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Southern Steel Berhad

A Member of the Hong Leong Group

Annual Report **2023**

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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

YBhg Dato' Tan Ang Meng

Ms Chin Siew Siew

YBhg Datuk Ir. Rosaline Ganendra

COMPANY SECRETARIES

Ms Wong Wei Fong
Ms Valerie Mak Mew Chan

AUDITORS

KPMG PLT
Level 18, Hunza Tower
163E Jalan Kelawei
10250 Penang
Tel : 04-375 1800
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
Email : hlsrs@hongleong.com
Tel : 03-2088 8818
Fax : 03-2088 8990

REGISTERED OFFICE

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

COUNTRY OF INCORPORATION/DOMICILE

A public limited liability company, incorporated and domiciled in Malaysia

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 2023 ("FY 2023").

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 2023 ("FY 2023").

The Group recorded a loss before taxation ("LBT") of RM149 million in FY 2023, higher as compared to FY 2022 LBT of RM92 million due to sluggish demand in the absence of large infrastructure projects. Steel market remains volatile. The Group will continue to be responsive to market conditions, carry out cost mitigation measures and optimise operational efficiencies. Besides this, our Group will continue to emphasise on environmental, social and governance ("ESG") matters to enhance our sustainable value and create competitive edge.



On behalf of the Board, I warmly welcome YBhg Datuk Ir. Rosaline Ganendra, who was appointed as an Independent Non-Executive Director of the Company in March 2023 and I look forward to her support and contributions. I also extend our sincere appreciation to YBhg Dato' Ahmad Johari Bin Abdul Razak and Dr Kwa Lay Keng, who retired as Independent Non-Executive Directors of the Company, for their valuable guidance and contributions to the Group. Dr Kwa Lay Keng will continue to provide advice and guidance to our Group as Chairperson of Research and Development technology advisory committee to support the Company's growth.

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

YBHG DATUK KWEK LENG SAN
Chairman

Management Discussion And Analysis

OVERVIEW OF THE GROUP'S BUSINESS AND OPERATIONS

Southern Steel Berhad ("SSB") is a public company listed on the Main Market of Bursa Malaysia Securities Berhad. The SSB Group of Companies ("the Group") is an established producer of a wide range of high quality steel products, and broadly categorised under the following segments:

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

The main manufacturing facilities of the Group's upstream businesses are located in Prai, Penang, while the downstream are in the Northern and Central regions of Peninsular Malaysia. The Group's markets cover the whole of Malaysia as well as exporting to more than 20 countries worldwide.

FINANCIAL PERFORMANCE

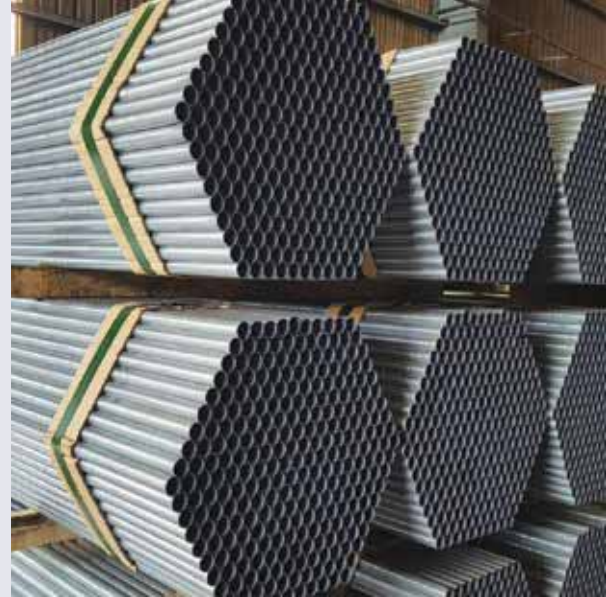
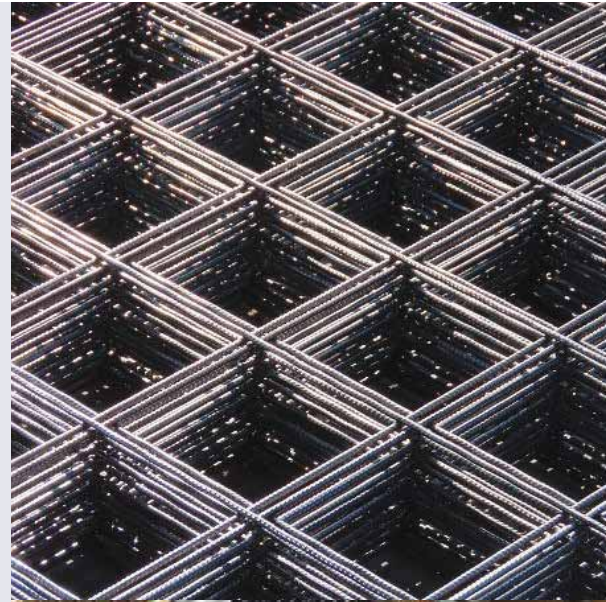
The Group recorded a slightly higher revenue of RM2,386 million for the financial year ended 30 June 2023 ("FY 2023") as compared with RM2,309 million for the previous financial year ended 30 June 2022 ("FY 2022"). Sales volume for FY 2023 was higher compared to FY 2022, contributed from both the upstream and downstream businesses. However, average selling price in FY 2023 was lower compared to FY 2022.

The Group recorded a loss before taxation ("LBT") of RM149 million in FY 2023, higher as compared to FY 2022 LBT of RM92 million due to depressed selling prices and higher input costs.

BUSINESS AND OPERATIONS REVIEW

During the year under review, the Group recorded an improvement in sales volume as compared to FY 2022 despite challenging market and operating conditions.

- The upstream operations focused on productivity improvement initiatives to offset negative impacts caused by higher energy prices. Steel demand in Malaysia is expected to remain weak in the near term with the absence of large infrastructure projects and the uncertainties in the global economic recovery post Covid-19.
- The downstream businesses experienced a setback in 1st half of FY 2023 due to a significant drop in steel prices. The businesses have started to normalise from 2nd half of FY 2023 onwards. The cut-and-bend and mesh businesses continued to value-add to the construction industry by helping contractors to reduce the reliance on foreign workers, reduce wastages and improve cycle time. Both the pipe business and pre-stressed concrete steel business focused on improving productivities and operational efficiencies to improve their margins.



Management Discussion And Analysis

(Cont'd)

SUPPORTING A SUSTAINABLE FUTURE

The Group continued to emphasise on environmental, social, economic and governance (“ESEG”) matters to enhance its sustainable value and uphold the trust of stakeholders. Southern Steel’s upstream business operation used recycled steel scraps as its main source of raw materials in the steel making process, whereby the recycling business model is imperative for environmental sustainability.

The Group has also embarked on the journey to progressively certifying its products with Product Eco-Labeling and MyHijau certification. The Group is pleased to share that SSB is one of the first steel mills in Malaysia to obtain the MyHijau green certification for both its steel bar and wire rod. Various products in the downstream businesses have also been certified with Eco-Labeling.

Apart from this, our upstream business started a long-term water management plan since year 2007 and had progressively set up a closed-loop recycle water treatment plant to recycle and reuse processed water and further reduce the need of freshwater from Perbadanan Bekalan Air Pulau Pinang.

DIVIDEND

The Group did not declare any dividend for FY 2023.

PROSPECTS AND OUTLOOK

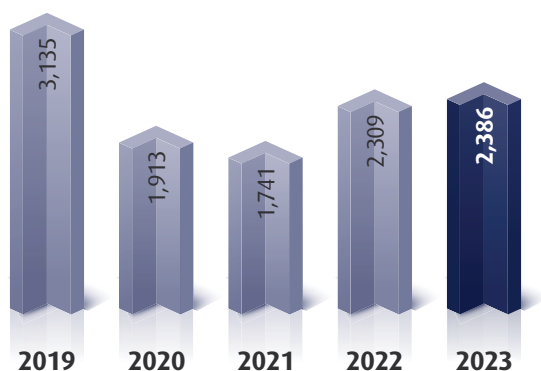
The steel industry remains challenging and volatile due to a weak construction market amidst rising inflation and operating costs. Market conditions going forward remain uncertain. The Group will continue to be responsive to market changes, optimise operational efficiencies, focus on cash flow and inventory management, and to grow the downstream businesses.



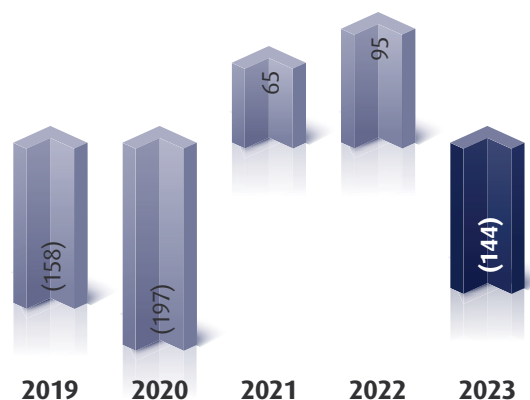
Group Financial Highlights

RM'million	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Revenue	3,135	1,913	1,741	2,309	2,386
Profit/(Loss) before taxation from continuing operations	(158)	(197)	65	95	(144)
Loss from a discontinued operation	-	(259)	(18)	(188)	(6)
Profit/(Loss) before taxation	(158)	(457)	47	(92)	(149)
Profit/(Loss) attributable to owners of the Company	(119)	(467)	48	(95)	(141)
Exceptional items	-	258	-	176	-
Net earning/(loss) per share (sen)	(27.45)	(92.61)	8.04	(15.91)	(23.72)
Net dividend per share (sen)	-	-	-	-	-
Total equity	860	678	732	637	631
Total assets	2,228	2,401	2,354	1,989	1,927
Capital expenditure	11	13	10	12	14

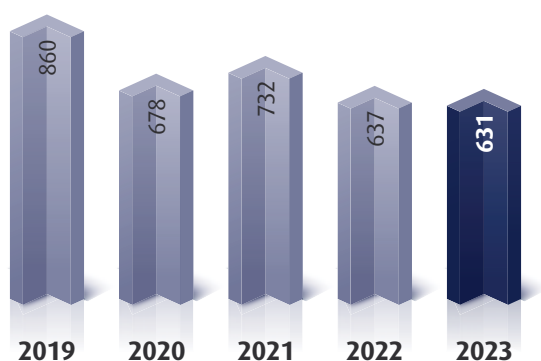
REVENUE
(RM'million)



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



TOTAL EQUITY
(RM'million)



TOTAL ASSETS
(RM'million)

