MANAGEMENT DISCUSSION AND ANALYSIS

	2023 RM'000	2022 RM'000	Change
Consolidated Statement of Profit or Loss			
Revenue	**1,914,817**	2,579,174	-26%
Loss from operations	**(208,145)**	(343,743)	39%
Loss before tax	**(334,371)**	(319,269)	-5%
Loss after tax	**(402,414)**	(309,841)	-30%
Consolidated Statement of Financial Position			
Total assets	**2,601,127**	3,085,897	-16%
Deposits, cash and bank balances	**114,558**	208,253	-45%
Total liabilities	**1,277,658**	1,363,962	-6%
Loans and borrowings	**160,239**	155,836	3%
Net assets	**1,100,812**	1,497,364	-26%

The Group posted a 26% lower revenue of RM1,915 million for the financial year 2023 compared with RM2,579 million in the preceding year. This was primarily due to the lower revenue registered by our Steel Division.

The Group shared a significantly lower loss of RM4.4 million from the associated companies and a joint venture, compared with RM38.7 million loss in the preceding year. This was largely attributable to the improved performance from retail businesses following the lifting of COVID-19 related prevention and control measures in China.

The Group recorded a higher loss before tax of RM334.4 million compared with RM319.3 million a year ago mainly attributable to the impairment loss on goodwill of RM130.4 million made by the Steel Division.

Overall, the Group's loss after tax was 30% higher at RM402.4 million with the reversal of deferred tax assets by the Steel Division for the year under review.

As at 31 December 2023, the Group's total assets decreased by 16% to RM2,601 million from RM3,086 million a year ago while the Group's total liabilities decreased by 6% from RM1,364 million to RM1,278 million. The Group borrowings has increased by 3% to RM160.2 million. Consequently, the Group's net assets reduced by 26% to RM1,101 million, resulting in net assets per share decreasing by 58 sen to RM1.62 from RM2.20 in the preceding year.

REVIEW OF OPERATIONS

Note: "Profit or loss before interests, share of associates and taxation" is hereinafter referred to as "profit" or "loss".

STEEL		
	2023 RM Million	**2022 RM Million**
Revenue	**1,431**	2,137
Segment loss	**(195.2)**	(359.2)

Long Steel Products (Billets, Steel Bars & Wire Rods)

Our long steel products business is spearheaded by Amsteel Mills Sdn Bhd, which operates two steel plants situated in Bukit Raja in Klang and Banting.

Throughout 2023, the steel industry faced persistent challenges both globally and domestically. Globally, steel demand remained weak, driven by low demand from manufacturing and construction in developed economies, the slower than expected recovery in China's property sector, and geopolitical conflicts and tensions. This environment led to a downward trend in global steel prices.

Domestically, adding to the woes of declining steel prices and escalating production and energy costs, the industry struggled with issues of overcapacity and underutilisation. Demand for steel remained low as lack of new mega infrastructure projects.

In the face of these adversities, the long steel products business registered a 30% lower revenue of RM1.4 billion compared with RM2.0 billion a year ago, and recorded a loss of RM122.3 million for the year under review.

Despite these challenges, our commitment to the long-term sustainability of our business remains unwavering. We will focus on implementing strategic initiatives aimed at enhancing operational efficiency to ensure a reliable supply to our customers and maintaining a strong market presence. Furthermore, we are actively exploring opportunities in niche markets with premium price products, while remaining dedicated to driving sustainable growth in the future.

Flat Steel Product ("Hot Rolled Coil")

In view of the extremely challenging steel market conditions locally and globally, the Group has suspended the commercial production of the flat steel plant located in Banting.

BUILDING MATERIALS		
	2023 RM Million	**2022 RM Million**
Revenue	**635.4**	725.1
Segment profit	**2.3**	4.0

Moving forward from the growth momentum of 2022, the construction industry experienced encouraging positive shifts in 2023. The private sector saw a significant resurgence in construction activities following the pandemic-induced lockdowns which included the development of high-rise residential buildings incorporating mixed-used concepts, fast-tracked industrial projects and data centre developments. Revival of Government-driven infrastructure projects and the sustained expansion from the private sector further fuelled the growth of the construction industry to remain robust in 2023. However, the public sector that represented the largest share of Government initiated projects experienced a gradual slowdown primarily attributed to Government scrutiny and cautious spending practices.

Despite the positive outlook in 2023, the volatility in the price of building materials posed a challenge to the industry. As a result, the Division registered a lower revenue of RM635 million for FY2023 against a revenue of RM725 million achieved in the previous year. The Division will continue to strive and improve its performance to contribute positively to the Group.

The construction industry is expected to see brighter prospects in 2024 with the revival and acceleration of several mega infrastructure projects especially in the rail and road network, and data centre developments. The New Industrial Master Plan 2030 launched by the Government in September 2023 calls for the development of new industrial parks as well as the construction and upgrading of infrastructure to support the growth of the manufacturing sector.

The building materials industry is also set to benefit from the 12th Malaysia Plan Mid-Term Review (12MP MTR) in which the development expenditure ceiling is raised to RM415 billion from RM400 billion to support the development of major infrastructure projects including the Penang Light Rail Transit (LRT), the Sabah-Sarawak Link Road and the building of 500,000 affordable homes.

Operating in an intensely challenging and competitive business environment, the Division will always stay vigilant and responsive to market changes. The Division will continue to remain positive on its operating performance by forging strategic relationships with principal suppliers and trading partners, developing partnerships with key customers and developers. The Division has also expanded its market coverage throughout Malaysia on the distribution of our in-house brands of finishing products, such as sanitary wares, tap fittings, tiles and ironmongery to grow revenue and enhance margins. To increase its market share in the distribution of retail products to the hardware sector, the Division is in the process of setting up warehouses in the major towns and cities throughout the country.

LUBRICANTS, PETROLEUM PRODUCTS AND AUTOMOTIVE PRODUCTS

	2023 RM Million	2022 RM Million
Revenue	**117.5**	111.6
Segment profit	**12.2**	8.9

The Division remains vigilant to the continuing economic impact on its business operating environment. 2023 saw weak Ringgit and inflationary pressures on daily essentials and goods, thus affecting less prioritised general household spending such as personal transport repairs and maintenance.

Despite these challenges, our wide dealers network provides us a resilient and strong distribution channel to record healthy and profitable business outcomes in the industries we are involved in. The close collaboration with them and our common business objectives have enabled us to be a preferred lubricant provider over our competitors. High growth regions/ segments helped to offset weak performing markets, and thus, revenue remained mainly unchanged and stable at above RM100 million in the year under review.

In a challenging operating environment of rising supply and labour costs, the Division continued to be cost-conscious in our production process and distribution expenditure. As we were able to benefit from favourable supply and storage facilities, we recorded improvement in profitability across some products.

Emerging trends and new regulatory conditions will affect how we drive our business forward. We constantly seek business opportunities to expand our product coverage, and adopt sustainable strategies to strengthen our business resilience to mitigate disruptions and constraints. Barring unforeseen circumstances, the Division will continue to perform favourably in 2024.