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Southern Steel Berhad

A Member of the Hong Leong Group

Annual Report **2021**

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CHAIRMAN'S STATEMENT

"With the improved selling prices and our internal business restructuring, the Group recorded a profit before taxation ("PBT") of RM47 million in FY 2021"

read more. PAGE 14

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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

Board of Directors

- **YBhg Datuk Kwek Leng San** *(Chairman)*
- **Mr Yeoh Choon Kwee** *(Group Managing Director)*
- **YBhg Dato' Dr Tan Tat Wai**
- **Mr Ang Kong Hua**
- **Dr Kwa Lay Keng**
- **YBhg Dato' Ahmad Johari Bin Abdul Razak**
- **YBhg Dato' Tan Ang Meng**

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

BOARD OF DIRECTORS

YBHG DATUK KWEK LENG SAN

Chairman; Non-Executive/ Non-Independent
Age 66, 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 is also the Chairman of the Remuneration Committee, and a member of the Nominating Committee of SSB.

He is the Chairman of Malaysian Pacific Industries Berhad, Hume Cement Industries Berhad (formerly known as Hume Industries Berhad) and Hong Leong 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 53, 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 had 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 74, 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.

MR ANG KONG HUA

Non-Executive Director/
Independent
Age 77, Male, Singaporean

Mr Ang Kong Hua graduated from University of Hull, United Kingdom ("UK") with a Bachelor of Science (Honours) in Economics in 1966.

Following stints at the Economic Development Board from 1966 to 1967 and DBS Bank from 1968 to 1974, Mr Ang spent 28 years as the CEO of NSL. He retired as CEO of NSL in 2003 and as Executive Director in 2010. Mr Ang currently serves as the Chairman of Sembcorp Industries Ltd ("Sembcorp"), an industrial conglomerate listed on the Singapore Stock Exchange.

Mr Ang was appointed to the Board of SSB on 3 May 2011. He is the Chairman of the Nominating Committee. He is also a member of the Board Audit & Risk Management Committee, Remuneration Committee and Research & Development Committee of SSB.

BOARD OF DIRECTORS
(cont'd.)

DR KWA LAY KENG

Non-Executive Director/ Independent
Age 62, Female, Singaporean

Dr Kwa Lay Keng graduated from University of Leeds, Leeds, 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. 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.

YBHG DATO' AHMAD JOHARI BIN ABDUL RAZAK

Non-Executive Director/ Independent
Age 66, 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 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 also a member of the Nominating Committee and Remuneration Committee of SSB.

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

BOARD OF DIRECTORS
(cont'd.)

YBHG DATO' TAN ANG MENG

Non-Executive Director/
Independent
Age 65, 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 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 and Loob 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 2021.
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 59, 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 58, 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, 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.

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 2021.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifty-ninth Annual General Meeting of Southern Steel Berhad ("the Company") will be held virtually through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Wednesday, 1 December 2021 at 3.00 p.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 2021.

2. To approve the payment of Director Fees of RM503,287/- (2020: RM500,000/-) for the financial year ended 30 June 2021 to be divided amongst the Directors in such manner as the Directors may determine and Directors' Other Benefits of up to an amount of RM42,000/- from the Fifty-ninth Annual General Meeting ("AGM") to the Sixtieth AGM of the Company. **Resolution 1**

3. To re-elect the following Directors pursuant to the Company's Constitution:
   (a) YBhg Dato' Dr Tan Tat Wai **Resolution 2**
   (b) YBhg Dato' Ahmad Johari Bin Abdul Razak **Resolution 3**
   (c) YBhg Dato' Tan Ang Meng **Resolution 4**
   (d) Mr Yeoh Choon Kwee. **Resolution 5**

4. To re-appoint KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS

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

5. **Ordinary Resolution**
   - Authority To Directors To Allot Shares

   "**THAT** subject to the Companies Act 2016 ("Act"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), 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 allot 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, 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." **Resolution 7**

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 28 October 2021 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;

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

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**

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 28 October 2021 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 9**

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 28 October 2021 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 10**

9. 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
28 October 2021

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

Notes:

1. *The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the main venue of the Annual General Meeting ("AGM") shall be held in Malaysia and the Chairman shall be present at the main venue of the AGM.* ***No shareholders/proxies will be allowed to be physically present at the broadcast venue of the AGM. Please refer to the Administrative Notes to Shareholders for the detailed steps on remote participation and electronic voting.***

2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 24 November 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*

3. *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, 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.*

4. *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.*

5. *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@hongleong.com.my not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*

6. *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 RM503,287/- are inclusive of Board Committee Fees of RM200,000/-; 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 RM42,000/-.

2. *Resolutions 2 to 5 - Re-election of Directors*

   The Nominating Committee ("NC") has considered the performance and contribution of each of the retiring Directors and have also assessed the independence of the Independent Non-Executive Directors ("IDs") seeking for re-election at the Fifty-ninth Annual General Meeting ("AGM"). Based on the results of the Board Annual Assessment conducted for the financial year ended 30 June 2021, the performance of each of the retiring Directors was found to be satisfactory with the retiring IDs 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 Fifty-ninth AGM are provided in the Board of Directors section on pages 3 to 6 of the Company's Annual Report 2021.

NOTICE OF ANNUAL GENERAL MEETING
(cont'd.)

3. *Resolution 7 - Authority To Directors To Allot Shares*

   The proposed ordinary resolution, if passed, will renew the general mandate given to the Directors of the Company to allot ordinary 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 23 November 2020 and which will lapse at the conclusion of the Fifty-ninth 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.

4. *Resolutions 8 to 10 - Proposed Renewal Of Shareholders' Mandates 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 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 28 October 2021 which is available on the Company's website at *www.southsteel.com/gm-current*.

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 Fifty-ninth 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 Fifty-ninth Annual General Meeting.

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 2021 ("FY 2021").

The impact of the Coronavirus disease 2019 ("COVID-19") pandemic on the economy had been severe and challenging. Amidst all these, China took the lead in recovery and caused an increase in demand which led to higher steel prices in the financial year. With the improved selling prices and our internal business restructuring, the Group recorded a profit before taxation ("PBT") of RM47 million in FY 2021, a significant improvement over the loss before taxation ("LBT") of RM228 million (after excluding impairment losses of RM229 million) recorded for the financial year ended 30 June 2020 ("FY 2020").

On behalf of the Board, I would like to congratulate Mr Yeoh Choon Kwee who was promoted and joined the Board as our Group Managing Director on 27 August 2021. I would like to also express our appreciation to Mr Chow Chong Long, who retired as our Group Managing Director on 26 August 2021, for his past services and contributions to the Group.

On behalf of the Board, I warmly welcome YBhg Dato' Tan Ang Meng who was appointed as an Independent Non-Executive Director of the Company during FY 2021 and I look forward to his support and contributions. I also extend our sincere appreciation to Mr Seow Yoo Lin who has stepped down during FY 2021 after serving more than 9 years 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 record my sincere appreciation to the Board of Directors, our management team and all our employees for their contribution, dedication and commitment to the Group and to our financiers, for their continuous support. Our appreciation goes also to our valued customers, business associates, vendors, shareholders and the Government for their support and confidence in the Group.

DATUK KWEK LENG SAN
Chairman

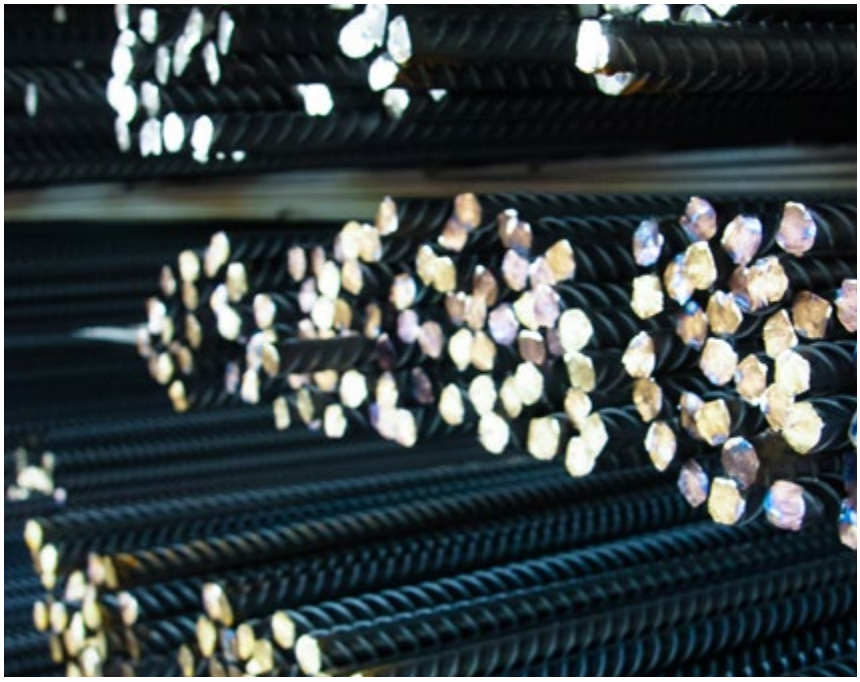
Revenue FY 2021
RM1,741 million

Profit before tax FY 2021
RM47 million

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF 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:

Reinforcing Steel Business:
includes billets, steel bars, cut and bend bars, wire mesh, and pre-stressed concrete steel products.

Wire Rod Business:
includes wire rod for the construction and industrial sector.

Flat Steel Business:
steel welded pipes.

The Group's main revenue contributor is the upstream long products business. The main manufacturing operations of the Group's upstream businesses are located in Prai, while the main downstream businesses are in the Central region of Peninsular Malaysia. The Group's markets cover the whole of Malaysia and export.

GROUP'S FINANCIAL PERFORMANCE

The Group recorded a lower revenue of RM1,741 million for the financial year ended 30 June 2021 ("FY 2021") as compared with RM1,913 million for the previous financial year ended 30 June 2020 ("FY 2020"). The reduction in revenue was due to lower sales volume as the overall market conditions were impacted by the outbreak of coronavirus ("COVID-19") pandemic ("Pandemic").

In terms of financial performance, the Group's reported profit before taxation ("PBT") of RM47 million as compared with the previous year's loss before tax ("LBT") of RM457 million. The losses in last financial year included a plant impairment provision of RM229 million relating to the hot rolled coil project. The impairment provision was net of the amount to be received after taking into consideration the award by the Arbitration Tribunal in November 2019, as detailed in Note 37 to the Financial Statements on "Material Litigation". The improved profit in the financial year was due to higher steel prices and an internal restructuring to maintain a lean cost structure.

For FY 2021, the operational performance improved after the Movement Control Order in March 2020 was lifted. The Group had also initiated several cost cutting measures including downsizing and changes to the operational mode in our upstream operation.

MANAGEMENT DISCUSSION AND ANALYSIS
(cont'd.)

REVIEW OF OPERATIONS

Reinforcing Steel Business:

The Group's reinforcing steel business ("RSB") was under pressure in FY 2020 due to the severe competition from lower demand and entry of a new competitor. However, selling prices improved in line with other steel products. As a result, RSB returned to profit in FY 2021. The business of wire mesh and cut & bend bar turned profitable during the financial year, whilst the pre-stressed concrete steel business remained loss making.

Wire Rod Business:

The wire rod business also recorded a higher profit with the rise in selling price.

Flat Steel Business:

The pipe business profitability had also increased as compared with FY 2020 due to increase in steel prices and management re-directed focus on higher margin products.

FINANCIAL CONDITION OF THE GROUP

Despite the impact of the Pandemic, the Group was able to turnaround and achieve profitability in the financial year as a result of the increase in steel prices and our internal restructuring to maintain a lean 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 channel 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 2021.

KNOWN TREND AND EVENTS WHICH HAVE SIGNIFICANT IMPACT ON OPERATION

Increase in COVID-19 cases cause uncertainty to the recoverability of market demand. Domestic demand for steel in Malaysia is still relatively soft at this juncture due to COVID-19 clusters in construction sites and restrictions in manufacturing activities to control the spread.

The Group focus is to ensure continuity in its operation and this entails having a high percentage of its employee being vaccinated and taking active standard operating measures to prevent infection in the factories. As a group, we have achieved over 80% full vaccination of our employees.

Steel prices are expected to stay firm in the financial year ending 30 June 2022 ("FY 2022") due to fiscal stimulus packages globally, recovering economic activities and steel production capacity cut in China.

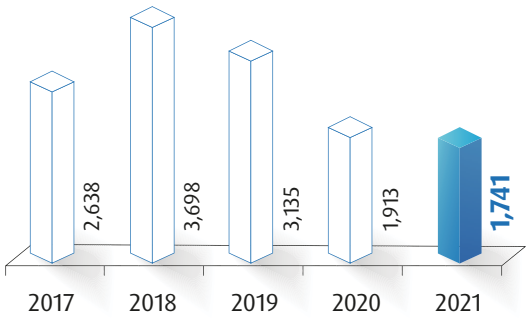
PROSPECTS AND OUTLOOK

Although there has been an improvement in the Group's performance, market conditions remain uncertain due to the COVID-19 pandemic. The Group will continue to be responsive to market changes, maintain a lean cost structure and control inventory levels.

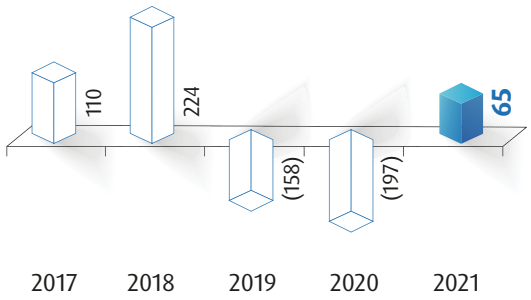
GROUP FINANCIAL HIGHLIGHTS

RM'million	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue	2,638	3,698	3,135	1,913	**1,741**
Profit/(Loss) before taxation	110	224	(158)	(197)	**65**
Profit/(Loss) attributable to owners of the Company	93	211	(119)	(467)	**48**
Net earnings/(loss) per share (sen)	22	49	(27)	(93)	**8**
Net dividend per share (sen)	3	3.5	0	0	**0**
Total equity	770	972	860	678	**732**
Total assets	2,286	2,489	2,228	2,401	**2,354**
Capital expenditure	11	11	11	13	**10**

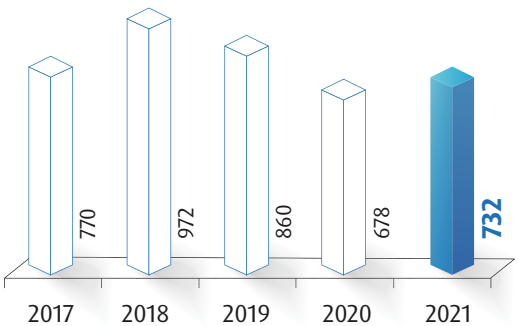
REVENUE
(RM'million)



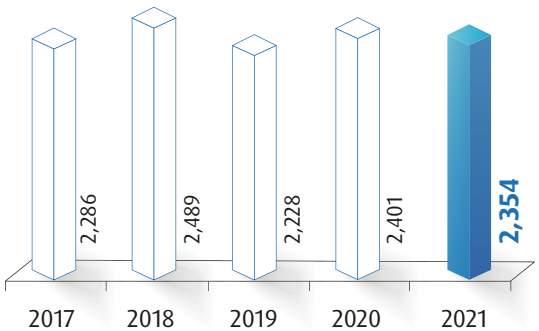
PROFIT/(LOSS) BEFORE TAXATION
(RM'million)



TOTAL EQUITY
(RM'million)



TOTAL ASSETS
(RM'million)



SUSTAINABILITY STATEMENT

Southern Steel Berhad Group of Companies ("the Group") is a leading steel group in Malaysia with over 50 years of experience and expertise in manufacturing steel products. In order to uphold the trust of the Group's people, business patrons and stakeholders, this report enunciates a clear outline of what sustainability means to the Group and the details of managing significant sustainability issues.

ABOUT US

Founded in 1963, the Group has grown from a small galvanised iron sheet plant to a major steel manufacturing group. Today, the Group is an established producer of a wide range of high quality steel products in Malaysia.

The Group strongly believes in being innovative, technology driven and environmentally friendly. In addition, great emphasis is placed on consistency of quality and supply to our business partners. The Group provides value-added services to customers through a network of processing plants and warehouses throughout Malaysia.

Moving forward, the Group will continue on its journey towards achieving world-class standards and ensuring continuous customer satisfaction.

OUR JOURNEY

The Hong Leong Group is built on the strong heritage of value creation for our stakeholders and communities within which we operate. Over the years, we have taken a progressive approach in integrating sustainability into our businesses. As elucidated below, we are committed to growing our businesses responsibly, balancing environmental with economic considerations, as well as creating positive impacts for our stakeholders and contributing to our communities.

Guided by the mission and philosophy set out in the Hong Leong Manufacturing Group Code of Conduct and Ethics, the Group aims to ensure the health and safety of our employees and those who are affected by our business operations. The Group strives to protect the environment and is committed to comply with laws and regulations, respect cultural diversity and make positive impact on the lives of people in the communities where the Group conducts business.

SUSTAINABILITY STATEMENT
(cont'd.)

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 its businesses in a responsible and fair manner with adherence to the corporate values as defined in the Hong Leong Manufacturing Group Code of Conduct and Ethics.

QUALIFICATIONS
ISO 9001
ISO 14001
ISO 45001
ISO 37001
HMLG Code of Conduct and Ethics

SCOPE AND BOUNDARY

This report focuses only on the Group's key operations (i.e. Bar, Rod, and Billet operations at the Prai area), as the other subsidiaries' operations do not have significant impact on the Group's overall operations in terms of environment, economic and social aspects.

REPORTING PERIOD

This report, which is prepared annually, covers the period from 1 July 2020 to 30 June 2021 [Financial Year 2021 ("FY 2021")]. For selected indicators that have only been tracked recently, the reporting duration would be mentioned within the report. There are no significant restatements of data compared to prior years.

STAKEHOLDERS IDENTIFIED

Although the Group has not formally engaged with all stakeholders, the Group has put in place the following channels of engagement with various stakeholders:

STAKEHOLDERS	PROPOSED MODE OF ENGAGEMENT	FREQUENCY OF ENGAGEMENT	STAKEHOLDER CONCERNS/ SUSTAINABILITY ISSUES
SHAREHOLDERS & INVESTORS	Annual General Meetings	Annually	• Industry environment • Profitability
GOVERNMENT & REGULATORS	Regulatory requirements	Periodically	• Environmental issues • Occupational Safety & Health
CUSTOMERS	Customer Feedback	As needed	• Product Quality
EMPLOYEES	• Management meetings • Staff appraisals • Training Needs Analysis • Union/Dialogue sessions	• Monthly • Half yearly • Annually • As needed	• Learning & Development • Occupational Safety & Health
LOCAL COMMUNITIES	Community programmes	As needed	• Social & Environmental issues

Additional stakeholders will be identified along the journey in improving the comprehensiveness of our stakeholders' engagement.

SUSTAINABILITY STATEMENT
(cont'd.)

MATERIAL SUSTAINABILITY MATTERS IDENTIFIED

The core environmental impact from the steel manufacturing process derives from the use of raw materials, energy and water. As the Group's Electric Arc Furnace ("EAF") uses primarily scrap metal, the Group has the capacity to recycle nearly 1.5 million metric tonnes ("Mt") of scrap metal every year from disposed vehicles, metal appliances, construction sites and other manufacturing activities. The Group uses millions of litres of fresh and recirculation water each year, relies heavily on electrical energy and emits Green House Gases ("GHG"). The Group emphasises the need to operate in an environmentally responsible manner and recognises the importance of having a competent workforce to carry out their daily tasks in a safe working environment. Hence, it is part of the Group's culture to provide continuous trainings to the workforce to upgrade their skills and create awareness on environmental and safety.

The Group has considered various sources from which relevant sustainability issues can be identified. These include internal management committee reports, internal analysis, stakeholder feedback and complaints, regulatory requirements and enterprise risk management assessment. From the analysis, the Group has identified the following material sustainability matters which have significant Economic, Environmental and Social impact. The reported measurements are based on the Group's own internal measurements.

ENVIRONMENT

The Group is committed to protecting the environment and operates with due respect for environmental laws.

The operation facilities are regulated by local authorities and most of the facilities maintain ISO 14001 certification for the environmental management system as fundamental guide to assure that our environmental approach is appropriate, adequate and effective.

ENERGY CONSERVATION

As a responsible corporate citizen, the Group is taking a proactive approach with the intention of mitigating climate change. The Group is committed to reduce the carbon footprint of its business by promoting the efficient use of energy as any reduction in the use of energy will lead to the abatement of GHG emissions.

Guided by the Group's Energy Policy, the Energy Management Programme Committee was established to oversee the efficient use of energy. The aim 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. The following is the key energy-related initiatives taken by the Group:

SSB - ENERGY SAVING ACTIVITIES

Lighting
- Replace T8 with LED tube
- 400W spotlight is replaced by 60W LED spotlight for certain area
- Timer control for lighting

Motor
- Inverter control for motor > 75hp
- Timer control for blower fan

Air Conditioner
- Control plant & office air conditioner temperature to 24 degree Celsius
- Weekly service indoor/outdoor filter by electrical crew

Crane-Inverter
- Install VSD for crane motor
- Control speed for crane hoisting system

Process Optimisation
- Stop plant's machine based on operation requirement
- Control process flow
- Install EMS for monitoring

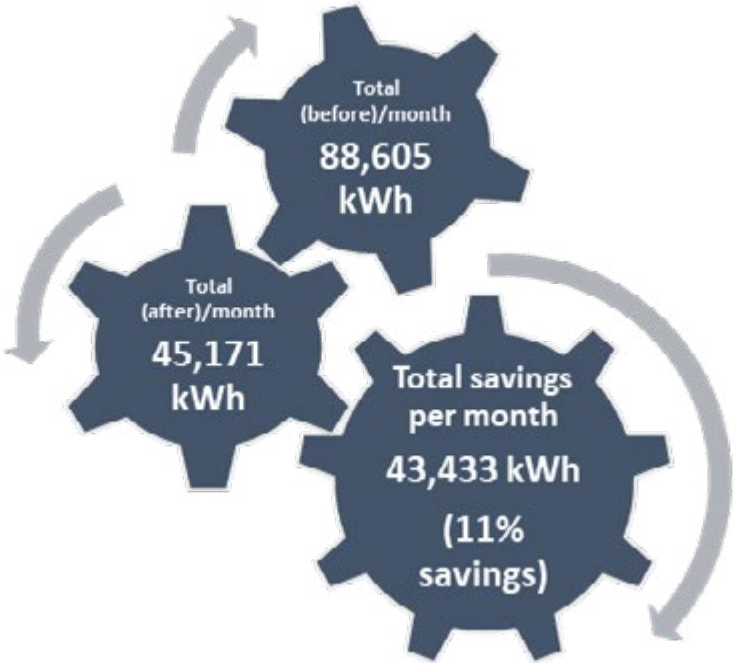
Awareness
- Conduct energy efficiency awareness briefing to all staff
- Daily monitoring for aux. energy consumption

Renewable Energy
- Using transparent roofing at production area

Air Compressor
- Leaking improvement
- Auto Sequencing control
- Daily flow & consumption monitoring

SUSTAINABILITY STATEMENT
(cont'd.)

Five new projects have been executed in FY 2021 which contributed to a total energy savings of approximately 521,000 kWh as compared with four new projects with a total energy savings of approximately 99,000 kWh in financial year ended 30 June 2020 ("FY 2020").



Savings achieved in FY 2021 were contributed by the following projects/ activities:

PROJECTS	ACTIVITIES	ESTIMATED SAVINGS IN KWH PER MONTH
Automated shear stopping	Alteration for shear recirculation to be stopped by hydraulic pumps automatically	1,656
Temperature control	Install/improve the auto temperature control system, whereby the start/stop of motor is controlled by the water temperature	33,403
Soft starter control	Upgrade of cooling tower fan to soft starter with close loop temperature control	4,174
Energy saving LED light	Conversion of high bay lights to LED high bay lights for Production Bay	4,200

LEDs are very energy efficient and cheap too. Lights in our homes and offices should be replaced with LEDs to conserve energy.

CIRCULAR ECONOMY

Steel is the most recycled material in the world. It is a flexible material that can be recycled with minimal loss of quality. The core activity of the Group is to recycle steel scrap in EAF. This is an environmental imperative, enabling us to preserve natural resources and a good example of circular economy.

Apart from this, the Group aims to enhance the environmental management and preservation. Each year, the Group continues to improve on initiatives to minimise its operational impact on the environment. The Group takes great care with the disposal of by product which is a scheduled waste generated from our steel making plants.

The Group's scheduled waste is categorised under Scheduled Wastes Code SW104 under the First Schedule of the Environment Quality (Scheduled Waste) Regulations, 2005

SUSTAINABILITY STATEMENT
(cont'd.)

The EAF dust generated by the plant is disposed of to a licensed waste processor for further recycling to extract zinc oxide. The licensed waste processor has expanded its processing capacity since financial year 2017 to increase this recycling activity.

Due to the adverse impact from Coronavirus disease 2019 ("Covid-19") pandemic, the Group has streamlined and slowed down its operations during the financial year. With this, the Group generated and disposed lesser EAF dust as shown below:

	GENERATED	DISPOSED	INVENTORY
FY 2020	12,163 MT	18,368 MT	75 MT
FY 2021	6,369 MT	6,444 MT	NIL MT

With the generated dust now loaded directly onto specially designed roll-on-roll-off trucks and collected by the licensed waste processor, the Group has achieved its recycling objective for dust and the targeted dust inventory level.

WATER MANAGEMENT

The Group is concerned about the future of water resources and security. Due to the nature of its operations, the Group uses a substantial volume of water and hence, water conservation is an essential element to be focused on.

The Group uses water recycled in a closed loop system in the water treatment facilities. Water recycling reclaims, treats and reuses water for its beneficial purposes. The Group has water treatment facilities installed in the active manufacturing plants to treat and return waste water to the system.

Water is the most precious resource, supporting all life on Earth

The Group has installed one totalizer in the plant to measure the actual volume of water recycled. The plan to expand the totalizer installation to other plants will be reactivated once the market recovers from the Covid-19 pandemic. The current totalizer has recorded a total of 12,100m^3 recycled in FY 2021 as compared with 18,413m^3 in FY 2020. The decrease in the volume of water recycled is mainly attributed to a slower operation of the Group impacted by the Covid-19 pandemic.

By recycling processed water, the Group is doing its part to conserve precious water resources and at the same time reducing its operational costs accordingly.

SOCIAL

The Group aims to contribute to the growth of sustainable society, enhance the Group's corporate value and uphold respect for human rights in our operations.

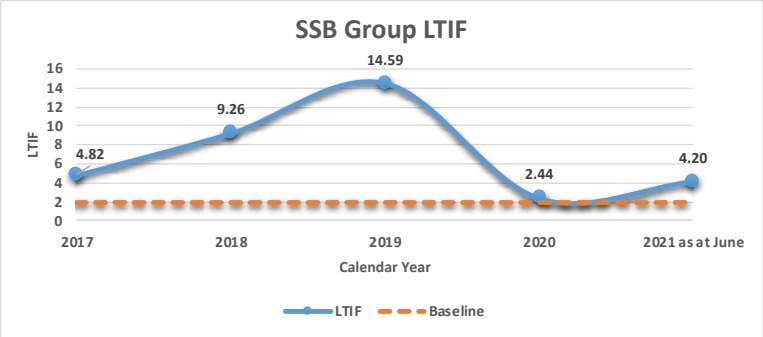
OCCUPATIONAL HEALTH AND SAFETY

Workplace safety is crucial to the sustainability of any corporation. At the Group level, the value proposition starts with a focused commitment to employee safety. The Group aims to ensure that the health, safety and welfare of employees are well taken care of at all times.

The Group has an Occupational Safety & Health Management System set up based on the occupational health and safety risk of the Group, and has considered the requirements of relevant Environment, Health & Safety ("EHS") legislations. Safety issues have also been one of the key agenda items discussed in the monthly management meetings.

SUSTAINABILITY STATEMENT
(cont'd.)

The following chart shows the Group's Lost Time Injury Frequency ("LTIF") rate, which indicates the number of accident cases resulting in a 1-day medical leave against the number of employees in the factory:



CALENDAR YEAR	2017	2018	2019	2020	2021 AS AT JUNE
ACCIDENT CASES	14	28	19	6	4

The Group has set a maximum target of not more than 10 accident cases per year with 2.0 as the LTIF baseline. Although the Group has not achieved the LTIF baseline set, the rate has shown a substantial reduction since the previous financial years. Also, the Group has successfully minimised the accident cases to its targeted level.

Workplace safety programmes can reduce injuries by half

Continuous enhancement efforts have been put in place to ensure a sustainable safe workplace environment. Safety trainings and programmes have been organised and held throughout the year to accentuate the importance of safety in our industry.

COVID-19 RISK MITIGATION

The plant requires most of the employees to be physically present at the workplace to ensure manufacturing processes can be executed smoothly. One of the major programmes executed during the year was dedicated to prevent Covid-19 infections in the work place that has severely affected Malaysia. The Group has put in place briefings, awareness notices, strict standard operating procedures ("SOP") and ongoing monitoring of SOP compliance as preventive measures to ensure the safety of our employees.

In order to further minimise the risk of Covid-19 outbreak in the factory, the Group has taken the initiative to arrange for vaccination to those employees who have yet to obtain their vaccine under the National Immunisation Program implemented by the Government.

The Group first approached and registered under the Public-Private Partnership Immune Initiative with Federation of Malaysian Manufacturers ("FMM") in May/June 2021 but was called off in the middle of June 2021. The Group then submitted for Public-Private Partnership COVID-19 Industry Immunisation Programme ("PIKAS") directly to Ministry of International Trade and Industry ("MITI") in June/July 2021. In order to speed up the PIKAS vaccination process, the Group also registered with SME Association of Seberang Prai.

PIKAS is a public-private partnership immunisation programme of which MITI has been tasked to coordinate the immunisation for employees in the manufacturing sector

The Group's application was approved in July 2021 and the vaccination date for the first dose was scheduled in end of July 2021, followed with the second dose scheduled in the middle of August 2021. A total of 704 employees in the Prai area have benefited from the programme. Staff from Human Resource department of the Group also volunteered to help out at the PPV centre on the day of vaccination to resolve any employees' vaccination issues that may arise.

SUSTAINABILITY STATEMENT
(cont'd.)

LEARNING & DEVELOPMENT

The Group's resilience is directly attributable to its people. Therefore, the Group is always on the lookout for exceptional, talented and high achievers committed to excellence to grow with the Group.

Since its founding, the Group has demonstrated an ongoing commitment to its people and recognised that development opportunities are fundamentals of creating a great organisation. The Group's Graduate Development Programme ("GDP"), under the same umbrella of the holding company, Hong Leong Manufacturing Group Sdn Bhd, is designed to offer ample learning opportunities for talented graduates to expedite their adaptation and dynamic contribution to the Group.

Due to the disruption of its business caused by Covid-19 pandemic, the Group has temporarily ceased the intake on the GDP programme. Nevertheless, the Group's focus and goals are still geared towards having a diversified pool of talents working cohesively to become the next generation of vibrant, creative, smart and innovative leaders.

COMMUNITY

The Group strives to create a positive influence and to contribute to the betterment of the community in the areas that we operate in. The Group is driven to work towards making a difference, however small it may be, to the benefits of the community.

Employees who have a chance to give to charities through their workplace are happier than those who do not

The Group actively supports our enthusiastic employees who undertake various voluntary initiatives under the Heart to Heart Club ("H2H"). The yearly H2H activities are partially sustained by the sale of old newspapers in addition to a budget allocated by the Company. This year, despite the enthusiasm of the H2H members, they were not able to organise any activities due to the Movement Control Order implemented by the Government.

Nevertheless, the Hong Leong Foundation, a charitable arm of the Hong Leong Group, has continued its relentless effort to help the less fortunate people in the society amidst the Covid-19 pandemic.

HUMAN RIGHTS

As a responsible corporate entity, the Group understands the importance of upholding the rights of all our employees. The Group continuously works towards the improvement of the welfare of our employees and the conditions of their work environment. At the same time, the Group recognises the right to freedom of association and collective bargaining, and allows trade unions to have access to the Group's employees.

In line with the Group's respect to human rights, the Group does not withhold workers' wages other than as prescribed by law. The Group will also ensure that the statutory monthly minimum wage and overtime compensation for all its employees are in accordance with Malaysia's labour regulations.

The Group is also committed to the elimination of all forms of illegal, forced, bonded, compulsory or child labour. The Group operates in an open, transparent, and collaborative approach to resolving workers' and stakeholders' grievances.

As a firm believer that all employees should be treated fairly and everyone deserves a voice, the Group launched a whistleblowing hotline in year 2019. This hotline provides a direct communication platform for all employees to reach out directly to the Management should there be any work-related issues or grievances.

SUSTAINABILITY STATEMENT
(cont'd.)

GOVERNANCE

GOVERNANCE STRUCTURE

The Group has established a governance led from the top, with clear accountabilities for continual implementation of sustainability commitments to achieve sound and sustainable growth.

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

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

COMPLIANCE MANAGEMENT

The Group has a duty to the employees, stakeholders and the communities in which the Group operates to act in an ethical and honest manner. The Group is certified with ISO 37001 Anti-bribery Management System which defines the expectation on the way the stakeholders act, so as to ensure the decisions made are lawful, ethical, honest and in line with the Group's policy.

WHISTLE BLOWING

The Group promotes and supports the culture where people feel comfortable to raise concerns about inappropriate conduct and behaviour. The Group encourages the employees and stakeholders 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 disclosures from adverse employment action to the extent permitted by law.

LOOKING FORWARD

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

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") 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 2017 ("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 2021 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.

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

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 ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa") 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 is one (1) woman Director 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 September 2021, 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") 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 is as follows:

  Mr Ang Kong Hua
  Chairman, Independent Non-Executive Director

  YBhg Dato' Ahmad Johari Bin Abdul Razak
  Independent Non-Executive Director

  YBhg Datuk Kwek Leng San
  Non-Independent Non-Executive Director

  (i) New Appointments

  All candidates to the Board are assessed by the NC prior to their appointments, taking into account, inter alia, 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, 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.

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.)**

(ii) Re-election

The nomination and approval process for re-election of Directors shall be as follows:

• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

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 ("CA 2016") 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.

(iv) Board Committee Appointments

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

Identification of Directors for Board Committees	→	• Assessment against Assessment Criteria and Guidelines • Recommendation by the NC	→	Deliberation by the Board and decision thereof

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.

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.)**

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.

The NC met twice during FY ended 30 June 2021 ("FY 2021") where all the NC members attended.

The NC discharged its duties in accordance with its TOR during FY 2021. The NC considered and reviewed the following:

- Nominating Committee Charter, policies on Board Composition, Directors' Training and Board Diversity, and revised Independence of Directors Policy;
- 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 a Director and approval to continue in office as an ID.

The NC has also considered and recommended to the Board for approval, the appointment of YBhg Dato' Tan Ang Meng as an ID of the Company ("Appointment of ID"), and the re-constitution of BARMC and RC following the resignation of Mr Seow Yoo Lin after serving more than 9 years as an ID of the Company, and the Appointment of ID.

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 2021. 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

C. Board Committees (cont'd.)

- **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 Datuk Kwek Leng San
Chairman, Non-Independent Non-Executive Director

Mr Ang Kong Hua
Independent Non-Executive Director

YBhg Dato' Ahmad Johari Bin Abdul Razak
Independent Non-Executive Director
(Appointed on 1 June 2021)

Mr Seow Yoo Lin
Independent Non-Executive Director
(Resigned on 1 June 2021)

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.

The RC met twice during FY 2021 where all the RC members attended.

The RC discharged its duties in accordance with its TOR during FY 2021. 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 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.

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 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.

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**

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 is as follows:

Dr Kwa Lay Keng
Chairman, Independent Non-Executive Director

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

Mr Ang Kong Hua
Independent Non-Executive Director

Mr Yeoh Choon Kwee
Group Managing Director
(Appointed on 27 August 2021)

Mr Chow Chong Long
Group Managing Director
(Retired on 26 August 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 2021 where all the R&D Committee members attended.

The R&D Committee discharged its duties in accordance with its TOR during FY 2021. The R&D Committee carried out, among others, the following key activities during FY 2021:

- 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.
- Imparted research information of steel making technology sought after by steel makers in Malaysia.
- Gained income from disposed waste material and achieved another milestone in waste material handling.
- Identified requirements and strengthened foundation to enable the application of green label for products so as to pave way to participate in green market sector.
- Intensified 4th Industrial Revolution (IR4.0) initiatives with implementation of digitalisation projects for businesses and processes, analytics solutions & upgrading IT infrastructure to support and deliver business objectives.
- Completed SSB Innovation Competition to cultivate and promote innovation throughout the workplace in the Group.
- Performed Annual Post Investment Review of completed technology projects to assess the continual relevance and value of completed projects with changing business environment. Such reviews also promote cross-sharing of lessons across other business units.

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.)**

  The following initiatives were launched during the year to support environmental sustainability efforts as well as to seed and cultivate a continuous Technology Learning Culture throughout the Group:

  - Awareness training for personnel at all levels in plant operation on the following:
    - Environmental, Social and Governance; and
    - Carbon emission.
  - Training in energy management audit to build a pool of competent internal auditors to seek continuous improvement in energy management and as the preparation for participation in green market sector.

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. In the event the Board wishes to retain an ID who has served a cumulative term of twelve (12) years and above, shareholders' approval shall be annually sought 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 Mr Ang Kong Hua who will retire at the forthcoming AGM, the tenure of all the other IDs on the Board does not exceed nine (9) years.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

E. Commitment (cont'd.)

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 CA 2016. 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 facilitates 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 four (4) times during FY 2021 with timely notices of issues to be discussed. Details of attendance of each Director are as follows:

Directors	Attendance
YBhg Datuk Kwek Leng San	4/4
Mr Chow Chong Long	4/4
YBhg Dato' Dr Tan Tat Wai	4/4
Mr Ang Kong Hua	4/4
Mr Seow Yoo Lin	4/4
Dr Kwa Lay Keng	4/4
YBhg Dato' Ahmad Johari Bin Abdul Razak	4/4
YBhg Dato' Tan Ang Meng	1/1*

** Reflects the attendance and the number of meeting(s) held during the period the Director held office*

The Board also had a session with the SM to discuss the business plans of SSB Group.

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 includes overview of business, finance and corporate, 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.

All Directors of the Company have completed the Mandatory Accreditation Programme, except for Mr Yeoh Choon Kwee who was appointed to the Board after FY 2021.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

E. Commitment (cont'd.)

In assessing the training needs of Directors, upon recommendation by the NC, the Board has determined that appropriate training programmes covering matters on CG, legal and regulatory framework, risk management, 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 2021, 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 and any changes to relevant legislation, rules and regulations from in-house professionals. In-house programmes 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 2021, the Directors of the Company, collectively or on their own, attended various training programmes, seminars, briefings and/or workshops including:

- Environmental, Social and Corporate Governance (ESG) Practical and Operational Considerations
- Implementing Amendments in the Malaysian Code of Corporate Governance
- Primer on Climate Change: Director's Duties and Disclosure Obligations
- Southern Steel Berhad - Orientation Programme for New Director

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.

- **Anti-Bribery and Corruption Policy**

  The Group has adopted 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D.)

F. Strengthening CG Culture (cont'd.)

- **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 Internal Audit Department ("IAD") 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 CA 2016 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 2021 have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the CA 2016 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 IAD in this role.

- **Risk Management Framework**

  For FY 2021, 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 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. During the FY 2021, the Company and its active subsidiaries have been certified for 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 IAD 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 2021 covered tender and procurement, feed material procurement and shipping, inventory management, sales management, production management and local scrap receiving operations.
  - 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 2021 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 2021 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 2021, 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT, RISK MANAGEMENT AND INTERNAL CONTROL
(cont'd.)

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.

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.

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

Queries may be conveyed to the following person:

Name	: Mr Ang Meng Chuan
Tel No.	: 04-3906 540
Fax No.	: 04-3908 060
Email address	: 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 communicate with the Board at the AGM and to vote on all resolutions. Directors, SM and the external auditors are also available to respond to shareholders' queries during the AGM.

In view of the Conditional Movement Control Order for Selangor, Kuala Lumpur and Putrajaya and in the interest of the health and safety of all stakeholders, the last AGM of the Company held on 23 November 2020 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 and answer session at the virtual AGM. Key pertinent matters discussed during 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
(Appointed on 1 June 2021)

Mr Ang Kong Hua
Independent Non-Executive Director

Dr Kwa Lay Keng
Independent Non-Executive Director

Mr Seow Yoo Lin
Independent Non-Executive Director
(Resigned on 1 June 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 2021 ("FY 2021") 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 2021, four (4) Committee meetings were held and the attendance of the Committee members was as follows:

Members	Attendance
Mr Seow Yoo Lin (resigned on 1 June 2021)	4/4
YBhg Dato' Tan Ang Meng (appointed on 1 June 2021)	-
Mr Ang Kong Hua	4/4
Dr Kwa Lay Keng	4/4

The Committee carried out the following key activities during FY 2021:

- Reviewed and made recommendations 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 and made recommendations to the Board for approval, the annual financial statements of the Group and to ensure that it was 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 Company and of the Group.
- Reviewed bank covenants compliance and various banking facilities of the Group.
- Reviewed and recommended to the Board for approval the Board Audit & Risk Management Committee Charter and Internal Audit Charter.
- Held two (2) separate sessions with the external auditors without the presence of senior management.
- Met with the external auditors and discussed the audit plan 2021 on the 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 impacts on the results of the Group and discussed applicable accounting and auditing standards.
- Discussed with the external auditors the potential key audit matters and other significant audit matters identified by the external auditors.
- Reviewed the impact of the COVID-19 pandemic in preparing the financial statements of the Group for FY 2021 and the external auditors' audit focus.
- Reviewed the impact of the COVID-19 pandemic on the businesses of the Group and the challenges ahead.
- 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 2021 are stated in the notes to the financial statements.
- 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 the adequacy and integrity of internal control systems, including risk management covering areas on strategic, compliance, operational and financial, COVID-19 pandemic and relevant management information system. It also reviewed the processes put in place to identify, evaluate and manage the significant risks encountered by the Group.
- Met with the internal auditors and approved the annual audit plan and reviewed the internal audit findings and recommendations. Also reviewed the status updates of the outstanding management's corrective action plans on internal audit's findings and recommendations.

BOARD AUDIT & RISK MANAGEMENT COMMITTEE REPORT
(cont'd.)

ACTIVITIES (CONT'D.)

- Received the whistleblowing reports and decided on process of documenting such reports received.
- Assessed the performance of the internal audit function as well as the adequacy and competency of internal audit resources.
- 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 Reports comprised of ABCMS activities, progress updates on the Group's ISO 37001:2016 Anti-Bribery Management System certification, bribery and corruption risk assessment and ABCMS internal audit report, on a quarterly basis.
- Reviewed and recommended to the Board for approval the Hong Leong Manufacturing Group Gift and Entertainment Policy, Hong Leong Manufacturing Group Business Continuity Policy and revised Hong Leong Manufacturing Group ABCMS Manual.

INTERNAL AUDIT ("IA")

The IA function is carried out in-house by the IA Department ("IAD"). There were four (4) staff in the IAD during FY 2021 and the total cost incurred by the IAD amounted to RM453,566.

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

The IAD, 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 (Head of IA, Hong Leong Manufacturing Group) has been assigned to oversee the IA function of SSB on 5 March 2018. Mr Teh holds the qualifications of Master of Criminal Justice, Certified Fraud Examiner from the Association of Certified Fraud Examiners, the United States of America ("USA"), Certified Internal Auditor (CIA), USA and Advanced Diploma in Commerce. He is a Professional Member of the Institute of Internal Auditors Malaysia and Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA). 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 IAD 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 IAD 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.

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 IAD for FY 2021 whereby it is satisfied with the performance of the IAD. The Committee had also reviewed the IAD's resources, in particular the qualifications, experience and designations of all the IA personnel. As their continuous professional development, the IA personnel had kept themselves 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 IAD and that it has adequate resources to carry out its functions.

The annual audit plan prepared by the IAD 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 2021 are described in the SORMIC.

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

The IAD 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.

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

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DIRECTORS' REPORT

for the financial year ended 30 June 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2021.

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
Profit for the year attributable to:		
Owners of the Company	47,926	28,751
Non-controlling interests	358	-
	48,284	28,751

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 30 to the financial statements.

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend a final dividend for the financial year ended 30 June 2021.

DIRECTORS' REPORT
(cont'd.)

DIRECTORS OF THE COMPANY

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

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	
Mr Ang Kong Hua	
Dr Kwa Lay Keng	
YBhg Dato' Ahmad Johari Bin Abdul Razak	
YBhg Dato' Tan Ang Meng	(Appointed on 12 May 2021)
Mr Seow Yoo Lin	(Resigned on 1 June 2021)

The names of directors of subsidiaries and their remuneration details are set out in the subsidiaries' financial statements and the said names and details are deemed incorporated herein by such reference and made a part thereof.

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 2021 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*			
	Nominal value per share RM	At 1.7.2020/(5)	Acquired	Sold	At 30.6.2021
Shareholdings in which Directors have direct interests					
Interests of YBhg Datuk Kwek Leng San in:					
Hong Leong Company (Malaysia) Berhad	(1)	160,895	-	-	160,895
Hong Leong Industries Berhad	(1)	2,544,167	44,167(4)	-	2,588,334
		88,333*	-	(44,167)*(4)	44,166*
Malaysian Pacific Industries Berhad	(1)	1,334,167	74,167(4)	(300,000)	1,108,334
		148,333*	-	(74,167)*(4)	74,166*
Hong Leong Bank Berhad	(1)	536,000	-	-	536,000
Hong Leong Financial Group Berhad	(1)	654,000	-	-	654,000
Hume Cement Industries Berhad (formerly known as Hume Industries Berhad)	(1)	3,921,600	-	-	3,921,600
		2,017,142#	-	-	2,017,142#

DIRECTORS' REPORT
(cont'd.)

DIRECTORS' INTERESTS (cont'd.)

	Nominal value per share RM	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 1.7.2020/(5)	Acquired	Sold	At 30.6.2021
Shareholdings in which Directors have direct interests (cont'd.)					
Interest of YBhg Dato' Dr Tan Tat Wai in:					
Southern Steel Berhad	(1)	21,927	-	-	21,927
Interest of Mr Chow Chong Long in:					
Southern Steel Berhad	(1)	141,068	-	-	141,068
Interest of Mr Ang Kong Hua in:					
Southern Steel Berhad	(1)	1,476,190	-	-	1,476,190
Interests of YBhg Dato' Ahmad Johari Bin Abdul Razak in:					
Hong Leong Industries Berhad	(1)	17,600	-	-	17,600
Hume Cement Industries Berhad (formerly known as Hume Industries Berhad)	(1)	19,008	-	-	19,008
	(1)	9,774#	-	-	9,774#
Malaysian Pacific Industries Berhad	(1)	6,600	-	(6,600)	-
Interest of YBhg Dato' Tan Ang Meng in:					
Hume Cement Industries Berhad (formerly known as Hume Industries Berhad)	(1)	50,900(5)	-	-	50,900
Shareholdings in which Directors have indirect interests					
Interest of YBhg Dato' Dr Tan Tat Wai in:					
Southern Steel Berhad	(1)	44,632,331(3)	-	(3,428,571)(3)	41,203,760(3)
Interest of Mr Chow Chong Long in:					
Southern Steel Berhad	(1)	7,380(2)	-	-	7,380(2)

Note:
Following the internal restructuring carried out on 16 April 2021, the following corporations are no longer regarded as related corporations of the Company pursuant to Section 7 of the Companies Act 2016. Accordingly, the interests of YBhg Datuk Kwek Leng San in the following corporations are no longer required to be recorded in the Register of Directors' Shareholdings of the Company pursuant to Section 59 of the Companies Act 2016:

1. Guoco Group Limited
2. The Rank Group Plc

Legend:
(1) Concept of par value was abolished with effect from 31 January 2017 pursuant to the Companies Act 2016.
(2) Interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by a family member.
(3) Inclusive of an interest pursuant to Section 59(11)(c) of the Companies Act 2016 in shares held by a family member.
(4) Vesting of shares.
(5) At the date of appointment.

DIRECTORS' REPORT
(cont'd.)

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, remunerations, other benefits and benefit-in-kind included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 32.2 to the financial statements 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.

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.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the total number of issued shares of the Company and no debentures were in issue 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 RM57,711 and the apportioned amount of the said premium paid by the Company was RM13,576.

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

DIRECTORS' REPORT
(cont'd.)

OTHER STATUTORY INFORMATION (CONT'D.)

(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.

In the opinion of the Directors, other than the suspension of business operations during the period where the Movement Control Order was implemented by the Government of Malaysia to contain the spread of Covid-19 pandemic, the financial performance of the Group and of the Company for the financial year ended 30 June 2021 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.

AUDITORS

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

The auditors' remuneration is disclosed in Note 27 to the financial statements.

On behalf of the Board,

.....
Yeoh Choon Kwee

.....
YBhg Dato' Tan Ang Meng

21 September 2021

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Property, plant and equipment	4	412,896	460,585	58,448	74,168
Right-of-use assets	5	345,982	426,075	285,498	364,029
Goodwill on consolidation	6	30,256	30,256	-	-
Investment in subsidiary companies	7	-	-	755,040	738,880
Investment in an associated company	8	13,084	11,928	5,500	5,500
Other investments	9	612	345	612	345
Deferred tax assets	10	36,452	32,639	15,462	13,366
Tax credit receivable	11	16,525	19,941	12,414	12,161
Other receivables	13	294,982	-	-	-
Total non-current assets		1,150,789	981,769	1,132,974	1,208,449
Inventories	12	562,613	406,016	307,871	165,426
Trade and other receivables, including derivatives	13	43,960	410,747	15,116	54,657
Current tax assets		9,350	14,113	566	3,360
Cash and cash equivalents	14	133,011	219,427	65,255	128,988
Asset to be returned to vendor	15	369,377	369,377	-	-
Assets held for sale	16	84,486	-	72,253	-
Total current assets		1,202,797	1,419,680	461,061	352,431
TOTAL ASSETS		2,353,586	2,401,449	1,594,035	1,560,880

STATEMENTS OF FINANCIAL POSITION

as at 30 June 2021
(cont'd.)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
EQUITY					
Share capital	17	641,010	641,010	641,010	641,010
Reserves	18	84,271	30,879	(45,303)	(76,702)
Total equity attributable to owners of the Company		725,281	671,889	595,707	564,308
Non-controlling interests		6,763	6,378	-	-
TOTAL EQUITY		732,044	678,267	595,707	564,308
LIABILITIES					
Lease liabilities		21,926	25,622	21,926	25,622
Deferred tax liabilities	10	24,273	24,983	2,800	2,800
Deferred income	19	6,090	7,513	4,529	5,788
Employee benefits	20	25,865	29,996	11,653	14,600
Loans and borrowings	24	354,880	-	221,000	-
Total non-current liabilities		433,034	88,114	261,908	48,810
Lease liabilities		3,696	5,409	3,696	5,409
Employee benefits	20	1,020	1,579	568	581
Provisions	21	5,292	8,954	-	6,000
Trade and other payables, including derivatives	22	247,488	178,118	232,090	199,342
Contract liability	23	369,377	369,377	-	-
Loans and borrowings	24	561,617	1,071,612	500,066	736,430
Current tax liabilities		18	19	-	-
Total current liabilities		1,188,508	1,635,068	736,420	947,762
TOTAL LIABILITIES		1,621,542	1,723,182	998,328	996,572
TOTAL EQUITY AND LIABILITIES		2,353,586	2,401,449	1,594,035	1,560,880

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	25	1,740,711	1,912,736	1,429,090	1,343,014
Cost of sales		(1,557,135)	(1,951,064)	(1,319,904)	(1,369,923)
Gross profit/(loss)		183,576	(38,328)	109,186	(26,909)
Distribution expenses		(48,101)	(53,264)	(20,837)	(19,068)
Administrative expenses		(52,285)	(43,082)	(31,905)	(28,198)
Other operating expenses		(11,566)	(27,888)	(32,184)	(492,705)
Other operating income		21,876	7,250	27,743	17,785
Results from operations		93,500	(155,312)	52,003	(549,095)
Interest income		995	1,931	442	1,086
Finance costs	26	(30,635)	(41,991)	(26,171)	(32,511)
Share of profit/(loss) in an associated company, net of tax		1,156	(1,923)	-	-
Profit/(Loss) before taxation	27	65,016	(197,295)	26,274	(580,520)
Taxation	28	1,749	(10,317)	2,477	1,100
Profit/(Loss) from continuing operations		66,765	(207,612)	28,751	(579,420)
Discontinued operation					
Loss from a discontinued operation, net of tax	31	(18,481)	(259,303)	-	-
Profit/(Loss) for the year		48,284	(466,915)	28,751	(579,420)
Profit/(Loss) attributable to:					
Owners of the Company		47,926	(467,055)	28,751	(579,420)
Non-controlling interests		358	140	-	-
		48,284	(466,915)	28,751	(579,420)
Basic and diluted earning/(loss) per ordinary share (sen):					
from continuing operations		11.14	(41.20)		
from discontinued operation		(3.10)	(51.41)		
	29	8.04	(92.61)		

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2021
(cont'd.)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) for the year		48,284	(466,915)	28,751	(579,420)
Other comprehensive income/(expense), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Gain/(Loss) on fair value of equity instrument at fair value through other comprehensive income		267	(285)	267	(285)
Re-measurement of defined benefit liability		4,650	-	2,360	-
Revaluation of land		-	62,551	-	25,203
Revaluation of right-of-use assets		-	233,254	-	195,591
		4,917	295,520	2,627	220,509
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operation		(17)	22	-	-
Cash flow hedge		593	454	21	580
		576	476	21	580
Total other comprehensive income for the year	30	5,493	295,996	2,648	221,089
Total comprehensive income/(expense) for the year		53,777	(170,919)	31,399	(358,331)
Total comprehensive income/(expense) attributable to:					
Owners of the Company		53,392	(171,713)	31,399	(358,331)
Non-controlling interests		385	794	-	-
		53,777	(170,919)	31,399	(358,331)

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2021

	Attributable to owners of the Company											
	Non-distributable						Distributable					
Group	Share capital RM'000	RCULS - Equity portion RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Hedging reserve RM'000	Executive share scheme reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2019	470,205	141,524	-	30,000	1,823	(58)	10,784	200,061	854,339	5,584	859,923
(Loss)/Profit for the year	-	-	-	-	-	-	-	(467,055)	(467,055)	140	(466,915)
Other comprehensive income/(expense):											
- Loss on fair value of equity investments	-	-	-	-	-	-	-	(285)	(285)	-	(285)
- Foreign currency translation differences	-	-	-	-	22	-	-	-	22	-	22
- Cash flow hedge	-	-	-	-	-	449	-	-	449	5	454
- Revaluation of land	-	-	61,902	-	-	-	-	-	61,902	649	62,551
- Revaluation of right-of-use asset	-	-	233,254	-	-	-	-	-	233,254	-	233,254
Total comprehensive income/(expense) for the year	-	-	295,156	-	22	449	-	(467,340)	(171,713)	794	(170,919)
Contribution by and distribution to owners of the Company											
- Conversion of RCULS	170,805	(141,524)	-	-	-	-	-	(29,234)	47	-	47
- Share-based payments (Note 20 (b))	-	-	-	-	-	-	(10,784)	-	(10,784)	-	(10,784)
Total transactions with owners of the Company	170,805	(141,524)	-	-	-	-	(10,784)	(29,234)	(10,737)	-	(10,737)
At 30 June 2020	641,010	-	295,156	30,000	1,845	391	-	(296,513)	671,889	6,378	678,267

Note 17

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2021
(cont'd.)

	Attributable to owners of the Company											
	Non-distributable								Distributable			
Group	Share capital RM'000	RCULS - Equity portion RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Exchange fluctuation reserve RM'000	Hedging reserve RM'000	Executive share scheme reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
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 2021
(cont'd.)

	Attributable to owners of the Company								
	Non-distributable						Distributable		
Company	Share capital RM'000	RCULS - Equity portion RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Hedging reserve RM'000	Executive share scheme reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
At 1 July 2019	470,205	141,524	-	33,600	(174)	5,746	277,437	928,338
Loss for the year	-	-	-	-	-	-	(579,420)	(579,420)
Other comprehensive income/ (expense):								
- Loss on fair value of equity investments	-	-	-	-	-	-	(285)	(285)
- Cash flow hedge	-	-	-	-	580	-	-	580
- Revaluation of land	-	-	25,203	-	-	-	-	25,203
- Revaluation of right-of-use asset	-	-	195,591	-	-	-	-	195,591
Total comprehensive income/ (expense) for the year	-	-	220,794	-	580	-	(579,705)	(358,331)
Contributions by and distribution to owners of the Company								
- Conversion of RCULS	170,805	(141,524)	-	-	-	-	(29,234)	47
- Share-based payments (Note 20 (b))	-	-	-	-	-	(5,746)	-	(5,746)
Total transactions with owners of the Company	170,805	(141,524)	-	-	-	(5,746)	(29,234)	(5,699)
At 30 June 2020	641,010	-	220,794	33,600	406	-	(331,502)	564,308
	Note 17							

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2021
(cont'd.)

	Attributable to owners of the Company								
	Non-distributable						Distributable		
Company	Share capital RM'000	RCULS - Equity portion RM'000	Revaluation reserve RM'000	Merger reserve RM'000	Hedging reserve RM'000	Executive share scheme reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
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							

The notes on pages 61 to 139 are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 30 June 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash flows from operating activities					
Profit/(Loss) before taxation					
- continuing operations		65,016	(197,295)	26,274	(580,520)
- discontinued operation		(18,481)	(259,303)	-	-
		46,535	(456,598)	26,274	(580,520)
Adjustments for:					
Property, plant and equipment:					
- depreciation		29,658	33,659	5,559	7,747
- gain on disposal		(88)	(130)	(88)	-
- write-off		24	88	-	25
Right-of-use asset:					
- depreciation		18,002	19,920	16,440	18,290
- impairment loss		-	1,547	-	-
Fair value (gain)/loss on derivative instruments		(1)	53	-	-
Fair value loss/(gain) on financial instruments designated as hedge instruments		351	(397)	-	-
Provision for retirement benefits		2,861	2,956	1,077	1,189
Dividend income from subsidiary companies		-	-	(42,709)	-
Interest income		(995)	(1,931)	(442)	(1,086)
Share of (profit)/loss in an associated company		(1,156)	1,923	-	-
Finance costs		30,635	41,991	26,171	32,511
Amortisation of deferred income		(1,676)	(1,645)	(1,512)	(1,411)
Unrealised loss/(gain) on foreign exchange		24	(511)	(101)	(44)
Share-based payments		-	(10,784)	-	(5,746)
Reversal of provision for environmental cost		(6,000)	-	(6,000)	-
Impairment loss on investment in a subsidiary		-	-	3,597	441,525
Impairment loss on amount due from a subsidiary		-	-	21,706	46,782
Non-cash items for a discontinued operation		17,568	226,540	-	-
Operating profit/(loss) before working capital changes		135,742	(143,319)	49,972	(40,738)
Inventories		(156,597)	266,573	(142,445)	123,569
Trade and other receivables		72,042	95,561	39,562	42,054
Trade and other payables		69,352	(89,120)	43,984	(25,023)

STATEMENTS OF CASH FLOWS
for the year ended 30 June 2021
(cont'd.)

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cash generated from/(used in) operations		120,539	129,695	(8,927)	99,862
Retirement benefits paid		(1,433)	(1,781)	(932)	(727)
Finance costs paid		(35,640)	(48,673)	(26,171)	(32,435)
Dividend income received		-	-	31,574	-
Interest income received		995	1,931	442	1,086
Tax refund/(paid), net		4,189	(1,163)	2,430	(578)
Legal costs paid		(4,862)	(4,227)	-	-
Net cash generated from/(used in) operating activities		83,788	75,782	(1,584)	67,208
Cash flows from investing activities					
Advances to a subsidiary		-	-	(41,463)	(69,590)
Acquisition of property, plant and equipment		(9,751)	(12,876)	(1)	(2,498)
Proceeds from disposal of plant and equipment		88	404	88	4
Net cash used in investing activities		(9,663)	(12,472)	(41,376)	(72,084)
Cash flows from financing activities					
(Repayment)/Drawdown of trade borrowings, net		(241,345)	742	(78,614)	(42,120)
(Repayment)/Drawdown of revolving credits		(194,000)	188,900	(176,000)	176,900
Drawdown of term loan		295,230	-	249,250	-
Repayment of term loan		(15,000)	(62,000)	(10,000)	-
RCULS coupon payment		-	(8,493)	-	(8,493)
Payment of lease liabilities	A	(5,409)	(6,992)	(5,409)	(6,992)
Net cash (used in)/generated from financing activities		(160,524)	112,157	(20,773)	119,295
Net change in cash and cash equivalents		(86,399)	175,467	(63,733)	114,419
Effect of exchange rate fluctuations on cash held		(17)	22	-	-
Cash and cash equivalents at 1 July		219,427	43,938	128,988	14,569
Cash and cash equivalents at 30 June		133,011	219,427	65,255	128,988

NOTES

A. Cash outflows for leases as a lessee

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Included in net cash from operating activities:					
Expenses relating to short-term leases		208	512	314	432
Interest paid in relation to lease liabilities	26	1,376	1,706	1,376	1,706
Included in net cash from financing activities:					
Payment of lease liabilities		5,409	6,992	5,409	6,992
Total cash outflows for leases		6,993	9,210	7,099	9,130

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 2021 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 2021 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 21 September 2021.

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 is 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 is 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.

(iv) Note 12 - Inventories

The management reviews for obsolescence and decline in net realisable value to below cost. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

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.

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.)

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.

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.

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.)

(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.

(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.

(v) Special purpose entities

Special purpose entities ("SPE") are entities defined in MFRS 10 *Consolidated Financial Statements*, which may constitute a corporation, trust, partnership or unincorporated entity created to accomplish a narrow and well defined objective with legal arrangements that impose strict and sometimes permanent limits on the decision-making powers of their governing board, trustee or management over the operations of the SPE. Accordingly, the ESS Trust set up as mentioned in Note 2.2(r)(iii) is amalgamated in the financial statements of the Company for the portion related to the Company and also consolidated in the financial statements of the Group.

(vi) 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 (in the previous financial year, it is accounted as an available-for-sale financial asset) depending on the level of influence retained.

(vii) 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.

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.)

(vii) Associates (cont'd.)

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.

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.

(viii) 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.

(ix) 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.

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

(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.

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.

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.)

(iii) Depreciation (cont'd.)

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.

(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 37 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 37.

(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.

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.)

(i) Definition of a lease (cont'd.)

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.

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.

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.)

(b) As a lessor (cont'd.)

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.

(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 are 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.

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.

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

(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.

(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.

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.)

(b) Fair value through other comprehensive income (cont'd.)

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.

(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.

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 liabilities (cont'd.)

(a) Fair value through profit or loss (cont'd.)

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.

(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.

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.)

(iv) Regular way purchase or sale of financial assets (cont'd.)

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.

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.

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* (cont'd.)**

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.

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.

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.)

(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.

(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.

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.)

(i) Financial assets (cont'd.)

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.

(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.

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 (cont'd.)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

(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.

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 (cont'd.)

(i) Foreign currency transactions (cont'd.)

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.

(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.

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 (cont'd.)

(i) Revenue from contract with customers (cont'd.)

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.

(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.

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

(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.

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.

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.)

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) Share-based payments

The Group operates equity-settled, share-based compensation plans for the employees of the Group under the Southern Steel Berhad ("SSB")'s Executive Share Scheme ("ESS").

In connection with the ESS, trusts have been set up and are administered by an appointed trustee ("ESS Trust"). The trustee will be entitled from time to time, to accept advances from the Group, upon such terms and conditions as the Group and the trustee may agree to purchase the ordinary shares of the Company from the open market for the ESS Trusts ("Trust Shares").

The fair value of the share options or grant offers granted to employees is recognised as an employment cost with a corresponding increase in the executive share scheme reserve over the vesting period. When the share options are exercised or grant offers are completed, the amount from the executive share scheme reserve is transferred to retained earnings as applicable. When the share options not exercised or grant offers not completed are expired, the amount from the executive share scheme reserve is transferred to retained earnings.

The fair value of the share options or grant offers is measured using Black Scholes model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The ESS Trusts shares are consolidated into the Group's consolidated financial statements as a deduction from equity and classified as reserves for own shares. Dividends received by the ESS Trusts are eliminated against the Company's dividend payment.

(iv) 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

2.2 Summary of significant accounting policies (cont'd.)

(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.

(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 are 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 2021

- Amendments to MFRS 9, *Financial Instruments,* MFRS 139*, Financial Instruments: Recognition and Measurement,* MFRS 7*, Financial Instruments: Disclosures,* MFRS 4*, Insurance Contracts* and MFRS 16*, Leases - Interest Rate Benchmark Reform - Phase 2*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 April 2021

- Amendment to MFRS 16*, Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

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 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
		2021 %	2020 %	
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	Investment holding
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 statement of this subsidiary company is not audited by KPMG PLT.

4. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Cost							
At 1 July 2019	25,331	468,096	1,453,665	67,842	15,741	604,634	2,635,309
Revaluation	69,501	-	-	-	-	-	69,501
Additions	-	-	10,337	575	185	1,779	12,876
Disposals	(270)	-	(273)	(18)	(248)	-	(809)
Write-off	-	-	(8,151)	(287)	-	-	(8,438)
Reclassification	-	2,634	196	-	-	(2,830)	-
Other	-	(81)	-	-	-	(330)	(411)
Transfer to asset to be returned to vendor (Note 15)	-	-	-	-	-	(393,920)	(393,920)
At 30 June 2020/1 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	94,562	441,916	1,471,075	68,170	14,601	199,557	2,289,881

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Accumulated depreciation and impairment loss							
At 1 July 2019							
- Accumulated depreciation	-	239,465	1,276,676	65,038	11,974	-	1,593,153
- Accumulated impairment loss	-	4,955	22,763	-	-	-	27,718
	-	244,420	1,299,439	65,038	11,974	-	1,620,871
Charge for the year	-	7,935	27,278	1,237	665	-	37,115
Disposals	-	-	(273)	(14)	(248)	-	(535)
Write-off	-	-	(8,088)	(262)	-	-	(8,350)
Reclassification	-	395	(395)	-	-	-	-
Impairment loss	-	5,745	-	7	-	223,213	228,965
Transfer to asset to be returned to vendor (Note 15)	-	-	-	-	-	(24,543)	(24,543)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Accumulated depreciation and impairment loss							
At 30 June 2020/1 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							
- 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
Carrying amounts							
At 1 July 2019	25,331	223,676	154,226	2,804	3,767	604,634	1,014,438
At 30 June 2020/1 July 2020	94,562	212,154	137,813	2,106	3,287	10,663	460,585
At 30 June 2021	94,562	183,035	130,659	1,132	2,712	796	412,896

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Company							
Cost							
At 1 July 2019	6,997	226,262	168,204	47,339	8,796	174	457,772
Revaluation	28,003	-	-	-	-	-	28,003
Additions	-	-	2,194	119	185	-	2,498
Disposal	-	-	-	(5)	-	-	(5)
Write-off	-	-	-	(37)	-	-	(37)
Reclassification	-	-	174	-	-	(174)	-
At 30 June 2020/1 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	35,000	211,879	170,572	47,399	7,904	-	472,754

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Office equipment RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
Company							
Accumulated depreciation and impairment loss							
At 1 July 2019							
- Accumulated depreciation	-	196,753	128,611	45,347	7,900	-	378,611
- Accumulated impairment loss	-	4,955	22,763	-	-	-	27,718
	-	201,708	151,374	45,347	7,900	-	406,329
Charge for the year	-	3,026	3,602	833	286	-	7,747
Write-off	-	-	-	(12)	-	-	(12)
Disposal	-	-	-	(1)	-	-	(1)
At 30 June 2020/1 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							
- 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
Carrying amounts							
At 1 July 2019	6,997	24,554	16,830	1,992	896	174	51,443
At 30 June 2020/1 July 2020	35,000	21,528	15,596	1,249	795	-	74,168
At 30 June 2021	35,000	10,287	12,090	536	535	-	58,448

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D.)

4.1 Capital work-in-progress ("CWIP") - Group

In the previous year, the Group's carrying amount of RM603,714,000 for capital work-in-progress was in respect of the construction cost of a "Thin Slab Casting Unit feeding directly a twin Steckel Mill" for the production of hot rolled coil ("the HRC plant") in a wholly-owned subsidiary, Southern HRC Sdn Bhd ("SHRC"). Following the conclusion of the arbitration (Note 37), the Group is required to return the plant to the vendor. Consequently, it has been classified as asset to be returned to vendor (Note 15). The carrying amount of RM369,377,000 was arrived at after impairment to its recoverable amount based on the final award of the arbitration.

4.2 Freehold land under revaluation model - Group and Company

In the previous year, the Group and the Company changed its accounting policy for land from cost model to revaluation model effective from 1 July 2019. 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. 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 (2020 : RM25,061,000) and RM6,997,000 (2020 : 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 2019		102,961	37,670	140,631
Revaluation	5.3	306,911	-	306,911
Impairment loss		(1,547)	-	(1,547)
Depreciation for the year		(12,252)	(7,668)	(19,920)
At 30 June 2020/1 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		321,801	24,181	345,982
Company				
At 1 July 2019		87,292	37,670	124,962
Revaluation	5.3	257,357	-	257,357
Depreciation for the year		(10,622)	(7,668)	(18,290)
At 30 June 2020/1 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		261,317	24,181	285,498

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

5. RIGHT-OF-USE ASSETS (CONT'D.)

The Group and the Company leased land and gas infrastructure facilities that run between 18 years to 91 years, with an option to renew the leases after the expiry of the initial lease periods.

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

In the previous year, the Group and the Company changed its accounting policy for land from cost model to revaluation model effective from 1 July 2019. 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. 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 RM97,173,000 (2020 : RM100,067,000) and RM82,125,000 (2020 : RM84,709,000) respectively.

6. GOODWILL ON CONSOLIDATION

	Group	
	2021	2020
	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:

	2021	2020
	RM'000	RM'000
Southern Steel Mesh Sdn Bhd, Rod and Bar 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% (2020 : 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	2021	2020
		RM'000	RM'000
At cost:			
Unquoted shares		928,703	928,703
Redeemable Preference Shares		70,000	70,000
Less: Impairment loss		(575,597)	(572,000)
		423,106	426,703
Amount due from a subsidiary	7.1	400,422	358,959
Less: Impairment loss	7.2	(68,488)	(46,782)
		755,040	738,880

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 RM25,303,000 (2020 : RM488,307,000) 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 37 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	
	2021	2020	2021	2020
	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	7,584	6,428	-	-
	13,084	11,928	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	
	2021	2020
	RM'000	RM'000
Fair value through other comprehensive income		
Shares quoted in Malaysia	612	345

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Group						
Property, plant and equipment	7,650	8,298	(36,767)	(132,197)	(29,117)	(123,900)
Right-of-use assets	-	-	(74,852)	(78,555)	(74,852)	(78,554)
Unabsorbed capital allowances	6,825	37,810	-	-	6,825	37,810
Unutilised tax losses	56,431	107,650	-	-	56,431	107,650
Employee benefits	6,453	7,334	-	-	6,453	7,334
Trade and other payables	5,377	18,082	-	-	5,377	18,082
Provisions	1,270	1,440	-	-	1,270	1,440
Unutilised increased export allowance	29,792	29,792	-	-	29,792	29,792
Lease liabilities	6,149	7,447	-	-	6,149	7,447
Others	3,853	599	(2)	(44)	3,851	555
Deferred tax assets/(liabilities)	123,800	218,452	(111,621)	(210,796)	12,179	7,656
Set off of tax	(87,348)	(185,813)	87,348	185,813	-	-
Net deferred tax assets/(liabilities)	36,452	32,639	(24,273)	(24,983)	12,179	7,656
Company						
Property, plant and equipment	7,650	8,298	(2,800)	(2,800)	4,850	5,498
Right-of-use assets	-	-	(63,575)	(66,970)	(63,575)	(66,970)
Unabsorbed capital allowances	3,175	4,548	-	-	3,175	4,548
Unutilised increased export allowance	29,792	29,792	-	-	29,792	29,792
Unutilised tax losses	27,860	23,851	-	-	27,860	23,851
Employee benefits	2,933	3,643	-	-	2,933	3,643
Trade and other payables	1,478	1,316	-	-	1,478	1,316
Provisions	-	1,440	-	-	-	1,440
Lease liabilities	6,149	7,448	-	-	6,149	7,448
Deferred tax assets/(liabilities)	79,037	80,336	(66,375)	(69,770)	12,662	10,566
Set off of tax	(63,575)	(66,970)	63,575	66,970	-	-
Net deferred tax assets/(liabilities)	15,462	13,366	(2,800)	(2,800)	12,662	10,566

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

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

	At 1.7.2019	Recognised in profit or loss (Note 28)	Recognised directly in equity (Note 30)	At 30.6.2020/ 1.7.2020	Recognised in profit or loss (Note 28)	Recognised directly in equity (Note 30)	At 30.6.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Property, plant and equipment	(154,461)	37,511	(6,950)	(123,900)	94,783	-	(29,117)
Right-of-use assets	(9,041)	4,144	(73,657)	(78,554)	3,702	-	(74,852)
Unabsorbed capital allowances	119,412	(81,602)	-	37,810	(30,985)	-	6,825
Unutilised tax losses	82,651	24,999	-	107,650	(51,219)	-	56,431
Employee benefits	7,297	37	-	7,334	587	(1,468)	6,453
Trade and other payables	8,538	9,544	-	18,082	(12,705)	-	5,377
Provisions	2,712	(1,272)	-	1,440	(170)	-	1,270
Unutilised increased export allowance	29,975	(183)	-	29,792	-	-	29,792
RCULS	1,144	(1,144)	-	-	-	-	-
Lease liabilities	9,126	(1,679)	-	7,447	(1,298)	-	6,149
Others	(54)	609	-	555	3,296	-	3,851
	97,299	(9,036)	(80,607)	7,656	5,991	(1,468)	12,179
Company							
Property, plant and equipment	8,826	(528)	(2,800)	5,498	(648)	-	4,850
Right-of-use assets	(9,041)	3,837	(61,766)	(66,970)	3,395	-	(63,575)
Unabsorbed capital allowances	2,309	2,239	-	4,548	(1,373)	-	3,175
Unutilised increased export allowance	29,975	(183)	-	29,792	-	-	29,792
Unutilised tax losses	25,225	(1,374)	-	23,851	4,009	-	27,860
Employee benefits	3,533	110	-	3,643	35	(745)	2,933
Trade and other payables	1,495	(179)	-	1,316	162	-	1,478
Provisions	1,440	-	-	1,440	(1,440)	-	-
RCULS	1,144	(1,144)	-	-	-	-	-
Lease liabilities	9,126	(1,678)	-	7,448	(1,299)	-	6,149
	74,032	1,100	(64,566)	10,566	2,841	(745)	12,662

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

10. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D.)

Included in the deferred tax assets as at 30 June 2021 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;
- Potential streamlining opportunities of operations for business efficiency; and
- No changes in the existing tax legislation.

Unrecognised deferred tax assets

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

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	204,891	276,058	78,769	93,393
Unabsorbed capital allowances	2,552	1,596	-	-
Unabsorbed investment tax allowances	740,269	740,269	-	-
	947,712	1,017,923	78,769	93,393

Based on existing tax legislation,

(i) The unutilised tax losses can be carried forward for seven (7) consecutive year of assessment ("YA") immediately following that YA.
(ii) The unabsorbed capital allowance, unabsorbed investment tax allowances and unutilised increased export allowance does 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Year of Assessment:				
2025	98,514	100,691	-	-
2026	7,195	20,315	-	6,552
2027	97,604	155,052	78,769	86,841
2028	1,578	-	-	-
	204,891	276,058	78,769	93,393

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Unutilised reinvestment allowances	16,525	19,941	12,414	12,161

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 1.7.2019	Recognised in profit or loss (Note 28)	At 30.6.2020/ 1.7.2020	Recognised in profit or loss (Note 28)	Recognition of unutilised reinvestment allowance	At 30.6.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Unutilised reinvestment allowances	19,941	-	19,941	(3,669)	253	16,525
Company						
Unutilised reinvestment allowances	12,161	-	12,161	-	253	12,414

12. INVENTORIES

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Raw materials	431,435	263,825	259,869	131,423
Work-in-progress	12,639	12,780	-	-
Finished goods	81,825	84,684	43,010	27,817
General consumables and other stores	36,714	44,727	4,992	6,186
	562,613	406,016	307,871	165,426
Recognised in profit or loss:				
Inventories recognised as cost of sales	1,557,135	1,951,064	1,319,904	1,369,923
(Reversal)/Provision for write down of inventories	(13,044)	18,686	(2,509)	(1,528)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES

	Note	Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Non-current					
Non-trade					
Other receivables	13.3	294,982	-	-	-
Current					
Trade					
Trade receivables					
- Third parties		39,760	99,915	3,309	20,897
- Subsidiaries		-	-	6,187	13,918
- Related parties		1,300	2,462	951	953
		41,060	102,377	10,447	35,768
Non-trade					
Amounts due from:					
- Subsidiaries	13.1	-	-	699	8,233
- Related parties	13.2	22	7	14	-
Other receivables	13.3	2,337	302,563	1,649	3,630
Deposits		1,515	1,513	866	864
Prepayments		3,198	3,088	1,614	1,735
Derivative financial assets					
- Forward exchange contracts		-	5	-	-
- Forward exchange contracts designated as hedge instruments		250	8	26	5
		7,322	307,184	4,868	14,467
Less: Impairment losses					
- trade		(4,422)	(4,439)	(199)	(199)
		43,960	405,122	15,116	50,036
Goods and services tax receivables		-	5,625	-	4,621
		43,960	410,747	15,116	54,657

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.

13.3 Included in the other receivables are RM295 million (2020 : RM295 million) in relation to the final award of the arbitration case as discussed in Note 15 and Note 37 which is interest-bearing of 5.33% (2020 : 5.33%) per annum. The amount owing is classified as non-current as at 30 June 2021 because the counterparty is appealing against the outcome of the arbitration and it is not expected that a resolution can be reached within twelve months.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

13. TRADE AND OTHER RECEIVABLES, INCLUDING DERIVATIVES (CONT'D.)

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				
2021				
Other receivables (including non-current portion)		383,555	(86,236)	297,319
Other payables	22	(101,554)	86,236	(15,318)
2020				
Other receivables		388,799	(86,236)	302,563
Other payables	22	(96,336)	86,236	(10,100)

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Short-term money market fund	40,625	-	10,175	-
Deposits with licensed banks	2,586	141,323	2,316	61,390
Cash and bank balances	89,800	78,104	52,764	67,598
	133,011	219,427	65,255	128,988

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Deposits with licensed banks	-	132,878	-	55,000
Cash and bank balances	48,061	62,944	21,080	59,276
	48,061	195,822	21,080	114,276

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

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 37 of the financial statements. The carrying amount of assets to be returned to vendor are as follows:

		Group	
	Note	2021	2020
		RM'000	RM'000
Plant and equipment	4	369,377	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.

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. Efforts to sell the assets have commenced and sales are expected to be completed within the financial year ending 30 June 2022. At 30 June 2021, the assets are as follows:

	Group			
	2021			2020
	Cost	Accumulated depreciation	Carrying amount	Cost/Accumulated depreciation/ Carrying amount
	RM'000	RM'000	RM'000	RM'000
Right-of-use of land	65,700	(3,609)	62,091	-
Buildings	29,136	(6,741)	22,395	-
Total	94,836	(10,350)	84,486	-

	Company			
	2021			2020
	Cost	Accumulated depreciation	Carrying amount	Cost/Accumulated depreciation/ Carrying amount
	RM'000	RM'000	RM'000	RM'000
Right-of-use of land	65,700	(3,609)	62,091	-
Buildings	14,383	(4,221)	10,162	-
Total	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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

17. SHARE CAPITAL

	Group/Company			
	2021		2020	
	Number of shares	Amount	Number of shares	Amount
	RM'000	RM'000	'RM'000	RM'000
Issued ordinary shares with no par value:				
At 1 July	596,313	641,010	433,642	470,205
Conversion of RCULS	-	-	162,671	170,805
At 30 June	596,313	641,010	596,313	641,010

18. RESERVES

		Group		Company	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Reserves consist of:					
Revaluation reserve	18.1	295,156	295,156	220,794	220,794
Merger reserve	18.2	30,000	30,000	33,600	33,600
Exchange fluctuation reserve	18.3	1,828	1,845	-	-
Hedging reserve	18.4	972	391	427	406
Accumulated losses		(243,685)	(296,513)	(300,124)	(331,502)
		84,271	30,879	(45,303)	(76,702)

18.1 The revaluation reserve relates to the revaluation of land and right-of-use of land.

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-current				
Reinvestment allowance	6,090	7,513	4,529	5,788

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 RM1,676,000 (2020 : RM1,645,000) and RM1,512,000 (2020 : RM1,411,000) 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-current	25,865	29,996	11,653	14,600
Current	1,020	1,579	568	581
	26,885	31,575	12,221	15,181

Movements in net defined benefit liability

	Defined benefit liability	
	2021	2020
	RM'000	RM'000
Group		
At 1 July	31,575	30,400
Included in profit or loss		
Current service cost	1,270	1,340
Interest cost	1,591	1,616
	2,861	2,956
Included in other comprehensive income		
Actuarial loss/(gain) arising from:		
- Financial assumptions	1,753	-
- Experience adjustments	(7,871)	-
	(6,118)	-
Others		
Benefits paid	(1,433)	(1,781)
At 30 June	26,885	31,575
Company		
At 1 July	15,181	14,719
Included in profit or loss		
Current service cost	263	360
Interest cost	814	829
	1,077	1,189
Included in other comprehensive income		
Actuarial loss/(gain) arising from:		
- Financial assumptions	833	-
- Experience adjustments	(3,938)	-
	(3,105)	-
Others		
Benefits paid	(932)	(727)
At 30 June	12,221	15,181

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

20. EMPLOYEE BENEFITS (CONT'D.)

(a) Unfunded retirement benefits (cont'd.)

Actuarial assumptions

Principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Group		Company	
	2021	2020	2021	2020
	%	%	%	%
Discount rate	4.52	5.20	4.52	5.20
Expected rates of salary increases	5.00	5.00	5.00	5.00
Weighted-average duration	12.3 years	6.6 - 14.4 years	12.3 years	10.8 years

Sensitivity analysis

The disclosure of sensitivity analysis has not been made as the Directors noted the amount to be inconsequential.

(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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

20. EMPLOYEE BENEFITS (CONT'D.)

(b) Executive Share Scheme ("ESS") (cont'd.)

(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.

At the end of the Option Period, the Board had determined that the Option holders had not achieved the performance criteria. Hence, the remaining Options (net of forfeiture) over 18,000,000 SSB Shares had lapsed during the financial year ended 30 June 2020.

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 2021.

The actual percentage of total Options granted to directors and senior management (including a past senior management) of the Group was 2.47% based on the total number of issued ordinary shares of the Company as at 30 June 2021.

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.

The number of share options are as follows:

	Group		Company	
	2021 '000	2020 '000	2021 '000	2020 '000
Outstanding at 1 July	-	18,000	-	10,125
Lapsed during the year	-	(18,000)	-	(10,125)
Outstanding at 30 June	-	-	-	-

Value of employee services received for issue of share options

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 July	-	10,784	-	5,746
Share options granted	-	454	-	243
Share options lapsed	-	(11,238)	-	(5,989)
	-	(10,784)	-	(5,746)
At 30 June	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

21. PROVISIONS

	Legal	Environmental	Total
	RM'000	RM'000	RM'000
Group			
At 1 July 2020	2,954	6,000	8,954
Provisions made during the year	7,200	-	7,200
Reversals during the year	-	(6,000)	(6,000)
Paid during the year	(4,862)	-	(4,862)
At 30 June 2021	5,292	-	5,292

Legal - Group

The provision for legal costs is related to the arbitration as disclosed in Note 37 to the financial statements.

Environmental - Group and Company

The provision for environmental cost is related to costs to treat industrial waste of the Group and of the Company.

22. TRADE AND OTHER PAYABLES, INCLUDING DERIVATIVES

		Group		Company	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Trade					
Trade payables					
- Third parties		190,219	108,325	141,638	91,456
- Subsidiaries		-	-	7,177	285
- Related parties		166	940	14	463
		190,385	109,265	148,829	92,204
Non-trade					
Amounts due to:					
- Subsidiaries	22.2	-	-	54,778	66,650
- Related parties	22.2	33	556	8	219
Other payables	22.1	15,318	10,100	9,530	1,225
Accrued expenses		41,752	58,191	18,945	39,044
Derivative financial liabilities					
- Forward exchange contracts		-	6	-	-
		57,103	68,853	83,261	107,138
		247,488	178,118	232,090	199,342

22.1 (a) The amount of RM86,547,000 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 RM86,547,000 mentioned above, RM73,331,000 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

23. CONTRACT LIABILITY

	2021	2020
	RM'000	RM'000
Contract liability	369,377	369,377

The contract liability primarily relates to the arbitration award following the outcome of the arbitration case referred to in Note 37 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-current - unsecured				
Term loans	354,880	-	221,000	-
Current - unsecured				
Trade financing	463,467	704,812	415,916	494,530
Revolving credits	69,900	263,900	65,900	241,900
Term loans	28,250	102,900	18,250	-
	561,617	1,071,612	500,066	736,430
	916,497	1,071,612	721,066	736,430

24.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1.7.2019	Drawdown	Repayment	At 30.6.2020/ 1.7.2020	Drawdown	Repayment	At 30.6.2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group							
Trade financing	704,070	4,151,717	(4,150,975)	704,812	2,532,974	(2,774,319)	463,467
Revolving credits	75,000	233,690	(44,790)	263,900	59,900	(253,900)	69,900
Term loans	164,900	-	(62,000)	102,900	295,230	(15,000)	383,130
Lease liabilities	38,023	-	(6,992)	31,031	-	(5,409)	25,622
	981,993	4,385,407	(4,264,757)	1,102,643	2,888,104	(3,048,628)	942,119
Company							
Trade financing	536,650	2,688,749	(2,730,869)	494,530	2,229,447	(2,308,061)	415,916
Revolving credits	65,000	221,690	(44,790)	241,900	55,900	(231,900)	65,900
Term loans	-	-	-	-	249,250	(10,000)	239,250
Lease liabilities	38,023	-	(6,992)	31,031	-	(5,409)	25,622
	639,673	2,910,439	(2,782,651)	767,461	2,534,597	(2,555,370)	746,688

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

24. LOANS AND BORROWINGS (CONT'D.)

24.2 Interest rates

	Group		Company	
	2021	2020	2021	2020
	% Per annum	% Per annum	% Per annum	% Per annum
Trade financing/Revolving credits	2.45 - 3.55	2.77 - 4.81	2.45 - 3.51	2.77 - 4.81
Term loans	3.92 - 4.00	5.30	3.92 - 4.00	-

25. REVENUE

	Note	Group		Company	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue from contracts with customers					
- sale of goods	25.1	1,740,711	1,912,736	1,386,381	1,343,014
Other revenue:					
Dividend income		-	-	42,709	-
Total revenue	25.1	1,740,711	1,912,736	1,429,090	1,343,014

25.1 Disaggregation of revenue

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Primary geographical markets				
Malaysia	1,610,021	1,588,460	1,320,381	1,238,910
Singapore	19,489	16,385	3,366	-
Indonesia	4,055	58,858	-	-
The United States of America	1,765	22,207	-	-
Australia	48,638	37,802	48,638	37,603
Canada	-	103,855	-	49,651
Others	56,743	85,169	13,996	16,850
	1,740,711	1,912,736	1,386,381	1,343,014
Major products				
Bars, wire mesh, cut and bend and pre-stressed concrete wire	1,114,067	1,044,533	833,557	758,736
Wire rod	447,506	672,800	-	-
Flat steel	173,892	188,371	-	-
Scrap	-	-	552,824	584,278
Others	5,246	7,032	-	-
	1,740,711	1,912,736	1,386,381	1,343,014

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

25. REVENUE (CONT'D.)

25.1 Disaggregation of revenue (cont'd.)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Timing and recognition				
At a point in time	1,740,711	1,912,736	1,386,381	1,343,014
Revenue from contracts with customers	1,740,711	1,912,736	1,386,381	1,343,014
Other revenue	-	-	42,709	-
Total revenue	1,740,711	1,912,736	1,429,090	1,343,014

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Continuing operations:				
Interest expense on:				
Borrowings	26,884	40,209	23,465	30,729
RCULS	-	76	-	76
Lease liabilities	1,376	1,706	1,376	1,706
Others	2,375	-	1,330	-
	30,635	41,991	26,171	32,511
Discontinued operations:				
Interest expense on borrowings	5,005	6,758	-	-
	35,640	48,749	26,171	32,511

27. PROFIT/(LOSS) BEFORE TAXATION

Profit/(Loss) before taxation is arrived at after charging/(crediting):

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
Statutory audits				
- KPMG PLT				
- current year	356	342	140	135
- prior year	-	13	-	-
Other services				
- KPMG PLT	5	5	5	5
- Affiliated of KPMG PLT	75	-	19	-
Amortisation of deferred income	(1,676)	(1,645)	(1,512)	(1,411)
Dividend income from subsidiary companies	-	-	42,709	-
Personnel expenses (including Directors' remuneration)				
- Salaries and other expenses	90,147	102,932	23,399	29,469
- Contribution to Employees Provident Fund	9,637	11,236	2,766	3,533
- Retirement benefits	2,861	2,956	1,077	1,189
- Share-based payments	-	(10,784)	-	(5,746)
	102,645	106,340	27,242	28,445
Loss/(Gain) on foreign exchange				
- realised	367	(1,144)	828	42
- unrealised	24	(511)	(101)	(44)

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment				
- Gain on disposal	(88)	(130)	(88)	-
- Write-off	24	88	-	25
Right-of-use assets				
- Impairment loss	-	1,547	-	-
Impairment loss on amount due from a subsidiary	-	-	21,706	46,782
Impairment loss on investment in a subsidiary	-	-	3,597	441,525
Management fee income	-	-	(7,491)	(9,939)
Government grant **(Note b)**	(2,875)	-	(960)	-
Expenses/(income) arising from lease				
Expenses relating to short-term lease **(Note a)**	208	512	314	432
Income from subleasing of right-of-use assets	(16)	(16)	(2,830)	(4,560)

Note a
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.

Note b
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.

28. TAXATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current taxation				
- Current year	730	29	548	-
- Prior year	(157)	1,252	(184)	-
	573	1,281	364	-
Deferred taxation				
- Current year	(5,069)	9,077	(2,841)	(1,100)
- Prior year	(922)	(41)	-	-
	(5,991)	9,036	(2,841)	(1,100)
Utilisation of tax credit receivable arising from unutilised reinvestment allowances (Note 11)				
- Current year	2,119	-	-	-
- Prior year	1,550	-	-	-
	3,669	-	-	-
	(1,749)	10,317	(2,477)	(1,100)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

28. TAXATION (CONT'D.)

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) for the year	48,284	(466,915)	28,751	(579,420)
Total income tax expense	(1,749)	10,317	(2,477)	(1,100)
Profit/(Loss) excluding tax, including discontinued operations	46,535	(456,598)	26,274	(580,520)
Taxation at Malaysian statutory tax rates of 24%	11,168	(109,584)	6,305	(139,325)
Non-deductible expenses	3,096	12,063	7,130	120,276
Non-taxable income	(826)	(4,212)	(10,769)	(4,017)
Difference attributable to an associated company	(277)	462	-	-
Recognition/Utilisation of previously unrecognised deferred tax assets	(16,692)	(25,407)	(3,510)	-
Deferred tax assets not recognised	-	38,278	-	19,926
Claw back of capital allowance	-	100,129	-	-
Losses not available for carried forward	3,163	-	-	-
Others	(1,852)	(2,623)	(1,449)	2,040
	(2,220)	9,106	(2,293)	(1,100)
Under/(Over) provision in prior years	471	1,211	(184)	-
	(1,749)	10,317	(2,477)	(1,100)

29. EARNING/(LOSS) PER ORDINARY SHARE

Basic earning/(loss) per ordinary share

The calculation of basic earning/(loss) per ordinary share at 30 June 2021 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			
2021			
Profit/(Loss) attributable to ordinary shareholders	66,407	(18,481)	47,926
2020			
Loss attributable to ordinary shareholders	(207,752)	(259,303)	(467,055)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

29. EARNING/(LOSS) PER ORDINARY SHARE (CONT'D.)

Basic earning/(loss) per ordinary share (cont'd.)

Weighted average number of ordinary shares (basic)

	2021	2020
	'000	'000
Number of ordinary shares at 1 July	596,313	433,642
Effect of conversion of RCULS	-	70,669
Weighted average number of ordinary shares at 30 June	596,313	504,311
	Sen	**Sen**
From continuing operations	11.14	(41.20)
From discontinued operation	(3.10)	(51.41)
Basic earning/(loss) per ordinary share	8.04	(92.61)

Diluted earning/(loss) per ordinary share

The Group's diluted earning/(loss) per ordinary shares for the financial year ended 30 June 2021 is the same as the basic earning/(loss) per ordinary share since the Group does not have any anti-dilutive instrument.

30. OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR

	Before tax	Tax expense	Net of tax
	RM'000	RM'000	RM'000
Group			
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 RM'000	Tax expense RM'000	Net of tax RM'000
Group			
2020			
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	(285)	-	(285)
Revaluation of land	69,501	(6,950)	62,551
Revaluation of right-of-use assets	306,911	(73,657)	233,254
	376,127	(80,607)	295,520
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations			
- Gain arising during the year	22	-	22
Cash flow hedge			
- Gain arising during the year	851	-	851
- Reclassification adjustment for gain included in profit or loss	(397)	-	(397)
	454	-	454
	476	-	476
	376,603	(80,607)	295,996
Company			
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
2020			
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	(285)	-	(285)
Revaluation of land	28,003	(2,800)	25,203
Revaluation of right-of-use asset	257,357	(61,766)	195,591
	285,075	(64,566)	220,509
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge			
- Gain arising during the year	580	-	580
	285,655	(64,566)	221,089

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

31. DISCONTINUED OPERATION

Following the final award from the arbitration as discussed in Note 37, 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	
	2021	2020
	RM'000	RM'000
Expenses	(13,476)	(252,545)
Result from operating activities	(13,476)	(252,545)
Finance cost	(5,005)	(6,758)
Loss for the year	(18,481)	(259,303)

The loss from discontinued operation of RM18 million (2020 : RM259 million) is attributable entirely to the owners of the Company.

	Group	
	2021	2020
	RM'000	RM'000
Cash flows used in discontinued operation		
Net cash used in operating activities	(10,906)	(12,321)
Net cash generated from/(used in) financing activities	40,980	(62,000)
Effect on cash flows	30,074	(74,321)

Loss for the year for the discontinued operation is arrived after charging/(crediting):

	Group	
	2021	2020
	RM'000	RM'000
Property, plant and equipment		
- Impairment loss	-	228,965
(Reversal)/Provision for write-down of inventories	(14)	31,196
Finance cost	5,005	6,758

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	
	2021	2020
	RM'000	RM'000
Transactions		
(a) Sale of goods	746,089	759,701
(b) Purchase of goods	349,969	299,224
(c) Rental expenses	269	269
(d) Rental income	3,230	4,941
(e) Management fees income	7,491	9,946
(f) Management fees expenses	4,315	3,909
(g) Dividend income	42,709	-

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

32. RELATED PARTIES (CONT'D.)

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 (cont'd.):

Significant transactions with related parties are as follows (cont'd.):

(ii) Transactions with related parties

		Group		Company	
	Related party	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Transactions					
(a) Receipt of Group management and/or support services	Subsidiary of HLCM	5,969	2,828	1,605	3,000
(b) Sale of goods	HBH & HBE	64,579	41,178	39,529	23,984
	Subsidiary of HLCM	4,618	38,096	2,344	23,270
(c) Purchase of goods	Subsidiary of HLCM	-	256	-	-
(d) Purchase of insurance	Subsidiary of HLCM	5,497	4,652	1,004	842
(e) Rental expense	Subsidiary of HLCM	18	74	-	7
(f) Transportation and related services	Subsidiary of HLCM	13,170	10,631	6,947	5,697
(g) Income distribution received	Subsidiary of HLCM	2,090	1,552	974	957

Significant balances with related parties of the Group and of the Company at the reporting date are disclosed in Note 13 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.

(iii) During the previous financial year, the Company issued 162,671,149 new ordinary shares arising from mandatory conversion of all outstanding nominal value of RCULS amounting to RM170,804,885, out of which 153,473,503 ordinary shares amounting to RM161,147,181 is attributable to related parties as mentioned in Note 32.1.

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	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Executive Directors					
Remuneration and other benefits	32.2.1	2,396	2,481	1,748	1,660
Non-Executive Directors					
Fees	32.2.2	503	500	503	500

32.2.1 The estimated monetary value of benefit-in-kind of the Directors of the Group and of the Company is RM37,925 (2020 : RM55,963) and RM28,000 (2020 : RM32,313) 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 37 of the financial statements.

Segment profit
Performance is measured based on segment profit 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.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

33. OPERATING SEGMENTS (CONT'D.)

Reconciliation of the Group's reportable segment profit/(loss)

	Steel Products RM'000	Investment holding and others RM'000	Discontinued Hot rolled coil operation RM'000	Total 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
Segment Profit/(Loss)				
Included in the measure of segment profit are:				
Revenue from external customers	1,740,711	-	-	1,740,711
Reversal for write down of inventories				
Depreciation of	(13,044)	-	(14)	(13,058)
- 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
2020				
Segment Loss	(154,699)	(613)	(252,545)	(407,857)
Interest income	1,931	-	-	1,931
Finance costs	(41,991)	-	(6,758)	(48,749)
Share of loss in associated companies, net of tax	-	(1,923)	-	(1,923)
Consolidated loss before taxation				(456,598)
Included in the measure of segment loss are:				
Revenue from external customers	1,912,736	-	-	1,912,736
Provision for write down of inventories	18,686	-	31,196	49,882
Impairment of				
- Property, plant and equipment	-	-	228,965	228,965
- Right-of-use assets	1,547	-	-	1,547
Depreciation of				
- Property, plant and equipment	33,659	-	3,456	37,115
- Rights-of-use assets	19,420	500	-	19,920
Share based payments	(10,784)	-	-	(10,784)
Amortisation of deferred income	(1,645)	-	-	(1,645)
Unrealised forex gain	(511)	-	(14,739)	(15,250)

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

33. OPERATING SEGMENTS (CONT'D.)

Major customer

During the financial year, there were 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
- Contracted but not provided for	2,761	1,461	7	-

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 RM'000	FAAC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000	Derivatives used for hedging RM'000
2021					
Financial assets					
Group					
Other investments	612	-	-	612	-
Trade and other receivables, including derivatives (excluding deposits, prepayments and goods and services tax receivables)	334,229	333,979	-	-	250
Cash and cash equivalents	133,011	92,386	40,625	-	-
	467,852	426,365	40,625	612	250

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

35. FINANCIAL INSTRUMENTS (CONT'D.)

35.1 Categories of financial instruments (cont'd.)

	Carrying amount RM'000	FAAC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000	Derivatives used for hedging RM'000
2021					
Company					
Other investments	612	-	-	612	-
Trade and other receivables, including derivatives (excluding deposits, prepayments and goods and services tax receivables)	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 RM'000	FLAC RM'000	FVTPL RM'000	Derivatives used for hedging 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	-	-

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

35. FINANCIAL INSTRUMENTS (CONT'D.)

35.1 Categories of financial instruments (cont'd.)

	Carrying amount RM'000	FAAC RM'000	FVTPL RM'000	FVOCI - EIDUIR RM'000	Derivatives used for hedging RM'000
2020					
Financial assets					
Group					
Other investments	345	-	-	345	-
Trade and other receivables, including derivatives (excluding deposits, prepayments and goods and services tax receivables)	400,521	400,508	5	-	8
Cash and cash equivalents	219,427	219,427	-	-	-
	620,293	619,935	5	345	8
Company					
Other investments	345	-	-	345	-
Trade and other receivables, including derivatives (excluding deposits, prepayments and goods and services tax receivables)	47,437	47,432	-	-	5
Cash and cash equivalents	128,988	128,988	-	-	-
	176,770	176,420	-	345	5

	Carrying amount RM'000	FLAC RM'000	FVTPL RM'000	Derivatives used for hedging RM'000
2020				
Financial liabilities				
Group				
Loans and borrowings	1,071,612	1,071,612	-	-
Trade and other payables, including derivatives	178,118	178,112	6	-
	1,249,730	1,249,724	6	-
Company				
Loans and borrowings	736,430	736,430	-	-
Trade and other payables, including derivatives	199,342	199,342	-	-
	935,772	935,772	-	-

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

35. FINANCIAL INSTRUMENTS (CONT'D.)

35.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) arising on:				
Financial assets measured at amortised cost	718	18,009	442	1,086
Financial liabilities measured at amortised cost	(32,155)	(46,566)	(24,411)	(30,803)
Fair value through profit or loss:				
- Gain on financial instruments designated as hedge instruments	242	851	21	580
- Gain/(loss) on fair value of derivative instruments	1	(53)	-	-
- Dividend income from short-term money market fund	2,090	1,552	974	957
Fair value through other comprehensive income:				
- Fair value gain/(loss) on equity investment	267	(285)	267	(285)
	(28,837)	(26,492)	(22,707)	(28,465)

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 customers, 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.

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.)

Risk management objectives, policies and processes for managing the risk (cont'd.)

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.

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Malaysia	30,698	88,716	10,188	34,861
Singapore	3,575	1,436	-	-
Indonesia	-	3,971	-	-
The United States of America	28	92	-	-
Canada	-	57	-	-
Others	2,337	3,666	60	708
	36,638	97,938	10,248	35,569

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 RM'000	Loss allowance RM'000	Net carrying amount 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
2020			
Group			
Not past due	79,389	-	79,389
Past due 1 - 30 days	11,904	-	11,904
Past due 31 - 60 days	991	-	991
Past due 61 - 90 days	3,531	-	3,531
Past due 91 - 120 days	1,142	-	1,142
Past due more than 120 days	5,420	(4,439)	981
	102,377	(4,439)	97,938
Company			
Not past due	30,922	-	30,922
Past due 1 - 30 days	4,550	-	4,550
Past due 31 - 60 days	97	-	97
Past due more than 120 days	199	(199)	-
	35,768	(199)	35,569

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Balance at 1 July	4,439	4,422	199	199
Impairment loss recognised	-	17	-	-
Impairment loss reversed	(17)	-	-	-
Net measurement of loss allowance	(17)	17	-	-
Balance at 30 June	4,422	4,439	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 RM295 million (2020 : RM295 million) in relation to the final award of the arbitration case as discussed in Note 13 and Note 37.

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 37.

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 RM144 million (2020 : RM103 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.

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.

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 (cont'd.)

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							
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
2020							
Non-derivative financial liabilities							
Loans and borrowings	1,071,612	3.72 - 5.58	1,073,732	1,073,732	-	-	-
Lease liabilities	31,031	5.00	36,430	6,785	4,873	19,493	5,279
Trade and other payables	178,112	-	178,112	178,112	-	-	-
	1,280,755		1,288,274	1,258,629	4,873	19,493	5,279
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
- outflow	6	-	61,562	61,562	-	-	-
- inflow	(13)	-	(61,569)	(61,569)	-	-	-
	1,280,748		1,288,267	1,258,622	4,873	19,493	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							
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
2020							
Non-derivative financial liabilities							
Loans and borrowings	736,430	2.77 - 4.81	736,430	736,430	-	-	-
Lease liabilities	31,031	5.00	36,430	6,785	4,873	19,493	5,279
Trade and other payables	199,342	-	199,342	199,342	-	-	-
Financial guarantees	-	-	102,900	102,900	-	-	-
	966,803		1,075,102	1,045,457	4,873	19,493	5,279
Derivative financial liabilities/(assets)							
Forward exchange contracts:							
- outflow	-	-	50,034	50,034	-	-	-
- inflow	(5)	-	(50,039)	(50,039)	-	-	-
	966,798		1,075,097	1,045,452	4,873	19,493	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"), European Dollar ("EURO") and Japanese Yen ("JPY").

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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Amount denominated in USD:				
Trade and other receivables	2,608	8,754	-	1,176
Trade and other payables	(5,581)	(504)	(4,604)	(163)
Cash and bank balances	26,608	10,076	19,079	8,048
Forward exchange contracts	247	5	26	5
Net exposure	23,882	18,331	14,501	9,066
Amount denominated in SGD:				
Trade and other receivables	1,410	1,437	-	-
Cash and bank balances	302	363	-	-
Forward exchange contracts	3	1	-	-
Net exposure	1,715	1,801	-	-
Amount denominated in EURO:				
Trade and other receivables	118,520	118,520	-	-
Trade and other payables	(22)	(78)	-	(46)
Net exposure	118,498	118,442	-	(46)
Amount denominated in CNY:				
Trade and other payables	-	(144)	-	(144)
Net exposure	-	(144)	-	(144)

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.)

Currency risk sensitivity analysis

A 5% (2020 : 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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
USD	(1,194)	(917)	(725)	(453)
SGD	(86)	(90)	-	-
EURO	(5,925)	(5,922)	-	2
CNY	-	7	-	7

A 5% (2020 : 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.

(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	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Fixed rate instruments				
Financial assets	297,568	436,323	2,316	61,390
Financial liabilities	(558,989)	(999,743)	(507,438)	(767,461)
	(261,421)	(563,420)	(505,122)	(706,071)
Floating rate instrument				
Financial assets	40,625	-	10,175	-
Financial liabilities	(383,130)	(102,900)	(239,250)	-
	(342,505)	(102,900)	(229,075)	-

NOTES TO THE FINANCIAL STATEMENTS
(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 RM1,713,000 (2020 : RM515,000) and RM1,145,000 (2020 : Nil) 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					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
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
2020										
Financial assets										
Investment in quoted shares	345	-	-	345	-	-	-	-	345	345
Forward exchange contracts	-	13	-	13	-	-	-	-	13	13
Financial liabilities										
Forward exchange contracts	-	6	-	6	-	-	-	-	6	6

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					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Company										
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
2020										
Financial assets										
Investment in quoted shares	345	-	-	345	-	-	-	-	345	345
Forward exchange contracts	-	5	-	5	-	-	-	-	5	5

Short-term money market fund

The fair value of short-term money market 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% (2020 : 5.33%) and found to be no material changes in the fair value.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

36. 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	
	2021	2020
	RM'000	RM'000
Total loans and borrowings (including RCULS - liability portion)	916,497	1,071,612
Lease liabilities	25,622	31,031
Less: Cash and cash equivalents	(133,011)	(219,427)
Net debt	809,108	883,216
Total equity	732,044	678,267
Debt-to-equity ratio	1.11	1.30

37. 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 by way of a Request for Arbitration dated 29 August 2016 under the Arbitration Rules of the International Chamber of Commerce ("ICC Rules") arising out of the Contract and Service Agreement.

SHRC claimed several reliefs against Danieli and DMSB, including repayment of contract sum and damages for misrepresentation and breach of contract.

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

Danieli and DMSB also commenced arbitration proceedings against SHRC by way of a Request for Arbitration under the ICC Rules.

Danieli and DMSB sought several declarations in relation to the Contract and the Service Agreement and claimed damages, interest and costs as well as payment of EUR34,908,670.70. SHRC disputed the claims by Danieli and DMSB and counter-claimed several reliefs against Danieli and DMSB.

Both arbitration proceedings in sub-paragraphs (i) and (ii) were consolidated ("First Arbitration") and heard together by the same arbitral tribunal in Singapore.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

37. MATERIAL LITIGATION (CONT'D.)

iii. Commencement of Arbitration Proceedings against SHRC by Danieli Co. Ltd (a wholly owned subsidiary of Danieli) ("Danieli Thailand")

Danieli Thailand commenced arbitration proceedings against SHRC by way of a Request for Arbitration under the ICC Rules ("Second Arbitration").

Danieli Thailand claimed the sum of EUR2,800,000.00, being the balance purchase price of spare parts under a sale contract dated 24 December 2013 between SHRC and Danieli Thailand ("Sale Contract") plus interest and general damages.

SHRC disputed and challenged the claim by Danieli Thailand in the arbitration proceedings.

The same arbitral tribunal for the First Arbitration was constituted to hear this Second Arbitration. The Second Arbitration was directed to be heard jointly with the First Arbitration.

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

A. The First Arbitration - Arbitration proceedings by SHRC against Danieli and DMSB; and Arbitration proceedings against SHRC by Danieli and DMSB

The Tribunal decided in SHRC's favour and awarded, inter alia, the following:

i) the Contract is rescinded;
ii) the Service Agreement is rescinded;
iii) Danieli and DMSB shall repay SHRC the Contract Price in the amount of EUR92.7 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.

B. The Second Arbitration - Arbitration Proceedings against SHRC by Danieli Thailand

The Tribunal decided in Danieli Thailand's favour and awarded, inter alia, the following:

i) SHRC shall pay Danieli Thailand the sum of EUR2,795,796.98 ("Second Award") being the balance purchase price of spare parts under the Sale Contract.

Arising from this award, upon receipt of the requisite payments from Danieli, the Plant currently stated at carrying amount of RM369 million will be removed from SHRC's statement of financial position.

Danieli and DMSB applied to the Singapore High Court to set aside the final award of the First Arbitration ("Setting Aside Proceeding").

SHRC opposed the Setting Aside Proceeding.

NOTES TO THE FINANCIAL STATEMENTS
(cont'd.)

37. MATERIAL LITIGATION (CONT'D.)

On 12 August 2020, the Singapore High Court dismissed the Setting Aside Proceeding with costs ("High Court's Decision"). On 10 September 2020, Danieli and DMSB appealed to the Singapore Court of Appeal against the High Court's Decision ("Danieli's Appeal"). The date for the hearing of the Danieli's Appeal has not yet been confirmed.

Separately, in order to enforce the final award of the First Arbitration in Italy, SHRC had obtained a recognition order of the said award from the Italian Court of Appeal against Danieli. Danieli applied to the Italian Court of Appeal to challenge the recognition order ("Challenge Proceeding") and to stay the proceedings pending the outcome of Danieli's Appeal before the Singapore Court of Appeal ("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.

Having failed in the Setting Aside Proceeding in Singapore and pending hearing of Danieli's Appeal, Danieli applied to the Kuala Lumpur High Court on 9 October 2020 to inspect the Plant ("Malaysian Application"). The Malaysian Application was dismissed by the Kuala Lumpur High Court on 15 December 2020.

Having failed in Malaysia, Danieli applied to the Italian Court of Appeal for an order to inspect the Plant ("Inspection Application in Italy").

On 9 February 2021, the Italian Court of Appeal dismissed the Inspection Application in Italy.

To date, Danieli and DMSB have not satisfied the final award of the First Arbitration.

On 27 August 2021, Danieli issued a letter of demand to SHRC demanding the payment of the final award of the Second Arbitration owed by SHRC to Danieli Thailand. SHRC will oppose and challenge the demand made by Danieli.

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 51 to 139 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 2021 and of their financial performance and cash flows for the financial year then ended.

On behalf of the Board,

Yeoh Choon Kwee

YBhg Dato' Tan Ang Meng

21 September 2021

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 51 to 139 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 Kuala Lumpur in the Federal Territory on 21 September 2021.

Ang Meng Chuan

Before me

AMIR BIN ISMAIL (W 800)
Commissioner for Oaths
Kuala Lumpur

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 2021 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 51 to 139.

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 2021, 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 37 – 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 2021, Southern HRC Sdn Bhd ("SHRC"), a wholly-owned subsidiary of the Group, concluded its arbitrations as discussed in Note 37. 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
(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 47% 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SOUTHERN STEEL BERHAD
(cont'd.)

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.

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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF SOUTHERN STEEL BERHAD
(cont'd.)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd.)

- 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.

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

Thong Foo Vung
Approval Number: 02867/08/2022 J
Chartered Accountant

Penang

Date: 21 September 2021

OTHER INFORMATION

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2021

	Location	Tenure	Existing Use	Acquisition Date	Approximate Area	Approximate Age of Building (Year)	Net Book Value as at 30 June 2021 (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	7	168,586
	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	7	
	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	7	
	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	7	
	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	7	
	Plot 524(c) Prai Industrial Park	Leasehold expiring on 24 Oct 2073	Office and factory building	04 Apr 2012	1.41 acres	7	
2.	2435 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai	Leasehold expiring on 31 Dec 2039	Factory	6 Sept 1982	50.9 acres	30-38	61,471
3.	No PT 4639 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 01 Jul 2112	Vacant Land	25 Mar 2013	7.25 hectares	-	58,907

OTHER INFORMATION
(cont'd.)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2021 (CONT'D.)

	Location	Tenure	Existing Use	Acquisition Date	Approximate Area	Approximate Age of Building (Year)	Net Book Value as at 30 June 2021 (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	23-25	
	No PT 3178 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 09 Apr 2050	Factories	19 Oct 1990	2.60 acres	23	
	2595 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 09 Apr 2050	Factories	07 Oct 1991	2.60 acres	23	
	2613 Lorong Perusahaan 12 Prai Industrial Estate 13600 Prai, Penang	Leasehold expiring on 21 Mar 2050	Factories	23 Sep 1991	5.10 acres	23	
	No PT 3831 Mukim 1 Seberang Perai Tengah Penang	Leasehold expiring on 21 Oct 2054	Factories	25 May 1993	1.31 acres	25	34,686
	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.	PMT 3016 Tingkat Perusahaan 6 Kawasan Perusahaan Perai 13600 Seberang Perai Tengah Penang	Leasehold expiring on 03 Oct 2042	Warehouse	11 Oct 2011	61,271.77 sq m	18-19	30,433
6.	4457 Mukim 15 Jalan Chain Ferry 12100 Butterworth Penang	Freehold	Factory Godown	12 Jun 1989	413,427 sq ft	25-52	34,366
7.	PLO No 129 Tanjung Langsat Industrial Complex Johor Darul Takzim	Leasehold expiring on 28 Dec 2069	Office and factory building	18 Sep 2008	8.09 hectares	11	
	PLO No 125 Tanjung Langsat Industrial Complex Johor Darul Takzim	Leasehold expiring on 20 Apr 2071	Vacant land	25 Aug 2010	4.471 hectares	-	54,048

OTHER INFORMATION
(cont'd.)

1. PROPERTIES HELD BY THE GROUP AS AT 30 JUNE 2021 (CONT'D.)

	Location	Tenure	Existing Use	Acquisition Date	Approximate Area (Sq Ft)	Approximate Age of Building (Year)	Net Book Value as at 30 June 2021 (RM'000)
8.	5 1/2 Mile, Jalan Kapar 42100 Klang Selangor Darul Ehsan	Freehold	Office and factory building	03 Feb 1981	31,180 sq m	25-40	35,012
9.	Rawang Integrated Industrial Park	Freehold	Office and factory building	20 Apr 1994	4.63 hectares	24	38,433
10.	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	41	37,323
							553,265

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021

Class of Shares : Ordinary shares
Voting Rights : 1 vote for each share held

Distribution Schedule Of Shareholders As At 30 September 2021

Size of Holdings	No. of Shareholders	%	No. of Shares	%
Less than 100	74	1.81	2,987	0.00
100 – 1,000	1,104	27.06	992,965	0.17
1,001 – 10,000	1,948	47.75	9,177,324	1.54
10,001 – 100,000	791	19.39	25,039,454	4.20
100,001 – less than 5% of issued shares	160	3.92	137,764,760	23.10
5% and above of issued shares	3	0.07	423,335,960	70.99
	4,080	100.00	596,313,450	100.00

List Of Thirty Largest Shareholders As At 30 September 2021

	Name of Shareholders	No. of Shares	%
1.	Hong Leong Manufacturing Group Sdn Bhd	248,075,115	41.60
2.	HLMG Capital Sdn Bhd	140,076,337	23.49
3.	Southern Amalgamated Co Sdn Bhd	35,184,508	5.90
4.	Signaland Sdn Bhd	29,085,194	4.88
5.	AMSEC Nominees (Tempatan) Sdn Bhd *- AmBank (M) Berhad (Swap)*	15,000,000	2.52
6.	Southern Properties Sdn Bhd	14,087,170	2.36
7.	Hong Bee Hardware Company, Sdn. Berhad	7,371,493	1.24
8.	Hock Kheng Industries Sdn Bhd	5,976,190	1.00
9.	Ooi Chieng Sim	2,552,500	0.43
10.	Public Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Ang Kim Jhew* (E-TMI)	2,495,542	0.42
11.	HLB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Inbamanay A/P M J Arumanayagam*	2,329,200	0.39
12.	Maybank Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Hwang Enterprises Sdn Bhd (507040214111)*	2,000,000	0.33
13.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Deva Dassan Solomon (8041850)*	1,735,300	0.29
14.	HLB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Deva Dassan Solomon*	1,584,100	0.27

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021 (CONT'D.)

List Of Thirty Largest Shareholders As At 30 September 2021 (cont'd.)

	Name of Shareholders	No. of Shares	%
15.	Public Invest Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Deva Dassan Solomon (M)*	1,567,100	0.26
16.	Choong Cheow Sai	1,551,393	0.26
17.	Southern Consortium Sdn Bhd	1,551,371	0.26
18.	UOB Kay Hian Nominees (Asing) Sdn Bhd *- Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)*	1,524,190	0.26
19.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Helina Shanti Solomon (7001761)*	1,503,600	0.25
20.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Inbamanay A/P M J Arumanayagam (8061712)*	1,491,900	0.25
21.	AllianceGroup Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Selina Sharmalar Solomon (8112136)*	1,484,000	0.25
22.	Kheng Lip Company Sdn. Berhad	1,428,571	0.24
23.	Su Hock Company Sdn Bhd	1,428,571	0.24
24.	Liao York	1,384,427	0.23
25.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd *- Exempt AN for UOB Kay Hian Pte Ltd (A/C Clients)*	1,251,900	0.21
26.	Chua Holdings Sdn Bhd	1,207,509	0.20
27.	Seri Pinang Sdn. Bhd.	1,153,200	0.19
28.	Wang Hui Tzu	1,036,095	0.17
29.	CGS-CIMB Nominees (Tempatan) Sdn Bhd *- Pledged Securities Account for Deva Dassan Solomon (MY1091)*	1,002,300	0.17
30.	Lin Ting Yie (Lam Tin Yie)	1,000,000	0.17
		529,118,776	88.73

OTHER INFORMATION
(cont'd.)

2. ANALYSIS OF SHAREHOLDINGS AS AT 30 SEPTEMBER 2021 (CONT'D.)

Substantial Shareholders

According to the Register of Substantial Shareholders, the substantial shareholders of the Company as at 30 September 2021 are as follows:

		Direct Interest		Indirect Interest	
	Name of Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
1.	Hong Leong Manufacturing Group Sdn Bhd	248,075,115	41.60	169,161,531	28.37*
2.	HLMG Capital Sdn Bhd	140,076,337	23.49	-	-
3.	Signaland Sdn Bhd	29,085,194	4.88	-	-
4.	Hong Leong Company (Malaysia) Berhad ("HLCM")	-	-	417,236,646	69.97*
5.	YBhg Tan Sri Quek Leng Chan	-	-	417,246,046	69.97^
6.	HL Holdings Sdn Bhd	-	-	417,236,646	69.97®
7.	Hong Realty (Private) Limited	-	-	424,608,139	71.21^
8.	Hong Leong Investment Holdings Pte. Ltd.	-	-	424,617,539	71.21^
9.	Kwek Holdings Pte Ltd	-	-	424,617,539	71.21^
10.	Mr Kwek Leng Beng	-	-	424,617,539	71.21^
11.	Mr Kwek Leng Kee	-	-	424,617,539	71.21^
12.	Davos Investment Holdings Private Limited	-	-	424,617,539	71.21^
13.	Southern Amalgamated Co Sdn Bhd	35,184,508	5.90	-	-
14.	Su Hock Company Sdn Bhd	1,428,571	0.24	36,613,079	6.14#
15.	Hock Kheng Industries Sendirian Berhad	5,976,190	1.00	35,184,508	5.90#
16.	YBhg Dato' Dr Tan Tat Wai	21,927	0.00	41,203,760	6.91@

Notes:

* *Held through subsidiaries*

^ *Held through HLCM and company(ies) in which the substantial shareholder has interest*

® *Held through HLCM*

\# *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 2021

Subsequent to the financial year end, there was no change, as at 30 September 2021, 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 46 to 50 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.

南達 **Southern Steel** Berhad

Registration No. 196301000443 (5283-X)
A Member of the Hong Leong Group

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 Fifty-ninth Annual General Meeting of the Company to be held virtually through live streaming from the broadcast venue at the Auditorium, Ground Floor, Menara Hong Leong, No. 6, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Malaysia on Wednesday, 1 December 2021 at 3.00 p.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 Dato' Dr Tan Tat Wai as a Director		
3	To re-elect YBhg Dato' Ahmad Johari Bin Abdul Razak as a Director		
4	To re-elect YBhg Dato' Tan Ang Meng as a Director		
5	To re-elect Mr Yeoh Choon Kwee as a Director		
6	To re-appoint KPMG PLT as Auditors and to authorise the Directors to fix their remuneration		
	Special Business		
7	To approve the ordinary resolution on authority to Directors to allot shares		
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 Company (Malaysia) Berhad, GuoLine Capital Assets Limited and persons connected with them		
9	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		
10	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		

Dated this _____ day of _____ 2021

Number of shares held: _____

CDS Account No.: _____

_____

Signature(s) of Member

Notes:

1. *The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which stipulates that the main venue of the Annual General Meeting ("AGM") shall be in Malaysia and the Chairman shall be present at the main venue of the AGM.* ***No shareholders/proxies will be allowed to be physically present at the broadcast venue of the AGM. Please refer to the Administrative Notes to Shareholders for the detailed steps on remote participation and electronic voting.***
2. *For the purpose of determining members' eligibility to attend this meeting, only members whose names appear in the Record of Depositors as at 24 November 2021 shall be entitled to attend this meeting or appoint proxy(ies) to attend and vote on their behalf.*
3. *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.*
4. *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.*
5. *A proxy may but need not be a member of the Company.*
6. *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 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.*
7. *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 10 below).*
8. *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.*
9. *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@hongleong.com.my not less than forty-eight (48) hours before the time appointed for holding of the meeting or adjourned meeting.*
10. *In the event two (2) or more proxies are appointed, please fill in the ensuing section:*

Name of proxies	% of shareholdings to be represented

11. *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 Fifty-ninth 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

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No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Malaysia
Tel : 03-2080 9200
Fax : 03-2080 9238

www.southsteel.com