	(809)	(932)
Transfer from a subsidiary company	2,480	-
At 30 June	15,172	12,221

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group		Company	
	2022	2021	2022	2021
	%	%	%	%
Discount rate	4.52	4.52	4.52	4.52
Expected rates of salary increases	5.00	5.00	5.00	5.00
Weighted-average duration	12.3 years	12.3 years	12.3 years	12.3 years

Sensitivity analysis

The disclosure of sensitivity analysis has not been made as the Directors noted the amount to be inconsequential.

Notes to the Financial Statements

(Cont'd)

20. EMPLOYEE BENEFITS (cont'd)

(b) Executive Share Scheme ("ESS")

The Company has, on 28 February 2014 ("Effective Date"), terminated the Executive Share Option Scheme ("ESOS") which was implemented in 2008 and implemented a new ESS of up to 10% of the total number of issued ordinary shares of the Company, comprising an ESOS and an Executive Share Grant Scheme ("ESGS") for the benefit of eligible executives. The ESS will be in force for a period of 10 years from the Effective Date.

The main features of the ESS are, inter alia, as follows:

(i) Eligible executives are those executives of the Group who have been confirmed in service on the date of offer or Directors of the Group. The Board may from time to time at its discretion select and identify suitable eligible executives to be offered options or grants.

(ii) The aggregate number of shares comprised in:

(a) exercised options;
(b) unexercised options;
(c) unexpired option offers and unexpired grant offers pending acceptances by the eligible executives;
(d) outstanding grants;
(e) completed grants; and
(f) exercised options, unexercised options, outstanding grants, completed grants and unexpired offers pending acceptances, under any other executive share schemes established by the Company which are still subsisting,

shall not exceed 10% of the total number of issued ordinary shares (excluding treasury shares) of the Company at any one time ("Maximum Aggregate").

(iii) The option price shall not be at a discount of more than 10% (or such discount as the relevant authorities shall permit) from the 5-day weighted average market price of the shares of the Company preceding the date of offer and shall in no event be less than the par value of the shares of the Company.

(iv) The exercise of the options or vesting of shares may, at the absolute discretion of the Board, be satisfied by way of issuance of new ordinary shares in the Company (unless otherwise adjusted); transfer of existing shares, or a combination of both new shares and existing shares.

(v) At any point in time during the existence of the ESS, the allocation to an eligible executive who, either singly or collectively through persons connected with the eligible executive, holds 20% or more of the total number of issued ordinary shares (excluding treasury shares) of the Company, must not exceed the Maximum Aggregate.

(vi) The option offered to an option holder under the ESOS is exercisable by the option holder or the shares to be vested to a grant holder under the ESGS will be vested to the grant holder only during his employment or directorship with the Group and within the option exercise period of the ESOS, subject to any maximum limit as may be determined by the Board under the By-Laws of the ESS.

There were no grant or vesting of Options to eligible executives (including directors and chief executives) of the Group during the financial year ended 30 June 2022.

Since the commencement of ESS, the Group had granted a total of 22,250,000 Options and none had been vested and exercised. The aggregate Options granted to directors and chief executives of the Group amounted to 18,250,000 Options and all outstanding Options had lapsed as at 30 June 2022. The actual percentage of total Options granted to directors and senior management of the Group was 2.47% based on the total number of issued ordinary shares of the Company as at 30 June 2022.

The aggregate allocation of Options and SSB Shares to directors and senior management of the Group pursuant to the ESS is at the discretion of the Board provided that such allocation does not exceed the Maximum Aggregate.

Notes to the Financial Statements

(Cont'd)

21. PROVISIONS

	Legal
	RM'000
Group	
At 1 July 2021	5,292
Provisions made during the year	2,500
Paid during the year	(4,057)
At 30 June 2022	3,735

Legal - Group

The provision for legal costs is related to the arbitration as disclosed in Note 38 to the financial statements.

22. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables					
- Third parties		141,177	190,219	128,758	141,638
- Subsidiaries		-	-	2,051	7,177
- Associated company		5	-	5	-
- Related parties		240	166	211	14
		141,422	190,385	131,025	148,829
Non-trade					
Amounts due to:					
- Subsidiaries	22.2	-	-	671	54,778
- Related parties	22.2	511	33	463	8
Other payables	22.1	21,474	15,318	14,159	9,530
Accrued expenses		78,193	41,752	67,036	18,945
		100,178	57,103	82,329	83,261
		241,600	247,488	213,354	232,090

Notes to the Financial Statements

(Cont'd)

22. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES (cont'd)

22.1 (a) The amount of RM84,616,000 (2021 : RM86,236,000) payable to vendor of the HRC plant included in other payables was netted off against final award of the arbitration (Note 13.3) as agreed by both parties after the conclusion of the arbitration.

(b) Out of the RM84,616,000 (2021 : RM86,236,000) mentioned above, RM69,000,000 (2021 : RM70,500,000) is bearing interest at 1% up to the date of conclusion of the arbitration.

22.2 The non-trade amounts due to subsidiaries and related parties are unsecured, interest-free and repayable on demand.

23. CONTRACT LIABILITY

	2022	2021
	RM'000	RM'000
Contract liability	193,132	369,377

The contract liability primarily relates to the arbitration award following the outcome of the arbitration case referred to in Note 38 of the financial statement. It is the Group's obligation to return the asset to the vendor as disclosed in Note 15. This amount will be reversed upon the return of the relevant asset.

24. LOANS AND BORROWINGS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Non-current - unsecured				
Term loans	244,400	354,880	141,500	221,000
Current - unsecured				
Trade financing	424,034	463,467	368,840	415,916
Revolving credits	76,900	69,900	55,900	65,900
Term loans	105,751	28,250	74,771	18,250
	606,685	561,617	499,511	500,066
	851,085	916,497	641,011	721,066

Notes to the Financial Statements

(Cont'd)

24. LOANS AND BORROWINGS (cont'd)

24.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.7.2020	Drawdown	Repayment	At 30.6.2021/ 1.7.2021	Remeasurement	Drawdown/ New lease obtained	Repayment	At 30.6.2022
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Trade financing	704,812	2,532,974	(2,774,319)	463,467	-	2,533,413	(2,572,846)	424,034
Revolving credits	263,900	59,900	(253,900)	69,900	-	148,500	(141,500)	76,900
Term loans	102,900	295,230	(15,000)	383,130	-	-	(32,979)	350,151
Lease liabilities	31,031	-	(5,409)	25,622	(13,839)	4,849	(3,625)	13,007
	1,102,643	2,888,104	(3,048,628)	942,119	(13,839)	2,686,762	(2,750,950)	864,092
Company								
Trade financing	494,530	2,229,447	(2,308,061)	415,916	-	2,271,204	(2,318,280)	368,840
Revolving credits	241,900	55,900	(231,900)	65,900	-	110,000	(120,000)	55,900
Term loans	-	249,250	(10,000)	239,250	-	-	(22,979)	216,271
Lease liabilities	31,031	-	(5,409)	25,622	(13,839)	4,849	(3,625)	13,007
	767,461	2,534,597	(2,555,370)	746,688	(13,839)	2,386,053	(2,464,884)	654,018

24.2 Interest rates

	Group		Company	
	2022 %	2021 %	2022 %	2021 %
	Per annum	Per annum	Per annum	Per annum
Trade financing/Revolving credits	2.39 - 3.93	2.45 - 3.55	2.39 - 3.93	2.45 - 3.51
Term loans	3.92 - 4.42	3.92 - 4.00	3.92 - 4.42	3.92 - 4.00

Notes to the Financial Statements

(Cont'd)

25. REVENUE

	Note	Group		Company	
		2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue from contracts with customers					
- sale of goods	25.1	2,308,915	1,740,711	1,973,286	1,386,381
Other revenue:					
Dividend income		-	-	116,539	42,709
Total revenue	25.1	2,308,915	1,740,711	2,089,825	1,429,090

25.1 Disaggregation of revenue

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Primary geographical markets				
Malaysia	2,055,778	1,609,629	1,832,777	1,319,905
Singapore	34,204	16,123	573	-
Indonesia	8,086	4,055	8,086	-
Taiwan	20,552	4,645	-	-
The United States of America	27,463	1,765	-	-
Australia	103,405	42,777	103,240	42,777
Papua New Guinea	23,058	21,142	23,058	21,142
Others	36,369	40,575	5,552	2,557
	2,308,915	1,740,711	1,973,286	1,386,381
Major products				
Bars, wire mesh, cut and bend and pre-stressed concrete wire	1,388,417	1,114,067	1,077,619	833,557
Wire rod	650,044	447,506	790,101	-
Flat steel	261,769	173,892	-	-
Scrap	-	-	105,566	552,824
Others	8,685	5,246	-	-
	2,308,915	1,740,711	1,973,286	1,386,381

Notes to the Financial Statements

(Cont'd)

25. REVENUE (cont'd)

25.1 Disaggregation of revenue (cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Timing and recognition				
At a point in time	2,308,915	1,740,711	1,973,286	1,386,381
Revenue from contracts with customers	2,308,915	1,740,711	1,973,286	1,386,381
Other revenue	-	-	116,539	42,709
Total revenue	2,308,915	1,740,711	2,089,825	1,429,090

25.2 Nature of goods and services

The following information reflects the typical transactions of the Group and of the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Bars, wire mesh, cut and bend and pre-stressed concrete wire	Revenue for local sales is recognised at a point in time when the goods are delivered and accepted by the customers. Revenue for export sales is recognised in accordance with international shipping terms.	Credit period of 14 to 60 days from invoice date/end of month for local sales. Letter of credit terms for export sales.	Volume incentives/ early payment rebates are given to customers, where applicable.	Credit notes issued for defect items/ allow returns for exchange with new goods, where applicable.	Not applicable.
Wire rod	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers. Revenue for export sales is recognised in accordance with international shipping terms.	Credit period of 14 days from invoice date for local sales. Letter of credit terms for export sales.	Export rebates are given to customers, where applicable.	Credit notes issued for defect items, where applicable.	Not applicable.
Flat steel	Revenue is recognised at a point in time when the goods are delivered and accepted by the customers. Revenue for export sales is recognised in accordance with international shipping terms.	Credit period of 14 to 90 days from invoice date for local sales. Letter of credit terms for export sales.	Early payment rebates are given to customers, where applicable.	Credit notes issued for defect items, where applicable.	Not applicable.
Scraps	Revenue is recognised at a point in time when the goods are delivered and accepted by the subsidiary companies.	Credit period of 14 days from invoice date.	Not applicable.	Not applicable.	Not applicable.

The Group and the Company apply the practical expedient on the exemption on disclosure of information on remaining performance obligations that have original expected durations of one year or less.

Notes to the Financial Statements

(Cont'd)

26. FINANCE COSTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Continuing operations:				
Interest expense on:				
Borrowings	23,929	26,884	22,242	23,465
Lease liabilities	1,126	1,376	1,126	1,376
Others	4,897	2,375	3,825	1,330
	29,952	30,635	27,193	26,171
Discontinued operation:				
Interest expense on borrowings	5,442	5,005	-	-
	35,394	35,640	27,193	26,171

27. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
Statutory audits				
- KPMG PLT				
- current year	365	356	146	140
Other services				
- KPMG PLT	7	5	7	5
- Affiliated of KPMG PLT	118	140	59	21
Amortisation of deferred income	(2,754)	(1,676)	(1,462)	(1,512)
Dividend income from subsidiary companies	-	-	116,264	42,709
Dividend income from an associate	-	-	275	-

Notes to the Financial Statements

(Cont'd)

27. PROFIT/(LOSS) BEFORE TAXATION (cont'd)

Profit/(Loss) before taxation is arrived at after charging/(crediting) (cont'd):

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (including Directors' remuneration)				
- Salaries and other expenses	95,165	93,022	49,334	24,359
- Contribution to Employees Provident Fund	9,131	9,637	4,860	2,766
- Retirement benefits	2,493	2,861	1,280	1,077
	106,789	105,520	55,474	28,202
(Gain)/Loss on foreign exchange				
- realised	(2,085)	367	(992)	828
- unrealised	(64)	24	2	(101)
Property, plant and equipment				
- Gain on disposal	(169)	(88)	(156)	(88)
- Write-off	1	24	-	-
Gain on disposal of assets held for sale	(2,633)	-	(2,633)	-
Impairment loss on investment in subsidiary companies	-	-	189,328	3,597
Impairment loss on amount due from a subsidiary	-	-	-	21,706
Management fee income	-	-	(3,338)	(7,491)
Government grant **(Note a)**	(2,538)	(2,875)	(640)	(960)
Expenses/(income) arising from lease				
Expenses relating to short-term lease **(Note b)**	228	208	323	314
Income from subleasing of right-of-use assets	(15,005)	(16)	(16,022)	(2,830)

Note a
The Group and the Company received government grants as wage subsidies to retain local employees during the approved period of economic uncertainty brought about by the coronavirus (Covid-19) outbreak.

Note b
The Group and the Company lease hostel with contract term of 1 to 2 years. These leases are short-term leases. The Group has elected not to recognise right-of-use assets and lease liabilities.

Notes to the Financial Statements

(Cont'd)

28. TAXATION

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Current taxation				
- Current year	16,617	2,849	9,961	548
- Prior year	(103)	1,393	1	(184)
	16,514	4,242	9,962	364
Deferred taxation				
- Current year	(14,943)	(5,069)	(19,784)	(2,841)
- Prior year	555	(922)	846	-
	(14,388)	(5,991)	(18,938)	(2,841)
	2,126	(1,749)	(8,976)	(2,477)

The reconciliation of income tax applicable to profit/(loss) before taxation at the statutory income tax rate to income tax at the effective tax rate of the Group and of the Company are as follows:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the year	(94,503)	48,284	(38,674)	28,751
Total income tax expense	2,126	(1,749)	(8,976)	(2,477)
(Loss)/Profit excluding tax, including discontinued operation	(92,377)	46,535	(47,650)	26,274
Taxation at Malaysian statutory tax rates of 24%	(22,170)	11,168	(11,436)	6,305
Non-deductible expenses	47,409	3,096	48,710	7,130
Non-taxable income	(827)	(826)	(28,419)	(10,769)
Difference attributable to an associated company	(479)	(277)	-	-
Recognition/Utilisation of previously unrecognised deferred tax assets	(22,729)	(16,692)	(18,905)	(3,510)
Losses not available for carried forward	8	3,163	-	-
Others	462	(1,852)	227	(1,449)
	1,674	(2,220)	(9,823)	(2,293)
Under/(Over) provision in prior years	452	471	847	(184)
	2,126	(1,749)	(8,976)	(2,477)

Notes to the Financial Statements

(Cont'd)

29. EARNING/(LOSS) PER ORDINARY SHARE

Basic earning/(loss) per ordinary share

The calculation of basic earning/(loss) per ordinary share at 30 June 2022 is based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

Profit/(Loss) attributable to ordinary shareholders

	Continuing operations	Discontinued operation	Total
	RM'000	RM'000	RM'000
Group			
2022			
Profit/(Loss) attributable to ordinary shareholders	92,745	(187,642)	(94,897)
2021			
Profit/(Loss) attributable to ordinary shareholders	66,407	(18,481)	47,926

Weighted average number of ordinary shares (basic)

	2022	2021
	'000	'000
Number of ordinary shares at 1 July/30 June	596,313	596,313
	Sen	**Sen**
From continuing operations	15.55	11.14
From discontinued operation	(31.46)	(3.10)
Basic earning/(loss) per ordinary share	(15.91)	8.04

Diluted earning/(loss) per ordinary share

The Group's diluted earning/(loss) per ordinary shares for the financial year ended 30 June 2022 is the same as the basic earning/(loss) per ordinary share since the Group does not have any anti-dilutive instrument.

Notes to the Financial Statements

(Cont'd)

30. OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR

	Before tax	Tax expense	Net of tax
	RM'000	RM'000	RM'000
Group			
2022			
Items that will not be reclassified subsequently to profit or loss			
Loss on fair value of equity investments at fair value through other comprehensive income	(101)	-	(101)
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	31	-	31
Cash flow hedge			
- Loss arising during the year	(144)	-	(144)
- Reclassification adjustment for gain included in profit or loss	(36)	-	(36)
	(180)	-	(180)
	(149)	-	(149)
	(250)	-	(250)
2021			
Items that will not be reclassified subsequently to profit or loss			
Gain on fair value of equity investments at fair value through other comprehensive income	267	-	267
Re-measurement of defined benefit liability	6,118	(1,468)	4,650
	6,385	(1,468)	4,917
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Loss arising during the year	(17)	-	(17)
Cash flow hedge			
- Gain arising during the year	242	-	242
- Reclassification adjustment for loss included in profit or loss	351	-	351
	593	-	593
	576	-	576
	6,961	(1,468)	5,493

Notes to the Financial Statements

(Cont'd)

30. OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR (cont'd)

	Before tax	Tax expense	Net of tax
	RM'000	RM'000	RM'000
Company			
2022			
Items that will not be reclassified subsequently to profit or loss			
Loss on fair value of equity investments at fair value through other comprehensive income	(101)	-	(101)
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Loss arising during the year	(26)	-	(26)
	(127)	-	(127)
2021			
Items that will not be reclassified subsequently to profit or loss			
Gain on fair value of equity investments at fair value through other comprehensive income	267	-	267
Re-measurement of defined benefit liability	3,105	(745)	2,360
	3,372	(745)	2,627
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Gain arising during the year	21	-	21
	3,393	(745)	2,648

Notes to the Financial Statements

(Cont'd)

31. DISCONTINUED OPERATION

Following the final award from the arbitration as discussed in Note 38, the Group is required to return the hot rolled coil plant to the vendor. Consequently, the operation of this plant is classified as a discontinued operation.

Loss attributable to the discontinued operation was as follows:

Results of discontinued operation

	Group	
	2022	2021
	RM'000	RM'000
Expenses	(193,550)	(13,476)
Result from operating activities	(193,550)	(13,476)
Interest income	11,350	-
Finance cost	(5,442)	(5,005)
Loss for the year	(187,642)	(18,481)

The loss from discontinued operation of RM188 million (2021 : RM18 million) is attributable entirely to the owners of the Company.

	Group	
	2022	2021
	RM'000	RM'000
Cash flows used in discontinued operation		
Net cash generated from/(used in) operating activities	1,390	(10,906)
Net cash generated from investing activities	9	-
Net cash (used in)/generated from financing activities	(10,000)	40,980
Effect on cash flows	(8,601)	30,074

Loss for the year for the discontinued operation is arrived after charging/(crediting):

	Group	
	2022	2021
	RM'000	RM'000
Impairment loss on other receivables	176,245	-
Finance cost	5,442	5,005
Interest income	(11,350)	-
Reversal for write-down of inventories	(269)	(14)
Gain on disposal of plant and equipment	(9)	-
Depreciation of property, plant and equipment	5,380	5,363

Notes to the Financial Statements

(Cont'd)

32. RELATED PARTIES

32.1 The Group has related party transactions with corporations which are related to the Directors and/or major shareholders of the Company and/or related corporations and/or persons connected with them as follows:

(i) Hong Leong Company (Malaysia) Berhad ("HLCM") is a major shareholder of the Company through Hong Leong Manufacturing Group Sdn Bhd ("HLMG"). YBhg Tan Sri Quek Leng Chan is a major shareholder of the Company, and a Director and a major shareholder of HLMG and HLCM. YBhg Datuk Kwek Leng San is a Director of the Company, HLMG and HLCM and a shareholder of HLCM. Mr Kwek Leng Beng is a Director of HLCM and a major shareholder of the Company and HLCM. Mr Kwek Leng Kee is a major shareholder of the Company and HLCM. YBhg Tan Sri Quek Leng Chan and YBhg Datuk Kwek Leng San are brothers. HLCM is a person connected with YBhg Tan Sri Quek Leng Chan, YBhg Datuk Kwek Leng San, Mr Kwek Leng Kee and Mr Kwek Leng Beng;

(ii) Hong Bee Hardware Company, Sdn Bhd ("HBH") and Hong Bee Engineering Sdn Bhd ("HBE") are persons connected with Mr Kwek Leng Kee and Mr Kwek Leng Beng, both major shareholders of the Company; and

(iii) Hong Leong Asia Ltd is a person connected to Mr Kwek Leng Kee and Mr Kwek Leng Beng, both are major shareholders of the Company.

Significant transactions with related parties are as follows:

(i) Transactions with subsidiary companies

		Company	
		2022	2021
		RM'000	RM'000
Transactions			
(a)	Sale of goods	530,917	746,089
(b)	Purchase of goods	390,087	349,969
(c)	Rental expenses	269	269
(d)	Rental income	1,018	3,230
(e)	Management fees income	3,338	7,491
(f)	Management fees expenses	726	4,315
(g)	Dividend income	116,264	42,709

Notes to the Financial Statements

(Cont'd)

32. RELATED PARTIES (cont'd)

Significant transactions with related parties are as follows: (cont'd)

(ii) Transactions with related parties

		Related party	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
Transactions						
(a)	Receipt of Group management and/or support services	Subsidiary of HLCM	5,991	5,969	2,712	1,605
(b)	Sale of goods	HBH & HBE	88,516	64,579	57,810	39,529
		Subsidiary of HLCM	4,838	4,618	1,860	2,344
		Associated company	158	-	158	-
(c)	Purchase of goods	Subsidiary of HLCM	6	-	6	-
(d)	Purchase of insurance	Subsidiary of HLCM	7,865	5,497	3,844	1,004
(e)	Rental expense	Subsidiary of HLCM	17	18	-	-
(f)	Transportation and related services	Subsidiary of HLCM	-	13,170	-	6,947
(g)	Income distribution received	Subsidiary of HLCM	683	2,090	403	974

Significant balances with related parties of the Group and of the Company at the reporting date are disclosed in Note 13, Note 14 and Note 22.

The above transactions have been carried out on commercial terms consistent with the usual business practices and policies of the Group and of the Company.

Notes to the Financial Statements

(Cont'd)

32. RELATED PARTIES (cont'd)

32.2 Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

The fees, remuneration and other benefits of the Directors of the Group and of the Company are as follows:

		Group		Company	
	Note	2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
Executive Directors					
Remuneration and other benefits	32.2.1	1,528	2,396	1,528	1,748
Non-Executive Directors					
Fees	32.2.2	513	503	513	503

32.2.1 The estimated monetary value of benefit-in-kind of the Directors of the Group and of the Company is RM13,742 (2021 : RM37,925) and RM13,742 (2021 : RM28,000) respectively.

32.2.2 This includes the fee for Directors which has been assigned in favour of the Company where the Director is employed.

33. OPERATING SEGMENTS

The Board of Directors reviews financial reports at least on a quarterly basis. Operating segments are components in which separate financial information that is available and is evaluated by the Board of Directors on resource allocation and in assessing performance.

The Group comprises the following reportable segments:

- Steel products — Includes manufacturing, sale and trading in billets, steel bars, wire rods, wire mesh, pre-stressed concrete strands, bars and wires, steel pipes, steel wires and other related products.
- Investment holding and others — Includes investment holding activities.
- Hot rolled coil operations — Includes manufacturing, sale and trading of hot rolled coils, this segment was discontinued upon the conclusion of material litigation as discussed in Note 38 of the financial statements.

Notes to the Financial Statements

(Cont'd)

33. OPERATING SEGMENTS (cont'd)

Segment profit/(loss)

Performance is measured based on segment profit/(loss) before interest income, finance costs, share of profit of associated companies and taxation as included in the internal management reports that are reviewed by the Board of Directors.

Segment assets

Segment assets information is not presented to the Board of Directors and hence, no disclosure is made on the segment asset.

Segment liabilities

Segment liabilities information is not presented to the Board of Directors and hence, no disclosure is made on the segment liability.

Reconciliation of the Group's reportable segment profit/(loss)

	Steel Products	Investment holding and others	Discontinued Hot rolled coil operation	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Segment Profit/(Loss)	123,025	(600)	(193,550)	(71,125)
Interest income	798	-	11,350	12,148
Finance costs	(29,952)	-	(5,442)	(35,394)
Share of profit in an associated company, net of tax	-	1,994	-	1,994
Consolidated loss before taxation				(92,377)
Segment Profit/(Loss)				
Included in the measure of segment profit/ (loss) are:				
Revenue from external customers	2,308,915	-	-	2,308,915
Provision/(Reversal) of write down of inventories	55	-	(269)	(214)
Depreciation of:				
- Property, plant and equipment	25,869	-	5,380	31,249
- Rights-of-use assets	13,798	500	-	14,298
Impairment of other receivables	-	-	176,245	176,245
Amortisation of deferred income	(2,754)	-	-	(2,754)
Unrealised forex (gain)/loss	(64)	-	8,959	8,895

Notes to the Financial Statements

(Cont'd)

33. OPERATING SEGMENTS (cont'd)

Reconciliation of the Group's reportable segment profit/(loss) (cont'd)

	Steel Products	Investment holding and others	Discontinued Hot rolled coil operation	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Segment Profit/(Loss)	94,092	(592)	(13,476)	80,024
Interest income	995	-	-	995
Finance costs	(30,635)	-	(5,005)	(35,640)
Share of profit in an associated company, net of tax	-	1,156	-	1,156
Consolidated profit before taxation				46,535
Included in the measure of segment profit are:				
Revenue from external customers	1,740,711	-	-	1,740,711
Reversal for write down of inventories	(13,044)	-	(14)	(13,058)
Depreciation of:				
- Property, plant and equipment	29,658	-	5,363	35,021
- Rights-of-use assets	17,502	500	-	18,002
Amortisation of deferred income	(1,676)	-	-	(1,676)
Unrealised forex loss	24	-	-	24

Major customer

During the financial year, there was no revenue from one single customer that contributed to more than 10% of the Group's revenue.

Geographical information

Revenue of the Group by geographical locations of the customers is disclosed in Note 25.

Non-current assets (except for investments in associated company, financial instruments, deferred tax assets and tax credit receivable) of the Group by geographical locations of the assets are located in Malaysia.

34. CAPITAL COMMITMENTS

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- Contracted but not provided for	11,401	2,761	3,551	7

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS

35.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Financial assets measured at amortised cost ("FAAC");
(b) Fair value through profit or loss ("FVTPL") - Designated upon initial recognition ("DUIR");
(c) Fair value through other comprehensive income ("FVOCI") - Equity instrument designated upon initial recognition ("EIDUIR"); and
(d) Financial liabilities measured at amortised cost ("FLAC")

	Carrying amount	FAAC	FVTPL	FVOCI - EIDUIR	Derivatives used for hedging
	RM'000	RM'000	RM'000	RM'000	RM'000
2022					
Financial assets					
Group					
Other investments	511	-	-	511	-
Trade and other receivables, including derivatives (excluding deposits and prepayments)	286,403	286,276	21	-	106
Cash and cash equivalents	67,333	67,333	-	-	-
	354,247	353,609	21	511	106
Company					
Other investments	511	-	-	511	-
Trade and other receivables, including derivatives (excluding deposits and prepayments)	124,097	124,097	-	-	-
Cash and cash equivalents	34,109	34,109	-	-	-
	158,717	158,206	-	511	-

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.1 Categories of financial instruments (cont'd)

	Carrying amount	FAAC	FVTPL	FVOCI - EIDUIR	Derivatives used for hedging
	RM'000	RM'000	RM'000	RM'000	RM'000
2021					
Financial assets					
Group					
Other investments	612	-	-	612	-
Trade and other receivables, including derivatives (excluding deposits and prepayments)	334,229	333,979	-	-	250
Cash and cash equivalents	133,011	92,386	40,625	-	-
	467,852	426,365	40,625	612	250
Company					
Other investments	612	-	-	612	-
Trade and other receivables, including derivatives (excluding deposits and prepayments)	12,636	12,610	-	-	26
Cash and cash equivalents	65,255	55,080	10,175	-	-
	78,503	67,690	10,175	612	26

	Carrying amount	FLAC
	RM'000	RM'000
2022		
Financial liabilities		
Group		
Loans and borrowings	851,085	851,085
Trade and other payables, including derivatives	241,600	241,600
	1,092,685	1,092,685
Company		
Loans and borrowings	641,011	641,011
Trade and other payables, including derivatives	213,354	213,354
	854,365	854,365

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.1 Categories of financial instruments (cont'd)

	Carrying amount	FLAC
	RM'000	RM'000
2021		
Financial liabilities		
Group		
Loans and borrowings	916,497	916,497
Trade and other payables, including derivatives	247,488	247,488
	1,163,985	1,163,985
Company		
Loans and borrowings	721,066	721,066
Trade and other payables, including derivatives	232,090	232,090
	953,156	953,156

35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) arising on:				
Financial assets measured at amortised cost	4,288	718	834	442
Financial liabilities measured at amortised cost	(28,337)	(32,155)	(21,623)	(24,411)
Fair value through profit or loss:				
- (Loss)/Gain on financial instruments designated as hedge instruments	(144)	242	(26)	21
- Gain on fair value of derivative instruments	21	1	-	-
- Dividend income from short-term money market fund	683	2,090	403	974
Fair value through other comprehensive income:				
- Fair value (loss)/gain on equity investment	(101)	267	(101)	267
	(23,590)	(28,837)	(20,513)	(22,707)

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management

The Group and the Company have exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

(a) Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Company's exposure to credit risk principally arises from the individual characteristics of each customer, receivables from a vendor and bank balances. The Company's exposure to credit risk arises principally from advances to subsidiaries and financial guarantee given to a bank for credit facilities granted to a subsidiary. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group and the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statements of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due which are deemed to have higher credit risk, are monitored individually.

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Exposure to credit risk and credit quality (cont'd)

The exposure of credit risk for trade receivables, net of impairment loss, as at the end of the reporting period by geographic region was:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	131,372	30,698	109,863	10,188
Singapore	3,054	3,575	-	-
Indonesia	2,430	-	2,430	-
The United States of America	7,048	28	-	-
Australia	3,580	-	3,580	-
Others	4,886	2,337	2,450	60
	152,370	36,638	118,323	10,248

Expected credit loss ("ECL") assessment for trade receivables as at 30 June

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the expected credit losses, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Expected credit loss ("ECL") assessment for trade receivables as at 30 June (cont'd)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June.

	Gross carrying amount	Loss allowance	Net carrying amount
	RM'000	RM'000	RM'000
2022			
Group			
Not past due	98,154	-	98,154
Past due 1 - 30 days	51,749	-	51,749
Past due 31 - 60 days	1,212	-	1,212
Past due 61 - 90 days	369	-	369
Past due 91 - 120 days	193	-	193
Past due more than 120 days	5,132	(4,439)	693
	156,809	(4,439)	152,370
Company			
Not past due	76,686	-	76,686
Past due 1 - 30 days	41,637	-	41,637
Past due more than 120 days	199	(199)	-
	118,522	(199)	118,323

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Expected credit loss ("ECL") assessment for trade receivables as at 30 June (cont'd)

	Gross carrying amount	Loss allowance	Net carrying amount
	RM'000	RM'000	RM'000
2021			
Group			
Not past due	472	-	472
Past due 1 - 30 days	33,244	-	33,244
Past due 31 - 60 days	2,770	-	2,770
Past due 61 - 90 days	142	-	142
Past due 91 - 120 days	4	-	4
Past due more than 120 days	4,428	(4,422)	6
	41,060	(4,422)	36,638
Company			
Not past due	893	-	893
Past due 1 - 30 days	8,238	-	8,238
Past due 31 - 60 days	1,117	-	1,117
Past due more than 120 days	199	(199)	-
	10,447	(199)	10,248

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Movements in the allowance for impairment in respect of trade receivables

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Balance at 1 July	4,422	4,439	199	199
Impairment loss recognised	17	-	-	-
Impairment loss reversed	-	(17)	-	-
Net measurement of loss allowance	17	(17)	-	-
Balance at 30 June	4,439	4,422	199	199

The allowance account in respect of trade receivable is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the trade receivables directly.

Other receivables

Credit risk on other receivable are mainly arising from a receivable of plant's vendor amounting to RM121 million (2021 : RM295 million) in relation to the final award of the arbitration case as discussed in Note 13 and Note 38.

Expected credit loss of other receivable is determined individually after considering the financial strength of the other receivable. Based on management's assessment, the probability of the default of amount owing by the vendor is low. Nevertheless, in arriving at the amortised cost, management has factored in certain assumptions on recovery, of which further disclosure will be prejudicial to the Group. The Group is still pursuing enforcement as discussed in Note 38.

Intercompany balances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, there was no indication that the advances to the subsidiaries were not recoverable. The Company does not specifically monitor the ageing of the advances to the subsidiaries.

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Cash and cash equivalents

Risk management objectives, policies and processes for managing the risk

The Group's and the Company's short-term deposits are placed as fixed rates investments and upon which management endeavors to obtain the best rate available in the market.

Cash and cash equivalents of the Group and the Company are placed with licensed financial institutions which are mainly placed with a related company licensed financial institutions as disclosed in Note 14 to the financial statements.

Exposure to credit risk and credit quality

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

The Group and the Company consider that their cash and cash equivalents have low credit risk.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to a bank in respect of banking facilities granted to a subsidiary company. The Company monitors on an ongoing basis the results of the subsidiary and repayments made by the subsidiary.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk for the Company amounted to about RM134 million (2021 : RM144 million) representing the outstanding banking facilities of the subsidiary covered by the financial guarantee as at the end of the reporting period.

Impairment losses

As at the end of the reporting period, there was no indication that the subsidiary would default on repayment.

The fair value of the financial guarantees, on initial recognition, was not recognised since the fair value was not material.

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Investments and other financial assets

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group and the Company. Transactions involving derivative financial instruments are with approved financial institutions.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statements of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet its obligations. The Group and the Company do not have overdue investments that have not been impaired.

Impairment losses

As at the end of the reporting period, there were no significant financial difficulties being experienced by the issuer.

(b) Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arise principally from their various payables, loans and borrowings.

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash and facilities from banks to meet their working capital requirements.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount	Contractual interest rates/ discount rate per annum	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
2022							
Non-derivative financial liabilities							
Loans and borrowings	851,085	2.39 - 4.42	868,620	619,389	237,027	12,204	-
Lease liabilities	13,007	5.00	16,708	2,642	2,642	3,566	7,858
Trade and other payables	241,600	-	241,600	241,600	-	-	-
	1,105,692		1,126,928	863,631	239,669	15,770	7,858
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
- outflow	-	-	31,696	31,696	-	-	-
- inflow	(127)	-	(31,823)	(31,823)	-	-	-
	1,105,565		1,126,801	863,504	239,669	15,770	7,858

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount	Contractual interest rates/ discount rate per annum	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
2021							
Non-derivative financial liabilities							
Loans and borrowings	916,497	2.45 - 4.00	947,319	576,255	122,219	248,845	-
Lease liabilities	25,622	5.00	29,645	4,873	4,873	14,620	5,279
Trade and other payables	247,488	-	247,488	247,488	-	-	-
	1,189,607		1,224,452	828,616	127,092	263,465	5,279
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
- outflow	-	-	93,612	93,612	-	-	-
- inflow	(250)	-	(93,862)	(93,862)	-	-	-
	1,189,357		1,224,202	828,366	127,092	263,465	5,279

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount	Contractual interest rates/ discount rate per annum	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
Company							
2022							
Non-derivative financial liabilities							
Loans and borrowings	641,011	2.39 - 4.42	651,798	507,467	132,127	12,204	-
Lease liabilities	13,007	5.00	16,708	2,642	2,642	3,566	7,858
Trade and other payables	213,354	-	213,354	213,354	-	-	-
Financial guarantees	-	-	133,880	133,880	-	-	-
	867,372		1,015,740	857,343	134,769	15,770	7,858

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying amount	Contractual interest rates/ discount rate per annum	Contractual cash flows	Under 1 year	1-2 years	2-5 years	More than 5 years
	RM'000	%	RM'000	RM'000	RM'000	RM'000	RM'000
Company							
2021							
Non-derivative financial liabilities							
Loans and borrowings	721,066	2.45 - 4.00	740,174	509,227	86,850	144,097	-
Lease liabilities	25,622	5.00	29,645	4,873	4,873	14,620	5,279
Trade and other payables	232,090	-	232,090	232,090	-	-	-
Financial guarantees	-	-	143,880	143,880	-	-	-
	978,778		1,145,789	890,070	91,723	158,717	5,279
Derivative financial liabilities/ (assets)							
Forward exchange contracts:							
- outflow	-	-	25,972	25,972	-	-	-
- inflow	(26)	-	(25,998)	(25,998)	-	-	-
	978,752		1,145,763	890,044	91,723	158,717	5,279

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

(i) Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD") and European Dollar ("EURO").

Risk management objectives, policies and processes for managing the risk

Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts, on a case by case basis.

Exposure to foreign currency risk

The Group and the Company's exposure to foreign currency (a currency other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Amount denominated in USD:				
Trade and other receivables	17,410	2,608	8,459	-
Trade and other payables	(7,754)	(5,581)	(7,428)	(4,604)
Cash and bank balances	16,916	26,608	11,094	19,079
Forward exchange contracts	100	247	-	26
Net exposure	26,672	23,882	12,125	14,501
Amount denominated in SGD:				
Trade and other receivables	3,054	1,410	-	-
Cash and bank balances	393	302	-	-
Forward exchange contracts	-	3	-	-
Net exposure	3,447	1,715	-	-

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Amount denominated in EURO:				
Trade and other receivables	120,607	118,520	-	-
Cash and bank balances	131	-	-	-
Trade and other payables	(120)	(22)	(120)	-
Net exposure	120,618	118,498	(120)	-

Currency risk sensitivity analysis

A 5% (2021 : 5%) strengthening of the RM against the following currency at the end of the reporting period would have increased/(decreased) profit before taxation by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted purchases.

	Profit or loss			
	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
USD	(1,334)	(1,194)	(606)	(725)
SGD	(172)	(86)	-	-
EURO	(6,031)	(5,925)	6	-

A 5% (2021 : 5%) weakening of the RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk

Risk management objectives, policies and processes for managing the risk

The Group and the Company manage their interest rate exposure by maintaining available lines of fixed and floating rate borrowings. Investments in deposits with licensed banks are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	138,311	297,568	9,420	2,316
Financial liabilities	(513,941)	(558,989)	(437,747)	(507,438)
	(375,630)	(261,421)	(428,327)	(505,122)
Floating rate instruments				
Financial assets	-	40,625	-	10,175
Financial liabilities	(350,151)	(383,130)	(216,271)	(239,250)
	(350,151)	(342,505)	(216,271)	(229,075)

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group or the Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group or the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

An increase/(decrease) of 50 basis points ("bp") in interest rates at the end of the reporting period would have (decreased)/increased the profit before tax and equity of the Group and of the Company by RM1,751,000 (2021 : RM1,713,000) and RM1,081,000 (2021: RM1,145,000) respectively. This analysis assumes that all other variables remain constant.

(iii) Other price risk

Equity price risk arises from the Group's and the Company's investment in equity securities.

Risk management objectives, policies and processes for managing securities

Management of the Group monitors the equity investments on an individual basis and are approved by the Risk Management Committee of the Group.

Equity price risk sensitivity analysis

No sensitivity analysis is performed on equity price risk as the Directors are of the view that the risk is not significant.

35.4 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings reasonably approximate fair values due to the relatively short-term nature of these financial instruments. Accordingly, the fair value and fair value hierarchy levels have not been presented for these instruments.

35. FINANCIAL INSTRUMENTS (cont'd)

35.4 Fair value information (cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
2022										
Financial assets										
Investment in quoted shares	511	-	-	511	-	-	-	-	511	511
Forward exchange contracts	-	127	-	127	-	-	-	-	127	127
Other receivables	-	-	-	-	-	-	121,128	121,128	121,128	121,128
Financial liabilities										
Term loans	-	-	-	-	-	-	350,151	350,151	350,151	350,151
2021										
Financial assets										
Investment in quoted shares	612	-	-	612	-	-	-	-	612	612
Short-term money market fund	-	40,625	-	40,625	-	-	-	-	40,625	40,625
Forward exchange contracts	-	250	-	250	-	-	-	-	250	250
Other receivables	-	-	-	-	-	-	294,982	294,982	294,982	294,982
Financial liabilities										
Term loans	-	-	-	-	-	-	383,130	383,130	383,130	383,130

35. FINANCIAL INSTRUMENTS (cont'd)

35.4 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company										
2022										
Financial assets										
Investment in quoted shares	511	-	-	511	-	-	-	-	511	511
Financial liabilities										
Term loans	-	-	-	-	-	-	216,271	216,271	216,271	216,271
2021										
Financial assets										
Investment in quoted shares	612	-	-	612	-	-	-	-	612	612
Short-term money market fund	-	10,175	-	10,175	-	-	-	-	10,175	10,175
Forward exchange contracts	-	26	-	26	-	-	-	-	26	26
Financial liabilities										
Term loans	-	-	-	-	-	-	239,250	239,250	239,250	239,250

Notes to the Financial Statements

(Cont'd)

35. FINANCIAL INSTRUMENTS (cont'd)

35.4 Fair value information (cont'd)

Short-term money market fund

The fair value of short-term money fund is obtained from quotation from the fund manager.

Derivatives

The fair value of forward exchange contracts is estimated based on the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The fair value of non-current other receivable is estimated to approximate their carrying values. The Directors' estimated the fair values of non-current other receivables have been determined by discounting at the end of reporting period at 5.33% (2021 : 5.33%) and found to be no material changes in the fair value.

36. SIGNIFICANT EVENT

During the financial year, the Company acquired from its wholly-owned subsidiary company, Southern Steel Rod Sdn Bhd ("SSR"), certain assets, activity business and the undertaking of the business carried on by SSR in relation to the manufacturing and sale of wire rod, billet and deformed bar in coil in Malaysia and all rights and interests relating or attaching thereto or arising therefrom, but exclude all liabilities arising from the business save for the liabilities and obligations under the contracts and all other contractual obligations to which SSR is a party in relation to the business which shall be novated or transferred to and accepted by the Company (collectively referred to as the "Business"), for a total purchase consideration of RM213 million, satisfied by way of cash payment.

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2022 RM'000
Cash consideration paid	213,076
Identified assets acquired and liabilities assumed	
Plant and equipment	61,500
Inventories	154,056
Retirement benefit obligations	(2,480)
Deferred tax liabilities	(12,285)
Total identifiable net assets	200,791
Deficit reserve adjusted to retained earnings	12,285

Notes to the Financial Statements

(Cont'd)

37. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio.

The debt-to-equity ratios are as follows:

	Group	
	2022	2021
	RM'000	RM'000
Total loans and borrowings	851,085	916,497
Lease liabilities	13,007	25,622
Less: Cash and cash equivalents	(67,333)	(133,011)
Net debt	796,759	809,108
Total equity	636,904	732,044
Debt-to-equity ratio	1.25	1.11

38. 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.

Notes to the Financial Statements

(Cont'd)

38. 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 EUR92.7 million 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 (2021: RM369 million) will be removed from SHRC's statement of financial position.

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").

Danieli and DMSB appealed to the Singapore Court of Appeal against the High Court's Decision. ("Danieli's Appeal"). The Singapore Court of Appeal delivered its judgement 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 EUR92.7 million 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 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.

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.

39. SUBSEQUENT EVENT

On 19 August 2022, the Company has completed the disposal of land in Johor Bahru to a third party for consideration of RM65 million. The disposal recorded a gain of approximately RM13 million, net of tax.

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 82 to 179 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Yeoh Choon Kwee

Dato' Tan Ang Meng

30 August 2022

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, Ang Meng Chuan, the person primarily responsible for the financial management of Southern Steel Berhad, do solemnly and sincerely declare that the financial statements set out on pages 82 to 179 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed, Ang Meng Chuan, MIA CA6084, at Georgetown in the State of Penang on 30 August 2022.

Ang Meng Chuan
Chief Financial Officer

Before me

GOH SUAN BEE (P 125)
Commissioner for Oaths
Penang

Independent Auditors' Report

To the Members of Southern Steel Berhad
(Registration No. 196301000443 (5283 - X)) (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Southern Steel Berhad, which comprise the statements of financial position as at 30 June 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 82 to 179.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2022, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities* for the *Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for *Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting of a subsidiary's arbitration award	
Refer to the Note 13 – Trade and other receivable, Note 15 – Asset to be returned to vendor, Note 23 - Contract liability and Note 38 – Material litigation, to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
In the financial year ended 30 June 2022, Southern HRC Sdn Bhd ("SHRC"), a wholly-owned subsidiary of the Group, concluded its arbitrations as discussed in Note 38. The subsidiary is currently enforcing the final awards. However, the counterparty is appealing against the arbitration awards. This is one of the key audit matters because of their complexities, and hence, requires the involvement of our more experience personnel in assessing the appropriateness of the accounting of the arbitration awards.	Our procedures, amongst others, include: • Obtained and read confirmations from the Group's legal counsel on the status of the awards enforcement; • Determined whether the Group's rights and obligations were reflected appropriately in the financial statements; • Compared the recoverable amount of the plant to be returned to the vendor with the Group's entitlement in the arbitration; and • Determined the adequacy of disclosures in the financial statements.

Independent Auditors' Report

To the Members of Southern Steel Berhad
(Registration No. 196301000443 (5283 - X)) (Incorporated in Malaysia)
(Cont'd)

Key Audit Matters (cont'd)

Impairment assessment of cost of investment in subsidiaries – Company	
Refer to the accounting policy on Note 2.1 Basis of preparation – use of estimate and judgements, Note 2.2(f)(ii) - Impairment of other assets and Note 7 – Investments in subsidiary companies, to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
As disclosed in Note 7 to the financial statements, the Company has material interests in subsidiaries. It is approximately 29% of the total assets of the Company. Where there are indicators of impairment, the Company will perform impairment tests which will require the Company to estimate their recoverable amounts. This is one of the key audit matters because it required involvement of our more experience personnel as assessment of indicator of impairments and recoverable values are complex.	Our audit procedures, amongst others include: • In the assessment of impairment indicators, we challenged whether internal and external factors were considered; • Assessed the impairment test model by comparing it with the requirements of the relevant accounting standard; • We challenged the fair value less cost of disposal by perform a re-assessment of the value of the underlying assets recoverable values; and • Determined the adequacy of disclosures in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' Report, and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditors' Report

To the Members of Southern Steel Berhad
(Registration No. 196301000443 (5283 - X)) (Incorporated in Malaysia)
(Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report

To the Members of Southern Steel Berhad
(Registration No. 196301000443 (5283 - X)) (Incorporated in Malaysia)
(Cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 3 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Penang

30 August 2022

Thong Foo Vung
Approval Number : 02867/08/2024 J
Chartered Accountant

Other Information

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2022

	Location	Tenure	Existing Use	Acquisition Date	Approximate Area	Approximate Age of Building (Year)	Net Book Value as at 30 June 2022 (RM'000)
1	No PT 3057 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 21 Mar 2050	Office and factory building	08 Jun 1990	2.53 acres	8	163,040
	No PT 3982 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 13 Jan 2059	Office and factory building	03 Jun 1997	1.11 acres	8	
	No PT 3039 Lorong Perusahaan 10 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 07 Nov 2049	Office and factory building	31 Dec 2007	1.15 acres	8	
	No PT 2996 Lorong Perusahaan 10 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 18 Sep 2049	Office and factory building	19 Mar 2012	10,170.08 sq m	8	
	No PT 2992 Lorong Perusahaan 10 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 18 Sep 2049	Office and factory building	16 Jun 2011	13,126.38 sq m	8	
	Plot 524(c), Prai Industrial Park	Leasehold expiring on 24 Oct 2073	Office and factory building	04 Apr 2012	1.41 acres	8	
2	No PT 4639 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 01 Jul 2112	Vacant Land	25 Mar 2013	7.25 hectares	-	58,261
3	2435 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Leasehold expiring on 31 Jan 2039	Factory	06 Sept 1982	50.9 acres	31-39	57,893

Other Information
(Cont'd)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2022 (cont'd)

	Location	Tenure	Existing Use	Acquisition Date	Approximate Area	Approximate Age of Building (Year)	Net Book Value as at 30 June 2022 (RM'000)
4	No PT 3171 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 21 Mar 2050	Factories	19 Oct 1990	4.78 acres	24-26	
	No PT 3178 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 09 Apr 2050	Factories	19 Oct 1990	2.60 acres	24	
	2595 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 09 Apr 2050	Factories	07 Oct 1991	2.60 acres	24	
	2613 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 21 Mar 2050	Factories	23 Sep 1991	5.10 acres	24	33,370
	No PT 3831 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 21 Oct 2054	Factories	25 May 1993	1.31 acres	26	
	No PT 3980 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 25 Jan 2059	Drains	12 Aug 1996	2.13 acres	-	
	No PT 4271 (formerly Plot 596) Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 04 Nov 2064	Vacant Land	18 Mar 1998	0.12 hectares	-	
5	2624 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Leasehold expiring on 05 Jun 2046	Office and factory building	06 Apr 2004	9.53 acres	29	15,352
6	4457 Mukim 15 Jalan Chain Ferry 12100 Butterworth Penang	Freehold	Factory Godown	12 Jun 1989	413,427 sq ft	26-53	34,024
7	3081 Jalan Besar Nibong Tebal	Freehold	Factory	22 Jun 1998	304,210 sq ft	26-58	17,923
8	Rawang Integrated Industrial Park	Freehold	Office and factory building	20 Apr 1994	4.63 hectares	25	38,323
9	No. 5 Jalan Utas 15/7 Seksyen 15 40200 Shah Alam Selangor Darul Ehsan	Leasehold expiring on 02 Dec 2072	Office and factory building	25 Jun 1992	328,800 sq ft	42	36,589
10	5 1/2 Mile, Jalan Kapar 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	03 Feb 1981	31,180 sq m	26-41	34,718
							489,493

Other Information
(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2022

Class of Shares : Ordinary shares
Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 September 2022

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	73	1.88	2,837	0.00
100 – 1,000	1,073	27.65	967,270	0.16
1,001 – 10,000	1,822	46.96	8,461,803	1.42
10,001 – 100,000	754	19.43	24,687,190	4.14
100,001 – less than 5% of issued shares	155	4.00	115,598,390	19.39
5% and above of issued shares	3	0.08	446,595,960	74.89
	3,880	100.00	596,313,450	100.00

List Of Thirty Largest Shareholders As At 30 September 2022

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	271,335,115	45.50
2.	HLMG Capital Sdn Bhd	140,076,337	23.49
3.	Southern Amalgamated Co Sdn Bhd	35,184,508	5.90
4.	AMSEC Nominees (Tempatan) Sdn Bhd - AmBank (M) Berhad (Swap)	16,851,590	2.83
5.	Southern Properties Sdn Bhd	13,325,070	2.23
6.	Hong Bee Hardware Company, Sdn. Berhad	7,371,493	1.24
7.	Hock Kheng Industries Sendirian Berhad	5,976,190	1.00
8.	Signaland Sdn Bhd	5,825,194	0.98
9.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Inbamanay A/P M J Arumanayagam	2,974,200	0.50
10.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Helina Shanti Solomon (7001761)	2,391,400	0.40
11.	HLB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Deva Dassan Solomon	2,316,100	0.39
12.	Ooi Chieng Sim	2,200,000	0.37
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Inbamanay A/P M J Arumanayagam (8061712)	2,065,500	0.35
14.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Selina Sharmalar Solomon (8112136)	2,013,400	0.34

Other Information
(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2022 (cont'd)

List Of Thirty Largest Shareholders As At 30 September 2022 (cont'd)

	Name of Shareholders	No. of Shares	%
15.	Hwang Enterprises Sdn Bhd	2,000,000	0.34
16.	Public Invest Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Deva Dassan Solomon (M)	1,927,100	0.32
17.	AllianceGroup Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Deva Dassan Solomon (8041850)	1,734,300	0.29
18.	Choong Cheow Sai	1,551,393	0.26
19.	Leong Kok Tai	1,520,802	0.25
20.	Public Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Ang Kim Jhew (E-TMI)	1,512,842	0.25
21.	Kheng Lip Company Sdn. Berhad	1,428,571	0.24
22.	Su Hock Company Sdn. Berhad	1,428,571	0.24
23.	Liao York	1,360,000	0.23
24.	Chua Holdings Sdn Bhd	1,207,509	0.20
25.	Seri Pinang Sdn. Bhd.	1,153,200	0.19
26.	CGS-CIMB Nominees (Tempatan) Sdn Bhd - Pledged Securities Account for Deva Dassan Solomon (MY1091)	1,107,400	0.19
27.	Tan Aik Choon	1,078,900	0.18
28.	Wang Hui Tzu	1,036,095	0.17
29.	Lin Ting Yie (Lam Tin Yie)	1,000,000	0.17
30.	Deva Dassan Solomon	992,600	0.17
		531,945,380	89.21

Other Information
(Cont'd)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2022 (cont'd)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 September 2022 are as follows:

		Direct Interest		Indirect Interest	
	Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Hong Leong Manufacturing Group Sdn Bhd	271,335,115	45.50	145,901,531	24.47 *
2.	HLMG Capital Sdn Bhd	140,076,337	23.49	-	-
3.	Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	417,236,646	69.97 *
4.	HL Holdings Sdn Bhd	-	-	417,236,646	69.97 ®
5.	YBhg Tan Sri Quek Leng Chan	-	-	417,246,046	69.97 ^
6.	Hong Realty (Private) Limited	-	-	424,608,139	71.21 ^
7.	Hong Leong Investment Holdings Pte. Ltd.	-	-	424,617,539	71.21 ^
8.	Kwek Holdings Pte Ltd	-	-	424,617,539	71.21 ^
9.	Mr Kwek Leng Beng	-	-	424,617,539	71.21 ^
10.	Mr Kwek Leng Kee	-	-	424,617,539	71.21 ^
11.	Davos Investment Holdings Private Limited	-	-	424,617,539	71.21 ^
12.	Southern Amalgamated Co Sdn Bhd	35,184,508	5.90	-	-
13.	Su Hock Company Sdn Bhd	1,428,571	0.24	36,613,079	6.14 #
14.	Hock Kheng Industries Sendirian Berhad	5,976,190	1.00	35,184,508	5.90 #
15.	YBhg Dato' Dr Tan Tat Wai	21,927	0.00	41,203,760	6.91 @

Notes:

* *Held through subsidiaries*
® *Held through HLCM*
^ *Held through HLCM and company(ies) in which the substantial shareholder has interest*
\# *Held through company(ies) in which the substantial shareholder has interest*
@ *Held through companies in which the substantial shareholder has interest and a family member*

3. DIRECTORS' INTERESTS AS AT 30 SEPTEMBER 2022

Subsequent to the financial year end, there was no change, as at 30 September 2022, to the Directors' interests in the ordinary shares and/or options of the Company and/or its related corporations (other than wholly-owned subsidiaries), appearing in the Directors' Report on pages 78 to 79 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016.

4. MATERIAL CONTRACTS

There are no material contracts (not being contracts entered into in the ordinary course of business) which had been entered into by the Company and its subsidiaries involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year pursuant to Item 21, Part A, Appendix 9C of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This page has been intentionally left blank.

南達 **Southern Steel** Berhad

A Member of the Hong Leong Group

Registration No. 196301000443 (5283-X)

FORM OF PROXY

I/We _____

NRIC/Passport/Company No. _____ Tel No. _____

of _____

_____ Email address _____

being a member of **SOUTHERN STEEL BERHAD** ("the Company"), hereby appoint _____

_____ NRIC/Passport No. _____

of _____

Tel No. _____ Email address _____

or failing him/her _____ NRIC/Passport No. _____

of _____

Tel No. _____ Email address _____

or failing him/her, the Chairman of the meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Sixtieth Annual General Meeting of the Company to be held at the at Training Room C, Level 1, Southern Steel Berhad, 2723 Lorong Perusahaan 12, Prai Industrial Estate, 13600 Prai, Penang, Malaysia on Thursday, 10 November 2022 at 11.00 a.m. and at any adjournment thereof.

My/Our proxy/proxies is/are to vote on a poll as indicated below with an "X":

	RESOLUTIONS	FOR	AGAINST
1	To approve the payment of Director Fees and Directors' Other Benefits		
2	To re-elect YBhg Datuk Kwek Leng San as a Director		
3	To re-elect Ms Chin Siew Siew as a Director		
4	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
5	To approve the ordinary resolution on authority to Directors to allot shares and waiver of pre-emptive rights		
6	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Company (Malaysia) Berhad, GuoLine Capital Assets Limited and persons connected with them		
7	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Bee Hardware Company, Sdn Berhad and its subsidiary		
8	To approve the ordinary resolution on the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature with Hong Leong Investment Holdings Pte. Ltd. ("HLIH") and persons connected with HLIH		
9	To approve the proposed establishment of a new executive share scheme and waiver of pre-emptive rights		
10	To approve the proposed allocation of options and/or grants to the Group Managing Director of the Company		

Dated this _____ day of _____ 2022

Number of shares held: _____ _____

CDS Account No.: _____ Signature(s) of Member

Notes:

1. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 2 November 2022 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
2. *If you wish to appoint other person(s) to be your proxy, insert the name(s) and address(es) of the person(s) desired in the space so provided.*
3. *If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/her discretion.*
4. *A proxy may but need not be a member of the Company.*
5. *Save for a member who is an exempt authorised nominee, a member shall not be entitled to appoint more than two (2) proxies to attend, participate, speak and vote at the same meeting. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. A member who is an exempt authorised nominee for multiple beneficial owners in one (1) securities account ("Omnibus Account") may appoint any number of proxies in respect of the Omnibus Account.*
6. *Where two (2) or more proxies are appointed, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, failing which the appointments shall be invalid (please see note 9 below).*
7. *In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its Attorney.*
8. *All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at Level 31, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia or lodged electronically via email at cosec-hlmg@hlmg.com.my, not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
9. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	*% of shareholdings to be represented*

10. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the Sixtieth Annual General Meeting will be put to a vote by way of a poll.*

Fold this flap for sealing

Then fold here

Affix
Stamp

The Company Secretaries
SOUTHERN STEEL BERHAD
Registration No. 196301000443 (5283-X)
Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia

1st fold here

Southern Steel Berhad
Registration No. 196301000443 (5283-X)

Level 31, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : 03-2080 9200
Fax : 03-2080 9238

www.southsteel.com