Masteel

MALAYSIA STEEL WORKS (KL) BHD

Registration No. 197101000213 (7878-V)

ANNUAL REPORT 2020

PUTTING THE STEEL INTO MALAYSIA'S GROWTH

TABLE OF CONTENTS

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Forty-Ninth Annual General Meeting ("**49th AGM**") of the Company will be conducted entirely through live streaming from the broadcast venue via Remote Participation and Voting ("**RPV**") facilities at Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("**Broadcast Venue**") on Thursday, 17 June 2021 at 2.00 p.m. for the purpose of considering and if thought fit, passing with or without modifications the resolutions set out in this Notice.

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 together with the Reports of the Directors and Auditors thereon. *(Please refer to Note 1 of the Explanatory Notes)*

2. To approve the Directors' fees up to an aggregate amount of RM168,000.00 for the financial year ending 31 December 2021 and benefit payable to the Directors up to an aggregate amount of RM400,600.00 from 17 June 2021 until the next AGM of the Company and the payment thereof. **(Ordinary Resolution 1)**

   (Please refer to Note 2 of the Explanatory Notes)

3. To re-elect the following Directors who are retiring pursuant to Clause 96 of the Constitution of the Company:-

   (i) Dato' Sri Tai Hean Leng @ Tek Hean Leng **(Ordinary Resolution 2)**
   (ii) Mr Roy Thean Chong Yew **(Ordinary Resolution 3)**
   (iii) Ms Ng Siew Peng **(Ordinary Resolution 4)**

4. To re-appoint Messrs RSM Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

As Special Business

To consider and, if thought fit, to pass the following resolutions:-

5. **Proposed continuation in office of Dato' Ikhwan Salim Bin Dato' Haji Sujak as Independent Non-Executive Director** **(Ordinary Resolution 6)**

   (Please refer to Note 3 of the Explanatory Notes)

   "**THAT** approval be and is hereby given to Dato' Ikhwan Salim Bin Dato' Haji Sujak who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company in accordance with the Malaysian Code on Corporate Governance ("**MCCG**")."

6. **Proposed continuation in office of Mr Ng Wah Lok as Senior Independent Non-Executive Director** **(Ordinary Resolution 7)**

   (Please refer to Note 4 of the Explanatory Notes)

   "**THAT** approval be and is hereby given to Mr Ng Wah Lok who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as a Senior Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company in accordance with the MCCG."

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

7. **Proposed continuation in office of Encik Muhammad Hanizam Bin Hj. Borhan as Independent Non-Executive Director** **(Ordinary Resolution 8)**

(Please refer to Note 4 of the Explanatory Notes)

"**THAT** approval be and is hereby given to Encik Muhammad Hanizam Bin Hj. Borhan who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM of the Company in accordance with the MCCG."

8. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares ("Proposed Renewal of Share Buy-Back Mandate")** **(Ordinary Resolution 9)**

(Please refer to Note 5 of the Explanatory Notes)

"**THAT** subject to the Companies Act 2016 ("**the Act**"), the Constitution of the Company, the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to make purchases of the Company's ordinary shares as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company;

THAT an amount not exceeding the Company's retained profits account be allocated by the Company for the Proposed Share Buy-Back;

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:-

(i) the conclusion of the next AGM of the Company (being the Fiftieth AGM of the Company), at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the Fiftieth AGM of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/or any other relevant governmental and/or regulatory authorities (if any);

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

THAT upon completion of the purchase(s) by the Company of its own ordinary shares, the Directors of the Company be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion in the following manner:-

(i) distribute the shares as share dividends to the shareholders; or
(ii) resell the shares or any of the shares on Bursa Malaysia Securities Berhad; or
(iii) transfer the shares or any of the shares for the purposes of or under an employees' shares scheme; or
(iv) transfer the shares or any of the shares as purchase consideration; or
(v) cancel all the ordinary shares so purchased; and/or
(vi) sell, transfer or otherwise use the shares for such other purposes as allowed by the Act.

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and 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 Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authority."

9. **Proposed Renewal of Authority under Sections 75 and 76 of the Act and the Constitution of the Company for the Directors to allot and issue shares** **(Ordinary Resolution 10)**

(Please refer to Note 6 of the Explanatory Notes)

"**THAT** pursuant to Sections 75 and 76 of the Act and the Constitution of the Company, the Directors be and are hereby authorised and empowered to allot and issue shares in the Company at any time until the conclusion of the next AGM of the Company 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 to be issued does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at the time of issue, subject to the Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue."

10. To transact any other business, of which due notice shall have been given in accordance with the Constitution of the Company and the Act.

By Order of the Board,

TAI YIT CHAN (MAICSA 7009143) (SSM Practicing Certificate No. 202008001023)
TAN AI NING (MAICSA 7015852) (SSM Practicing Certificate No. 202008000067)
Company Secretaries

Selangor Darul Ehsan
30 April 2021

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

NOTES:-

1. The Company will conduct the AGM entirely through live streaming via RPV facilities. For further details and guidelines on RPV facilities, please refer to the Administrative Guide.

2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxies/corporate representative from the public shall be physically present at the Broadcast Venue on the day of AGM.

3. In respect of deposited securities, only members whose names appear on the Record of Depositors on 11 June 2021 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.

4. A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.

5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) shareholdings to be represented by each proxy.

6. Where a member of the Company is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

7. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it is entitled to 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. Where an Authorised Nominee appoints two (2) proxies to attend and vote at the AGM, the proportion of shareholdings to be represented by each proxy must be specified in the proxy form, failing which, the appointment shall be invalid.

   The members, proxies or corporate representatives may submit questions before the AGM to the Chairman or Board of Directors electronically by email to eservices@sshsb.com.my no later than Tuesday, 15 June 2021 at 2.00 p.m. or via real time submission of typed texts via RPV facilities during live streaming of the AGM as the primary mode of communication.

8. The proxy form shall be in writing, executed by or on behalf of the appointer or his (her) attorney duly authorised in writing or, if the appointer is a corporation, either be executed under its common seal or by its duly authorised attorney or officer.

9. The proxy form and the power of attorney or other authority, if any, under which it is signed or a duly notarised copy of that power or authority must be deposited to the Company's Share Registrar office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or adjourned AGM. Alternatively, the proxy form may also be electronically submitted via https://sshsb.net.my/login.aspx. Please refer to Administrative Guide for further information on electronic submission.

10. Pursuant to paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

EXPLANATORY NOTES

1. **Audited Financial Statements for the financial year ended 31 December 2020**

   Agenda item no. 1 is meant for discussion only as the provision of Section 340(1)(a) of the the Act does not require a formal approval of shareholders for the audited financial statements. Hence, this item on the Agenda is not put forward for voting.

2. **Directors' Fees and Benefits**

   Section 230(1)(b) of the CA 2016 provides that the fees of the directors and any benefits payable to the directors of a listed company and its subsidiary companies shall be approved at a general meeting.

   In view of the increasing fiduciary duties and time commitment of the Directors, the Board is proposing an increment of 5% of the Directors' fees payable to all Directors of the Company for the financial year ending 31 December 2021. The Board is also proposing that the benefit payable to all Directors be increased from RM384,470.00 to RM400,600.00 from 17 June 2021 until the next AGM of the Company.

3. **Proposed continuation in office of Dato' Ikhwan Salim Bin Dato' Haji Sujak as Independent Non-Executive Director**

   In respect of Ordinary Resolution 6, the Board of Directors ("**Board**") has via the Nomination Committee assessed on the re-appointment of Dato' Ikhwan Salim Bin Dato' Haji Sujak who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, and recommended him to continue to act as Independent Non-Executive Director of the Company as he has continued to display high level of integrity and is objective in his judgement and decision-making in the best interest of the Company, shareholders and stakeholders. The detailed justifications are as set out in the Corporate Governance Overview Statement.

4. **Proposed continuation in office of Mr Ng Wah Lok and Encik Muhammad Hanizam Bin Hj. Borhan as Senior Independent Non-Executive Director and Independent Non-Executive Director respectively**

   In respect of Ordinary Resolutions 7 and 8, the Board has via the Nomination Committee conducted an evaluation on the re-appointment of Mr Ng Wah Lok and Encik Muhammad Hanizam Bin Hj. Borhan who have served as Senior Independent Non-Executive Director and Independent Non-Executive Director of the Company respectively for a cumulative term of more than twelve (12) years, and recommended them to continue to act as Senior Independent Non-Executive Director and Independent Non-Executive Director of the Company respectively as they have continued to display high level of integrity and are objective in their judgement and decision-making in the best interest of the Company, shareholders and stakeholders. The detailed justifications are as set out in the Corporate Governance Overview Statement.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

EXPLANATORY NOTES (CONT'D)

5. **Proposed Renewal of Share Buy-Back Mandate**

   Ordinary Resolution 9 proposed under item 8 of the Agenda, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of ordinary shares by the Company up to ten per centum (10%) of the total number of issued shares of the Company at the time of issue as the Directors may deem fit and expedient in the best interests of the Company. The authority will, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the Forty-Nineth AGM is required by law to be held.

   Please refer to the Statement to Shareholders dated 30 April 2021 for further information.

6. **Proposed Renewal of Authority under Sections 75 and 76 of the Act and the Constitution of the Company for the Directors to allot and issue shares**

   The Company had, during its Forty-Eighth AGM held on 16 July 2020, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Sections 75 and 76 of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

   Ordinary Resolution 10 proposed under item 9 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act.

   Bursa Securities had vide its letter dated 16 April 2020 granted several additional temporary relief measures, amongst others, listed issuers are allowed to seek a higher general mandate under Paragraph 6.03 of the MMLR of not more than 20% of the total number of issued shares for issue of new securities ("**20% General Mandate**"), provided that the following are being complied with:-

   (a) procure shareholders' approval for the 20% General Mandate at a general meeting; and
   (b) complies with all relevant applicable legal requirements, including its Constitution or relevant constituent document.

   This 20% General Mandate may be utilised by the Company to issue new securities until 31 December 2021 and thereafter, the 10% general mandate pursuant to paragraph 6.03 of the MMLR will be reinstated unless extended by Bursa Securities pursuant to their letter dated 16 April 2020.

   The Board of Directors, having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Group, is of the opinion that this 20% General Mandate is in the best interests of the Company and its shareholders.

   The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 20% of the total number of issued shares (excluding treasury shares) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

   This authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purposes of funding investment project(s), working capital and/or acquisition.

NOTICE OF ANNUAL GENERAL MEETING
(CONT'D)

PERSONAL DATA PRIVACY:

By submitting proxy form(s) appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CORPORATE INFORMATION

BOARD OF DIRECTORS

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK
(Chairman – Independent Non-Executive)

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG
(Managing Director/Chief Executive Officer)

LAU YOKE LEONG
(Executive Director/Chief Financial Officer)

ONG TENG CHUN
(Executive Director)

NG WAH LOK
(Senior Independent Non-Executive Director)

ROY THEAN CHONG YEW
(Independent Non-Executive Director)

MUHAMMAD HANIZAM BIN HJ. BORHAN
(Independent Non-Executive Director)

NG SIEW PENG
(Executive Director)

AUDIT COMMITTEE

Roy Thean Chong Yew (Chairman)
Ng Wah Lok
Muhammad Hanizam
Bin Hj. Borhan

NOMINATION COMMITTEE

Muhammad Hanizam
Bin Hj. Borhan (Chairman)
Ng Wah Lok
Roy Thean Chong Yew

REMUNERATION COMMITTEE

Dato' Ikhwan Salim
Bin Dato' Haji Sujak (Chairman)
Ng Wah Lok
Roy Thean Chong Yew

RISK MANAGEMENT COMMITTEE

Ng Wah Lok (Chairman)
Ong Teng Chun
Muhammad Hanizam
Bin Hj. Borhan

COMPANY SECRETARIES

Tai Yit Chan
(MAICSA 7009143)
(SSM Practicing
Certificate No. 202008001023)

Tan Ai Ning
(MAICSA 7015852)
(SSM Practicing
Certificate No. 202008000067)

REGISTERED OFFICE

Unit B-05-3A, 5th Floor
Block B (West Wing)
PJ8 Office Suite
No. 23, Jalan Barat
Seksyen 8
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7955 7889
Fax : 03-7956 0389

HEAD OFFICE

Wisma Masteel
Lot 29C, Off Jalan Tandang
Section 51
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7781 1611
Fax : 03-7781 5435

AUDITORS

RSM Malaysia (AF 0768)
5th Floor, Penthouse
Wisma RKT, Block A
No. 2, Jalan Raja Abdullah
Off Jalan Sultan Ismail
50300 Kuala Lumpur

SHARE REGISTRAR

Securities Services (Holdings)
Sdn. Bhd.
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Tel : 03-2084 9000
Fax : 03-2094 9940

PRINCIPAL BANKERS

Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank
Malaysia Berhad
HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Stock Name : Masteel
Stock Code : 5098

CORPORATE STRUCTURE

MALAYSIA STEEL WORKS (KL) BHD

www.masteel.com.my

[Registration No. 197101000213 (7878-V)]

100%

MS EXPRESS SDN BHD

201701013472
(1227637-T)

Logistic provider for transportation of steel products and building materials.

100%

MS FABRICON SDN BHD

202001014310
(1370630-V)

Fabrication and trading of steel products.

48.25%

BIO MOLECULAR INDUSTRIES SDN BHD

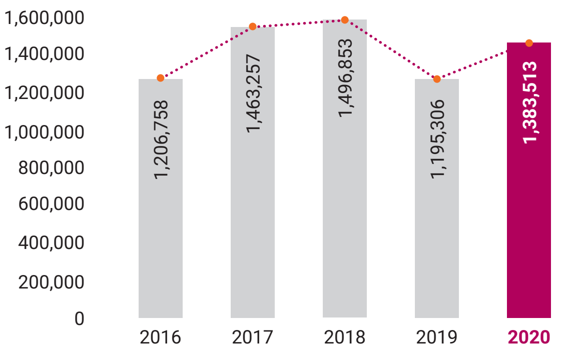
200501014182
(691229-K)

Manufacturing, research and development of radioisotopes and radiopharmaceuticals products for Positron Emission Tomography (PET).

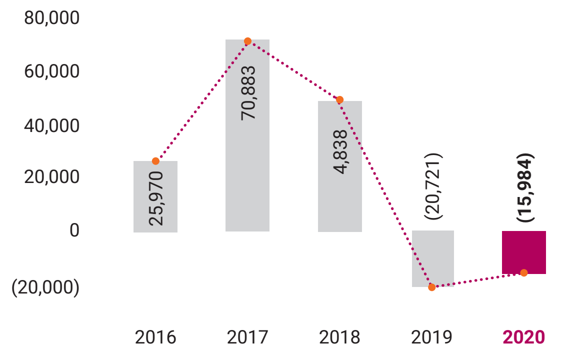
FINANCIAL HIGHLIGHTS

	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000
Revenue	1,206,758	1,463,257	1,496,853	1,195,306	1,383,513
Profit/(Loss) before taxation	25,970	70,883	4,838	(20,721)	(15,984)
Net Profit/(Loss) for the financial year	21,430	75,458	6,705	(8,326)	(14,726)
Total Assets Employed	1,249,274	1,317,111	1,376,837	1,518,292	1,606,618
Total Shareholders' funds	550,967	648,023	657,618	729,982	720,772
Paid-up Share Capital	122,254	221,472	230,094	233,310	239,942
No. of Ordinary Shares in Issue ('000)	244,508	315,631	427,240	436,040	452,740
Gearing Ratio	65.55%	54.77%	59.31%	65.56%	59.11%
Net Assets per Share (RM)	2.25	2.05	1.54	1.67	1.59
Earnings/(Loss) per Share (sen)	8.87	25.03	1.58	(1.95)	(3.27)
Diluted Earnings per Share (sen)	–	–	–	–	–
Gross Dividend per Share (sen)	–	0.90	–	–	–

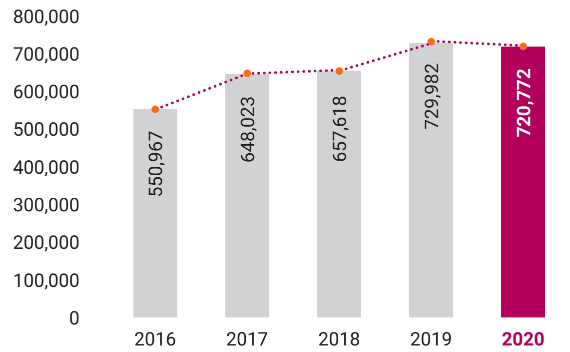
REVENUE
RM'000



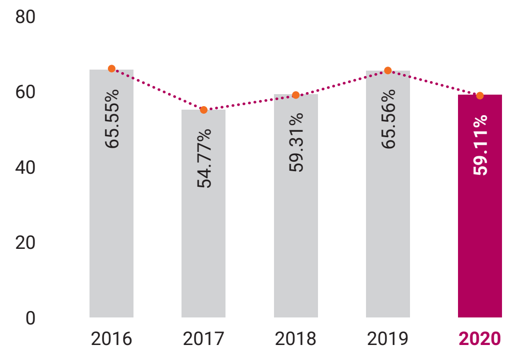
PROFIT/ (LOSS) BEFORE TAXATION
RM'000



TOTAL SHAREHOLDERS' FUNDS
RM'000



GEARING RATIO
%



DIRECTORS' PROFILE

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK

(Chairman – Independent Non-Executive)
(Chairman of Remuneration Committee)

Nationality Malaysian | **Gender** Male | **Age** 64

Dato' Ikhwan Salim Bin Dato' Haji Sujak, a Malaysian, male, aged 64, was appointed as Non-Executive Chairman since 22 May 2003 and a Non-Executive Director of Malaysia Steel Works (KL) Bhd ("Masteel") since 23 July 1998. He was re-designated as an Independent Non-Executive Director on 23 April 2012. He obtained a Bachelor of Science degree in Economics/ Accounting in 1977 from Queen's University, Belfast, Ireland. He joined Nestle (M) Sdn Bhd as a Finance Executive in 1979. In 1980, he joined Jaya Management Sdn Bhd, a subsidiary of General Corporation Berhad as the Group Finance Planning Manager and upon restructuring his family's varied business operations in 1981, he was made the Director for the holding company, Jaya Holdings Sdn Bhd. Since 1999, he was appointed as Director of Konsortium Jaringan Selangor Sdn Bhd and was also appointed as an Independent Director as well as Chairman of the audit committee of Glomac Berhad. Subsequently, he was appointed as Independent Director of Kumpulan Perangsang Selangor Berhad in 2001 to 2008. He was also appointed as a Director in Land and General Berhad on 1 December 2007. He was also a committee member of Automobile Association of Malaysia and the British Graduates Association of Malaysia. Dato' Ikhwan Salim also sits on the Board of several private companies in Malaysia.

Dato' Ikhwan Salim attended all 5 Board meetings of the Company held during the financial year ended 31 December 2020.

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG

(Managing Director/Chief Executive Officer)

Nationality Malaysian | **Gender** Male | **Age** 57

Dato' Sri Tai Hean Leng, a Malaysian, male, aged 57, was appointed as an Executive Director of Masteel on 25 April 1994. He is also the Managing Director/ Chief Executive Officer of Masteel. He obtained a Bachelor of Science degree in Mechanical Engineering from The University of Southern California in 1987 and a Master's degree in Finance from the University of Hull, United Kingdom in 1993. He began his practical training in 1987 as a Plant Manager in the manufacturing of Liquefied Petroleum Gas ("LPG") pressure vessels for the oil and gas industries. He has been involved in the formulation and implementation of Masteel's corporate strategies including corporate planning, business expansion and operations. He has more than 30 years of business experience in the iron and steel industry. Dato' Sri Tai also sits on the Board of MS Express Sdn Bhd which is the wholly-owned subsidiary of Masteel. He also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia. Dato' Sri Tai is a member of the board of the Malaysia Steel Institute ("MSI") and he is the Vice President of the Malaysia Steel Association ("MSA"). He does not hold any directorship in any other public company.

Dato' Sri Tai attended all the 5 Board meetings of the Company held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE
(CONT'D)

LAU YOKE LEONG

(Executive Director/Chief Financial Officer)

Nationality	Gender	Age
Malaysian	Male	52

Lau Yoke Leong, a Malaysian, male, aged 52, was appointed as an Executive Director of Masteel on 16 April 2007. He joined Masteel as an Accountant in July 2000, promoted as Chief Accountant in June 2004 and was appointed as Chief Financial Officer in April 2016. He is a Fellow Chartered Certified Accountant and a member of the Malaysian Institute of Accountants ("MIA"). He has more than 20 years of experience in various fields of accounting, audit, taxation and management matters as well as in-house training instructor on updating of accounting standards and audit software program, corporate restructuring, corporate exercise and due diligence assignments. He started his accounting profession in 1994 as an auditor with Messrs Ong & Wong. He completed the professional qualification from The Association of Chartered Certified Accountants in late 1995. Upon graduation in 1995, he joined another public accounting firm, Messrs T.H.Liew & Gan before moving on to Messrs Deloitte Touche Tohmatsu as an auditor from 1996 to 1999. From 1999 to 2000, he was with Bell Management Services Sdn Bhd before joining Masteel. Mr Lau also sits on the Board of MS Fabricon Sdn Bhd which is the wholly-owned subsidiary of Masteel. He also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia. He does not hold any directorship in any other public company.

Mr Lau attended all 5 Board meetings of the Company held during the financial year ended 31 December 2020.

ONG TENG CHUN

(Executive Director)
(Member of the Risk Management Committee)

Nationality	Gender	Age
Malaysian	Male	53

Ong Teng Chun, a Malaysian, male, aged 53, was appointed as an Executive Director of Masteel on 30 September 2015. He joined Masteel as an Assistant Finance Manager in September 1998 and was subsequently promoted to the position of a Senior Vice President in July 2010. His principal duties include managing the Financial, Treasury and Risk Management of Masteel. He was also en-tasked to spearhead the marketing division of steel bars. He obtained his Bachelor of Business degree majoring in Banking and Finance, in 1991, from Curtin University, Western Australia. Prior to joining Masteel, Mr Ong worked in Malaysian International Merchant Bankers Bhd ("MIMB"), where he was actively engaged in various syndicated fundraising exercises and structuring of project loan facilities. He also sits on the Board of several private companies in Malaysia. He does not hold any directorship in any other public company.

Mr Ong attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE
(CONT'D)

NG WAH LOK

(Senior Independent Non-Executive Director)
(Chairman of Risk Management Committee,
Members of Audit Committee, Nomination Committee
and Remuneration Committee)

Nationality	Gender	Age
Malaysian	Male	60

Ng Wah Lok, a Malaysian, male, aged 60, was appointed as an Independent Non-Executive Director of Masteel on 29 July 2004. He obtained his Bachelor of Engineering degree in 1984 and a Master degree in Engineering Science in 1989 from the University of Malaya. Upon graduation, he worked as a Project Engineer for a research project in the University of Malaya developing a hand pump to eradicate waterborne diseases in rural areas. In 1989, he joined Malaysian Industrial Products Sdn Bhd as a Project Engineer. In 1993, he was appointed as the General Manager of Masteel and was responsible for the upgrading of the rolling mill in Petaling Jaya and managed the expansion of the Bukit Raja plant in Klang. In 1999, he resigned as Senior General Manager and alternate Director of Masteel. He is currently a Director of a private limited company and 4 unlisted public companies in Malaysia, namely Eagle Dialysis Centre Berhad, New Covenant Community Centre Bhd, Full Gospel Tabernacle Bhd and Tung Ling Seminary.

Mr Ng attended all 5 Board meetings of the Company held during the financial year ended 31 December 2020.

ROY THEAN CHONG YEW

(Independent Non-Executive Director)
(Chairman of Audit Committee,
Members of Nomination Committee
and Remuneration Committee)

Nationality	Gender	Age
Malaysian	Male	49

Roy Thean Chong Yew, a Malaysian, male, aged 49, was appointed as an Independent Non-Executive Director of Masteel on 2 July 2015. He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA"), Malaysian Institute of Accountants ("MIA") and a Chartered Member of Institute of Internal Auditors of Malaysia ("CMIIA"). He started embarking on his career path in 1994 with PKF Malaysia. After accumulating extensive working experience in his field, he left PKF Malaysia as an Audit Manager in 2003 to join a professional services firm, Russell Bedford Malaysia Business Advisory Sdn. Bhd. ("RBMBA") for another six (6) years, rising to the position of an Executive Director. In 2009, he left RBMBA to start his own business venture. With over 25 years of working experience in local and international professional services firms, Mr Roy Thean has been involved in rendering a wide and diverse range of professional services to public listed companies and multinational and large national enterprises. His work encompasses a wide range of professional services with his core practice being in corporate finance and advisory work for transaction support services including business valuations, financial due diligence, preparation of business plans and financial modeling, internal control and business risk review, corporate governance, risk management, merger/ acquisition related services, internal and external auditing. Presently, Mr Roy Thean holding directorship in JAG Berhad, a listed company in ACE Market. He is also a Director in an unlisted public company, namely Teladan Setia Group Berhad.

Mr Roy Thean attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE
(CONT'D)

MUHAMMAD HANIZAM BIN HJ. BORHAN

(Independent Non-Executive Director)
(Chairman of Nomination Committee,
Members of Audit Committee
and Risk Management Committee)

Nationality	**Gender**	**Age**
Malaysian	Male	48

Muhammad Hanizam Bin Hj. Borhan, a Malaysian, male, aged 48, was appointed as an Independent Non-Executive Director on 12 November 2007. He is a member of the Malaysian Institute of Accountants ("MIA"). He obtained his Bachelor in Accountancy (Hons) Degree from the Universiti Teknologi MARA ("UiTM") Shah Alam in 1997. He started his career in an accounting firm Messrs Ali Jaafar & Co, in Kuala Lumpur as an audit assistant between 1996 to 1999 before he moved on to become audit supervisor with Messrs MNZ Associates, a Public Accountants firm between 1999 to 2000. He re-joined Messrs Ali Jaafar & Co in October 2000 as Audit Assistant Manager and was subsequently promoted to become the Audit Manager from 2002 to 2004. He joined Messrs Ismail Adam & Co as Tax Manager from May 2004 to September 2005. Thereafter, he started his own professional firm Messrs My Accounting Services where he is currently offering accounting and business advisory services to a variety of clients. He has more than 22 years of experience in small and medium-sized firms involving in trading, manufacturing, marketing, plantation, construction, property development, quasi government agencies and services industries. In February 2015, he was appointed as a member of Accounting Syllabus Committee for Malaysian Higher School Certificate under The Majlis Peperiksaan Malaysia (MPM) and was responsible to review the accounting syllabus periodically. He does not hold any directorship in any other public company.

Encik Muhammad Hanizam attended 4 out of 5 Board meetings during the financial year ended 31 December 2020.

NG SIEW PENG

(Executive Director)

Nationality	**Gender**	**Age**
Malaysian	Female	42

Ng Siew Peng, a Malaysian, female, aged 42, was appointed as an Executive Director on 23 November 2017. She obtained a Master of Business Administration with specialisation in Finance from the University of Southern Queensland, Australia. She joined Masteel in October 2012 as an Assistant Finance Manager and was subsequently promoted to the position of Corporate Manager in April 2016. Her principal duties are to ensure the integrity of the governance framework, compliance with statutory and regulatory requirements and implements decision made by the Board of Directors. She has more than 17 years of working experience in Corporate Finance and Corporate Governance. Prior to joining Masteel, she worked in Frontken Corporation Berhad, where she worked closely with the Senior Vice President to achieve the Company's objectives and participate actively in corporate finance related assignments. From 2004 to 2010, she was with Soon Seng Palm Oil Mill Sdn Bhd to assist the Group Director on implementation and coordination of new overseas investment plan. She also sits on the Board of a private company. She does not hold any directorship in any other public company.

Ms Ng attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2020.

Other than the aforesaid, none of the Directors has family relationship with any other directors/ major shareholders, except for the Managing Director/Chief Executive Officer, who is related to a major shareholder. None of the Directors have any conflict of interest with the Company. The members of the Board have no convictions for any offences within the past five (5) years or have been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 31 December 2020, other than traffic offences (if any).

PARTICULARS OF KEY SENIOR MANAGEMENT

TAN KA YEONG

(Senior Vice President)

Tan Ka Yeong, a Malaysian, male, aged 52, was appointed as a Senior Vice President of Masteel on 1 October 2018. He joined Masteel as a Plant Engineer in 1997 and was promoted as a Special Assistant to the Managing Director/ Chief Executive Officer in 2006. In 2009, he was promoted again as a Deputy General Manager. He holds a MSC in Materials Engineering with Distinction from University of Sunderland, Sunderland U.K. He has more than 27 years of experience in the engineering field. He started his engineering profession in 1994 to 1997 with Harom LPG Industries Sdn Bhd as a Plant Engineer before joining Masteel in 1997.

None of the Key Senior Management has any directorship in public companies and listed issuers. None of the Key Senior Management has family relationship with any directors/ major shareholders. None of the Key Senior Management have any conflict of interest with the Company. The Key Senior Management have no convictions for any offences within the past five (5) years or have been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 31 December 2020, other than traffic offences (if any).

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP'S BUSINESS AND OPERATIONS

Masteel's principal business activities are involved in the production of steel billets and steel bars which comply with the Malaysian Standard (MS 146:2014) for the construction and infrastructure sectors. The Company has two 100%-owned subsidiaries i.e., MS Express Sdn Bhd ("MSX") which is involved in transportation and logistics activities and MS Fabricon Sdn Bhd ("MSF") whose primary activities are to operate an in-house "Cut and Bend" facility for our steel products.

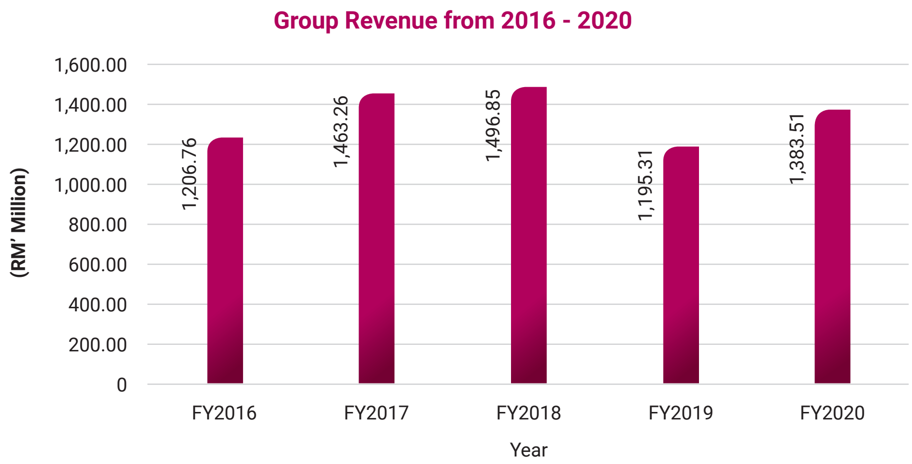
MSX, a wholly owned subsidiary of Masteel, currently possesses a fleet of nine prime movers and trailers which exclusively transports Masteel's steel bars and billets between its Bukit Raja and Petaling Jaya facilities. In addition, MSX is also being engaged to deliver the Company's products to its customer's sites. This has allowed Masteel to reduce a portion of its transportation costs.

In June 2020, Masteel incorporated a 100% wholly-owned subsidiary, MS Fabricon Sdn Bhd, whose primary activities are to operate a "Cut and Bend" value-adding facility to serve the requirements of various contractors and developers.

Masteel also has an associate company, Bio Molecular Industries Sdn Bhd ("Bio-M"), which is a BioNexus certified company that manufactures and undertakes research and development of radioisotopes which are used by hospitals for cancer imaging. These products fully comply with the Ministry of Health of Malaysia's National Pharmaceutical Regulatory Affairs ("NPRA") regulations and standards. Bio-M's facilities meet all the standards as set out by the Atomic Energy Licensing Board ("AELB").

The manufacturing facilities of Masteel and MSF are located in Petaling Jaya and Bukit Raja, Klang, Selangor. The geographical presence of the sales of its steel bars are primarily in the Klang Valley, Johor and the East Coast of West Malaysia. Its radioisotopes manufacturing facility is located in Bandar Enstek, Negeri Sembilan. The main market for its radioisotopes are hospitals throughout Malaysia.

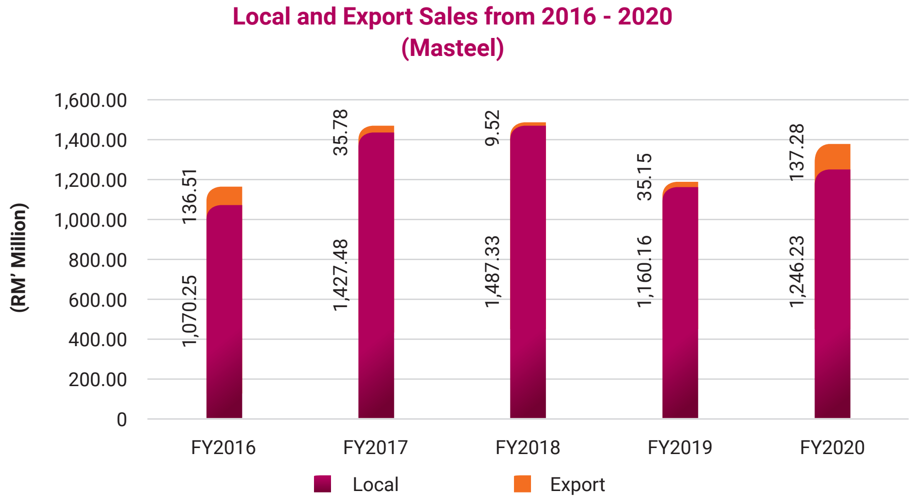
The main driver of revenue for the Group is from the sales of steel bars and billets.



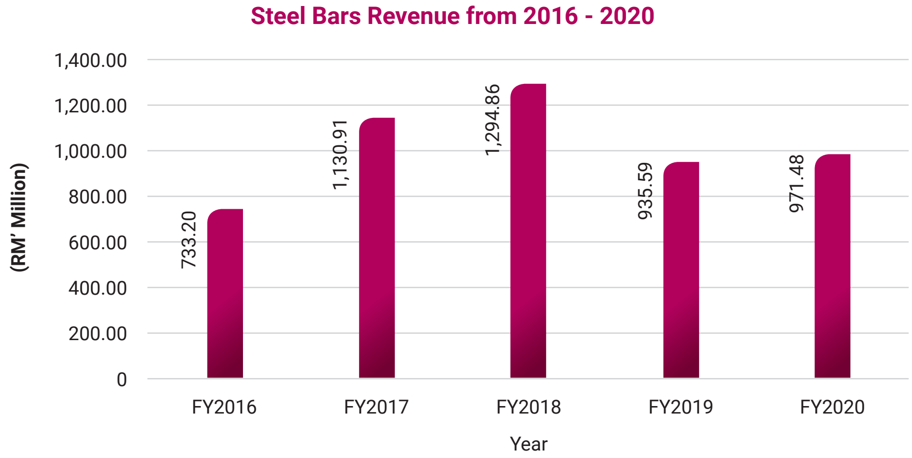
MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

GROUP'S BUSINESS AND OPERATIONS (CONT'D)

The distribution between local and export sales for the past 5 years are as follows:-



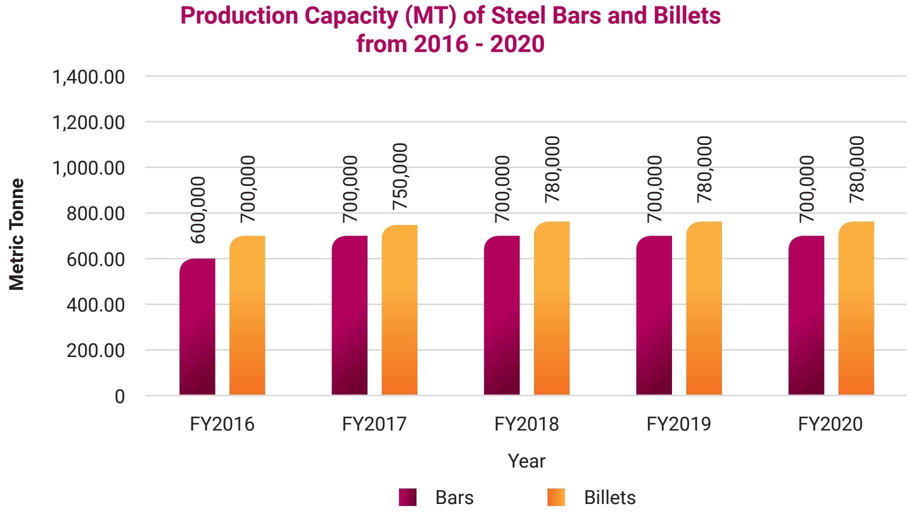
The sales revenue from steel bars in the past 5 years are as follows:-



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

GROUP'S BUSINESS AND OPERATIONS (CONT'D)

The production capacity of billets and bars are as follows:-



BUSINESS OBJECTIVES

The objective of the Company's manufacturing activities is to maximize shareholders' value through the generation of profits by increasing sales volume and widening profit margin per MT with the efficient utilisation of minimum overheads and capitals.

Whilst the Company is constantly striving to improve its output through the upgrading of its plant and machinery, it is also diligently looking towards establishing new strategic partnerships and joint ventures with other steel mills to increase its capacities and expand into stainless and alloy steel products for its home market and new markets in the ASEAN region.

Ongoing research and development on the technology and methodology to improve the efficiencies and reliability of the manufacturing facilities are key agendas for the management of the Company. For instance, the utilisation of a new technologically efficient steel melting facility will improve the billet production efficiency and reduce reliance on various consumables which constitutes a significant amount of the production cost. This technological transformation will eventually enable the Company to keep the costs of production in check and remain competitive in the industry.

The Company employs and retains a well-trained and experienced workforce which are accustomed to the challenges of the cyclical nature inherent in the steel business and the demanding working environment of the heavy steel industry.

The complexity of ensuring consistently high utilization rate of all manufacturing facilities is a major factor that can affect the costs and competitiveness of its products. The Company has in place stringent and comprehensive training, inspection and maintenance programs with extensive incentives and penalty schemes to ensure the fullest compliance. Other external factors such as market pricing, exchange rate fluctuations and cost push factors are harder to be mitigated and anticipated.

In view of the Covid-19 pandemic, Masteel has also put in place new Standard Operating Procedures and company policies to ensure the safety and wellbeing of our employees.

It is the business philosophy of the Company to be prudent when expending its financial resources and is constantly remaining vigilant and informed about future economic and industry trends.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

FINANCIAL RESULTS AND FINANCIAL CONDITION

The Group's key financial performance for financial year 2020 are as follows:-

(a) For the year under review, the Group's revenue increased by 15.74% to RM1,383.51 Million as compared to RM1,195.31 Million in the previous financial year. The increase in revenue was mainly due to increased average selling prices, exports of billets, and pent-up demand of the steel products in the second half of the year after economic restrictions were uplifted. A major contributor for the increase in selling prices is the enormous pump-priming activities by the Chinese government's infrastructure sector. China, being the first country to recover from the pandemic, was the only major economic superpower to register a positive GDP growth rate in 2020. As such, China's consumption of steel had increased drastically.

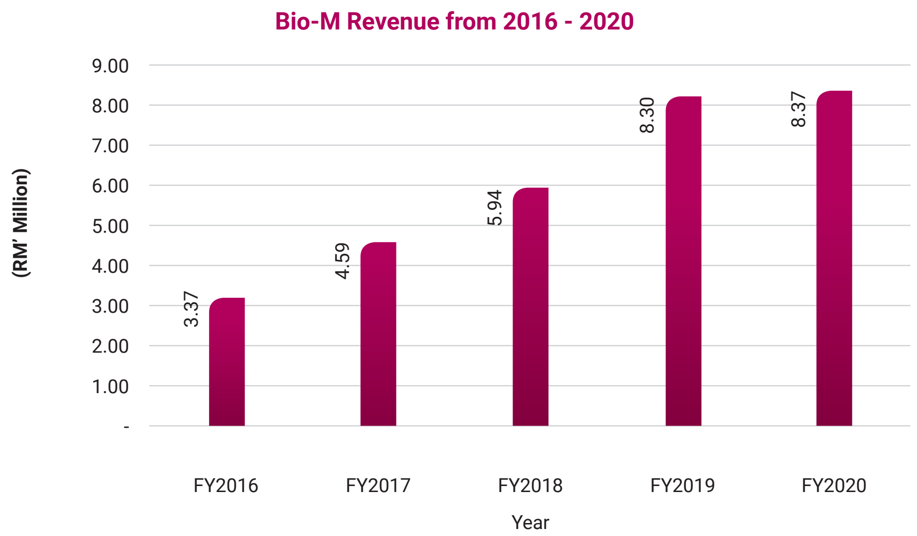
(b) The Group had managed to reduce its Loss Before Tax ("LBT") from RM20.72 Million in the previous year to a LBT of RM15.98 Million in the year under review. Due to a lower tax credit in FYE2020, the Group reported a Net Loss of RM14.73 Million in FYE 2020 as compared to a Net Loss of RM8.33 Million in the preceding year.

Since the 2nd half of 2019, Masteel was able to achieve steady improvements in its latest quarterly financial results over the year under review (save for the Q2 FYE2020) due to the successful utilization of its new steel melting technology. These new facilities have been proven to reduce the cost of production of steel billets. Masteel strives to improve its cost of production as cost management is crucial in an industry where selling prices are highly market driven.

In 2020, MSX's operations were impacted when Masteel was required to halt its operations during the first Movement Control Order ("MCO") period. Due to the MCO implemented by our government in order to curb the spread of the Covid-19 pandemic in March 2020, MSX's revenue decreased by 16.17% from RM5.07 Million in FYE2019 to RM4.25 Million in FYE2020. In line with the decreased revenue, MSX's profit before tax ("PBT") dropped by 34.87% from RM1.52 Million in FYE 2019 to RM0.99 Million in FYE 2020. The main driver of revenue and profit for MSX was derived from transporting Masteel's steel bars and billets between its Bukit Raja and Petaling Jaya facilities (in-house operations).

During the initial 3 months of its maiden operation, MSF incurred a Gross Loss of RM 76,420 on a turnover of RM 33,622.

Bio-M, the associate company which manufactures radioisotopes for the imaging of cancer cells had recorded a turnover of RM8.37 Million which is a marginal increase of 0.8% from RM8.30 Million in FYE 2019. However, the sales output of radioisotopes decreased by 2.5% from 196,496mCi in FYE2019 to 191,583mCi in FYE 2020 due to the various imposition of lockdowns during the year under review whereby the daily order quantity of radioisotopes had been reduced.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

In line with the decrease of its sales output, Bio-M's gross profit also decreased by 1.07% from RM3.73 Million in FYE 2019 to RM3.69 Million in FYE 2020.

The financial outcome of the Group other than being driven by the available manufacturing capacities is also affected by actual sales volumes, selling price of its end products and raw material costs. In addition, the magnitude in the increase of energy costs, labour costs, and financial costs will also affect the final financial outcome of the Group.

The following are the risk factors that could affect the financial performance of the Company:-

1) The Covid-19 pandemic and government movement control restrictions could hamper the production operations, demand, and consumption of steel bars. However, with the Government's management of the pandemic, the public's adherence to strict Standard Operating Procedures ("SOP"), and an expedient vaccine rollout program, the risk of a severe economic shutdown is reduced compared to 2020.

2) In addition to the ongoing softness in the property sector, the delay in the implementation and uncertainty over the launching of several government mega infrastructure and construction projects are risk factors which could affect the local demand of steel bars.

3) The ongoing political instability in the country may create further uncertainty on the implementation of the ongoing and future launching of various government mega infrastructure and construction projects. Consequently, this could further affect the local demand of steel bars.

4) The risk of imported steel bars being dumped in Malaysia is currently minimal due to the imposition of anti-dumping import duties of up to 20.09% on rebars from Singapore and Turkey. This anti-dumping import duty was gazetted on 21st January 2020 which became effective from 22nd January 2020 and will only expire on 21st January 2025.

5) Any potential increase in costs will be mitigated by striving for higher output and better production cost efficiency with the implementation of new technology packages and manpower retraining.

6) Foreign exchange volatility risk will continue to be minimized and mitigated through constant monitoring of the foreign exchange market and the Company's overall forex exposure. In addition, the Company is anticipating to increase its foreign currency based revenue via the export of billets and steel bars. Thereby, this anticipated increase of exports will provide a natural hedge to a portion of its forex exposure.

7) The operation of a China-owned steel mill in the east coast is still posing a significant risk as it substantially increases the supply of steel products into the local market which is in the midst of experiencing a weak demand as a consequence of the soft construction and property sectors. Nonetheless, the buoyant demand of steel bars and billets in China has allowed the China-owned steel mill to export its steel products back to China, thereby reducing the risk of excessive dumping into the local market.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONT'D)

FINANCIAL SECTION OF THE COMPANY

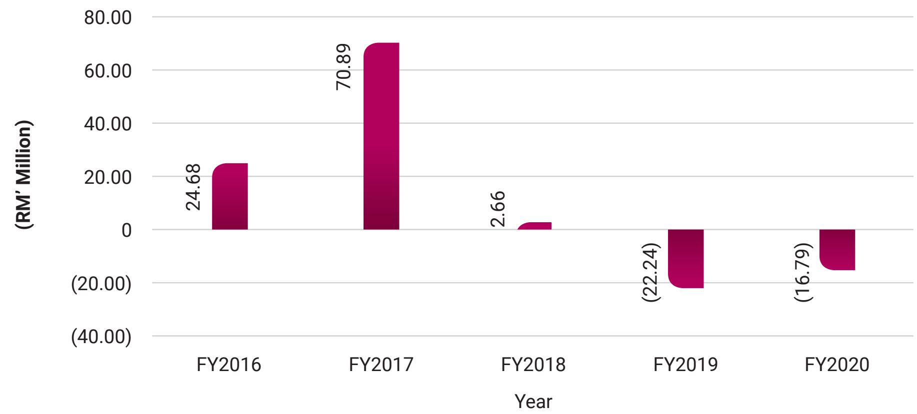
1) Despite the turbulent start of FYE2020, the Company's revenue increased by 15.74% year on year (RM1,195.31 Million in 2019 to RM1,383.51 Million in 2020) due to the increased domestic demand for steel bars coupled with increased billet exports. With the economic recovery gaining traction commencing in H2 FYE2020 upon easing of lockdowns and restrictions, an upswing in demand for construction materials in the period resulted in an improvement of the Company's sales of steel bars.

2) Despite the improved revenue, the various forms of MCO imposed by our government had impacted our operations and utilization efficiency which in turn resulted in a compression of our gross profit margin. For the year 2020, the Company recorded a Gross profit of RM39.04 Million, a decrease of 26.06% from RM52.80 Million in 2019. However, on a quarterly basis, we are seeing our gross profit margins improving over the last two quarters of FYE 2020 due to a swifter economic recovery in both domestic and global markets.

3) In H2 FYE 2020, Masteel was able to turn around to record a greater gross profit margin of RM13.00 Million and RM25.30 Million for Q3 and Q4 respectively, as a consequence of improved operational efficiency and greater utilization of the Company's new cost-efficient steel melting technology.

4) The Company posted a LBT of RM16.79 Million for the year 2020 as compared to a LBT of RM22.24 Million in 2019. The main factor which contributed to the reduced LBT was a reduction in the operating expenses in the year due to a higher realized foreign exchange gains and reversal on the impairment of inventories.

Profit/(Loss) Before Taxation from 2016 - 2020



5) For the year ended 31st December 2020, the Company saw an increase in its Property, Plant & Equipment account from RM738.24 Million to RM772.36 Million mainly due to the acquisition of a new steel production facility and improvements to our existing equipments.

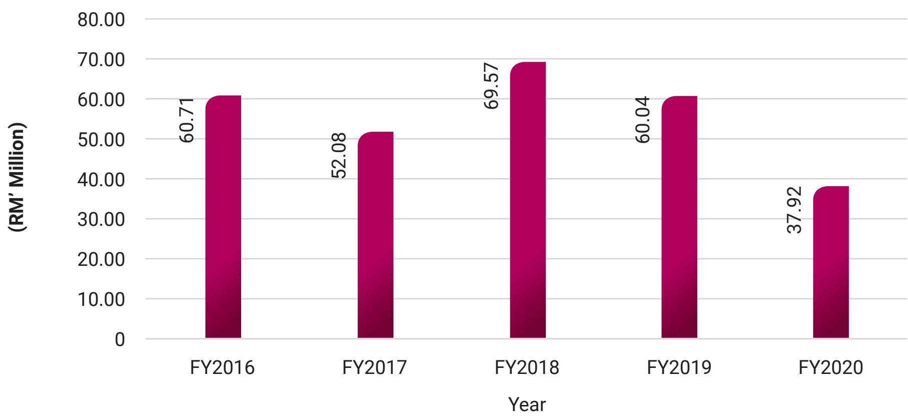
6) The Company's trade receivables increased from RM164.31 Million as at 31st December 2019 to RM207.29 Million as at 31st December 2020. In line with the increase in revenue and the various challenges faced by the construction industry players, the Company's average trade receivable days increased marginally from 50 days in 2019 to 55 days in 2020.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL SECTION OF THE COMPANY (CONT'D)

7) Due to the challenging economic conditions as a result of the deadly Covid-19 pandemic during the year under review coupled with the escalation of scrap metal prices (particularly towards the end of 2020), the Company's cash balance and short-term deposits reduced by 36.84% from RM60.04 Million in FYE 2019 to RM37.92 Million in FYE 2020. Despite the impact of the pandemic, the Company managed to reserve a relatively healthy level of Cash and Cash Equivalents and will continue to rebuild its cash balances should future economic conditions allow.

Cash Balance and Short Term Deposits from 2016 - 2020

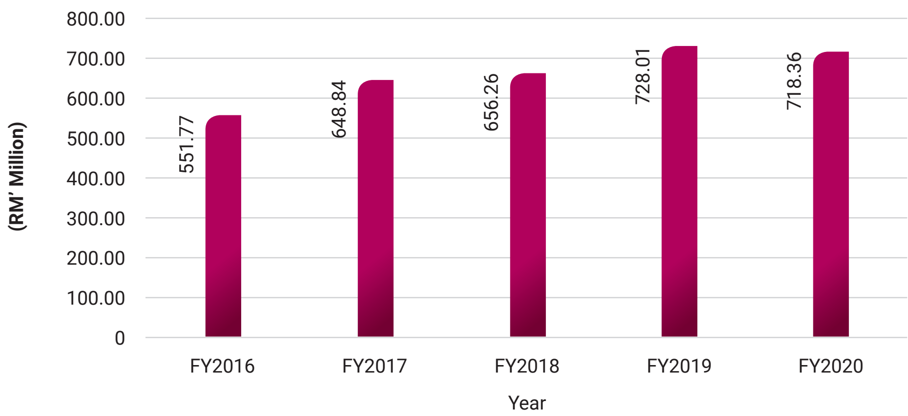


8) In line with a prudent capital management during economic uncertainty, the Company's short-term borrowings decreased by 2.34% from RM331.75 Million in FYE 2019 to RM323.99 Million in FYE 2020.

9) The Company's long-term borrowings also decreased by 31.67% from RM131.71 Million to RM90.00 Million mainly due to reclassification of non-current borrowings to current borrowings.

10) The Company's shareholders' funds had decreased marginally by 1.33% to RM718.36 Million for the FYE 2020 as compared to RM728.02 Million in the previous year. The decrease is due to the loss incurred in the financial year as a consequence of the Covid-19 pandemic.

Total Shareholders' Fund from 2016 - 2020



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FORWARD LOOKING STATEMENTS

Moving past the unprecedented turmoil Covid-19 had inflicted upon various industries and our Company in 2020, we are cautiously optimistic that the worst is behind us and 2021 could be a promising year ahead due to Malaysia government's experience in handling the Covid-19 pandemic, stricter adherence to SOPs, and an expedient vaccine rollout program.

The Malaysian construction sector is expected to rebound by 13.9% in 2021 on account of the acceleration and revival of major infrastructure projects. This was further reinforced by Budget 2021's commitment towards the implementation of infrastructure megaprojects including Mass Rapid Transit Line 2, Light Rail Transit Line 3, ECRL, West Coast Expressway and Bayan Lepas Light Rail Transit as well as Pan Borneo and Coastal Highways in Sarawak. With the recent confirmation on the revival of Mass Rapid Transit Line 3 which is expected to commence in the second half of 2021, the construction sector will enjoy a brighter prospect ahead. Malaysia's GDP is expected to rebound between 6.5% and 7.5% in 2021

After one year of battling the pandemic as a nation, most companies and the workforce should now be familiar and compliant with the necessary SOPs to ensure the safety of their employees and stakeholders. This should ensure that most construction projects would be able to resume with smoother operations as compared to the previous year.

Additionally, as vaccine programs and rollouts are accelerating in many countries, nations will begin their pump priming activities on sectors which provide high fiscal multiplier effect such as infrastructure development and construction sectors in order to revitalize their respective economies. For example, China, being the first country to recover from the pandemic had announced its 3.6 Trillion Yuan fiscal stimulus in 2020 to stimulate its economy whilst the new US President Joe Biden had signed off a USD1.9 Trillion Covid-19 Stimulus Package on 11th March 2021 which is designed to speed up the economy and public health recovery due to the pandemic crisis. Furthermore, to stimulate and spur the economic growth in United States at a faster pace, on 31st March 2021, US President Joe Biden's administration had proposed to spend an additional USD 2.25 Trillion on infrastructure-related projects over the next 8 years. In fact, prices of steel products have risen significantly since the last quarter of 2020 due to the increased demand for steel in China. The anticipated massive infrastructure-related stimulus expenditures by economic superpowers are expected to bolster the current momentum in the consumption of steel products globally.

Masteel is well positioned to capitalize on any potential economic boom in the long steel sector due to its new steel melting facilities. As Masteel had mastered the operations of its new steel melting facilities, its investment in the earlier two new units of steel melting technology (which were commissioned in late 2018 and Q3 2019 respectively) had yielded desirable results and allowed the Company to cushion the economic impact of the Covid-19 pandemic and minimize losses during such a challenging year.

The observable cost savings achieved had encouraged the Company to procure a third plant which had just came into operation in March 2021. With the Company's familiarity and operational experiences, the new facility was effectively be "plug and play" which reduced any major gestation period and hence Masteel shall be able to rapidly reap the benefits. Furthermore, the new addition will provide Masteel with increased versatility in the diversification of its product range which shall include alloy and stainless steel (in the near future).

Masteel is sourcing about 70% of its scrap metal requirement locally. With the imposition of 15% export duty on the export of local scrap metal, which was gazetted and came into effect on 25th March 2021, Masteel expects its cost of billet production to improve and enhance its competitiveness in global market.

The issue of oversupply in the local steel sector due to imports in the Malaysian market is mitigated via MITI's anti-dumping duty on steel products from Singapore and Turkey gazetted on 21st January 2020. While still posing a significant risk, the oversupply from the operations of a China-owned steel mill in Kuantan is expected to be reduced due to China's buoyant demand for steel bars and billets which allows the China-owned steel mill to export its steel products back to China.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FORWARD LOOKING STATEMENTS (CONT'D)

Masteel is determined and confident to remain competitive in the local steel arena until an equilibrium in the market is reached. As we strive to remain competitive, we continue to invest capital in the latest technology to optimize our costs. In the coming year, the company intends to upgrade its rolling mill in order to increase its cost efficiency and production output.

Masteel's subsidiary, MSX, is expected to continue its contribution to the Group's cost saving initiatives by reducing the transport costs of delivering its billets and steel bars between its Bukit Raja Plant to Petaling Jaya Plant.

With MSF's current strategy in focusing to promote its products and services to the main contractors and developers of infrastructure and property projects, MSF is expected to contribute more to the group via an increasing sale of its products which are expected to generate a premium margin as compared to Masteel's existing steel products.

In the radio pharmaceutical division, the quantities of radioisotopes to be sold in 2021 is expected to grow organically with the addition of 2 new customers who will be starting their Positron Emission Tomography – Computed Tomography services. The estimated doses to be ordered from both new customers are approximately 7,350 mCi.

Masteel is in the midst of a rights issue with free detachable warrants exercise to raise working capital. As the proposed corporate exercise proceeds are mainly used for working capital, it will further enhance Masteel's financial footing that will allow the Company to focus on enhancing its capabilities to capture new opportunities. Thus, the corporate exercise is a strong testament of confidence and commitment of the promoters and shareholders in realising the Company's growth trajectory going forward.

Masteel and its Management believe that being dynamic and ever-adapting are necessary in these volatile times. The Board of Directors' and Management's ability to look forward and plan ahead has allowed the Company to overcome many hurdles for the past 49 years while simultaneously increasing the value creation to its stakeholders. Masteel is confident that it is poised to reap the financial rewards in the recovery of the current economic upturn and emerge more profitable, sustainable and dominant.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

In recognising the importance of good governance as a fundamental part of discharging their responsibilities, the Board of Directors ("Board") of Malaysia Steel Works (KL) Bhd ("Masteel" or "Company") has taken steps to evaluate and implement the Group's corporate governance policies and procedures. The Board is committed to ensure that good corporate governance is practiced and complied with throughout the Group within the framework as expounded by the Malaysian Code on Corporate Governance ("MCCG") to enhance the shareholders' value.

This Corporate Governance Overview Statement is supported with a report ("Corporate Governance Report"), based on a prescribed format as outlined in paragraph 15.25(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") so as to map the application of Masteel's corporate governance practices against the MCCG. The Corporate Governance Report is available on the Company's website, www.masteel.com.my as well as via an announcement on the website of Bursa Securities.

This Statement should also be read in conjunction with the other statements in this Annual Report, namely the Audit Committee Report, Statement on Risk Management and Internal Control and Sustainability & Climate Change Report, for a more holistic and granular understanding of the Group's corporate governance framework and practices.

Summary of Corporate Governance Practices

Masteel has benchmarked its practices against the relevant promulgations and higher order practices, across the three (3) principles of the MCCG, namely:-

- Principle A: Board Leadership and Effectiveness;
- Principle B: Effective Audit and Risk Management; and
- Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

Masteel has consistently applied all the practices espoused by the MCCG ("Practices"), except for the following:-

- Practice 4.2 (Tenure of independent directors);
- Practice 7.2 (Disclosure on a named basis the Company's top five (5) senior management's remuneration in bands of RM50,000); and
- Practice 11.2 (Adoption of integrated reporting based on a globally recognised framework).

Amongst the four (4) Step Ups advocated by the MCCG, the Board has adopted Step Up 8.4 which calls for the Audit Committee to comprise solely Independent Directors and Step Up 9.3 which calls for Risk Management Committee ("RMC") to comprise of majority Independent Directors. Step Ups are aspirational practices to facilitate companies in achieving greater excellence in corporate governance. Accordingly, the adoption of Step Ups is voluntary and in the heightened self-interest of Masteel.

In line with the requirements of the MCCG, the Group has provided clear and forthcoming explanations for departures from the Practices in the Corporate Governance Report. With regards to departure in Practices, the Board has provided disclosures on the alternative measures in place which will achieve similar outcomes of those Intended Outcomes of the MCCG. The explanations on the departures, supplemented with disclosure on the alternative practices are contained in the Corporate Governance Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its directions and operations, and ultimately the enhancement of long-term shareholders' value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group by setting the appropriate tone at the top, including planning its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board is guided by a Board Charter which sets out the duties and responsibilities of the Board. The Board Charter sets out the matters reserved for Board's collective decision in to ensure clear division of responsibilities. The Limits of Authority further detailed the authorisation of expenditures within the Group.

Subsequent to the introduction of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Group had on 29 May 2020 adopted the Anti-Bribery and Anti-Corruption Policy ("ABAC Policy") and taken proactive actions to strengthen the Group's internal processes and practices during the financial year to ensure that it has adequate procedures in place to prevent persons associated with the Group from undertaking corrupt conduct. The Board will conduct review of the ABAC policy at appropriate intervals or at least once every three (3) years to consider is suitability, adequacy and effectiveness. In addition, the Code of Conduct, Code of Ethics and Whistleblowing Policy were revised concurrently so as to align with the ABAC Policy. The policies are available on the Company's corporate website. The Company had subsequently established an Integrity Committee so as to assist RMC in establishing an oversight body to undertake primarily anti-bribery and anti-corruption measures and responses.

The Managing Director/Chief Executive Officer ("MD/CEO") together with the Executive Directors, supported by the Management staff, are closely involved in the Company's day-to-day operations and ensure that shareholders' long-term interests are served. Through oversight, review and counsel, the Board establishes and promotes the Group's business and organizational objectives, provides leadership to the Group, oversees business affairs and integrity, and works with the Management to determine the Group's mission and long-term strategy.

Collectively, the Board brings a balance of skills and experience appropriate to the business owing to their diverse background in business, accounting, finance, political and commercial field.

In order to assist in the discharge of its responsibilities, the Board has established the following committees ("Board Committee(s)") to perform certain of its functions and to provide recommendations and advice:-

- Audit Committee ("AC");
- Remuneration Committee ("RC");
- Nomination Committee ("NC"); and
- Risk Management Committee ("RMC").

Each Board Committee operates its functions within their terms of reference which have been approved by the Board and are subject to periodically review. The Board appoints the Chairman and members of each Board Committee amongst themselves.

The Chairman of the respective Board Committees reports to the Board on key matters deliberated at the Board Committees' meetings and makes necessary recommendations to the Board. The ultimate responsibility for decision making lies with the Board.

The Board Charter is reviewed periodically by the Board or revised as and when required to ensure it complies with legislations and best practices and remains relevant and effective in light of the Board's objectives. A copy of the Board Charter is published on the Company's website at www.masteel.com.my.

The Board is also mindful of the importance of devoting sufficient time and effort to carry out their responsibilities and enhance their professional skills. It is also the Board's policy for Directors to notify the Chairman of the Board before accepting any new directorships notwithstanding that the MMLR allows a Director to sit on the board of up to five (5) listed issuers.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I Board Responsibilities (Cont'd)

The Board met five (5) times during the Financial Year Ended ("FYE") 31 December 2020. The attendance of each Director at the Board meetings held during the FYE 31 December 2020 is as follows:-

Name of Directors	Number of Attendance Achieved	Percentage (%)
Dato' Ikhwan Salim bin Dato' Haji Sujak - *Independent Non-Executive Chairman*	5/5	100
Dato' Sri Tai Hean Leng @ Tek Hean Leng - *MD/CEO*	5/5	100
Mr Lau Yoke Leong - *Executive Director/Chief Financial Offer ("CFO")*	5/5	100
Mr Ong Teng Chun - *Executive Director*	5/5	100
Ms Ng Siew Peng - *Executive Director*	5/5	100
Mr Ng Wah Lok - *Senior Independent Non-Executive Director*	5/5	100
Mr Roy Thean Chong Yew - *Independent Non-Executive Director*	5/5	100
Encik Muhammad Hanizam bin Hj. Borhan - *Independent Non-Executive Director*	4/5	80

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling the roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at Board meetings.

There is a clear division of responsibilities between the Chairman and MD/CEO to ensure that there is a balance of power and authority, as set out in the Board Charter. The Independent Non-Executive Chairman, Dato' Ikhwan Salim bin Dato' Haji Sujak is responsible for instilling good corporate governance practices, leadership and effectiveness of the Board while the MD/CEO, Dato' Sri Tai Hean Leng @ Tek Hean Leng is entrusted by the Board on the daily running of the business and implementation of the Board's policies and decisions.

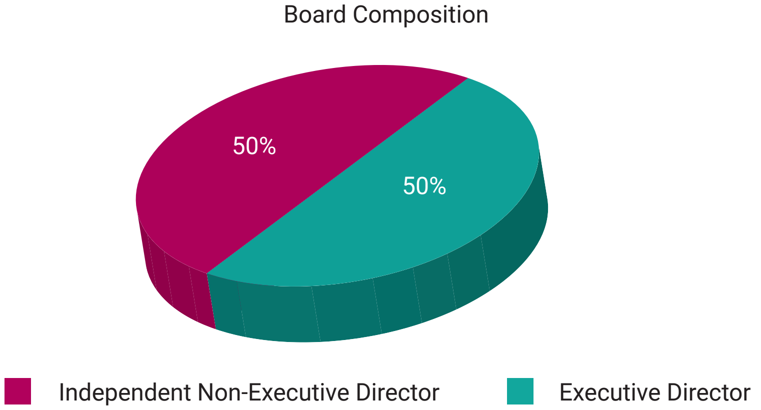
The Board has access to the advice and services of the Company Secretaries. Both Company Secretaries of the Company are qualified to act as Company Secretaries under the Companies Act 2016 ("CA 2016") and are Fellow members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and leadership role in shaping the corporate governance of the Group.

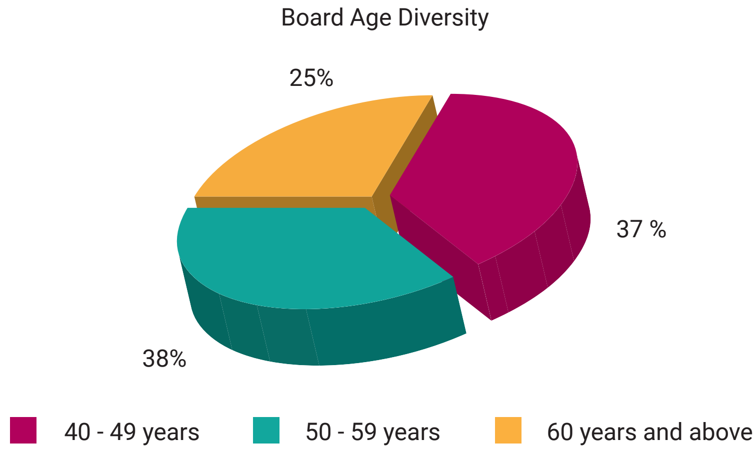
Notices of meetings are circulated to Directors at least seven (7) days before the meetings. The Management provides the Board with detailed meetings materials at least five (5) business days in advance. Senior Management may be invited to join the meetings to brief the Board and the Board Committees on requisite information being discussed, where necessary.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II Board Composition





The Board currently has eight (8) members, comprising four (4) Executive Directors and four (4) Independent Non-Executive Directors. The present Board composition complies with Paragraph 15.02 of the MMLR which requires at least two (2) directors or one-third (1/3) of the Board, whichever is higher, to be independent. The Chairman of the Board is an Independent Non-Executive Director who carries out a leadership role in the conduct of the Board and its relations with shareholders and stakeholders.

The current size and composition of the Board is adequate for facilitating effective and objective decision making given the scope and nature of the Group's business and operations. The Independent Directors play a strong and vital role in entrenching good governance practices in the affairs of the Group through their participations in the respective Board Committees. The Independent Non-Executive Directors of the Company had devoted sufficient time and attention to the Group's affairs. None of the Directors on the Board hold more than five (5) directorships in other listed issuers on Bursa Securities.

The Board acknowledges the requirement under Practice 4.5 of the MCCG on increasing women's participation in the Board. Although the Company does not set any specific target for female Directors, the Board will actively work towards having more female directors on board.

According to the Company's Board Diversity Policy, the Board recognised diversity as an important criteria in determining board composition and to ensure difference perspectives are considered for Board effectiveness and strength.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III NC

The NC comprises exclusively of Independent Non-Executive Directors, as follows:-

Name	Designation
Encik Muhammad Hanizam bin Hj. Borhan	Chairman
Mr Ng Wah Lok	Member
Mr Roy Thean Chong Yew	Member

The Board has through the NC, conducted an annual assessment on the effectiveness of the Board as a whole and the contribution of each individual Director. The assessment was conducted in-house and facilitated by Boardroom Corporate Services Sdn Bhd, the external corporate secretarial services provider of the Company.

The effectiveness of the Board Committees is assessed in terms of composition, required mix of skills, experience, structure and processes, accountabilities and responsibilities, as well as the effectiveness of the Chairmen of the respective Board Committees.

The Chairman of the NC, Encik Muhammad Hanizam bin Hj. Borhan is an Independent Non-Executive Director. During the FYE 31 December 2020, the NC held one (1) meeting and majority members registered full attendance. Below is a summary of the key activities undertaken by the NC in discharge of its duty for the FYE 31 December 2020:-

- Conducted an annual assessment on the effectiveness of the Board and Board Committees covering areas such as Board structure and operation, management relationship with the Board, the Board's role and responsibilities, the required mix of skills and experience of the Directors, time commitments, skills, characters, experiences, integrity and competencies to effectively discharge the role as a Director and reported the findings in the Board meeting.

- Reviewed and assessed the independence of the Independent Directors of the Company.

- Reviewed the terms of office and performance of the AC and each of its members.

- Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to the Company's Constitution.

- Reviewed and assessed the independence of Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan, both have served the Company as Independent Directors for a cumulative term of more than twelve (12) years to continue serving as Independent Directors and recommended to the Board for consideration.

- Reviewed and discussed the succession planning of the Company.

- Reviewed and discussed the suitable training programme for continuous development of Directors to strengthen their contributions to the Board.

- Reviewed and recommended the composition of the Integrity Committee as well as proposed its terms of reference to the Board for approval.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III NC (Cont'd)

The Directors have individually or collectively attended various training programmes during the FYE 31 December 2020, amongst others, the following:-

Name of Directors	Programmes Attended
Dato' Ikhwan Salim bin Dato' Haji Sujak	• Virtual In-house Training on 'From Integrated Reporting to Integrated Thinking'.
Dato' Sri Tai Hean Leng @ Tek Hean Leng	• Section 17A - Corporate Liability Provision • Interactive Directors and Management Training - 'Section 17A MACC Act 2018 – Corporate Liability Provision: What You Need to Know & Implementing the Adequate Procedures'.
Mr Lau Yoke Leong	• Section 17A - Corporate Liability Provision • Interactive Directors and Management Training - 'Section 17A MACC Act 2018 – Corporate Liability Provision: What You Need to Know & Implementing the Adequate Procedures'.
Mr Ong Teng Chun	• Section 17A - Corporate Liability Provision • Interactive Directors and Management Training - 'Section 17A MACC Act 2018 – Corporate Liability Provision: What You Need to Know & Implementing the Adequate Procedures'.
Mr Ng Wah Lok	• Section 17A - Corporate Liability Provision
Mr Roy Thean Chong Yew	• Section 17A - Corporate Liability Provision • Covid-19; The Ultimate Governance Challenge • Supporting Workforce Physical & Mental Health • Governance in the New Norm • Mind the GAP; Audit Your Anti Bribery & Corruption Programme Effectively • Go Beyond Excel to Analyse Your Data • Automatic Exchange of Information
Encik Muhammad Hanizam bin Hj. Borhan	• Section 17A - Corporate Liability Provision • MIA Webinar Series: Risk Management in Strengthening Resilience Management. • MIA Webinar Series: Mastering Cyber Security to Mitigate Fraud.
Ms Ng Siew Peng	• Section 17A - Corporate Liability Provision. • Interactive Directors and Management Training - 'Section 17A MACC Act 2018 – Corporate Liability Provision: What You Need to Know & Implementing the Adequate Procedures'. • Red Flags during Tax Audits & Investigations. • Tax Challenges in an Increasingly Digitalized World. • Accounting for Non-Accountants.

The Directors will continue to attend relevant training courses to further enhance their skills and knowledge to enable them to discharge their responsibilities more effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III NC (Cont'd)

The Company Secretaries facilitated the organisation of internal training programmes and keep the Directors informed of relevant external training programmes. The Company Secretaries also circulate the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and brief the Board quarterly on these updates at Board meetings.

The External Auditors also highlighted to the AC and the Board on changes to the Malaysian Financial Reporting Standards ("MFRS") that affect the Group's financial statements during the year, where applicable.

(i) Appointment to the Board and Re-election of Directors

The Company's Constitution states that all Directors are subject to retirement by rotation and in ascertaining the number of directors to retire annually, at least one third of the Directors are required to retire and the Company shall ensure that all Directors shall stand for re-election at least once in every three (3) years.

(ii) Tenure of Independent Director

The Board Charter of the Company allows for an Independent Director who is serving exceeding a cumulative term of nine (9) years to be retained by obtaining the annual shareholders' approval during the AGM of the Company.

The NC will evaluate the independence of the Independent Director prior to their recommendation to the Board on retaining the Independent Director with valid justifications.

The invaluable knowledge of the Independent Directors gained through the years, as well as their continued contribution will provide stability and benefits to the Board and the Group as a whole. The Board believes that the integrity of the Directors in discharging their responsibilities in the best interest of the Company, after having provided all the relevant confirmation on their independence, will be able to determine if they can continue to bring independence and objective judgement on Board deliberations and decision making.

During the year 2020, both Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan have served the Company as Senior Independent Non-Executive Director and Independent Non-Executive Director of the Company respectively for a cumulative term of more than twelve (12) years. The Board has retained them as Independent Directors notwithstanding their service tenures by obtaining annual approval from shareholders during the previous AGM based on the following justifications:-

(a) They have fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and therefore are able to bring independent and objective judgement to the Board.

(b) They have contributed sufficient time and effort in attending the Board Committee meetings and Board meetings.

(c) The length of their service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company.

(d) As they have been with the Company for more than more than twelve (12) years they therefore understand the Company's business operations which enable them to participate actively and contribute during deliberations or discussions at Board Committee meetings and Board meetings without compromising their independence and objective judgement.

(e) They have exercised their due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

IV Remuneration

The Board through RC has established a Directors' Remuneration Policy to assist the Group in attracting, retaining and motivating its Directors in order to run the Group successfully.

The RC consists of the following members:-

Name	Designation
Dato' Ikhwan Salim bin Dato' Haji Sujak	Chairman
Mr Roy Thean Chong Yew	Member
Mr Ng Wah Lok	Member

During the financial year 2020, the RC convened two (2) meetings which were attended by all the RC members. The RC had reviewed the remuneration for the Executive Directors, which reflects the level of risk and responsibility, the individual's performance indicators ("KPI") on the job, and the performance of the Company and considered their remuneration packages are well within the comparable companies in similar industry. The RC had also reviewed the fees for Non-Executive Directors, which reflects the experience and level of responsibilities undertaken by the individual Non-Executive Directors concerned.

The level and structure of the Group's remuneration policy are aligned with the business strategy and long-term objectives of the Group, as are appropriate to attract, retain and motivate the Directors to provide good stewardship, as well as motivate key management personnel to successfully manage the Group. The Board is of the view that the current remuneration level suffices to attract, retain and motivate qualified Directors to serve on the Board.

The detailed remuneration of the Board is disclosed in the Corporate Governance Report of the Company and in Note 24 of the Notes to the financial statements of the Company FYE 31 December 2020.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

The Board is assisted by the AC to oversee the Group's financial reporting processes and the quality of its financial reporting and to ensure that the financial statements of the Group comply with applicable financial reporting standards in Malaysia.

The AC is chaired by an Independent Non-Executive Director who is distinct from the Chairman of the Board. All members of the AC are financially literate, with the Chairman and another member of the AC being members of the Malaysian Institute of Accountants.

The AC consists of the following members:-

Name	Designation
Mr Roy Thean Chong Yew	Chairman
Mr Ng Wah Lok	Member
Encik Muhammad Hanizam bin Hj. Borhan	Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

I Audit Committee (Cont'd)

The AC comprises solely of Independent Non-Executive Directors. The composition of the AC, including its roles and responsibilities, number of meetings and attendance of the AC, summary of the AC activities and Internal Auditors' activities during the FYE 31 December 2020 are set out on pages 39 to 41 of the Audit Committee Report of this Annual Report.

The AC regularly reviews and scrutinises the audit report by the Internal Auditors and conducts an annual assessment on the adequacy of the department's scope of work and resources. The AC has in its terms of reference requires that a former key audit partner observe a cooling-off period of at least two (2) years before being appointed as a member of the AC and to date, the Company has not appointed any former key audit partner as Director of the Company.

Alongside, the AC has the procedures to assess the suitability, objectivity and independence of the External Auditors annually which is contained in the External Auditors Assessment Policy. The AC had met with the External Auditors twice during FYE 31 December 2020 without the presence of the Management (i.e. 19 May 2020 and 20 November 2020 respectively) to discuss any key area or issues which requires the attention of the AC and Board.

The AC discussed on a summary of internal audit's findings together with the Management's responses to ensure that the Management undertakes the agreed remedial actions as proposed by the Internal Auditors.

All members of the AC undertake continuous professional development to keep themselves abreast with the relevant developments in accounting and auditing standards, practices and rules.

II Risk Management and Internal Control Framework

The RMC which comprises of a majority of Independent Non-Executive Directors, assists the Board in fulfilling its responsibilities in the risk governance and oversight functions via establishing a sound internal control framework to manage risks with the overall responsibility for overseeing the risk management activities of the Group and approving the appropriate risk management procedures and measurement methodologies across the Group. With the assistance of an external consultant, an Enterprise Risk Management ("ERM") approach has been adopted to develop an effective and sound ERM.

The RMC consists of the following members:-

Name	Designation
Mr Ng Wah Lok	Chairman
Mr Ong Teng Chun	Member
Encik Muhammad Hanizam bin Hj. Borhan	Member

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II Risk Management and Internal Control Framework (Cont'd)

The Board has established an internal audit function within the Group known as Internal Audit Department ("IAD"), which is independent from the operations of the respective operating units. The principal role of the IAD is to undertake regular and systematic reviews of the system of internal control independently so as to provide a reasonable assurance that such system continues to operate satisfactorily and effectively. It is the responsibility of the IAD to provide the AC with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units within the Group's established policies and procedures as well as the relevant statutory requirements. The internal audit reports are presented together with the Management's response and proposed action plans to the AC quarterly.

The principles and guidelines promulgated by The Institute of Internal Auditors ("IIA") in the International Professional Practices Framework ("IPPF") for an internal audit function to be considered effective has been adopted.

The details of the Company's risk management and internal control framework are set out on pages 42 to 44 of the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I Communication with Stakeholders

The Board recognises the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders, stakeholders and the public in general through disclosures to Bursa Securities and to the press. The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to the investors via the announcements of its quarterly results, Annual Report, announcements to Bursa Securities and press releases.

The Board has put in place a Corporate Disclosure Policy and Procedures to ensure compliance with the disclosure requirements as stipulated in the MMLR and also to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

The Company has established a dedicated section for corporation information on the Company's website, www.masteel.com.my, which is accessible by the public at large to obtain information on the Company's Board Charter, Terms of Reference of each Board Committee, press releases, corporate information, operation activities, financial performance as well as the Company's share price.

The Board will review and update the existing policies and procedures as and when necessary to ensure that they are updated in accordance with the prevailing legal and regulatory promulgations as well as best practices.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(CONT'D)

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II Conduct of General Meetings

The AGM is a principal forum for a two-way communication between the shareholders and the Management of the Group. Shareholders are provided with an opportunity to participate in the question and answer session in which they may raise questions pertaining to the Group's businesses and affairs. The Chairman, and the other members of the Board together with the Management and the Company's external auditors are available to respond to queries from shareholders at the AGM. At the previous AGM of the Company held on 16 July 2020, Masteel has conducted its first fully virtual AGM and all the Directors were present at the meeting. This is so provided by the Constitution of the Company which allows for General Meetings to be held using any technology or electronic means.

However, due to the restrictions imposed by the Malaysian Government, only essential individuals such as Chairman, MD/CEO, CFO, AC Chairman and Company Secretary were allowed to physically present at the broadcast venue while the rest of the Directors and meeting participants participated the meeting remotely.

During the AGM, shareholders took the opportunity to raise questions on the agenda items of the AGM as well as the financial performance of the Group, the Chairman and MD/CEO responded to all questions raised and provided clarification as required by shareholders.

Electronic poll voting was adopted at the 48th AGM and the Chairman had notified the shareholders on the demand for a poll on all resolutions as set forth in the Agenda of the AGM for the interest of all shareholders and chaired the meeting in an orderly manner. A scrutineer was appointed to validate the votes cast at the said AGM. Such scrutineer must be independent of the person undertaking the polling process.

Further, in line with the recommendation of MCCG, the notice of the previous AGM was issued with at least twenty-eight (28) days before the AGM date to enable the shareholders to go through the Annual Report and papers supporting the resolutions proposed. In addition to being dispatched individually to shareholders, the Notice of AGM was also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM.

When there is special business or where special resolutions are proposed, the explanation of the effects of such special business or special resolutions are provided in the notice of the AGM under the explanatory notes.

The outcome of all resolutions proposed at the previous AGM was announced to Bursa Securities at the end of the meeting day while the key matters discussed at the previous AGM were published on the Company's website as soon as practicable after the conclusion of the AGM.

FOCUS AREAS AND FUTURE PRIORITIES ON CORPORATE GOVERNANCE

The Board, against a challenging business backdrop, focused its attention on the foundational aspects of its roles as they relate to the creation of long-term value for stakeholders. The Board will continue to enhance the corporate disclosure requirements in the best interest of the shareholders and stakeholders of the Company in the upcoming years. The areas to be prioritised by the Board will be those principles yet to be adopted by the Company as disclosed in the Corporate Governance Report 2020.

This Statement is made in accordance with a resolution of the Board dated 6 April 2021.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

The Company raised an amount of RM6.63 million from a private placement exercise as at 31 December 2020 which has been fully utilised.

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for the services rendered to the Company and the Group by the external auditors during the financial year under review are as follows:-

Type of Fees	The Company (RM'000)	The Group (RM'000)
Audit fee	140	149
Non-audit fee	53	53

3. MATERIAL CONTRACTS

There were no material contracts entered by the Company and its subsidiaries involving Directors and/or major shareholders' interest during the financial year ended 31 December 2020.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is required to present the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2020, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable prudent judgment and estimates, adopted to include new and revised Malaysian Financial Reporting Standards (MFRSs) where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Board has also taken all such necessary steps to ensure that proper internal controls are in place to safeguard the assets of the Group and to detect and prevent fraud and other irregularities.

AUDIT COMMITTEE REPORT

The objective of the AC is to assist the Board in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the AC shall:-

(a) Oversee and appraise the quality of the audits conducted both by the Group's Internal Auditors and External Auditors ("EA");

(b) Maintain open lines of communication between the Board, the Internal Auditors and the EA for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and

(c) Determine the adequacy of the Group's administrative, operating and accounting controls.

MEMBERS

The AC comprises the following members:-

Name	Designation	Directorship
Mr Roy Thean Chong Yew*	Chairman	Independent Non-Executive Director
Mr Ng Wah Lok	Member	Senior Independent Non-Executive Director
Encik Muhammad Hanizam bin Hj. Borhan*	Member	Independent Non-Executive Director

* *Member of the Malaysian Institute of Accountants ("MIA").*

The terms of reference of the AC is available for reference on the Company's website at www.masteel.com.my/Investor Relations/Audit Committee.

During the financial year under review, five (5) AC meetings were held which recorded almost full attendance from all the members of the AC, as follows:-

Committee Members	Number of Attendance Achieved
Mr Roy Thean Chong Yew	5/5
Mr Ng Wah Lok	5/5
Encik Muhammad Hanizam bin Hj. Borhan	4/5

AUDIT COMMITTEE REPORT
(CONT'D)

SUMMARY OF AC WORKS

The AC carried out main works during the FYE 31 December 2020 in discharging its duties and responsibilities in accordance with its terms of reference which are as follows:-

Financial Reporting and Annual Reporting

- Reviewed the Group's quarterly reports with the adoption of the new MFRS for the Group before recommending to the Board for consideration and approval. The First, Second, Third and Fourth Quarter Interim Financial Reports were tabled at the AC meetings held on 12 June 2020, 27 August 2020, 20 November 2020 and 25 February 2021 respectively. The quarterly interim financial reports were prepared in accordance with MFRS 134 and Paragraph 9.22 of the MMLR.

- Reviewed the Group's draft audited financial statements for the FYE 31 December 2019 at the AC meeting held on 19 May 2020 before recommending to the Board for approval.

- Reviewed the Corporate Governance ("CG") Report, CG Overview Statement, AC Report and Statement on Risk Management and Internal Control prior to submission to the Board for consideration and approval for inclusion in the Annual Report.

Internal Audit

- Reviewed and assessed yearly internal audit plan, scope of internal audit reports, internal audit findings and areas for improvements and recommendations, if any.

- Assessed the performance of the Internal Audit Department ("IAD") and satisfied that the IAD have discharged their responsibilities in a commendable manner, performed competently, functioning effectively and have received sufficient resources and adequate authority in order to carry out their work.

Corporate Governance

- Conducted periodic reassessment and refinement on corporate governance including terms of reference of AC before recommending to the Board for consideration and approval.

External Audit

- Reviewed and discussed the audit findings and management letter raised by the EA for the draft Audited Financial Statements for the FYE 31 December 2019.

- Reviewed and discussed with the EA of the Group on their Audit Status Memorandum for the Group for the FYE 31 December 2019 and Audit Planning Memorandum for the FYE 31 December 2020.

- Held two (2) private meetings with the EA without the presence of the Executive Directors and Management on 19 May 2020 and 20 November 2020 to ensure there were no restrictions and the scope of their audit is in line with the MCCG.

- Assessed the performance, suitability and independence of the EA and was satisfied with the suitability of the EA and recognized that the provision of non-audit services by Messrs RSM Malaysia for the FYE 2020 did not in any way impair their objectivity independence as EA of the Company.

- Reviewed and discussed on the recommendation of the re-appointment of Messrs RSM Malaysia as EA of the Group to the Board and reviewed their independence and audit fees.

AUDIT COMMITTEE REPORT
(CONT'D)

SUMMARY OF AC WORKS (CONT'D)

Risk Management Framework and Internal Control System

- Reviewed and discussed the effectiveness of the risk management framework and internal control system of the Group.

Related Party Transactions

- Reviewed if there is any, the related party transactions and/or recurrent related party transactions entered into by the Company and the disclosure of such transactions in the Annual Report of the Company.

INTERNAL AUDIT FUNCTION

The internal audit activities are carried out in-house by the IAD of the Group. The IAD is independent of the operations of the respective operating units. The principal role of the department is to undertake independent regular and systematic reviews of the system and internal control so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively. It is the responsibility of the IAD to provide the AC with independence and objective report on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements. The internal audit reports are presented together with the Management's response and proposed action plans to the AC quarterly.

During the financial year under review, the internal audit function carried out the following:-

a) Executed internal control reviews in accordance with the approved risk based internal audit plan. The business processes reviewed are as follows:-

   - Foreign currency transaction exposure
   - Standard Operating procedures on fire safety
   - Credit control procedures on account receivables
   - Physical inventory count for bars and book records
   - Quality Assurance and Improvement Program
   - Data security and backup review
   - Review on suppliers outstanding
   - Evaluate scrap incentive to staff
   - Internal Audit Quality manual review
   - Review of subsidiary, MS Express Sdn Bhd financial performance

b) Performed follow-up review to ensure that corrective actions have been taken in a timely manner.

The results of the abovementioned work carried out by the internal audit function were tabled to the AC at their scheduled meetings.

The cost incurred for the internal audit function of the Group in respect of the FYE 31 December 2020 amounted to RM274,171.

An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 42 to 44 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR"), the Board is pleased to provide the following statement on the state of risk management and internal control of the Group for the financial year ended 31 December 2020, which has been prepared in accordance with the "Statement on Risk Management and Internal Control Guidance for Directors of Public Listed Companies" by The Institute of Internal Auditors Malaysia.

BOARD RESPONSIBILITIES

The Board has overall responsibility for risk management and system of internal controls of the Group comprising the Company and its subsidiary companies, excluding the associated company.

The Board recognises the importance of maintaining a sound risk management framework and internal control system for good corporate governance and efficient work processes. The Board acknowledges its overall responsibility and re-affirms its commitment to maintaining a sound system of risk management and internal controls and for reviewing its adequacy and effectiveness to safeguard shareholders' investment and the Group's assets.

In discharging its stewardship responsibilities, the Board recognises that the internal control system in the Group:-

- is a logical and systematic method of identifying, analysing, assessing, treating and monitoring the Group's risk;
- is a continuous and ongoing process;
- should be an integral part of the Group's management practices; and
- enable the Group to not only minimise losses but maximise opportunities.

RISK MANAGEMENT

In dealing with its stewardship responsibilities, the Board recognises that effective risk management is an integral part of good business management practice. The Board acknowledges that all areas of the Group's business activities involve some degree of risk and it is committed to ensure that the Group has an effective risk management framework, which allows the Management to manage risk within defined risk parameters. All identified risks are dealt with and managed within limits and controls. These limits and controls are monitored closely and adjusted periodically, taking into account changes in market conditions, products and processes.

The Board has a Risk Management Committee ("RMC") to oversee the implementation of the risk management framework and internal control device.

The Board and Management are presently practicing proactive significant risks identification on a quarterly basis, particularly any major proposed transactions, changes in nature of activities and/or operating environment, and put in place the appropriate risk response strategies and controls until those risks are managed to, and maintained at level acceptable to the Board.

Risk Management Officer has been appointed to facilitate a continual process to identify, evaluate, manage and monitor significant risks that the Group faces in its businesses and operations. The risk owners, mainly the department head will update their Key Risk Registers at specific intervals i.e. yearly basis for Company level risks. The RMC reviews the key risks and planned actions to ascertain if those risks are mitigated and are managed appropriately. The RMC report shall be tabled to the Board for review and evaluation twice a year.

The Group has adopted and implemented the Anti-Bribery and Corruption Policy, and the Guidelines on Adequate Procedures pursuant to the Section 17A(5) of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 which reflects the Group's:-

- strict zero-tolerance approach to any instance of bribery and corruption, and to act promptly and appropriately should it occur;
- shall not indulge, participate or facilitate in any form of bribery and corruption; and
- to collaborate with its internal and external stakeholders in practicing good governance and accountability to combat all forms of bribery and corruption.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

INTERNAL AUDIT

Internal Audit Function

The Internal Audit Department ("IAD") reports directly to the Audit Committee ("AC"), to assist the AC in discharging its duties and responsibilities and to provide reports on the adequacy and effectiveness of the risk management functions and internal controls in the Group.

Control and Monitoring Process

The IAD's scope covers audit planning, liaison with the International Standard Organisation ("ISO") and reviewed the Group's processes in the Standard Operation Procedures ("SOP") to ensure the various procedures are followed.

Internal audit reports, incorporating audit recommendations and management responses with regard to audit findings relating to the weaknesses in the systems and controls of the respective operations, were reviewed quarterly at AC meeting before recommending to the Board. Internal Auditors and AC carry out discussion and deliberation of the strategic issues facing the businesses and resolutions to mitigate such risk. The AC also reviews and approves the internal audit plan annually.

Besides that, the Board also delegates the daily running of the business to the Managing Director/Chief Executive Officer ("MD/CEO") and his management team. The MD/CEO plays a pivotal role in communicating the Board's expectations of the system of internal control to the Management, where a clear organisational structure with defined lines of responsibility, delegation of authority, segregation of duties and information flow exist, to ensure decisions are made and actions taken by the appropriate person. This is achieved on a day-to-day basis, through active participation by the MD/CEO in the operations of the business.

During the financial year under review, the Internal Audit executed internal control reviews on business operating procedures, corporate governance, procurement, data security and back up, inventory, credit control on account receivables, account payables, and financial performance of a subsidiary. The findings of the reviews were discussed with Senior Management and subsequently presented to the Board and AC.

Risk Management Framework ("RMF")

The Group's RMF is outlined in the Risk Management Policy. The RMF prescribes a structured and integrated approach in managing key business risks with the aim of safeguarding the shareholders' interests and the Group's assets.

The RMF clearly defines the authority and accountability in implementing the risk management process and internal control system. The management of each business unit is responsible to identify, evaluate, manage and monitor significant risks applicable to their respective areas of business and in formulating suitable internal controls to mitigate and control these risks.

The Risk Management Policy is to ensure it is relevant and adequate to manage the organisation risks, which continue to evolve along with the changing business environment.

Furthermore, the Group mitigates certain potential risk by having appropriate insurance policies coverage.

Assurance from Management and Conclusion

The Board has received assurance from the MD/CEO and Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects based on risk management and internal controls framework adopted by the Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the MMLR, the External Auditor ("EA") have reviewed this Statement for inclusion in the 2020 Annual Report. The EA have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the systems of risk management and internal control of the Group.

This statement is made in accordance with a resolution of the Board dated 6 April 2021.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is manufacturing of steel bars and steel billets. The principal activities of the subsidiaries are as stated in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(14,726)	(15,172)

In the opinion of the directors, the financial results of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM233,310,000 to RM239,942,000 by issuance of 16,700,000 ordinary shares via private placement to eligible investors for a total cash consideration of RM6,632,000 for repayment of bank borrowings.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

The Company did not issue any new debentures during the financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions 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.

DIRECTORS' REPORT
(CONT'D)

DIRECTORS

The directors who held office during the financial year until the date of this report are:-

THE COMPANY

Dato' Ikhwan Salim Bin Dato' Haji Sujak
Dato' Sri Tai Hean Leng @ Tek Hean Leng
Ng Wah Lok
Lau Yoke Leong
Muhammad Hanizam Bin Hj. Borhan
Roy Thean Chong Yew
Ong Teng Chun
Ng Siew Peng

SUBSIDIARY COMPANIES

Dato' Sri Tai Hean Leng @ Tek Hean Leng
Lau Yoke Leong
Lim Eng Soon

During and at the end of the financial year, the Company was not a party to any arrangement whose subject is to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2020	**Acquired/ Addition**	**(Disposed)**	**Balance as at 31.12.2020**
Shareholdings in which the director is deemed to have an interest:				
Dato' Sri Tai Hean Leng @ Tek Hean Leng*	135,092,616	4,400,000	–	139,492,616

* Deemed interest by virtue of his interest in TYY Resources Sdn. Bhd. ("TYY"), a body corporate holding shares in the Company.

Pursuant to Section 8 of the Companies Act 2016, by virtue of his interests in the shares of TYY, Dato' Sri Tai Hean Leng @ Tek Hean Leng is also deemed to be interested in the shares of the Company and its subsidiary to the extent that the Company has an interest.

None of the other directors holding office at the end of the financial year held any interest in the ordinary shares of the Company and of its related corporations.

Since the end of the previous financial year, no directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by directors as shown in the notes to the financial statements or the fixed salary of a full time employee of the company or of related corporations) by reason of a contract made by the Company or a related corporation with a director or with a firm of which a director is a member or with a company in which the director has a substantial financial interest.

DIRECTORS' REPORT
(CONT'D)

DIRECTORS' REMUNERATION

The directors' remuneration is disclosed in Note 24 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

Total amount of insurance premium paid for the directors and officers of the Group is as follows:

	Group RM'000
Directors and officers	19

No indemnity has been given to or insurance premium paid, during or since the end of the financial year, for the auditors of the Group and of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 22 to the financial statements.

OTHER STATUTORY INFORMATION

(a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

 (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off nor any doubtful debts to be provided for; and

 (ii) to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances:

 (i) which would require any write off for bad debts or the setting up of provision for doubtful debts in the financial statements of the Group and of the Company; or

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

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

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

DIRECTORS' REPORT
(CONT'D)

OTHER STATUTORY INFORMATION (CONT'D)

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

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

(ii) any contingent liability in respect of the Group and of the Company which have arisen since the end of the financial year.

(d) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

AUDITORS

The auditors, Messrs RSM Malaysia, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG

Kuala Lumpur

6 April 2021

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	GROUP 2020 RM'000	GROUP 2019 RM'000	COMPANY 2020 RM'000	COMPANY 2019 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**774,436**	740,462	**772,364**	738,237
Investment in subsidiaries	7	**–**	–	**500**	500
Investment in associate	8	**6,286**	6,528	**6,275**	6,517
Deferred tax assets	9	**5,452**	3,793	**5,452**	3,793
		786,174	750,783	**784,591**	749,047
Current assets					
Inventories	10	**567,688**	533,379	**567,688**	533,379
Trade and other receivables	11	**211,797**	168,600	**212,371**	168,481
Tax recoverable		**2,816**	5,225	**2,816**	5,354
Fixed deposits with licensed banks	12	**23,800**	24,902	**23,800**	24,902
Cash and bank balances		**14,343**	35,403	**14,121**	35,134
		820,444	767,509	**820,796**	767,250
TOTAL ASSETS		**1,606,618**	1,518,292	**1,605,387**	1,516,297

STATEMENTS OF FINANCIAL POSITION
(CONT'D)

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	13	**239,942**	233,310	**239,942**	233,310
Subscription money received	14	**–**	950	**–**	950
Revaluation reserves	6	**76,649**	76,649	**76,649**	76,649
Treasury shares	15	**(1,490)**	(1,324)	**(1,490)**	(1,324)
Retained earnings	16	**405,671**	420,397	**403,258**	418,430
TOTAL EQUITY		**720,772**	729,982	**718,359**	728,015
LIABILITIES					
Non-current liabilities					
Lease liabilities	17	**8,659**	11,857	**7,673**	10,170
Borrowings	18	**90,000**	131,712	**90,000**	131,712
Deferred tax liabilities	9	**87**	47	**–**	–
		98,746	143,616	**97,673**	141,882
Current liabilities					
Trade and other payables	19	**399,614**	229,419	**402,716**	231,793
Trade deposits	20	**59,925**	80,250	**59,925**	80,250
Tax payable		**147**	–	**–**	–
Lease liabilities	17	**3,427**	3,272	**2,727**	2,604
Borrowings	18	**323,987**	331,753	**323,987**	331,753
		787,100	644,694	**789,355**	646,400
TOTAL LIABILITIES		**885,846**	788,310	**887,028**	788,282
TOTAL EQUITY AND LIABILITIES		**1,606,618**	1,518,292	**1,605,387**	1,516,297

The annexed notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		GROUP		COMPANY	
	Note	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
REVENUE	21	**1,383,513**	1,195,306	**1,383,513**	1,195,306
COST OF SALES		**(1,343,070)**	(1,140,454)	**(1,344,478)**	(1,142,509)
GROSS PROFIT		**40,443**	54,852	**39,035**	52,797
OTHER OPERATING INCOME		**13,431**	3,831	**13,431**	3,831
DISTRIBUTION COSTS		**(22,510)**	(22,020)	**(22,510)**	(22,020)
ADMINISTRATIVE EXPENSES		**(25,115)**	(35,113)	**(24,864)**	(34,326)
PROFIT FROM OPERATIONS	22	**6,249**	1,550	**5,092**	282
FINANCE COSTS	25	**(21,991)**	(22,658)	**(21,877)**	(22,526)
SHARE OF RESULTS OF ASSOCIATE		**(242)**	387	**–**	–
LOSS BEFORE TAXATION		**(15,984)**	(20,721)	**(16,785)**	(22,244)
TAX CREDIT	26	**1,258**	12,395	**1,613**	13,314
NET LOSS FOR THE YEAR		**(14,726)**	(8,326)	**(15,172)**	(8,930)
OTHER COMPREHENSIVE INCOME					
Item that will not be reclassified subsequently to profit or loss					
REVALUATION OF LANDS	6	**–**	76,649	**–**	76,649
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE FINANCIAL YEAR		**(14,726)**	68,323	**(15,172)**	67,719
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		**(14,726)**	(8,326)	**(15,172)**	(8,930)

		Sen	**Sen**
Loss per share (sen):- - Basic	28	**(3.27)**	(1.95)

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Share capital RM'000	Subscription money received RM'000	Treasury shares RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total equity RM'000
GROUP							
At 1 January 2020		**233,310**	**950**	**(1,324)**	**76,649**	**420,397**	**729,982**
Net loss and total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(14,726)**	**(14,726)**
		233,310	**950**	**(1,324)**	**76,649**	**405,671**	**715,256**
Transactions with owners:							
Issue of shares	13	**6,632**	**(950)**	**–**	**–**	**–**	**5,682**
Share buy-back	15	**–**	**–**	**(166)**	**–**	**–**	**(166)**
		6,632	**(950)**	**(166)**	**–**	**–**	**5,516**
At 31 December 2020		**239,942**	**–**	**(1,490)**	**76,649**	**405,671**	**720,772**
At 1 January 2019		230,094	–	(1,199)	–	428,723	657,618
Net loss for the year		–	–	–	–	(8,326)	(8,326)
Other comprehensive income for the year		–	–	–	76,649	–	76,649
Net loss and total comprehensive income for the year		230,094	–	(1,199)	76,649	420,397	725,941
Transactions with owners:							
Issue of shares	13	3,216	–	–	–	–	3,216
Subscription money received	14	–	950	–	–	–	950
Share buy-back	15	–	–	(125)	–	–	(125)
		3,216	950	(125)	–	–	4,041
At 31 December 2019		233,310	950	(1,324)	76,649	420,397	729,982

STATEMENTS OF CHANGES IN EQUITY
(CONT'D)

	Note	Share capital RM'000	Subscription money received RM'000	Treasury shares RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total equity RM'000
COMPANY							
At 1 January 2020		**233,310**	**950**	**(1,324)**	**76,649**	**418,430**	**728,015**
Net loss and total comprehensive loss for the year		**–**	**–**	**–**	**–**	**(15,172)**	**(15,172)**
		233,310	**950**	**(1,324)**	**76,649**	**403,258**	**712,843**
Transactions with owners:							
Issue of shares	13	**6,632**	**(950)**	**–**	**–**	**–**	**5,682**
Share buy-back	15	**–**	**–**	**(166)**	**–**	**–**	**(166)**
		6,632	**(950)**	**(166)**	**–**	**–**	**5,516**
At 31 December 2020		**239,942**	**–**	**(1,490)**	**76,649**	**403,258**	**718,359**
At 1 January 2019		230,094	–	(1,199)	–	427,360	656,255
Net loss for the year		–	–	–	–	(8,930)	(8,930)
Other comprehensive income for the year		–	–	–	76,649	–	76,649
		230,094	–	(1,199)	76,649	418,430	723,974
Transactions with owners:							
Issue of shares	13	3,216	–	–	–	–	3,216
Subscription money received	14	–	950	–	–	–	950
Share buy-back	15	–	–	(125)	–	–	(125)
		3,216	950	(125)	–	–	4,041
At 31 December 2019		233,310	950	(1,324)	76,649	418,430	728,015

The annexed notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	**(15,984)**	(20,721)	**(16,785)**	(22,244)
Adjustments for:				
Depreciation of property, plant and equipment	**32,765**	30,461	**32,114**	29,872
(Gain)/ Loss on disposal of property, plant and equipment	**(147)**	9	**(147)**	9
Loss on property, plant and equipment written off	**–**	99	**–**	99
Impairment loss/(Reversal of impairment loss) on investment in associate	**–**	–	**242**	(387)
(Reversal of impairment loss)/ Impairment loss on inventories	**(7,798)**	1,305	**(7,798)**	1,305
Interest expense	**21,991**	22,658	**21,877**	22,526
Interest income	**(813)**	(446)	**(813)**	(446)
Net unrealised foreign exchange gains	**(3,590)**	(2,968)	**(3,590)**	(2,968)
Share of results of associate	**242**	(387)	**–**	–
Operating profit before working capital changes	**26,666**	30,010	**25,100**	27,766
Increase in inventories	**(26,511)**	(35,205)	**(26,511)**	(35,205)
Increase in receivables	**(43,197)**	(6,446)	**(43,890)**	(6,470)
Increase in payables	**171,486**	26,877	**172,214**	28,196
Decrease in trade deposits	**(18,026)**	(34,028)	**(18,026)**	(34,028)
Cash generated from/ (used in) operations	**110,418**	(18,792)	**108,887**	(19,741)
Interest paid	**(20,925)**	(21,951)	**(20,925)**	(21,951)
Tax paid	**(360)**	(1,234)	**(63)**	(672)
Tax refund	**2,555**	681	**2,555**	681
Net cash generated from/ (used in) operating activities	**91,688**	(41,296)	**90,454**	(41,683)

STATEMENTS OF CASH FLOWS
(CONT'D)

	GROUP		COMPANY	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	**813**	446	**813**	446
Decrease in other investment	**–**	3,000	**–**	3,000
Proceeds from disposal of property, plant and equipment	**167**	96	**167**	96
Purchase of property, plant and equipment (Note 27)	**(66,443)**	(50,578)	**(65,945)**	(50,578)
Net cash used in investing activities	**(65,463)**	(47,036)	**(64,965)**	(47,036)
CASH FLOWS FROM FINANCING ACTIVITIES				
Bills payable	**(25,195)**	77,517	**(25,195)**	77,517
Repayment of revolving credit	**(10,000)**	–	**(10,000)**	–
Repayment of lease liabilities	**(3,359)**	(2,085)	**(2,690)**	(1,512)
Repayment of term loans	**(12,283)**	(2,284)	**(12,283)**	(2,284)
Payment of finance lease interest	**(1,066)**	(707)	**(952)**	(575)
Subscription money received	**–**	950	**–**	950
Share buy-back (Note 15)	**(166)**	(125)	**(166)**	(125)
Net proceeds from issuance of shares	**5,682**	3,216	**5,682**	3,216
Net cash (used in)/ generated from financing activities	**(46,387)**	76,482	**(45,604)**	77,187
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(20,162)**	(11,850)	**(20,115)**	(11,532)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	**58,305**	70,155	**58,036**	69,568
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**38,143**	58,305	**37,921**	58,036

STATEMENTS OF CASH FLOWS
(CONT'D)

NOTES TO THE STATEMENTS OF CASH FLOWS

Cash and cash equivalents at the end of the financial year comprise of:

	GROUP		COMPANY	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Fixed deposits with licensed banks	**23,800**	24,902	**23,800**	24,902
Cash at banks	**14,241**	35,055	**14,019**	34,800
Cash at banks (USD)	**76**	308	**76**	308
Cash in hand	**26**	40	**26**	26
	14,343	35,403	**14,121**	35,134
Bank overdrafts (Note 18)	**–**	(2,000)	**–**	(2,000)
	38,143	58,305	**37,921**	58,036

The annexed notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2020

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is manufacturing of steel bars and steel billets. The principal activities of the subsidiaries as stated in Note 7 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise stated in the financial statements.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors' best knowledge of events and actions, actual results could differ from those estimates.

3.2 Basis of consolidation

(i) Subsidiaries

A subsidiary is an entity controlled by the Group, i.e. the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its current ability to direct the entity's relevant activities (power over the investee).

The existence and effect of potential voting rights that the Group has the practical ability to exercise (i.e. substantive rights) are considered when assessing whether the Group controls another entity.

The Group's financial statements incorporate the results, cash flows, assets and liabilities of Malaysia Steel Works (KL) Bhd and all of its directly and indirectly controlled subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group effectively obtains control of the acquired business, until that control ceases.

The non-controlling interests in the net assets and net results of consolidated subsidiaries are shown separately in the consolidated statements of financial position and consolidated statements of profit or loss and consolidated statements of comprehensive income.

Total comprehensive income (i.e. profit or loss and each component of other comprehensive income) is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control are accounted for as transactions with owners in their capacity as owners (i.e. equity transactions). The carrying amounts of the Group and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

Upon loss of control of a subsidiary, the Group's profit or loss is calculated as the difference between (i) the fair value of the consideration received and of any investment retained in the former subsidiary and (ii) the previous carrying amount of the assets (including any goodwill) and liabilities of the subsidiary and any non-controlling interests.

Investment 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 excludes transaction costs.

(ii) Associate

Associate is an entity over which the Group has the power to participate in its financial and operating policy decisions, but which is not control or joint control. Associate is accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of comprehensive income of the associate. On acquisition of the investment, the associate's identifiable assets and liabilities are measured at fair value. Any excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill and included in the carrying amount of the investment. Goodwill is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of its associate's post-acquisition profits or losses is recognised in the profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Distributions received from an investee reduce the carrying amount of the investment.

If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group does not provide for additional losses, unless it has incurred obligations or made payments on behalf of the associate.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (Cont'd)

(ii) Associate (Cont'd)

Profits or losses on Group transactions with associates are eliminated to the extent of the Group's interest in the relevant 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 associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. 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 associate is 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.

(iii) Transactions eliminated on consolidation

All intragroup transactions, balances, income and expenses are eliminated in full on consolidation.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures 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.

3.3 Property, plant and equipment

On initial recognition, items of property, plant and equipment are recognised at cost, which includes the purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost 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. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

After initial recognition, items of property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses.

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.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

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.

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 calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Leasehold land	58 - 99 years
Buildings	20 years
Plant and machinery	10 - $33^1/_3$ years
Factory	$13^1/_3$ - 50 years
Factory and electrical equipment	10 years
Motor vehicles	5 years
Office equipment	$6^2/_3$ years
Furniture and fittings	$6^2/_3$ years
Electrical installation	$13^1/_3$ years

Freehold and leasehold land is stated at revalued amount, which is the fair value at the date of the revaluation less any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation surplus is credit to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised.

A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained earnings.

At 1 January 2012, the directors have elected the transitional exemptions under the MFRS 1 to use the previous revaluation of the property, plant and equipment at the date of transition to MFRS framework as deemed cost at the date of the revaluation. During the previous financial year, the directors have revalued its freehold and leasehold land based on market-based evidence by appraisal that is undertaken by professionally qualified valuers.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.4 Leases

(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 and the Company assess whether:

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

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate 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 and the Company are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (Cont'd)

(ii) Recognition and initial measurement

As a lessee

The Group and the Company recognise 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 incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Company are reasonably certain not to terminate early.

The Group and the Company exclude 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 and the Company have 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 and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (Cont'd)

(iii) Subsequent measurement

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. The estimated useful lives of right-of-use asset 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 and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change 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.

3.5 Impairment of non-financial assets

Impairment of property, plant and equipment

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit which impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Inventories

Inventories are carried in the statements of financial position at the lower of cost and net realisable value. Cost is determined on a first-in first-out (FIFO) basis. The cost of work-in-progress and finished goods comprises materials, direct labour and attributable production overheads based on normal levels of activity.

Write-down is made for obsolete and slow-moving items based on their expected future use and net realisable value.

Net realisable value is the estimated sales price in the ordinary course of business after allowing for all further costs of completion and disposal.

3.7 Financial instruments

(i) Initial recognition and measurement

The Group and the Company recognise a financial asset or a financial liability (including derivative instruments) in the statements of financial position when, and only when, an entity in the Group and the Company become a party to the contractual provisions of the instruments.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

(ii) Derecognition of financial instruments

For derecognition purposes, the Group and the Company first determine whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group and the Company transfer the contractual rights to receive cash flows of the financial asset, including circumstances when the Group and the Company act only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

(iii) Financial assets

For the purpose of subsequent measurement, the Group and the Company classify financial assets at amortised cost ("AC"). The classification is based on the Group's and the Company's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Group and the Company measure financial assets at AC. A financial asset is measured at amortised cost if: (a) it is held within the Group's and the Company's business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

All financial assets are subject to review for impairment in accordance with Note 3.7(vii).

(iv) Financial liabilities

After initial recognition, the Group and the Company measure all financial liabilities at amortised cost using the effective interest method.

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3.18.

(vi) Recognition of gains and losses

For financial assets and financial liabilities carried at amortised cost, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

(vii) Impairment of financial assets

The Group and the Company apply the expected credit loss ("ECL") model of MFRS 9 to recognise impairment losses of financial assets measured at amortised cost. Except for trade receivables, a 12-month expected credit loss is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Group and the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime ECL is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company have availed the exception to the 12-month ECL requirement to recognise only lifetime ECL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

(vii) Impairment of financial assets (Cont'd)

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12-month ECL is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increase significantly if payments are more than 180 days past due if no other borrower-specific information is available without undue cost or effort.

The ECL is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidence of impairment), the lifetime ECL is determined individually.

For trade receivable, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivable, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by type of customers and businesses, and the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

3.8 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, on demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

For the purpose of the statements of cash flows only, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3.9 Foreign currencies transactions and balances

Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the Group and of the Company using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Translation differences on non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Equity

Equity instruments are contracts that give a residual interest in the net assets of the Group and of the Company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction.

(i) Dividend distribution

Dividends are recognised as liabilities when they are declared (i.e. the dividends are appropriately authorised and no longer at the discretion of the entity). Typically, dividends are recognised as liabilities in the period in which their distribution is approved at the Shareholders' Annual General Meeting. Interim dividends are recognised when paid.

(ii) Treasury shares

The cost of treasury shares purchased is shown as a deduction from equity in the statements of financial position. When treasury shares are sold or reissued, they are credited to equity. As a result, no gain or loss on treasury shares is included in profit or loss.

(iii) Distribution of assets to owners of the Company

The Group and the Company measure a liability to distribute assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group and the Company recognise the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

3.11 Provisions

Where, at reporting date, the Group and the Company have a present obligation (legal or constructive) as a result of a past event and it is probable that the Group and the Company will settle the obligation, a provision is made in the statements of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

3.12 Employees benefits

(i) Short-term benefit

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group and of the Company. Short term accumulating compensated absence such as paid annual leave are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Employees benefits (Cont'd)

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employee render their services. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Termination benefits

Termination benefits are expensed at the earlier 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.

3.13 Revenue recognition

(i) Revenue from contracts with customers

The Group's and the Company's revenue comprises manufacturing of steel bars and steel billets, transportation, logistics, fabrication and trading of steel products.

Revenue from a sale of manufactured goods and trading of steel products are recognised at a point in time when control of the goods and services is passed to the customer, which is the point in time when the significant risks and rewards are transferred to the customer and the transaction has met the probability of inflows and measurement reliability requirements of MFRS 15.

Revenue from transportation, logistics and fabrication services are recognised at a point in time when services rendered and transaction has met the probability of inflows and measurement reliability requirements of MFRS 15.

The Group and the Company measure revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of a trade discounts and volume rebates given to the customer.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

3.14 Borrowing costs

Interest on borrowings to finance the purchase and development of a self-constructed qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) is included in the cost of the asset until such time as the assets are substantially ready for use or sale. Such borrowing costs are capitalised net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure.

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.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Income tax

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statements of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statements of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that the Group and the Company consider that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Unutilised reinvestment allowance being tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Group's and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

Since the Group is able to control the timing of the reversal of the temporary difference associated with interests in subsidiaries and associate, a deferred tax liability is recognised only when it is probable that the temporary difference will reverse in the foreseeable future mainly because of a dividend distribution.

At present, no provision is made for the additional tax that would be payable if the subsidiaries in certain countries remitted their profits because such remittances are not probable, as the Group intends to retain the funds to finance organic growth locally. As far as joint arrangements and associates are concerned, the Group is not in a position to determine their dividend policies. As a result, all significant deferred tax liabilities for all such taxable temporary differences are recognised.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders 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 profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

3.17 Operating segments

An operating segment is a component of the Group and of the Company 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 and of the Company's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker, which in this case is the Chief Executive Officer 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.

3.18 Fair value measurement

Fair value is 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. When measuring the fair value of an asset or a liability, the Group and the Company use market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group and the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/ liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group and the Company at the end of the reporting period during which the change occurred.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 MFRSs and Amendments to MFRSs adopted

For the preparation of the financial statements, the following accounting standards and amendments of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2020:

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

The adoption of the above-mentioned accounting standards and amendments have no significant impact on the financial statements of the Group and of the Company other than as disclosed in notes to the financial statements.

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards and amendments of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

Amendments to MFRSs effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16 *Leases – Covid-19-Related Rent Concessions*

MFRSs and Amendments to MFRSs 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: Disclosure*, MFRS 4 *Insurance Contracts* and MFRS 16 *Leases – Interest Rate Benchmark Reform Phase 2*

MFRSs and Amendments to MFRSs effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- 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*
- Annual Improvements to MFRS Standards 2018–2020

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONT'D)

4.2 New/Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (Cont'd)

MFRSs and Amendments to MFRSs effective date yet to be confirmed

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

The directors anticipate that the above-mentioned accounting standards and amendments will be adopted by the Group and the Company when they become effective.

MFRS 17 *Insurance Contracts* and Amendments to MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Group and the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Group and the Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Group's and the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the COVID-19 pandemic has had, or may have, on the Group and the Company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group and the Company operate. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group and the Company unfavourably as at the reporting date or subsequently as a result of the COVID-19 pandemic.

(b) Functional currency

The financial statements are prepared in the functional currency of the Group and of the Company of Ringgit Malaysia, which is the currency of the primary economic environment in which the Group and the Company operate. Factors considered by management when determining the functional currency include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies, and sources of financing. Based on the factors considered, the Group and the Company have determined that Ringgit Malaysia to be its functional currency.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(c) Loss allowances of financial assets

The Group and the Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts, current economic trends, the impacts of the COVID-19 pandemic and forward-looking information that is available. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial positions and results (as reflected in Note 11).

(d) Asset impairment tests

A financial asset or a group of financial assets, other than those categorised at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment exists only when the Group and the Company ascertain that a "loss event" affecting the estimated future cash flows of the financial asset has occurred. It may not be possible to identify a single, discrete event that caused the impairment and moreover to determine when a loss event has occurred might involve the exercise of significant judgement.

The amount of impairment loss recognised for financial assets carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

With regard to equity investments categorised at amortised cost, the Group and the Company consider those assets to be impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is "significant" or "prolonged" requires significant judgement.

The impairment analysis of goodwill and tangible and other intangible assets requires an estimation of the value in use of the asset or the cash-generating unit to which the assets are allocated. Estimation of the value in use is primarily based on discounted cash flow models which require the Group and the Company to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of the cash flows.

(e) Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date (as reflected in Note 10).

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(f) Fair value measurement

Some of the Group's and of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group and the Company use market-observable data to the extent it is available. Where Level 1 inputs are not available (e.g. for unquoted investments), the Group and the Company work closely with external qualified valuers who perform the valuation, based on agreed appropriate valuation techniques and inputs to the model (e.g. use of the market comparable approach that reflects recent transaction prices for similar instruments, discounted cash flow analysis, option pricing models refined to reflect the issuer's specific circumstances). Prices determined then by the valuers are used by the Group and the Company without adjustment.

Changes in the fair value of assets and liabilities and their causes are quarterly analysed by the Group's and the Company's valuation sub-committee of the Board of Directors. Such valuations require the Group and the Company to select among a range of different valuation methodologies and to make estimates about expected future cash flows and discount rates.

(g) Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group and the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

(h) Contingencies

Contingent liabilities of the Group and of the Company are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Group and of the Company require significant judgement.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(i) Depreciation of property, plant and equipment

The cost of an item of property, plant and equipment is depreciated on a straight-line method over their useful lives. Management estimates the useful lives of the property, plant and equipment as stated in Note 3.3. These are common life expectancies applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(j) Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(k) Classification of financial assets

The Group and the Company use its business model objectives as a basis to classify financial assets for subsequent measurements. The objectives of the Group and of the Company in managing investments in equity and debt instruments include those held for trading, managing for fair value changes and managing to collect contractual cash flows that are solely payments of principal and interest on principal. Management uses its judgement to determine the classification of each investment at the date of purchase on the basis of the Group's and of the Company's business model objectives. Investment in the same debt or equity instruments need not necessarily be classified in the same category for subsequent measurement.

(l) Quantities and valuation of scrap metals

The Group and the Company appoint independent quantity surveyor to determine the quantities of its scrap metals at the end of the financial year. The directors at the advice of the appointed quantity surveyor exercised judgement and made assumptions in the selection and deployment of the most suitable valuation techniques in ensuing quantities determination.

(m) Measurement of lease liabilities and right-of-use assets

The measurement of a lease liability and the corresponding right-of-use asset includes in-substance fixed payments, estimates of lease term, option to purchase, payments under residual value guarantee and penalties for early termination. The actual payments may not coincide with these estimates. The Group and the Company reassess the lease liability for any change in the estimates and any corresponding adjustment will be made to the right-of-use asset.

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	Right-of-use assets - Leasehold land and buildings RM'000	Plant and machinery, electrical installation, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Carrying amount							
At 1 January 2020	108	189,533	546,565	3,402	854	–	740,462
Additions	–	–	9,742	498	180	56,339	66,759
Disposal	–	–	–	(20)	–	–	(20)
Depreciation charge	–	(3,750)	(27,656)	(1,098)	(261)	–	(32,765)
At 31 December 2020	108	185,783	528,651	2,782	773	56,339	774,436
At 31 December 2020							
Cost/ Revaluation	218	215,841	912,050	8,262	4,630	56,339	1,197,340
Accumulated depreciation	(110)	(30,058)	(383,399)	(5,480)	(3,857)	–	(422,904)
Carrying amount	108	185,783	528,651	2,782	773	56,339	774,436

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

	Freehold land and buildings RM'000	Right-of-use assets - Leasehold land and buildings RM'000	Plant and machinery, electrical installation, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Company							
Carrying amount							
At 1 January 2020	108	189,533	546,565	1,177	854	–	738,237
Additions	–	–	9,253	498	171	56,339	66,261
Disposal	–	–	–	(20)	–	–	(20)
Depreciation charge	–	(3,750)	(27,632)	(471)	(261)	–	(32,114)
At 31 December 2020	108	185,783	528,186	1,184	764	56,339	772,364
At 31 December 2020							
Cost/ Revaluation	218	215,841	911,561	5,124	4,621	56,339	1,193,704
Accumulated depreciation	(110)	(30,058)	(383,375)	(3,940)	(3,857)	–	(421,340)
Carrying amount	108	185,783	528,186	1,184	764	56,339	772,364

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

	Freehold land and buildings RM'000	Right-of-use assets - Leasehold land and buildings RM'000	Plant and machinery, electrical installation, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Group							
Carrying amount							
At 1 January 2019	63	115,502	510,291	3,742	804	61	630,463
Additions	–	615	62,242	854	304	–	64,015
Disposals	–	–	–	(105)	–	–	(105)
Written off	–	–	–	(99)	–	–	(99)
Revaluation reserve	45	76,604	–	–	–	–	76,649
Reclassification	–	–	61	–	–	(61)	–
Depreciation charge	–	(3,188)	(26,029)	(990)	(254)	–	(30,461)
At 31 December 2019	108	189,533	546,565	3,402	854	–	740,462
At 31 December 2019							
Cost/ Revaluation	218	215,841	902,308	8,332	4,449	–	1,131,148
Accumulated depreciation	(110)	(26,308)	(355,743)	(4,930)	(3,595)	–	(390,686)
Carrying amount	108	189,533	546,565	3,402	854	–	740,462

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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

	Freehold land and buildings RM'000	Right-of-use assets - Leasehold land and buildings RM'000	Plant and machinery, electrical installation, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Company							
Carrying amount							
At 1 January 2019	63	115,502	510,291	1,317	804	61	628,038
Additions	–	615	62,242	465	304	–	63,626
Disposals	–	–	–	(105)	–	–	(105)
Written off	–	–	–	(99)	–	–	(99)
Revaluation reserve	45	76,604	–	–	–	–	76,649
Reclassification	–	–	61	–	–	(61)	–
Depreciation charge	–	(3,188)	(26,029)	(401)	(254)	–	(29,872)
At 31 December 2019	108	189,533	546,565	1,177	854	–	738,237
At 31 December 2019							
Cost/ Revaluation	218	215,841	902,308	5,194	4,449	–	1,128,010
Accumulated depreciation	(110)	(26,308)	(355,743)	(4,017)	(3,595)	–	(389,773)
Carrying amount	108	189,533	546,565	1,177	854	–	738,237

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

(a) Carrying amounts of property, plant and equipment held under lease arrangements are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Plant and machinery	**16,076**	16,875	**16,076**	16,875
Motor vehicles	**2,697**	3,327	**1,099**	1,101
	18,773	20,202	**17,175**	17,976

(b) The carrying amounts of property, plant and equipment charged as securities for borrowing as disclosed in Note 18 are as follows:

	Group and Company	
	2020 RM'000	**2019 RM'000**
Leasehold land and buildings	**185,168**	188,918
Plant and machinery	**552,054**	511,312
	737,222	700,230

(c) The leasehold land of the Group and of the Company have unexpired periods of lease of 47 to 91 years (2019: 48 to 92 years).

(d) Included in property, plant and equipment of the Group and of the Company are right-of-use assets amounting to RM185,168 (2019: RM188,918).

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 RM'000	**2019 RM'000**
Unquoted shares, at cost	**500**	500

The details of the subsidiaries, of which is incorporated in Malaysia, are as follows:

Name of company	Interest in equity held by the Company 2020 %	2019 %	Principal activities
MS Express Sdn. Bhd. #	**100**	100	Transportation and logistic
MS Fabricon Sdn. Bhd. #	**100**	–	Fabrication and trading of steel products

Audited by RSM Malaysia

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares, at cost				
At beginning of the year	**6,528**	6,141	**6,517**	6,130
Share of accumulated post-acquisition (losses)/gains	**(242)**	387	**–**	–
Reversal of impairment loss on investment	**–**	–	**–**	387
Impairment loss on investment	**–**	–	**(242)**	–
At end of the year	**6,286**	6,528	**6,275**	6,517

Name of company	Interest in equity held by the Company 2020 %	2019 %	Principal activities
Bio Molecular Industries Sdn. Bhd.	**48.25**	48.25	Manufacturing, research and development of radioisotopes and radiopharmaceuticals products

The associate was incorporated in Malaysia and audited by a firm of auditors other than RSM Malaysia.

Summarised financial information of associate, not adjusted for the percentage ownership held by the Group:

	Effective ownership interest %	Revenue (100%) RM'000	(Loss)/ profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2020	**48.25**	**8,374**	**(498)**	**30,025**	**17,017**
2019	48.25	8,299	804	29,042	15,536

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

9. DEFERRED TAX ASSETS/(LIABILITIES)

Group

2020	Assets RM'000	Liabilities RM'000	Net RM'000
At 1 January	**3,793**	**(47)**	**3,746**
Recognised in profit or loss (Note 26)	**1,659**	**(40)**	**1,619**
At 31 December	**5,452**	**(87)**	**5,365**
2019			
At 1 January	–	(9,603)	(9,603)
Recognised in profit or loss (Note 26)	3,793	9,556	13,349
At 31 December	3,793	(47)	3,746

Company

	2020 Assets RM'000	2019 Assets RM'000
At 1 January	**3,793**	(9,603)
Recognised in profit or loss (Note 26)	**1,659**	13,396
At 31 December	**5,452**	3,793

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	**92,539**	88,039	**92,539**	88,039
Deferred tax liabilities	**(87,174)**	(84,293)	**(87,087)**	(84,246)
	5,365	3,746	**5,452**	3,793

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group and of the Company:

	Other deductible temporary differences RM'000	Unutilised capital allowance and reinvestment allowance RM'000	Total RM'000
At 1 January 2020	**12,822**	**75,217**	**88,039**
Recognised in profit or loss	**(1,939)**	**6,439**	**4,500**
At 31 December 2020	**10,883**	**81,656**	**92,539**
At 1 January 2019	7,048	75,247	82,295
Recognised in profit or loss	5,774	(30)	5,744
At 31 December 2019	12,822	75,217	88,039

Deferred tax liabilities:

Group

	Excess of capital allowances over depreciation RM'000	Other taxable temporary differences RM'000	Total RM'000
At 1 January 2020	**(84,293)**	**–**	**(84,293)**
Recognised in profit or loss	**(1,697)**	**(1,184)**	**(2,881)**
At 31 December 2020	**(85,990)**	**(1,184)**	**(87,174)**
At 1 January 2019	(91,898)	–	(91,898)
Recognised in profit or loss	7,605	–	7,605
At 31 December 2019	(84,293)	–	(84,293)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

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

Deferred tax liabilities: (Cont'd)

Company

	Excess of capital allowances over depreciation RM'000	Other taxable temporary differences RM'000	Total RM'000
At 1 January 2020	**(84,246)**	**–**	**(84,246)**
Recognised in profit or loss	**(1,657)**	**(1,184)**	**(2,841)**
At 31 December 2020	**(85,903)**	**(1,184)**	**(87,087)**
At 1 January 2019	(91,898)	–	(91,898)
Recognised in profit or loss	7,652	–	7,652
At 31 December 2019	(84,246)	–	(84,246)

10. INVENTORIES

	Group and Company 2020 RM'000	2019 RM'000
At cost		
Raw materials	**525,397**	466,222
Goods in transit	**–**	2,137
	525,397	468,359
At net realisable value		
Finished goods	**42,768**	73,295
Impairment of inventories	**(477)**	(8,275)
	42,291	65,020
	567,688	533,379

Recognised in profit or loss:

Inventories recognised as cost of sales	**1,344,478**	1,142,509
(Reversal of impairment loss)/Impairment loss on inventories	**(7,798)**	1,305

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Trade receivables				
Third parties	**207,285**	164,306	**207,285**	164,306
Other receivables				
Due from/(to) subsidiary	**–**	–	**668**	(8)
Due from associate	**925**	900	**925**	900
Deposits	**200**	160	**199**	158
Sundry receivables and prepayments	**3,387**	3,234	**3,294**	3,125
	4,512	4,294	**5,086**	4,175
	211,797	168,600	**212,371**	168,481

The normal trade credit terms of the Group and of the Company ranged from 30 to 180 days (2019: 30 to 180 days). The amount due from subsidiary companies represent non-trade advances, are unsecured, interest free and repayable on demand. The amount due from associate company consists of unsecured non-trade advances which bear interest rate of 3.55% (2019: 3.55%) per annum and is repayable on demand.

Trade and other receivables of the Group and of the Company are denominated in Ringgit Malaysia. Hence, there is no exposure to foreign currency risk.

The ageing analysis of the trade receivables is as follows:

	Group and Company	
	2020 RM'000	**2019 RM'000**
Neither past due nor impaired	**207,265**	164,078
Past due, not impaired		
- 1 to 30 days past due, not impaired	**–**	106
- 31 to 60 days past due, not impaired	**20**	122
	207,285	164,306

The balance of receivables that are past due but not impaired are unsecured in nature. The management is confident that the remaining receivables are recoverable as these accounts are still active.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

12. FIXED DEPOSITS WITH LICENSED BANKS

The interest rates of deposits that were effective as at the financial year end are as follows:

	Group and Company	
	2020	**2019**
	% per annum	**% per annum**
Deposits with licensed banks	**0.85 - 1.20**	2.10 - 3.50

Deposits of the Group and of the Company are unsecured and have an average maturity period of 1 day (2019: between 2 days and 6 months).

13. SHARE CAPITAL

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
Issued and fully paid		
At 1 January 436,039,831 (2019: 427,239,831) ordinary shares	**233,310**	230,094
Issuance of 16,700,000 (2019: 8,800,000) ordinary shares under private placement	**6,632**	3,216
At 31 December 452,739,831 (2019: 436,039,831) ordinary shares	**239,942**	233,310

During the financial year, the Company increased its issued and paid-up share capital from RM233,310,000 to RM239,942,000 by issuance of 16,700,000 ordinary shares via private placement to eligible investors for a total cash consideration of RM6,632,000 to fund the Company's investment.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

Included in share capital is capital reserves amounting to RM997,000 (2019: RM997,000).

The holders of ordinary shares are entitled to receive dividend as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with reference shareholders with regard to the Company's residual assets. In respect of the Company's treasury shares held by the Company (see Note 15), all rights are suspended until those shares are reissued.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

14. SUBSCRIPTION MONEY RECEIVED

The Company had on 31 December 2019 received two (2) Subscription Notices from the investors for the subscription of Company's shares at a subscription price of RM0.38. The subscription price represents a discount to the average of the daily volume weighted average market prices of Company's shares during the 5 consecutive Trading Days and such shares will be listed and quoted on Main Market of Bursa Securities.

The Subscription Completion Date of both Subscription Notices was 3 January 2020 (Note 35 (a)).

15. TREASURY SHARES

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
At cost		
At 1 January	**(1,324)**	(1,199)
Acquired during the financial year	**(166)**	(125)
At 31 December	**(1,490)**	(1,324)

The directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the interest of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 127 of the Companies Act 2016. The Company has the right to cancel these treasury shares, distribute these treasury shares as share dividends to the shareholders and/or resell these treasury shares on the Bursa Malaysia. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

During the financial year, the Company repurchased its shares totaling 685,600 (2019: 294,000) ordinary shares as follows:

Date	**Shares repurchased**	**Purchase price (RM)**
13.3.2020	121,500	0.27
16.3.2020	183,000	0.27
17.3.2020	160,000	0.22
23.3.2020	41,100	0.21
25.3.2020	180,000	0.22

At the financial year end, the number of outstanding shares in issue after setting off the treasury shares against equity was 450,379,231 (2019: 434,364,831).

16. RETAINED EARNINGS

The entire retained earnings are distributable by way of single-tier dividends. These dividends if so declared are tax exempt in the hands of the shareholders.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

17. LEASE LIABILITIES

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current	**3,427**	3,272	**2,727**	2,604
Non-current	**8,659**	11,857	**7,673**	10,170
	12,086	15,129	**10,400**	12,774
Minimum lease payments:				
- not later than one (1) year	**4,227**	4,336	**3,448**	3,553
- later than one (1) year but not later than two (2) years	**4,084**	4,192	**3,328**	3,413
- later than two (2) years but not later than five (5) years	**5,415**	9,266	**5,131**	8,226
	13,726	17,794	**11,907**	15,192
Less: Future finance charges	**(1,640)**	(2,665)	**(1,507)**	(2,418)
Present value of lease liabilities	**12,086**	15,129	**10,400**	12,774
Present value of lease liabilities				
- not later than one (1) year	**3,427**	3,272	**2,727**	2,604
- later than one (1) year but not later than two (2) years	**3,558**	3,407	**2,844**	2,706
- later than two (2) years but not later than five (5) years	**5,101**	8,450	**4,829**	7,464
	12,086	15,129	**10,400**	12,774

The lease liabilities bear interest rate ranging from 2.28% to 4.48% (2019: 2.41% to 4.48%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

18. BORROWINGS

	Group and Company 2020 RM'000	2019 RM'000
Current liabilities		
Bank overdrafts	**–**	2,000
Bill payable	**292,275**	317,470
Terms loans	**31,712**	12,283
	323,987	331,753
Non-current liabilities		
Revolving credit	**–**	10,000
Term loans	**90,000**	121,712
	90,000	131,712
	413,987	463,465
Total borrowings		
Bank overdrafts	**–**	2,000
Bill payable	**292,275**	317,470
Revolving credit	**–**	10,000
Term loans	**121,712**	133,995
	413,987	463,465

In year 2019, the bank overdraft facilities are repayable on demand and bear interest 5.10% to 8.10% per annum.

The bill payable facilities are repayable within 120 - 180 days and bear interest rates ranging from 2.29% to 6.40% (2019: 3.34% to 6.35%) per annum. Certain bill payable facilities are secured by a third-party security.

In year 2019, the revolving credit facilities are repayable on monthly basis and bear interest rates at 5.06% and 5.25% per annum.

The term loans bear interest rate at 8.45% (2019: 8.45%) per annum and is repayable on quarterly basis through number of instalments and commencement date as below:

	Number of instalments	Commencement date
Term loan I*	12	November 2018
Term loan II	40	November 2018

* *The term loan had been settled on November 2019.*

18. BORROWINGS (CONT'D)

The bills payable, revolving credit and term loans are secured by the following:

(a) Negative pledge;
(b) Debentures over certain property, plant and equipment of the Company; and
(c) First fixed charge over all leasehold land and buildings of the Company, as disclosed in Note 6.

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
Repayment terms:		
- not later than one (1) year	**323,987**	331,753
- later than one (1) year but not later than two (2) years	**40,000**	31,712
- later than two (2) years but not later than five (5) years	**50,000**	100,000
	413,987	463,465

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Trade payables				
Third parties	**284,777**	201,460	**288,057**	203,908
Other payables				
Sundry payable	**57,329**	99	**57,329**	99
Accruals	**57,508**	27,860	**57,330**	27,786
	399,614	229,419	**402,716**	231,793

The normal trade credit terms of the Group and of the Company range from 30 to 180 days (2019: 30 to 180 days).

Included in sundry payable is advance payment received of RM57,234,000 (2019: Nil).

The currency exposure profile of trade and other payables are as follows:

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
United States Dollars	**88,157**	38,472
Chinese Yuan Renminbi	**1,028**	814
Euro	**15,642**	24,657
At 31 December	**104,827**	63,943

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

20. TRADE DEPOSITS

The Group and the Company have entered into several Advance Payment and Supply Agreements ("Agreements") with a foreign trading house, Cargill International Trading Pte. Ltd. ("Cargill") since 30 April 2013.

The terms and conditions as stated in the Agreements are as follows:

(i) The Group and the Company have granted Cargill an option to buy steel billets from the Group and the Company for a period of time at contracted amounts stated in the Agreements. The Group and the Company are required to make an offer to Cargill of a variable quantity of steel billets ("commodity") at contracted amount not later than 30 business days before maturity date stated in the Agreements. The Group and the Company shall physically deliver the required quantity of the commodity based on the contracted amount if the offer is accepted.

(ii) In consideration of the Group's and of the Company's agreement to deliver the commodity, Cargill agreed to make advance payments upon request by the Group and the Company. If Cargill does not accept the offer to purchase the steel billets upon the maturity date, the Group and the Company shall repay to Cargill the advance payment amount by cash in lieu of a delivery of the commodity.

(iii) The difference between the disbursement amount received and the contracted amount is the advance payment discount/ charge.

Included in trade deposits was 100% (2019: 100%) of trade deposits with Cargill.

As at 31 December 2020, there were 5 (2019: 5) Agreements pending execution, which were extended from earlier Agreements.

As at 31 December 2020, there has been no (2019: Nil) Agreement being executed.

Included in the Group's and the Company's trade deposits are balances denominated in United States Dollars of USD14,950,140 (equivalent to RM59,924,644) (2019: USD20,300,000 (equivalent to RM80,250,345)).

During the financial year, the advance/ late payment charges incurred are as follows:-

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
Advance payment charges	**530**	9,258
- over provision in prior year	**(555)**	–
Late payment charges	**4,888**	–
	4,863	9,258

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

21. REVENUE

	Group and Company	
	2020	**2019**
	RM'000	**RM'000**
Revenue from contracts with customers:		
- Sales of manufactured goods	**1,383,513**	1,195,306
Timing of revenue		
- At a point in time	**1,383,513**	1,195,306

22. PROFIT FROM OPERATIONS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Profit from operations is arrived at after charging/(crediting):				
Auditors' remuneration				
- statutory audit	**149**	147	**140**	140
- other services	**53**	8	**53**	8
Depreciation of property, plant and equipment	**32,765**	30,461	**32,114**	29,872
Impairment loss/(Reversal of impairment loss) on investment in associate	**–**	–	**242**	(387)
(Reversal of impairment loss)/ Impairment loss on inventories	**(7,798)**	1,305	**(7,798)**	1,305
Loss on property, plant and equipment written off	**–**	99	**–**	99
Rental of equipment	**3,845**	4,274	**3,845**	4,274
Rental of premises	**446**	393	**446**	393
Staff costs (Note 23)	**44,021**	44,877	**42,675**	43,633
Realised foreign exchange (gain)/loss	**(8,555)**	56	**(8,555)**	56
Unrealised foreign exchange gain	**(3,590)**	(2,968)	**(3,590)**	(2,968)
Fixed deposits interest income	**(813)**	(446)	**(813)**	(446)
(Gain)/Loss on disposal of property, plant and equipment	**(147)**	9	**(147)**	9

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

22. PROFIT FROM OPERATIONS (CONT'D)

Net gains and losses arising from financial instruments:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net gains/(losses) on:				
Financial assets measured at amortised cost	**813**	446	**813**	446
Financial liabilities measured at amortised cost	**(9,847)**	(19,746)	**(9,732)**	(19,614)
	(9,034)	(19,300)	**(8,919)**	(19,168)

23. STAFF COSTS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Salaries, bonus, allowances and overtime	**41,262**	42,317	**40,089**	41,237
Employees Provident Fund	**2,158**	2,067	**2,009**	1,930
Social security costs	**395**	315	**378**	298
Other benefits	**206**	178	**199**	168
	44,021	44,877	**42,675**	43,633

Included in staff costs of the Group and of the Company are directors' remuneration as disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

24. DIRECTORS' REMUNERATION

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Directors				
Executive:				
Salaries and other emoluments	**2,158**	2,163	**2,158**	2,163
Fees	**81**	76	**76**	76
Allowances	**57**	57	**57**	57
	2,296	2,296	**2,291**	2,296
Non-executive:				
Fees	**76**	76	**76**	76
Allowances	**384**	346	**384**	346
	460	422	**460**	422
Total executive directors' remuneration	**2,296**	2,296	**2,291**	2,296
Total non-executive directors' remuneration	**460**	422	**460**	422
Grand total	**2,756**	2,718	**2,751**	2,718

The number of directors of the Company whose total remuneration during the year fall within the following bands are analysed below:

	Number of Directors	
	2020 RM'000	**2019 RM'000**
Executive directors:		
Less than RM50,000	**–**	–
RM200,001 - RM250,000	**1**	1
RM300,001 - RM350,000	**1**	–
RM350,001 - RM400,000	**–**	1
RM500,001 - RM550,000	**1**	1
RM1,200,001 - RM1,250,000	**1**	1
RM1,600,001 - RM1,650,000	**–**	–
Total executive directors	**4**	4
Non-executive directors:		
RM50,001 - RM100,000	**2**	3
RM100,001 - RM150,000	**1**	–
RM150,001 - RM200,000	**1**	1
Total non-executive directors	**4**	4
Total executive and non-executive directors	**8**	8

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

25. FINANCE COSTS

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Recognised in profit or loss:				
Interest expenses of financial liabilities measured at amortised cost:				
- bill payable	**13,332**	14,436	**13,332**	14,436
- bank overdrafts and revolving credit	**192**	576	**192**	576
- finance lease	**1,066**	707	**952**	575
- term loans	**7,401**	6,939	**7,401**	6,939
	21,991	22,658	**21,877**	22,526

26. TAX CREDIT

	Group 2020 RM'000	Group 2019 RM'000	Company 2020 RM'000	Company 2019 RM'000
Current financial year				
Income tax expense	**375**	540	**52**	59
Deferred tax income	**(6,590)**	(13,386)	**(6,621)**	(13,407)
	(6,215)	(12,846)	**(6,569)**	(13,348)
(Over)/Under provision in prior financial year				
Income tax expense	**(14)**	414	**(6)**	23
Deferred tax expense	**4,971**	37	**4,962**	11
	4,957	451	**4,956**	34
	(1,258)	(12,395)	**(1,613)**	(13,314)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

26. TAX CREDIT (CONT'D)

The reconciliation between the tax expense on loss before taxation with the applicable statutory tax rate of the Group and of the Company are as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Loss before taxation	**(15,984)**	(20,721)	**(16,785)**	(22,244)
Tax at Malaysia statutory tax rate of 24% (2019: 24%)	**(3,836)**	(4,973)	**(4,028)**	(5,339)
Tax effect in respect of:				
Expenses not deductible for tax purposes	**9,633**	7,129	**9,517**	6,993
Utilisation of capital allowances	**(12,058)**	(15,002)	**(12,058)**	(15,002)
Deferred tax assets not recognised	**46**	–	**–**	–
Tax expense for the year	**(6,215)**	(12,846)	**(6,569)**	(13,348)

As at 31 December 2019, the Group has the following deferred tax assets which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:

	Group	
	2020 RM'000	**2019 RM'000**
Shortfall of tax written down value over carrying amount of property, plant and equipment	**(24)**	–
Unutilised capital allowances	**30**	–
Unabsorbed tax loss	**40**	–
	46	–

Subject to agreement with the Inland Revenue Board, the Company has unutilised reinvestment allowances of approximately RM313,405,000 (2019: RM313,405,000) which are available to set off against future chargeable income up to the year of assessment 2025.

As at 31 December 2020, the Group and the Company has unabsorbed capital allowance of approximately RM26,406,000 and RM26,406,000 (2019: RM36,460,000 and RM36,460,000) respectively, which are available to set off against future chargeable income.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company acquired property, plant and equipment satisfied as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Lease arrangements	**316**	13,437	**316**	13,048
Cash payments	**66,443**	50,578	**65,945**	50,578
	66,759	64,015	**66,261**	63,626

28. LOSS PER SHARE

(a) Basic loss per share

The basic loss per ordinary share of the Group is calculated based on the loss attributable to owners of ordinary shareholders divided by the weighted average number of shares in issue.

	2020 RM'000	**2019 RM'000**
Loss attributable to owners of ordinary shareholders	**(14,726)**	(8,326)
Weighted average number of ordinary shares in issue	**449,696**	426,345
Basic loss per share (sen)	**(3.27)**	(1.95)

(b) Diluted loss per share

There was no dilutive potential ordinary shares as at 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

29. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follow:

(i) Financial assets at amortised cost ("AC"); and
(ii) Financial liabilities at amortised cost ("FL").

Group	Carrying amount RM'000	AC RM'000
2020		
Financial assets		
Trade and other receivables	**211,704**	**211,704**
Fixed deposits with licensed banks	**23,800**	**23,800**
Cash and bank balances	**14,343**	**14,343**
Total financial assets	**249,847**	**249,847**

	Carrying amount RM'000	FL RM'000
Financial liabilities		
Trade and other payables	**399,614**	**399,614**
Trade deposits	**59,925**	**59,925**
Lease liabilities	**12,086**	**12,086**
Borrowings	**413,987**	**413,987**
Total financial liabilities	**885,612**	**885,612**

	Carrying amount RM'000	AC RM'000
2019		
Financial assets		
Trade and other receivables	168,491	168,491
Fixed deposits with licensed banks	24,902	24,902
Cash and bank balances	35,403	35,403
Total financial assets	228,796	228,796

	Carrying amount RM'000	FL RM'000
Financial liabilities		
Trade and other payables	229,419	229,419
Trade deposits	80,250	80,250
Lease liabilities	15,129	15,129
Borrowings	463,465	463,465
Total financial liabilities	788,263	788,263

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

29. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

Company	Carrying amount RM'000	AC RM'000
2020		
Financial assets		
Trade and other receivables	**212,371**	**212,371**
Fixed deposits with licensed banks	**23,800**	**23,800**
Cash and bank balances	**14,121**	**14,121**
Total financial assets	**250,292**	**250,292**

	Carrying amount RM'000	FL RM'000
Financial liabilities		
Trade and other payables	**402,716**	**402,716**
Trade deposits	**59,925**	**59,925**
Lease liabilities	**10,400**	**10,400**
Borrowings	**413,987**	**413,987**
Total financial liabilities	**887,028**	**887,028**

	Carrying amount RM'000	AC RM'000
2019		
Financial assets		
Trade and other receivables	168,481	168,481
Fixed deposits with licensed banks	24,902	24,902
Cash and bank balances	35,134	35,134
Total financial assets	228,517	228,517

	Carrying amount RM'000	FL RM'000
Financial liabilities		
Trade and other payables	231,793	231,793
Trade deposits	80,250	80,250
Lease liabilities	12,774	12,774
Borrowings	463,465	463,465
Total financial liabilities	788,282	788,282

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and the Company's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's and of the Company's businesses whilst managing its risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's and the Company's policy that no trading in derivative financial instruments shall be undertaken.

The main areas of financial risks faced by the Group and the Company and the policy in respect of the major areas of treasury activity are set out as follows:

(a) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group and the Company have no significant interest-bearing financial assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group's and the Company's interest-bearing financial assets are mainly short term in nature and have been mostly placed in fixed deposits or occasionally, in short term commercial papers.

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. The Group's and the Company's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rate fall.

Interest rate sensitivity analysis

(i) Fair value sensitivity analysis for fixed rate instrument

The Group and the Company do not account for any fixed rate financial liabilities at "fair value through profit or loss" and does not designate derivatives as hedging instrument under fair value hedge accounting method. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss substantially.

(ii) Interest rate risk sensitivity analysis

The Group's and the Company's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate were to increase/ decrease by 1%, it would impact the Group's and the Company's profit by approximately RM4,139,870 (2019: RM4,634,650).

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk

The Group's and the Company's credit risk is primarily attributable to trade receivables. The Group and the Company trade only with recognised and creditworthy third parties. It is the Group's and the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's and the Company's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group and the Company do not offer credit terms without the specific approval of the Head of Credit Control. Since the Group and the Company trade only with recognised and creditworthy third parties, there is no requirement for collateral.

When an account is more than 180 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group identifies as a default account if it is more than 180 days past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics). The Group classifies an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categories the different risk classes (low risk, medium risk and high risk) and the ageing profiles. The collective lifetime ECLs are measured based on the Group's past lost rate experiences, current conditions and forecast of future economic conditions. The past lost rates are adjusted upward in the measurement in worsening current conditions and forecasts of future macroeconomic conditions.

Concentration of credit risk

The Group assesses concentrations of credit risk by exposure to single-large customers, industry sectors and overseas jurisdictions.

100% of the Group's trade and other receivables were concentrated within Malaysia. There was no significant exposure to single customers or to industry groups. Despite the impact that the COVID-19 pandemic had has on these customers, this balance was within their terms of trade and no impairment was made as at 31 December 2020.

The credit risk of the Group's and of the Company's other financial assets, which comprise cash and cash equivalents and other investments, arises from default of the counterpart, with a maximum exposure equal to the carrying amount of these financial assets.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Foreign currency risk

The Group and the Company are exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD), Chinese Yuan Renminbi (CNY) and Euro (EURO). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The Group and the Company maintain a natural hedge, whenever possible, by borrowing in the currency of the country in which the property or investment is located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The following table demonstrates the sensitivity of the Group's and of the Company's profit after tax and equity to a reasonably possible change in the exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

	Group and Company Profit after tax RM'000
2020	
USD/RM	
- strengthened by 5%	**5,624**
- weakened by 5%	**(5,624)**
CNY/RM	
- strengthened by 5%	**39**
- weakened by 5%	**(39)**
EURO/RM	
- strengthened by 5%	**594**
- weakened by 5%	**(594)**
2019	
USD/RM	
- strengthened by 5%	4,500
- weakened by 5%	(4,500)
CNY/RM	
- strengthened by 5%	31
- weakened by 5%	(31)
EURO/RM	
- strengthened by 5%	937
- weakened by 5%	(937)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity risk

The Group and the Company manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raise committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group

2020	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Non derivative financial liabilities				
Trade and other payables	**399,614**	**–**	**–**	**399,614**
Borrowings	**330,276**	**109,102**	**–**	**439,378**
	729,890	**109,102**	**–**	**838,992**

2019	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Non derivative financial liabilities				
Trade and other payables	229,419	–	–	229,419
Borrowings	337,580	162,190	–	499,770
	566,999	162,190	–	729,189

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Company

2020	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Non derivative financial liabilities				
Trade and other payables	**402,716**	**–**	**–**	**402,716**
Borrowings	**329,497**	**108,062**	**–**	**437,559**
	732,213	**108,062**	**–**	**840,275**

2019	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Non derivative financial liabilities				
Trade and other payables	231,793	–	–	231,793
Borrowings	336,797	160,371	–	497,168
	568,590	160,371	–	728,961

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(e) Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short-term borrowings approximate fair values due to the relatively short term nature of these financial instruments.

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 statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2020										
Group										
Financial liabilities										
Lease liabilities	–	–	–	–	–	–	12,667	12,667	12,667	12,086
Term loans	–	–	–	–	–	–	119,210	119,210	119,210	121,712
	–	–	–	–	–	–	131,877	131,877	131,877	133,798
2020										
Company										
Financial liabilities										
Lease liabilities	–	–	–	–	–	–	10,840	10,840	10,840	10,400
Term loans	–	–	–	–	–	–	119,210	119,210	119,210	121,712
	–	–	–	–	–	–	130,050	130,050	130,050	132,112

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(e) Fair value information (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2019										
Group										
Financial liabilities										
Revolving credit	–	–	–	–	–	–	9,509	9,509	9,509	10,000
Lease liabilities	–	–	–	–	–	–	15,213	15,213	15,213	15,129
Term loans	–	–	–	–	–	–	131,342	131,342	131,342	133,995
	–	–	–	–	–	–	156,064	156,064	156,064	159,124
2019										
Company										
Financial liabilities										
Revolving credit	–	–	–	–	–	–	9,509	9,509	9,509	10,000
Lease liabilities	–	–	–	–	–	–	12,724	12,724	12,724	12,774
Term loans	–	–	–	–	–	–	131,342	131,342	131,342	133,995
	–	–	–	–	–	–	153,575	153,575	153,575	156,769

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(e) Fair value information (Cont'd)

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. For other borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2019: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Revolving credit, lease liabilities and secured term loans	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

31. SEGMENT INFORMATION

(a) Primary reporting format - by business segment

The Group is primarily operating in one business segment which is the manufacturing of steel bars and billets.

(b) Secondary reporting format - by geography

The Group's business segments are managed in two (2) main geographical areas:

	Sales		Total assets		Capital expenditure	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Area						
Malaysia	**1,246,228**	1,160,160	**1,606,618**	1,518,292	**66,759**	64,015
Outside Malaysia	**137,285**	35,146	**–**	–	**–**	–
	1,383,513	1,195,306	**1,606,618**	1,518,292	**66,759**	64,015

In determining the geographical segments of the Group, sales are based on the countries in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located, and all assets are located in Malaysia.

Revenue from one (2019: one) major customer amounted to RM347,723,406 (2019: RM298,951,650) arising from sales of steel billets and bars.

32. CAPITAL MANAGEMENT

The Group's and the Company's objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

The gearing ratios as at 31 December 2020 and 2019 were as follows:

	Group		Company	
	2020 RM'000	**2019 RM'000**	**2020 RM'000**	**2019 RM'000**
Total lease liabilities (Note 17)	**12,086**	15,129	**10,400**	12,774
Total borrowings (Note 18)	**413,987**	463,465	**413,987**	463,465
	426,073	478,594	**424,387**	476,239
Total equity	**720,772**	729,982	**718,359**	728,015
Gearing ratio	**59.11%**	65.56%	**59.08%**	65.42%

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

33. CONTINGENT LIABILITIES

	Group and Company	
	2020 RM'000	2019 RM'000
Unsecured bank guarantees issued in favour of third parties	**70,564**	67,779

34. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel includes all the directors of the Group, and certain members of senior management of the Group and of the Company.

The Group and the Company have related party relationship with its subsidiaries, associate and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The balances due from subsidiaries and associate are shown in Note 11.

The significant related party transactions of the Company are as follows:

	Company	
	2020 RM'000	2019 RM'000
Transportation charged by a subsidiary	**4,248**	4,978
Fabrication service charged by a subsidiary	**34**	–

Compensation of key management personnel

The Board of Directors defined that key management personnel of the Group and of the Company are directors of the Group and of the Company. The compensation of key management personnel during the financial year is disclosed in Note 24 to the financial statements.

35. SIGNIFICANT EVENTS DURING THE YEAR

(a) The Company had on the following dates received Subscription Notices from the investors for the subscription of Company's shares at respective subscription prices. The subscription prices represent a discount to the average of the daily volume weighted average market prices ("VWAP") of Company's shares during the 5 consecutive Trading Days and such shares will be listed and quoted on Main Market of Bursa Securities.

Number of Subscription Notice	Date received Subscription Notice	Number of subscription shares	Subscription price RM	Discount of approximately %	Fifth Trading Days	Average market price RM	Subscription Completion Date
14*	31 December 2019	1,000,000	0.3800	8.92	30 December 2019	0.4172	3 January 2020
15*	31 December 2019	1,500,000	0.3800	8.92	30 December 2019	0.4172	3 January 2020
16	2 January 2020	2,000,000	0.3970	8.78	31 December 2019	0.4352	6 January 2020
17	3 January 2020	1,750,000	0.4310	8.94	2 January 2020	0.4733	7 January 2020
18	7 January 2020	750,000	0.4350	8.98	6 January 2020	0.4779	9 January 2020
19	13 January 2020	1,000,000	0.4130	8.97	10 January 2020	0.4537	15 January 2020
20	14 January 2020	1,750,000	0.4090	8.83	13 January 2020	0.4486	16 January 2020
21	20 January 2020	4,500,000	0.4030	8.99	17 January 2020	0.4428	22 January 2020
22	4 February 2020	500,000	0.3600	8.77	3 February 2020	0.3946	6 February 2020
23	6 February 2020	1,000,000	0.3500	8.33	5 February 2020	0.3818	10 February 2020
24	12 February 2020	950,000	0.3530	8.86	11 February 2020	0.3873	14 February 2020

* It represents subscription money received during financial year ended 31 December 2019.

(b) On 5 March 2020, the Company announced that it had submitted an application to Bursa Securities to seek for approval on extension of time for approximately 6 months to implement and complete the Proposed Private Placement on 27 February 2020. On the same date, Bursa Securities had vide its letter dated 5 March 2020, resolved to grant an extension of time until 18 September 2020 to complete the implementation of the Private Placement.

On 18 September 2020, the Company deemed completed the private placement with listing of total 25,500,000 private placement shares.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

35. SIGNIFICANT EVENTS DURING THE YEAR (CONT'D)

(c) The World Health Organisation declared the coronavirus disease ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 to 3 May 2020 and had subsequently entered into the conditional and recovery phases of the MCO until 31 December 2020 in all states and federal territories in Malaysia.

The restrictions imposed have not, however, negatively impacted the Company's financial performance as its main manufacturing facilities were allowed to operate throughout the MCO, under the guidelines set by the National Security Council ("NSC"), Ministry of Health ("MOH") and Ministry of International Trade and Industry ("MITI") respectively.

Based on the assessment of the Group and the Company, the financial impact arising from COVID-19 pandemic has been reflected in the financial statements. The Group and the Company will continue to assess any impact of the COVID-19 pandemic on the financial statements of the Group and the Company for the financial year ending 31 December 2021.

(d) On 13 March 2020, the Company repurchased its shares of 121,500 ordinary shares at an average purchase price of RM0.270 per ordinary share. The repurchase transaction was financed by internally generated funds.

(e) On 16 March 2020, the Company repurchased its shares of 183,000 ordinary shares at an average purchase price of RM0.273 per ordinary share. The repurchase transaction was financed by internally generated funds.

(f) On 17 March 2020, the Company repurchased its shares of 160,000 ordinary shares at an average purchase price of RM0.220 per ordinary share. The repurchase transaction was financed by internally generated funds.

(g) On 23 March 2020, the Company repurchased its shares of 41,100 ordinary shares at an average purchase price of RM0.208 per ordinary share. The repurchase transaction was financed by internally generated funds.

(h) On 25 March 2020, the Company repurchased its shares of 180,000 ordinary shares at an average purchase price of RM0.223 per ordinary share. The repurchase transaction was financed by internally generated funds.

(i) On 16 June 2020, the Company incorporated a wholly-owned subsidiary known as MS Fabricon Sdn. Bhd. ("MSF") with 2 ordinary shares of RM1 per ordinary share on incorporation.

The principal activity of MSF is that of fabrication and trading of steel products. MSF has commenced its activity during the financial period.

The above incorporation of subsidiary does not have any material effect to the financial statements.

(j) On 7 December 2020, the Company announced that it proposes to undertake a proposed renounceable right issue of up to 226,369,915 new ordinary shares in the Company together with up to 226,369,915 free detachable warrants on the basis of 1 rights share for every 2 existing ordinary shares held in the Company together with 1 warrant for every 1 rights share subscribed at an entitlement date to be determined later on a full subscription basis ("Proposed Rights Issue with Warrants").

On 29 December 2020, the Company announced that the listing application in relation to the Proposed Rights Issue with Warrants has been submitted to Bursa Securities.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

36. EVENTS AFTER THE REPORTING PERIOD

(a) Bursa Securities had, vide its letter dated 15 January 2021, resolved to approve the Proposed Rights Issue with Warrants subject to the following conditions:

(i) the Company and Investment Adviser must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue with Warrants;

(ii) the Company and Investment Adviser to inform Bursa Securities upon the completion of the Proposed Rights Issue with Warrants;

(iii) the Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue with Warrants is completed; and

(iv) the Company to furnish Bursa Securities on a quarterly basis, a summary of the total number of shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of the listing fees payable.

On 23 March 2021, the Company obtained approval from its shareholders via Extraordinary General Meeting in relation to the Proposed Rights Issue with Warrants held on the same date.

(b) The impact of the COVID-19 pandemic is ongoing and while the Group and the Company had remained in operation up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 13 January 2021, the Government of Malaysia had reimposed the Movement Control Order ("MCO 2.0") in several states and all federal territories in Malaysia to curb the third wave of COVID-19 pandemic in the country. However, the Group's and the Company's business of manufacturing, transportation and fabrication activities were able to operate during MCO 2.0 period under the guidelines set by National Security Council, Ministry of Health and Ministry of International Trade and Industry.

As at the date of authorisation of the financial statements, the COVID-19 pandemic situation is still evolving and uncertain. The Group and the Company will continue to actively monitor and manage its funds and operations to minimise any impact arising from the COVID-19 pandemic. Nevertheless, with the Group's and the Company's past focus on cost efficiency, the Group and the Company expects to sustain its operational and financial performance for the financial year ending 31 December 2021.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Group's and the Company's operations, the results of those operations, or the Group's and the Company's state of affairs in future financial years.

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

37. MATERIAL LITIGATION

The Company has been served with a Writ of Summons dated 17 July 2019 and Statement of Claim dated 12 June 2019 by a related party. The related party is seeking for, inter alia, a payment of RM10.681 million from the Company, together with interest in relation to advances made by the related party to the Company between the financial years 2002 to 2004.

The Board of Directors has been advised by its solicitor that the Company has strong case to dismiss the claim. The management is of the view that the Writ of Summons will not have any material financial and operational impact on the Company as the claim is non-trade in nature.

The Company applied to strike-out the claim ("Application"). The Application has been dismissed by the high court and was scheduled for trial from 16 to 18 August 2021.

38. OTHER INFORMATION

(a) The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of the Bursa Malaysia Securities Berhad.

(b) The registered office is situated at:

Unit B-05-3A
5th Floor, Block B (West Wing)
PJ8 Office Suite
No. 23, Jalan Barat
Seksyen 8
46050 Petaling Jaya
Selangor Darul Ehsan

(c) The principal place of business is situated at:

Wisma Masteel
Lot 29C, Off Jalan Tandang
Section 51
46050 Petaling Jaya
Selangor Darul Ehsan

(d) The financial statements are expressed in Ringgit Malaysia ("RM"), which is also the Group's and the Company's functional currency.

(e) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the directors on 6 April 2021.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the directors of **MALAYSIA STEEL WORKS (KL) BHD. (Registration No. 197101000213 (7878-V))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 50 to 114 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 state of affairs of the Group and of the Company as at 31 December 2020 and of the financial results and cash flows of the Group and of the Company for the financial year ended on that date.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG

Kuala Lumpur

6 April 2021

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **LAU YOKE LEONG**, being the director primarily responsible for the financial management of **MALAYSIA STEEL WORKS (KL) BHD. (Registration No. 197101000213 (7878-V))** do solemnly and sincerely declare that the financial statements set out on pages 50 to 114 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

LAU YOKE LEONG
MIA number: 14053

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 6 April 2021

Before me

S. ARULJAMY
No. W490
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA STEEL WORKS (KL) BHD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Malaysia Steel Works (KL) Bhd., which comprise the statements of financial position as at 31 December 2020 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 financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 114.

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 31 December 2020, and of their financial performance and their cash flows for the financial 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 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.

INDEPENDENT AUDITORS' REPORT
(CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

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 financial 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.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Revenue recognition is identified as a key audit matter as the Group's and the Company's revenue transactions are voluminous with different terms and pricing for different customers. There is a risk that revenue may be recognised before the significant risks and rewards of ownership of the goods sold have been transferred to the customers. Revenue of the Group and of the Company comprises income generated from manufacturing and selling of steel bars and steel billets. Revenue from sales of goods is recognised at the point in time when the significant risks and rewards of ownership have been transferred to the customer, usually in the form of an executed purchase order and when the goods are delivered to customers.	**Our procedures included, amongst others:** • We assessed and evaluated the appropriateness of the design and implementation of controls in the revenue cycle with no exception noted. • We performed test of operating effectiveness on the relevant controls identified within the revenue cycle with no exception noted. • We verified revenue transactions to respective sales invoices and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of the goods to customers based on selected samples. • We verified the credit notes and sales returns post the year-end date to ascertain if revenue was recognised in the correct financial period. • We selected revenue transactions pre and post year-end date and agreed the selected sales invoices and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of goods and confirmed that these transactions were recognised in the correct financial periods.

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 Directors' Report and Statement on Risk Management and Internal Control included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT
(CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Group's and the Company's ability 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 Group's and of the Company's internal control.
- 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 Group's or the Company's ability 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
(CONT'D)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (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 achieves fair presentation.
- 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 financial 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 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 associate of which we have not acted as auditors, is disclosed in Note 8 to the financial statements.

OTHER MATTERS

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.

RSM Malaysia
AF: 0768
Chartered Accountants

Lou Hoe Yin
03120/04/2022 J
Chartered Accountant

Kuala Lumpur

6 April 2021

LIST OF PROPERTIES
AS AT 31 DECEMBER 2020

Location	Existing Use	Approximate Age of Building (Years)	Tenure	Land Area (Built-up Area)	Net Book Value (RM'000)	Date of Acquisition	Date of Revaluation
Wisma Masteel Lot 29C, Off Jalan Tandang, Section 51 46050 Petaling Jaya Selangor Darul Ehsan	Office, factory and warehouse	38 years	Leasehold for 99 years expiring on 15 April 2067	130,897 sq. ft. (63,187 sq. ft.)	Land – 20,462 Building – Nil	30-Sep-05	30-Sep-19
Lot 29B, Off Jalan Tandang, Section 51 46050 Petaling Jaya Selangor Darul Ehsan	Factory	12 years	Leasehold for 99 years expiring on 15 April 2067	110,425 sq. ft. (69,960 sq. ft.)	Land – 17,254 Building – 922	22-Dec-09	30-Sep-19
Lot 13039 Jalan Waja, Bukit Raja Industrial Estate 41050 Klang Selangor Darul Ehsan	Office, factory and warehouse	20 years	Leasehold for 99 years expiring on 3 December 2111	1,562,266 sq. ft. (187,220 sq. ft.)	Land – 100,501 Building – 44,994	30-Sep-05	30-Sep-19
Unit B-05-3 5th Floor Block B (West Wing) PJ8 Office Suite No. 23, Jalan Barat Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	Office	11 years	Leasehold for 99 years expiring on 5 March 2106	(4,176 sq. ft.)	Building – 961	6-Nov-08	NIL
Unit B-05-3A 5th Floor Block B (West Wing) PJ8 Office Suite No. 23, Jalan Barat Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	Office	11 years	Leasehold for 99 years expiring on 5 March 2106	(3,003 sq. ft.)	Building – 689	6-Nov-08	NIL
GRN 33304 Lot 3780 Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus	Bungalow	36 years	Freehold	5,403 sq. ft. (1,334 sq. ft)	Land – 108 Building – Nil	30-Sep-05	30-Sep-19

ANALYSIS OF SHAREHOLDINGS
AS AT 31 MARCH 2021

Total number of issued shares	:	452,739,831 ordinary shares (including 2,360,600 treasury shares)
Voting Rights	:	One (1) vote per ordinary share

ANALYSIS BY SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital [1]
1 - 99	1,197	11.52	45,457	0.01
100 – 1,000	988	9.50	494,033	0.11
1,001 – 10,000	4,871	46.87	27,030,852	6.00
10,001 – 100,000	2,970	28.58	90,689,261	20.14
100,001 – 22,518,960 [2]	366	3.52	191,427,012	42.50
22,518,961 and above [3]	1	0.01	140,692,616	31.24
TOTAL	**10,393**	**100.00**	**450,379,231**	**100.00**

Notes:-

[1] Excluding a total of 2,360,600 ordinary shares bought-back by the Company and retained as treasury shares as at 31 March 2021.

[2] Less than 5% of issued shares (excluding treasury shares)

[3] 5% and above of issued shares (excluding treasury shares)

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name of Director	No. of Shares	% of Issued Capital	No. of Shares	% of Issued Capital [1]
Dato' Sri Tai Hean Leng @ Tek Hean Leng	–	–	140,692,616 [2]	31.24

Notes:-

[1] Excluding a total of 2,360,600 ordinary shares bought-back by the Company and retained as treasury shares as at 31 March 2021.

[2] Deemed interested pursuant to Section 8(4) of the Companies Act 2016 by virtue of his interest in TYY Resources Sdn Bhd.

Pursuant to Section 8(4) of the Companies Act 2016, by virtue of his interests in the shares of the Company, Dato' Sri Tai Hean Leng @ Tek Hean Leng is also deemed to have an interest in the shares of the subsidiary of the Company to the extent the Company has an interest.

ANALYSIS OF SHAREHOLDINGS
(CONT'D)

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of Shares	% of Issued Capital [1]	No. of Shares	% of Issued Capital [1]
TYY Resources Sdn Bhd	140,692,616	31.24 [1]	–	–
Dato' Sri Tai Hean Leng @ Tek Hean Leng	–	–	140,692,616 [2]	31.24
Datin Ng Pik Lian	–	–	151,188,081 [3]	33.57
Estate of Tai Chet Siang, Deceased	–	–	140,692,616 [2]	31.24

Notes:-

[1] Excluding a total of 2,360,600 ordinary shares bought-back by the Company and retained as treasury shares as at 31 March 2021.

[2] Deemed interested pursuant to Section 8(4) of the Companies Act 2016 by virtue of their interests in TYY Resources Sdn Bhd.

[3] Deemed interested pursuant to Section 8(4) of the Companies Act 2016 by virtue of her interest in TYY Resources Sdn Bhd and Kemajuan Rekacekap Sdn Bhd.

THE 30 LARGEST SECURITIES HOLDERS

No.	Name	No. of Shares	%
1.	TYY RESOURCES SDN BHD	140,692,616	31.24
2.	RAYA REKAJAYA SDN BHD	12,323,356	2.74
3.	KEMAJUAN REKACEKAP SDN BHD	10,495,465	2.33
4.	NEOH CHOO EE & COMPANY, SDN. BERHAD	7,200,000	1.60
5.	YAYASAN GURU TUN HUSSEIN ONN	5,839,000	1.30
6.	LIM KA KIAN	5,833,200	1.30
7.	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS)	5,598,000	1.24
8.	CITIGROUP NOMINEES (ASING) SDN BHD UBS AG	5,585,600	1.24
9.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM ANN HUAT	4,900,493	1.09
10.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	4,233,120	0.94
11.	MAH SIEW SEONG	3,908,000	0.87
12.	SU MING YAW	3,328,300	0.74
13.	LIM JIT HAI	2,900,300	0.64
14.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ER SOON PUAY	2,872,200	0.64
15.	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAYA REKAJAYA SDN BHD	2,856,480	0.63

ANALYSIS OF SHAREHOLDINGS
(CONT'D)

THE 30 LARGEST SECURITIES HOLDERS (CONT'D)

No.	Name	No. of Shares	%
16.	YAYASAN GURU TUN HUSSEIN ONN	2,300,000	0.51
17.	YICK HOE FERROUS STEEL SDN. BHD.	2,300,000	0.51
18.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP (8058900)	2,254,560	0.50
19.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR LIM KA KIAN (PB)	2,250,000	0.50
20.	MAYBANK NOMINEES (TEMPATAN) SDN BHD AMANAHRAYA INVESTMENT MANAGEMENT SDN. BHD. FOR NOORSHAH BINTI ISMAIL (C245-240115)	1,833,812	0.41
21.	HARUM MAJUINDAH SDN BHD	1,822,600	0.40
22.	TAI MAY CHEAN	1,699,732	0.38
23.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH OOI CHAT (E-BBB/BBA)	1,600,000	0.36
24.	KWAN YEW KOK	1,372,000	0.30
25.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NG HAN JOE	1,285,000	0.29
26.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI YIT CHIEUH	1.254,100	0.28
27.	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAN TUAN SAM	1,143,200	0.25
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE KUA SIAH (E-JBU)	1,094,000	0.24
29.	LIM KHUAN ENG	1,060,000	0.24
30.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW GOO @ LAW YEOW CHING	1,050,000	0.23

Masteel

MALAYSIA STEEL WORKS (KL) BHD

www.masteel.com.my

[Registration No. 197101000213 (7878-V)]

(Incorporated in Malaysia)

CDS Account No.	
No. of Shares held	

FORM OF PROXY

I/We, ... Tel: ....

[Full name in block, and as per NRIC/Passport/Company No.]

of ....

....

being member(s) of Malaysia Steel Works (KL) Bhd, hereby appoint:-

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email:		
	Contact:		

and /or

Full Name (in Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address	Email:		
	Contact:		

or failing him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Forty-Ninth Annual General Meeting ("**AGM**") of the Company which will be conducted entirely through live streaming from the broadcast venue via Remote Participant and Voting ("**RPV**") facilities at Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("**Broadcast Venue**") on Thursday, 17 June 2021 at 2.00 p.m. or at any adjournment thereof. I/We indicate with an "x" in the spaces below how I/we wish my/our vote to be cast.

* Please delete the words "Chairman of the Meeting" if you wish to appoint other person(s) to be your proxy/proxies.

NO.	RESOLUTIONS		FOR	AGAINST
1.	Approval of Directors' Fees for the financial year ending 31 December 2021 and the benefits payable from 17 June 2021 until the next AGM	Ordinary Resolution 1		
2.	Re-election of Dato' Sri Tai Hean Leng @ Tek Hean Leng as Director	Ordinary Resolution 2		
3.	Re-election of Mr Roy Thean Chong Yew as Director	Ordinary Resolution 3		
4.	Re-election of Ms Ng Siew Peng as Director	Ordinary Resolution 4		
5.	Re-appointment of Messrs RSM Malaysia as Auditors	Ordinary Resolution 5		
6.	Proposed continuation in office of Dato' Ikhwan Salim Bin Dato' Haji Sujak as Independent Non-Executive Director	Ordinary Resolution 6		
7.	Proposed continuation in office of Mr Ng Wah Lok as Senior Independent Non-Executive Director	Ordinary Resolution 7		
8.	Proposed continuation in office of Encik Muhummad Hanizam Bin Hj. Borhan as Independent Non-Executive Director	Ordinary Resolution 8		
9.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 9		
10.	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 and the Constitution of the Company for the Directors to allot and issue shares	Ordinary Resolution 10		

(Please indicate with an "X" in the space provided on how you wish your vote to be cast. If you do not do so, your proxy will vote or abstain at his(her) discretion).

Dated this .... day of ...., 2021

....

Signature of Shareholder/Common Seal

NOTES:-

1. The Company will conduct the AGM entirely through live streaming via RPV facilities. For further details and guidelines on RPV facilities, please refer to the Administrative Guide.

2. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be at the main venue. No shareholders/proxies/corporate representative from the public shall be physically present at the Broadcast Venue on the day of AGM.

3. In respect of deposited securities, only members whose names appear on the Record of Depositors on 11 June 2021 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.

4. A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.

5. Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) shareholdings to be represented by each proxy.

6. Where a member of the Company is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

7. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it is entitled to 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. Where an Authorised Nominee appoints two (2) proxies to attend and vote at the AGM, the proportion of shareholdings to be represented by each proxy must be specified in the proxy form, failing which, the appointment shall be invalid.

   The members, proxies or corporate representatives may submit questions before the AGM to the Chairman or Board of Directors electronically by email to eservices@sshsb.com.my no later than Tuesday, 15 June 2021 at 2.00 p.m. or via real time submission of typed texts via RPV facilities during live streaming of the AGM as the primary mode of communication.

8. The proxy form shall be in writing, executed by or on behalf of the appointer or his (her) attorney duly authorised in writing or, if the appointer is a corporation, either be executed under its common seal or by its duly authorised attorney or officer.

9. The proxy form and the power of attorney or other authority, if any, under which it is signed or a duly notarised copy of that power or authority must be deposited to the Company's Share Registrar office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or adjourned AGM. Alternatively, the proxy form may also be electronically submitted via https://sshsb.net.my/login.aspx. Please refer to Administrative Guide for further information on electronic submission.

10. Pursuant to paragraph 8.29A(1) of the MMLR of Bursa Securities, all the resolutions set out in the Notice of the AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the polling process and verify the results of the poll respectively.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Forty-Ninth AGM dated 30 April 2021.

Please fold here

Stamp

The Share Registrar
SECURITIES SERVICES (HOLDINGS) SDN BHD
[197701005827 (36869-T)]
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Please fold here

HEAD OFFICE ADDRESS
Wisma Masteel, Lot 29C, Off Jalan Tandang, Section 51,
46050 Petaling Jaya,
Selangor Darul Ehsan, Malaysia
Tel: 603-7781 1611 | Fax: 603-7781 5435

50yrs
Par Excellence

BRAND FINANCE ® U.K
Top 75 brand