Masteel

MALAYSIA STEEL WORKS (KL) BHD

www.masteel.com.my

(Company No. 7878-V)

PUTTING THE STEEL INTO MALAYSIA'S GROWTH

Annual Report 2016

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Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Fifth Annual General Meeting ("**AGM**") of the Company will be held at Dewan Perdana, Level 2, Convention Centre, Grand Bluewave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 15 June 2017 at 3.00 p.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 8)**

2. To declare a final single-tier dividend of 0.85 sen per ordinary share in respect of the financial year ended 31 December 2016. **(Ordinary Resolution 1)**

3. To approve the increase of Directors' fees to RM119,000 for the financial year ended 31 December 2016 and the payment thereof. **(Ordinary Resolution 2)**

4. To approve the Directors' fees up to an aggregate amount of RM119,000 for the financial year ending 31 December 2017 and benefits payable to the Directors up to an aggregate amount of RM522,400 from 1 January 2017 until the next AGM of the Company and the payments thereof. **(Ordinary Resolution 3)**

5. To re-elect the Director, Dato' Ikhwan Salim bin Dato' Haji Sujak who is retiring under Article 79 of the Articles of Association of the Company. **(Ordinary Resolution 4)**

6. To re-elect the Director, Encik Muhammad Hanizam bin Hj. Borhan who is retiring under Article 79 of the Articles of Association of the Company. **(Ordinary Resolution 5)**

7. To re-appoint Messrs RSM Malaysia as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 6)**

As Special Business

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

8. **Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director** **(Ordinary Resolution 7)**

   "**THAT** authority 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 nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance 2012."

9. **Authority for Encik Muhammad Hanizam bin Hj. Borhan to continue in office as Independent Non-Executive Director** **(Ordinary Resolution 8)**

   "**THAT** subject to the passing of Ordinary Resolution 5 proposed under item 6 above, authority 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 nine (9) years, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next AGM in accordance with the Malaysian Code on Corporate Governance 2012."

10. **Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 ("the Act") for the Directors to allot and issue shares** **(Ordinary Resolution 9)**

"**THAT** pursuant to Sections 75 and 76 of the Act, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and from time to time until the conclusion of the next AGM of the Company 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 ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) at the time of issue, subject to the the Articles of Association of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue."

11. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares ("Proposed Renewal of Share Buy-Back Mandate")** **(Ordinary Resolution 10)**

"**THAT** subject to the Act, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits of the Company as at 31 December 2016 of RM352.2 million to purchase such amount of ordinary shares in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad ("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 authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either cancel and/or retain the shares so purchased as treasury shares in accordance with Section 127 of the Act.

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 Forty-Sixth 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 Forty-Sixth 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);

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."

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

NOTICE OF DIVIDEND PAYMENT

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the Forty-Fifth Annual General Meeting, a final single-tier dividend of 0.85 sen per ordinary share in respect of the financial year ended 31 December 2016 will be paid on 13 July 2017. The entitlement date for the said dividend shall be 30 June 2017.

A Depositor shall qualify for entitlement to the dividend only in respect of:

a. Shares transferred to the Depositor's securities account before 4.00 p.m. on 30 June 2017 in respect of transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
Company Secretaries

Selangor Darul Ehsan

Date: 28 April 2017

NOTES:

1. 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 a maximum of 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 and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.

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

3. 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.

NOTES: (CONT'D)

4. The Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.

5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at or by facsimile transmission to the Company's Share Registrar office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 24 hours before the time appointed for the taking of the poll 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.

6. Pursuant to paragraph 8.29A(1) of the MMLR, all the resolutions set out in the Notice of the AGM will be put to vote by poll.

7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 7 June 2017 (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.

8. 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.

9. **EXPLANATORY NOTES ON SPECIAL BUSINESS**

   (i) **Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director**

   In respect of Ordinary Resolution 7, the Board of Directors ("Board") has via the Nomination Committee conducted an evaluation on the re-appointment of Mr Ng Wah Lok 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 based on the following justifications:-

   a. He fulfilled the criteria under the definition on Independent Director as stated in the MMLR, and therefore is able to bring independent and objective judgment to the Board.
   b. He has contributed sufficient time and effort and attended all the Committee meetings and Board meetings.
   c. The length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interests of the Company.
   d. As he has been with the Company for more than nine (9) years, he therefore understands the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Committee meetings and Board meetings without compromising his independence and objective judgement.
   e. He has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

NOTES: (CONT'D)

9. **EXPLANATORY NOTES ON SPECIAL BUSINESS (CONT'D)**

(ii) **Authority for Encik Muhammad Hanizam bin Hj. Borhan to continue in office as Independent Non-Executive Director**

In respect of Ordinary Resolution 8, the Board has via the Nomination Committee conducted an evaluation on the re-appointment of 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 nine (9) years, and recommended him to continue to act as Independent Non-Executive Director of the Company based on the following justifications:-

a. He fulfilled the criteria under the definition on Independent Director as stated in the MMLR, and therefore is able to bring independent and objective judgment to the Board.
b. He has contributed sufficient time and effort and attended all the Committee meetings and Board meetings.
c. The length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interests of the Company.
d. As he has been with the Company for more than nine (9) years, he therefore understands the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Committee meetings and Board meetings without compromising his independence and objective judgement.
e. He has exercised his due care during his tenure as Independent Non-Executive Director of the Company and carried out his professional duties in the interest of the Company and shareholders.

(iii) **Proposed Renewal of Authority under Sections 75 and 76 of the Act for the Directors to allot and issue shares**

The Company had, during its Forty-Fourth AGM held on 29 June 2016, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to the Section 132D of the Companies Act, 1965. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 9 proposed under item 10 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. 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 10% 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.

The 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.

NOTES: (CONT'D)

9. **EXPLANATORY NOTES ON SPECIAL BUSINESS (CONT'D)**

(iv) **Proposed Renewal of Share Buy-Back Mandate**

Ordinary Resolution 10 proposed under item 11 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 as the Directors may deem fit and expedient in the best interest 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-Fifth AGM is required by law to be held.

Please refer to the Statement to Shareholders dated 28 April 2017 for further information.

PERSONAL DATA PRIVACY:

By submitting an instrument 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)

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)
Dato' Sri Tai Hean Leng
@ Tek Hean Leng
Ong Teng Chun

Company Secretaries

Tai Yit Chan (MAICSA 7009143)
Tan Ai Ning (MAICSA 7015852)

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

Share Registrar

Tricor Investor & Issuing House
Services Sdn Bhd (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9299
Fax : 03-2783 9222

Tricor's Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Auditors

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

Principal Bankers

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

Stock Exchange Listing

Main Market of Bursa Malaysia
Securities Berhad

	Shares
Stock Name:	Masteel
Stock Code:	5098

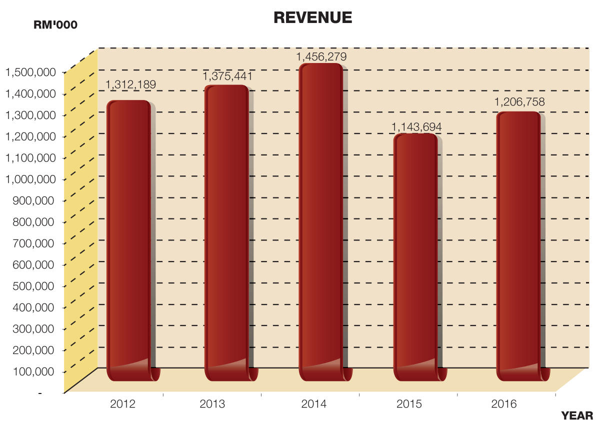
MALAYSIA STEEL WORKS (KL) BHD
www.masteel.com.my

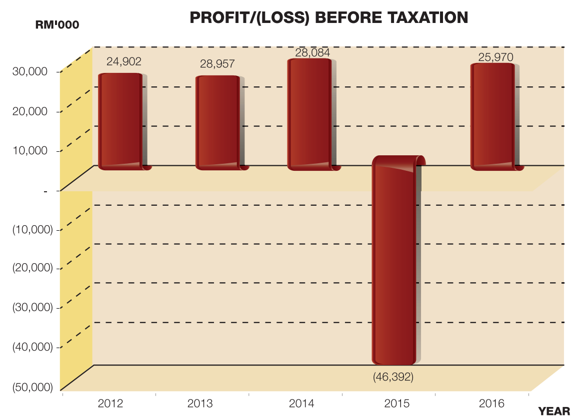
METROPOLITAN COMMUTER NETWORK SDN BHD
(Company No. 776516-M)
Dormant
100%

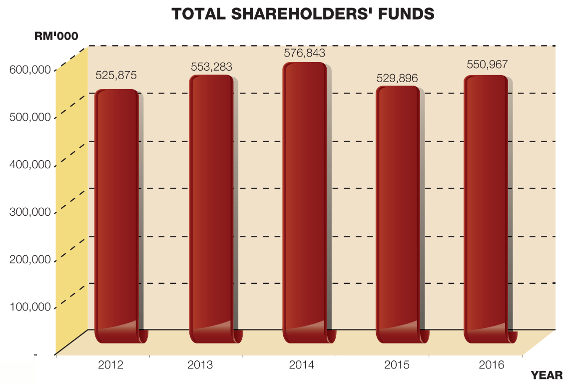
BIO MOLECULAR INDUSTRIES SDN BHD
(Company No. 691229-K)
Principal activities – Manufacturing, research and development of radioisotopes and radiopharmaceuticals products
48.25%

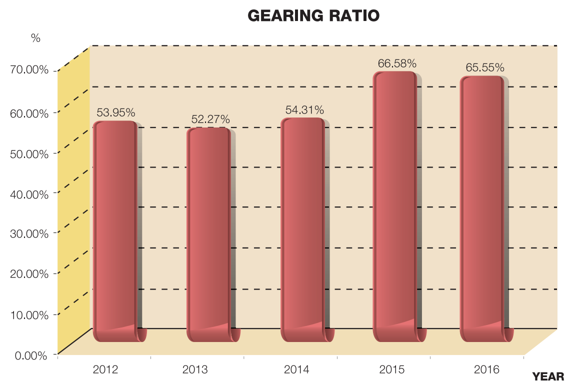
Financial Highlights

	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	1,312,189	1,375,441	1,456,279	1,143,694	1,206,758
Profit/(Loss) before taxation	24,902	28,957	28,084	(46,392)	25,970
Net Profit/(Loss) for the financial year	24,346	27,014	15,828	(50,403)	21,430
Total Assets Employed	929,905	1,014,039	1,089,343	1,163,751	1,288,697
Total Shareholders' funds	525,875	553,283	576,843	529,896	550,967
Paid-up Share Capital	108,988	110,989	118,350	122,254	122,254
No. of Ordinary Shares in Issue ('000)	217,977	221,979	236,700	244,508	244,508
Gearing Ratio	53.95%	52.27%	54.31%	66.58%	65.55%
Net Assets per Share (RM)	2.41	2.49	2.44	2.17	2.25
Earnings/(Loss) per Share (sen)	11.51	12.38	6.99	(20.81)	8.87
Diluted Earnings per Share (sen)	9.95	11.01	6.20	–	–
Gross Dividend per Share (sen)	1.50	1.50	0.65	–	0.85









Directors' **Profile**

Dato' Ikhwan Salim bin Dato' Haji Sujak
(Chairman - Independent Non-Executive)
(Chairman of Remuneration Committee)

Dato' Ikhwan Salim bin Dato' Haji Sujak, a Malaysian, male, aged 60, 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. In 1999, he was appointed as Executive Chairman/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. On 1 June 2014, he was appointed as a Director of 2A2 Capital Services Berhad and he was also a committee member of Automobile Association of Malaysia and the British Graduates Association of Malaysia. He is the Division Head of Petaling Jaya Utara Division of United Malays National Organisation (UMNO). Dato' Ikhwan Salim bin Dato' Haji Sujak 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 2016.

Dato' Sri Tai Hean Leng, a Malaysian, male, aged 53, 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. In 2016, he has been publicly reprimanded with a fine of RM43,500 for breaching paragraph 16.13(b) of the MMLR. Subsequently, the submissions of the financial statements are in compliance to the MMLR. He has more than 26 years of business experience in the iron and steel industry. Dato' Sri Tai also sits on the Board of Metropolitan Commuter Network Sdn Bhd, which is a 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 the Vice President of the Malaysia Steel Association (MSA). Dato' Sri Tai is also a Director of Rosegate Insurance Brokers Sdn Bhd.

Dato' Sri Tai attended all 5 Board meetings of the Company held during the financial year ended 31 December 2016.

Dato' Sri Tai Hean Leng
@ Tek Hean Leng
(Managing Director/Chief Executive Officer)
(Member of Risk Management Committee)

Lau Yoke Leong
(Executive Director/Chief Financial Officer)

Lau Yoke Leong, a Malaysian, male, aged 48, 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. In 2016, he has been publicly reprimanded with a fine of RM43,500 for breaching paragraph 16.13(b) of the MMLR. Subsequently, the submissions of the financial statements are in compliance to the MMLR. He is a Fellow Chartered Certified Accountant and a member of the Malaysian Institute of Accountants ("MIA"). He has more than 16 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 Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia.

Mr Lau attended all 5 Board meetings of the Company held during the financial year ended 31 December 2016.

Ong Teng Chun, a Malaysian, male, aged 49, 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. Recently, 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 is currently the Director of Metropolitan Commuter Network Sdn Bhd, a wholly-owned subsidiary of Masteel. He also sits on the Board of several private companies in Malaysia.

Mr Ong attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2016.

Ong Teng Chun
(Executive Director)
(Member of Risk Management Committee)

Ng Wah Lok
(Senior Independent Non-Executive Director)
(Chairman of Risk Management Committee and Member of Audit Committee, Nomination Committee and Remuneration Committee)

Ng Wah Lok, a Malaysian, male, aged 56, 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 3 unlisted public companies in Malaysia, namely Eagles Dialysis Centre Berhad, New Covenant Community Centre Bhd and Full Gospel Tabernacle Bhd.

Mr Ng attended 4 out of 5 Board meetings of the Company held during the financial year ended 31 December 2016.

Roy Thean Chong Yew, a Malaysian, male, aged 45, 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"), 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 21 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 acts as a Director and an Audit Committee Chairman of JAG Berhad.

Mr Roy Thean attended all 5 Board meetings of the Company held during the financial year ended 31 December 2016.

Roy Thean Chong Yew
(Independent Non-Executive Director)
(Chairman of Audit Committee and Member of Nomination Committee and Remuneration Committee)

Muhammad Hanizam bin Hj. Borhan
(Independent Non-Executive Director)
(Chairman of Nomination Committee and Member of Audit Committee)

Muhammad Hanizam bin Hj. Borhan, a Malaysian, male, aged 44, was appointed as an Independent Non-Executive Director on 12 November 2007. He is a member of the 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 18 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 Malaysian Examination Council and was responsible to review the accounting syllabus periodically.

Encik Muhammad Hanizam bin Hj. Borhan attended all 5 Board meetings during the financial year ended 31 December 2016.

Other than 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. Save as Dato' Sri Tai Hean Leng @ Tek Hean Leng and Mr Lau Yoke Leong, 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 2016, other than traffic offences (if any).

Particulars of Key Senior Management

Lim Eng Soon
(Vice President)

Lim Eng Soon, a Malaysian, male, aged 56, was appointed as a Vice President of Masteel on 1 October 2010. He joined Masteel as a General Manager in 1999. He has more than 22 years of experience in the civil engineering. He holds a Bachelor of Engineering in Civil Engineering and Postgraduate in Town Planning from Victoria University of Technology and a MBA in General Management from University of Bath. Upon graduation in 1985, he joined Essendon Town Council, in Melbourne, Victoria as Assistant Council Engineer. In 1986, he joined Jennings Group Pte Ltd, Australia as Planning Engineer before his return to Malaysia and joined Perunding Tan Sdn Bhd as Design Engineer in 1987. Prior to joining Masteel in 1999, he was attached to various companies namely L & M Construction, Bespile Sdn Bhd and Bescorp Concrete Sdn Bhd.

Tan Ka Yeong
(Vice President)

Tan Ka Yeong, a Malaysian, male, aged 48, was appointed as an Vice President of Masteel on 1 October 2010. He joined Masteel as a Plant Engineer in 1997 and was promoted as Special Assistant to the Managing Director/Chief Executive Officer in 2006. In 2009, he was promoted again as Deputy General Manager. He holds a MSC in Materials Engineering with Distinction from University of Sunderland, Sunderland U.K. He has more than 23 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.

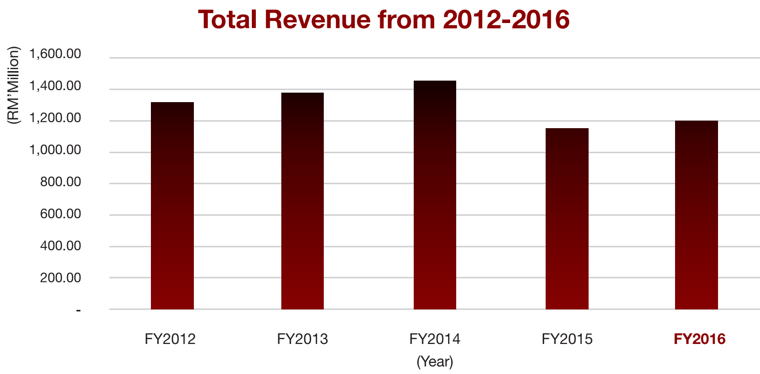
None of the Key Senior Management has family relationship with any other directors/major shareholders. None of the Key Senior Management have any conflict of interest with the Company. The Key Senior Management have no convictions for any offences within the past five (5) years or have been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 31 December 2016, other than traffic offences (if any).

Management Discussion and Analysis

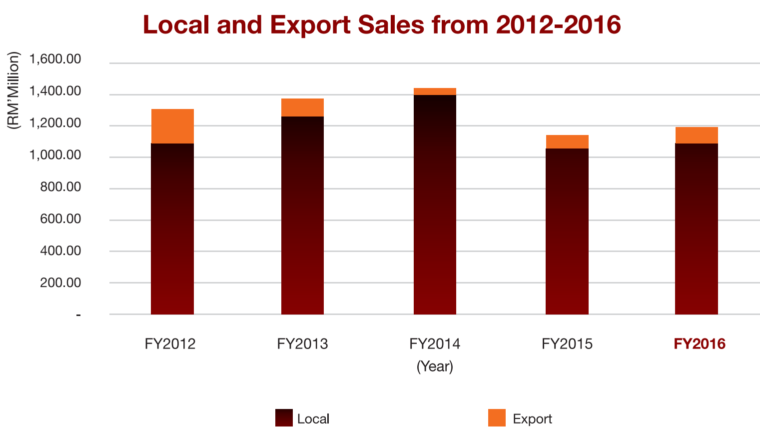
GROUP'S BUSINESS AND OPERATIONS

Masteel's principal business activities involve in the production of steel billets and steel bars which comply with the Malaysian standard (MS 146:2016) for the construction sector. Masteel also has an associate company which is a Bio Nexus certified company that manufactures radioisotopes which are used by hospitals for cancer imaging. These products are in full compliance with the Ministry of Health of Malaysia's National Pharmaceutical Regulatory Affairs ("NPRA") regulation and standards.

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

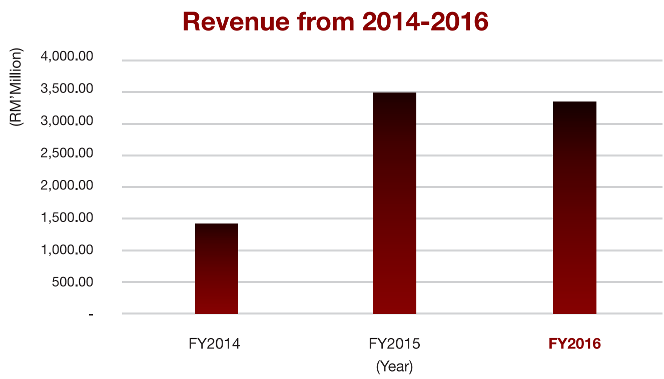


The distribution between local and export sales for the year under review is as follows:



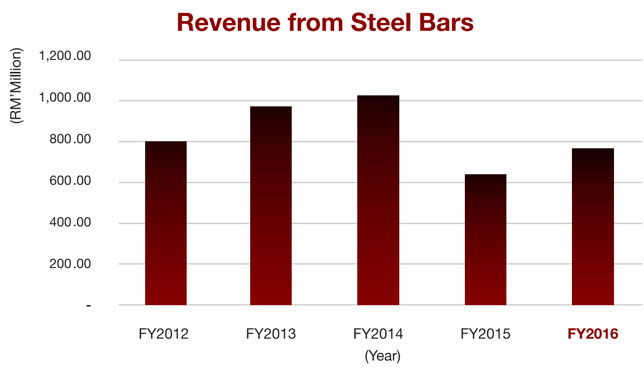
GROUP'S BUSINESS AND OPERATIONS (CONT'D)

The associate company which manufactures radioisotopes for the imaging of cancer cells has seen rapid growth in revenue for the last 3 years.

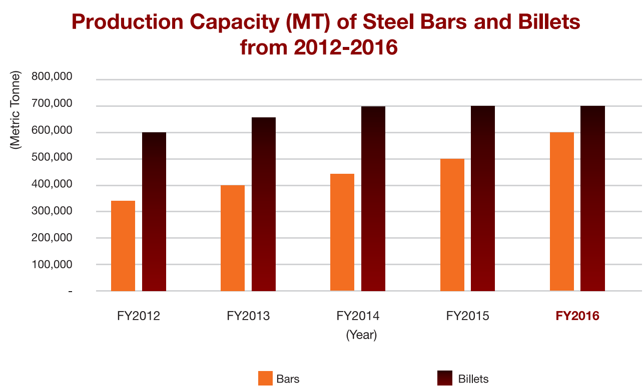


The manufacturing facilities of Masteel are located in Petaling Jaya and Bukit Raja, Klang, Selangor. The geographical presence of the sales of its steel bars are primarily in the Klang Valley, Johor and the East Coast of West Malaysia. Its radioisotopes manufacturing facility is located in Bandar Enstek,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

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



The production capacity of billets and bars are as follows:



BUSINESS OBJECTIVES

The objective of the manufacturing activities are to maximize shareholders' value through the generation of maximum profits by increasing sales volume and widening profit margin per mt with the 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 other 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. The reduction in steel melting time will reduce energy used and the switch to using lower cost scrap which constitutes 60% to 70% of the production costs enable the Company to keep the costs of production in check.

The Company possesses well trained and experienced workforce which is accustomed to the challenges of the cyclical nature of the steel business and the harsh 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 a 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 mitigate and anticipate.

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

FINANCIAL RESULTS AND FINANCIAL CONDITION

Review of operating activities includes discussions on the main factors that may affect the operating activities are as follows:

(a) The sales revenue increased to RM1.2 billion for the year under review, i.e. an increase of 5% from the previous year.

(b) The profitability of the Group saw a turnaround from a loss of RM50.4 million in 2015 to a profit of RM21.4 million for the financial year under review.

(c) The capital intensive steel making facilities' output was driven by market demand, duration of festive holidays and scheduled and unscheduled plant outages. The utilization rate improved to 80% from 71% as compared to the previous year. The new rolling mill that began its operation in early 2016 produces 63.5% of premium size steel bars based on the plant's designed capacity and this output was mainly driven by the learning curve of the new plant operators.

The cyclotron at the radio pharmaceutical production facility is targetted to produce its record output of radioisotopes from 101,000 mCi in 2016 to 122,000 mCi in 2017 (21% higher) due to more hospitals installing Positron Emission Tomography - Computed Tomography ("PET-CT") scanners throughout Central and Southern Peninsular Malaysia.

The required equipments and appropriately trained manpower have been deployed at all manufacturing facilities for the realization of the above mentioned capacities.

FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

The financial outcome of the Group other than being driven by the above capacities is also affected by actual sale volumes, selling price and input raw material costs. In addition, the magnitude of energy cost increase, labor and financial costs will also affect the final financial outcome of the Group.

A number of technology packages will be installed in the plants in the ensuing 12 months and the speed and successful implementation of these equipments will also affect the profitability of the Group.

The tactical business direction is to further improve the output of the steel making plants by maximizing the existing equipments to achieve a higher level of economies of scale that would reduce the total costs of production and improve the bottom line. The concurrent improvement of its sales volume will be to target more new end users such as GLC's and main contractors in West Malaysia and new dealers in East Malaysia. To enhance its sales volume by 15%, the Company is actively pursuing new sales opportunities for its products in Sabah and Sarawak in anticipation of the heightened demand for steel with the construction of the RM16.49 billion Pan Borneo Highway that will be implemented from 2017 till 2022.

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

(a) weakness in market demand will be countered by more proactive marketing efforts by offering longer payment terms and exporting more to regional markets.

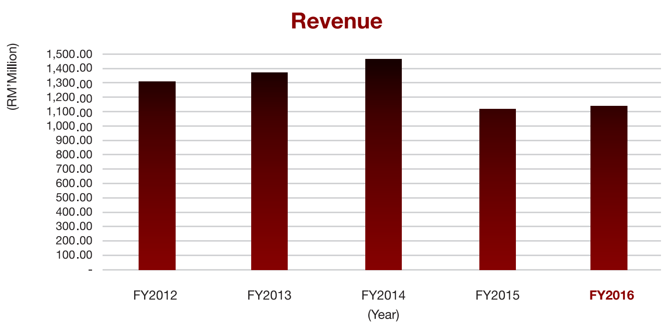
(b) costs increases will be mitigated by striving for higher output with the implementation of new technology packages and manpower retraining.

(c) forex losses, to reduced the exposure of foreign currency obligations by replacing 50% foreign currency obligations with local currency.

(d) plant's unplanned outages to be reduced (from current 41.3 days per year) by more extensive equipment inspection and repair and/or replacement. Review of the adequacy of spare parts inventories and back up equipment.

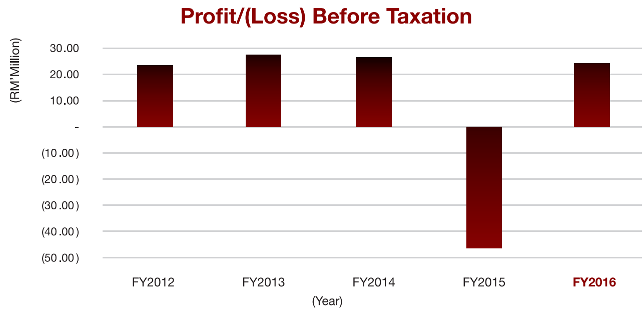
FINANCIAL SECTION OF THE COMPANY

1) In the FYE 2016, the global selling prices of steel bars, in particular China-made bars, had improved. Furthermore, with the lower imported long steel products, the demand of our locally manufactured steel bars had also increased. Consequently, our Company's turnover for the FYE 2016 had also increased by 5.51% to RM1.206 billion compared to RM1.143 billion in FYE 2015.

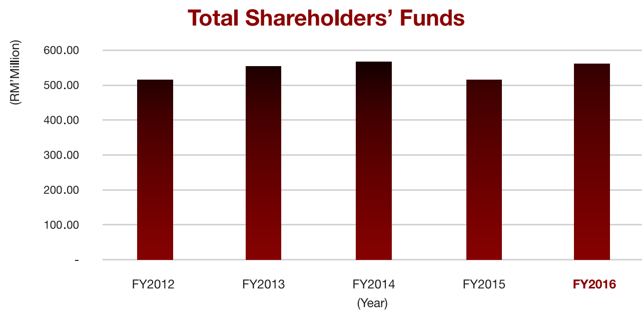


FINANCIAL SECTION OF THE COMPANY (CONT'D)

2) In line with the improved selling prices of steel bars coupled with higher gross profit margin being derived from the sales of our premium small diameter bars which are being produced from our new rolling mill in Bukit Raja, our Company achieved a net profit before tax of RM24.68 million in the FYE 2016 compared to a net loss before tax of RM45.89 million in the FYE 2015.



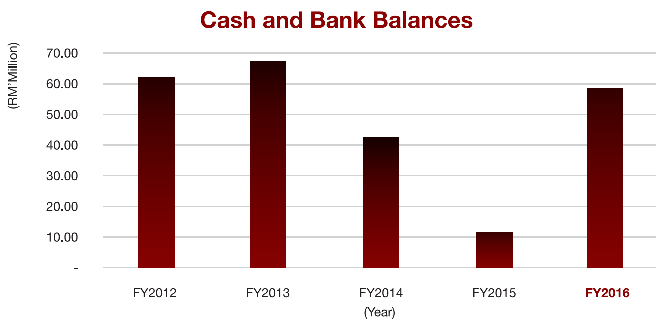
3) In line with our Company's commendable turnaround, our Company's shareholders' funds had also increased by 3.90% to RM551.77 million for the FYE 2016 compared to RM531.99 million in the previous year.



4) In the FYE 2016, our Company's trade receivables increased by 22.7% to RM150.61 million from RM122.71 million in previous year mainly due to an improvement in our sales and longer credit terms.

5) In the FYE 2016, our Company's trade payables increased by 57.1% to RM193.56 million from RM123.21 million in FYE 2015 due to an increase of supplier's credit amount.

6) Due to a longer average payment period in the FYE 2016, our Company's cash and bank balances increased 307% to RM60.71 million from RM14.91 million in the previous year.



FORWARD LOOKING STATEMENTS

With the good progress of the consolidation of the Chinese steel sector which accounts for over 55% of the world's steel making capacity, steel prices globally had rebounded by approximately 100% from the lows of January 2016. Prices are expected to remain firm for the next 12 months. The Company is targeting to increase its production volume by 8% resulting in further improvement of economies of scale and lower production costs.

The anticipated lower levels of volatility in terms of margin will augur well with the increased production volumes and sales.

The anticipated improvements in the output of the new rolling mill in its second year of operation will earn the Company an additional revenue of RM150.0 million, equivalent to an increase of 12.5% in revenue for the year ahead.

In the radio pharmaceutical division, the quantities of radioisotopes to be sold is expected to increase by 20% with the commencement of new cancer imaging facilities at three (3) new hospitals and the organic growth of 5-6% from existing hospitals.

The closure of many steel bar making facilities in the country coupled with many public infrastructure works being rolled out, the demand for the Company's steel products is expected to be well supported.

The ongoing initiative by the Company to acquire new steel making business entities that is fairly valued, offers cost competitive technology and are synergistic to the Company's business objectives of enhancing shareholders' value and building a sustainable and competitive business is in progress.

The entry into the Malaysian market by foreign steel mills producing similar product is a major concern and the Company has made repeated representations to the authorities to prevent such investments from materializing in view of the fact that there are still some local steel mills operating at below its capacity. Further weakening of the Ringgit will exacerbate the costs of raw material and make the upgrading and replacement of plant and machinery more costly. The Company will strive to adhere to its 10% dividend payout on its profit after tax. Distribution of Bonus Issue shares from its reserves is being considered by the Board of Directors.

Corporate Social
Responsibility Report

We, at Masteel firmly believe that no man is an island and therefore we advocate the use of steel in constituting impactful, sustainable and beneficial projects. Ensuring sound collaboration with stakeholders in growing sustainable best business practices and solid corporate responsibility ("CR") infrastructures in where we have presence.

Our CR initiatives are anchored by 5 key pillars:

1) Community and Diversity;
2) Cultural Heritage;
3) Workplace;
4) Marketplace and/or
5) Environment.

The above are embodied in our CR initiatives, which are premised on the following principles:

- clarity of objective;
- belief in cornerstone principles of family and community welfare; and
- sustainable implementation through strong relationships.

In carrying out our said initiatives, we strive for sustainable development. Sustainable development is an integral part of our business as it meets the needs of the present without compromising the ability of future generations in meeting their own needs and in turn it is our desire to note the presence of the later in all CR initiatives carried out by the Company.

Whilst implementing CR initiatives, we and are diligent in monitoring the programmes, assuring accountability, developing long term approaches which are sustainable in nature and have significant impact. We all leave footprints wherever we go; it is our mission to have a positive reverberations in how and where we do business.

As an example, we are bringing this vision into reality in our work with the Maha Vihara Sanctuary of Prayers. We are using our products to reinforce the foundation of the community building so that an additional storey can be accommodated with further refurbishment works. We also aim to support the work done by the Sanctuary for the community and enhance its positive impact on society.

Through the work we are doing so far, we aim to ensure that there are additional rooms for expansion of the Sanctuary's activities. It is our hope that will in the future include:

- Living skills, civic and moral weekend lessons for our youth;
- Programmes for disadvantaged families such as single parent families and poor families with elderly parents;
- Inter-faith co-operation and mutual understanding outreach;
- Counselling services;
- Donation collection food distribution services.

To expand on the above, the building will be equipped for a wide range of uses once completed, to which we are committed to support, such as:

- Weekend civic awareness programmes for up to 1,200 children from nursery to secondary level;
- Stay-in meditation retreats;
- Camps during school holidays;
- Traditional Chinese medicine clinics fortnightly, free of charge;
- Annual children's concerts; and
- Annual sharing and caring community programmes.

On this score, the values set out above coupled with on-the ground initiatives will drive our core goals of community empowerment and sustainability of impact in our immediate community. These principles can best be summed up by the diagramme below which we call our CR Home.

In conclusion, these programmes help address a concern which is close to our hearts at Masteel – which is imbuing our youth with a strong set of core values which are essential to shaping their characters. These include integrity, mutual understanding, as well as tolerance and acceptance across all cultures and backgrounds. These values are the cornerstone of nation building and we hope to play a significant part in fortifying our nation's future through these programmes.

VISION

ADVOCATE STEEL'S ROLE IN THE COMMUNITY

MISSION

EMPOWER THE COMMUNITY AT LARGE

OBJECTIVE

ENSURE THAT ALL CR INITIATIVES ARE SUSTAINABLE
Sustainability means balancing the following: People, Profits, Planet

KEY CR PILLARS

COMMUNITY CULTURAL | **WORKPLACE** | **MARKETPLACE** | **ENVIRONMENT**

<<<<<<<<<<<<<<<<<<<<<<CROSS-CUTTING THRUSTS>>>>>>>>>>>>>>>>>>

ENGAGE STAKEHOLDERS | **MEASURE AND REPORT** | **ACCOUNTABLE** | **SUSTAINABLE**

INTRODUCTION

Recognizing the importance of good governance as a fundamental part of discharging their responsibilities, the Board of Directors ("Board") 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 practised and complied with throughout the Group within the framework as expounded by the principles and recommendations promoted by the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") to enhance shareholders' value.

This statement sets out the manner in which the Group has applied the principles and recommendations of MCCG 2012 and the Board will continue to further take measures to improve compliance with principles and recommended best practices in the ensuing years.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

1.1 Clear functions of the Board and Management

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, including 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 further defines the respective roles of the Chairman of the Board, the Managing Director/Chief Executive Officer ("MD/CEO") and the Board.

The 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, 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, finance, political and commercial field.

To assist in the discharge of its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

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

Each Committee operates its functions within their approved terms of reference by the Board which are periodically reviewed by the Board and the Board appoints the Chairman and members of each Committee.

The respective Committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other Committees delegated with specific authorities to act on their behalf. These Committees operate under approved terms of reference or guidelines, whenever required.

All Board Committees have written terms of reference which is approved by the Board. The respective Chairman of the NC, RC, AC and RMC report to the Board accordingly subsequent to the respective Committee meetings.

A brief description of each Director is presented in the profile of Directors on pages 11 to 14 of this Annual Report.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

1.2 Clear roles and responsibilities

The Board has the overall responsibility for corporate governance, strategic direction, formulation of policies, implementing an appropriate system of risk management, ensuring the adequacy and integrity of the Group's system of internal control, overseeing the investment and addressing the sustainability of the business of the Group. The Board's responsibilities include:-

(a) Reviewing and adopting a strategic plan for the Group, including setting performance objectives and ensuring that the strategies promote sustainability.

The Management will propose the strategic plan to the relevant Committee of the Board for review and thereafter the same shall be recommended by the Committee to the Board for approval.

(b) Monitoring the Company's performance and building sustainable value for shareholders in accordance with any duties and obligations imposed on the Board by law and within a framework of prudent and effective controls which enables risk to be assessed and managed.

(c) Overseeing the conduct of the Group's business to evaluate whether the businesses are being properly managed.

The Board is kept informed of key strategic initiatives, significant operational issues and the Company's performance through the periodic meetings.

(d) Reviewing the procedures in order to identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.

(e) Establishing proper succession planning, including appointing, assessing, training, fixing the compensation of, and where appropriate, replacing Board and Key Management.

The Company has adopted a Succession Planning Policy to ensure that the Group is prepared with a plan to support operation and service continuity when the MD/CEO, Senior Management or Key Business Leaders leave their positions.

(f) Developing and implementing a Corporate Disclosure Policy (including an investor relations programme or shareholder communications policy) for the Group.

The Company has established a Corporate Disclosure Policy and Procedures to provide guidance and structure in disseminating corporate information.

(g) Reviewing the adequacy and the integrity of our Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The AC regularly reviews and scrutinises the audit report by the Internal Auditors and conducts annual assessment on the adequacy of the Department's scope of work and resources.

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 by the Internal Auditors.

(h) Monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting.

The Board is ultimately responsible for the adequacy and integrity of the Group's internal control system. Details pertaining to the Group's internal control system and its effectiveness are available in the Statement on Risk Management and Internal Control of this Annual Report.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

1.2 Clear roles and responsibilities (Cont'd)

(i) Ensuring that the Company's financial statements are true and fair and conform with the accounting standards.

(j) Ensuring that the Company adheres to high standards of ethics and corporate behavior.

1.3 Formalised ethical standards through Code of Conduct

Code of Conduct

The Company has established a Code of Conduct ("the Code"), which has been incorporated into the Board Charter to promote the corporate culture which engenders ethical conduct that permeates throughout the Company. The Code is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism.

The Code promotes the following spirits for Directors to perform their duties:-

- Human Rights.
- Health And Safety.
- Environment.
- Gifts And Business Courtesies.
- Company Records And Internal Controls.
- Company Assets.
- Conflict of Interest.
- Integrity And Professionalism.
- Confidential Information.
- Fair Dealing.

The details information can be found in the Company's website at www.masteel.com.my/Investor Relations/ Board Charter.

Whistle Blower Policy

As part of the Company's continuous effort to ensure that good corporate governance practices are being adopted, the Company has established a Whistle Blower Policy to provide a clear line of communication and reporting of concerns for employees at all levels, and provides alternative lines of communication depending on the person(s) who is/are the subject of such concerns.

The Company's Whistle Blower Policy fosters an environment in which integrity and ethical behaviour are maintained through protocols which allow for the exposure of any violations or improper conduct or wrongdoing within the Company.

Managers, officers and employees in supervisory roles shall report directly to the Head of Internal Auditors or Audit Committee Chairman on any allegations of suspected improper activities – whether received as a protected disclosure, including those relating to financial reporting, unethical or illegal conduct whereas any employment-related concerns can be reported to the Head of Human Resources or the MD/CEO. The disclosure can be verbal or in writing and forwarded in a sealed envelope, reported by their subordinates in the ordinary course of performing their duties, or discovered in the course of performing their own duties.

The AC is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action.

The details information can be found in the Company's website at www.masteel.com.my/Investor Relations/ Whistle Blower Policy.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

1.4 Strategies promoting sustainability

The Board acknowledges that sustainability is an important aspect of its business and continues to undertake responsible practices that impact the society and environment in a positive manner and to inculcate a culture of responsibility in all aspects of the Company's business. It therefore adopts a business approach to create shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.

The Board has adopted a Corporate Economic, Environmental and Social Responsibility ("CEESR") Policy in which its main objective is to make clear to all stakeholders what the Group mean by CEESR and how the Group proposes to work towards achieving it.

1.5 Access to information and advice

The Board is supplied with relevant information and reports on financial, operational, corporate, regulatory, business development and audit matters, by way of Board reports or upon specific requests, for informed decision making and effective discharge of the Board's responsibilities.

The Board meets at least once quarterly to review and approve the quarterly results of the Group for announcement. The Board also attends additional meetings to be convened on an ad-hoc basis as and when necessary to consider corporate proposals or business issues that require the urgent decision of the Board. Senior Management staffs are invited to attend the Board meetings where necessary to provide the Board with detailed explanations and clarifications on issues that are being considered during the Board meetings.

The notice of a Directors' meeting is given in writing at least seven (7) days prior to the meeting. The Board's deliberation, in terms of the pertinent issues discussed at the meetings in arriving at the decisions and conclusions thereof in discharging the Board's duties and responsibilities are properly recorded by the Company Secretaries. Board papers and agenda items are to be circulated at least three (3) days prior to the meeting or such other period as deemed appropriate by the Board.

The key roles of the Company Secretaries are to provide unhindered advice and services to the Directors, as and when the need arises to enhance the effective functioning of the Board and to ensure regulatory compliance.

The Directors may seek advice from the Management on issues pertaining to their respective jurisdictions. The Directors may also interact directly with, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from the Management.

As the Group's quarterly results is one of the regular annual schedule matters which is tabled to the Board for approval at the quarterly Board Meetings, memorandum on close period for trading in the Company's securities are circulated to Directors, principal officers and employees who are deemed to be privy to any price-sensitive information in advance whenever the close period is applicable based on the targeted date of announcement of the Group's quarterly results. In year 2016, none of the Directors dealt in the Company's securities during closed period.

The Board has access to the advice and services of the Company Secretaries, who are experienced and capable of carrying out the duties to which the post entails and may upon a written request to the Chairman to obtain independent professional advice at the Company's expense as and when necessary. The removal of Company Secretaries, if any, would be decided by the Board.

ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT (CONT'D)

1.6 Qualified and competent Company Secretaries

Both Company Secretaries of the Company have legal qualifications, and are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016 ("CA"). Both of them are Fellow/Associate 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.

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions.

The Company Secretaries are also accountable to the Board and are responsible for the following:-

(a) Advising the Board on matters related to Corporate Governance and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR").
(b) Ensuring that Board procedures and applicable rules are observed.
(c) Maintaining records of the Board and ensuring effective management of the Company's statutory records.
(d) Preparing comprehensive Minutes to document Board proceedings and ensuring conclusions are accurately recorded.
(e) Assisting the communications between the Board and Management.
(f) Providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time.
(g) Preparing agendas of the Board and Board Committees' Meetings and co-coordinating the preparation of the Board papers.

1.7 Board Charter

The Company has established a Board Charter to promote high standards of corporate governance and the Board Charter is designed to provide guidance and clarity for the Directors and Management with regard to the role of the Board and its Committees. Key matters reserved for the Board include the approval of strategic issues and planning formulation of policies, material acquisitions and disposal of assets, approval of financial statements, financing and borrowing activities, monitoring of financial and operating performance, reviewing the procedures to identify principal risks and ensuring regulatory compliance and implementation of appropriate internal controls and mitigating measures, establishing succession planning, overseeing the development and implementation of an investor relations programme and reviewing the adequacy and integrity of the management information system and risk management and internal controls system of the Group.

The Board Charter is reviewed periodically by the Board or at least once every two years to ensure it complies with legislations and best practices, and remains relevant and effective in light of the Board's objectives. In November 2015, the Board reviewed and approved certain revisions to the Board Charter, which included the enhancement of the role of the Board, role of the Chairman, Directors' Code of Conduct to ensure the document remains relevant and consistent with the Board's approved policy and procedures.

A copy of the Board Charter is published in the Company's website at www.masteel.com.my/Investor Relations/ Board Charter.

The Company has also put in place various policies such as Corporate Disclosure Policy and Procedure, Succession Planning Policy, Whistle Blower Policy, Risk Management Policy and Corporate Economic, Environment and Social Responsibility Policy and these policies are reviewed periodically by the Board.

STRENGTHENING COMPOSITION OF THE BOARD

2.1 NC

The NC comprises three (3) members which all of whom are Independent Non-Executive Directors:-

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

The Board takes note that MCCG 2012 recommended that the Chairman of the NC should be a Senior Independent Director. The Board has decided that it is not necessary as the NC comprises all Independent Directors and there is no overlapping of roles of the NC Chairman and the Board Chairman as the positions are held by separate individuals.

2.2 Develop, maintain and review criteria for recruitment processes and annual assessment of Directors

The NC is responsible for annual assessment of Board's required mix of skill, experience, quality and core competencies of the Directors, annual assessment of the effectiveness of the Board as a whole and the contribution of each individual Director.

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 Chairman of the respective Board Committees.

The NC also approved the performance criteria for the assessment of individual Directors through the Directors' Self and Peer Assessment questionnaire under five (5) main areas, i.e. Character, Experience, Integrity, Competence and Time Commitment.

The NC is also responsible for assessing the nominees and making recommendations for new appointments to the Board considering the skills, knowledge, professionalism required by the Group. The actual decision as to who should be nominated will be the responsibility of the full Board after considering the recommendations of the Committee. The Company Secretaries will ensure that all appointments are properly made; all the necessary information is obtained as well as all legal and regulatory obligations are met.

Any appointment of a new Director to the Board or Board Committee is recommended by NC for consideration and approval by the Board. Pursuant to Section 205(3)(b) of the CA and the Company's Articles of Association, one-third of the Directors for the time being shall retire from office at each Annual General Meeting ("AGM"). A retiring Director shall be eligible for re-election. The Company's Articles of Association also provide that all Directors shall retire at least once in three (3) years.

Directors who are appointed by the Board during the financial year are subject to re-election by the shareholders at the next AGM held following their appointments.

All Directors have complied with the restrictions on the number of directorships in public listed companies as prescribed under the MMLR. The Directors observe the recommendation of the Code that they are required to notify the Chairman of the Board before accepting any new directorship and to indicate the time expected to be spent on the new appointment.

The Board values, expects and leverages the unique contributions of people with diverse backgrounds, experiences, ethnicity, age and perceptions. The Board is presently of the view that there is no necessity to fix a specific gender diversity policy as the appointment of any Directors should be based on their merit, qualification and working experience.

STRENGTHENING COMPOSITION OF THE BOARD (CONT'D)

2.2 Develop, maintain and review criteria for recruitment processes and annual assessment of Directors (Cont'd)

The NC meets as and when required. The NC met once in the financial year ended 31 December 2016, which were attended by all NC members.

The activities undertaken by the NC Committee for the financial year ended 31 December 2016 were as follows:-

(a) Reviewed, assessed and considered the appointment of Mr Lau Yoke Leong as Chief Financial Officer ("CFO") and recommended the same to the Board for approval.

(b) Reviewed, assessed and considered the appointment of Mr Ong Teng Chun as a member of the RMC in place of Mr Lee Kean Binh who resigned as a member of the RMC of the Company on 30 September 2015 and recommended the same to the Board for approval.

(c) Conducted annual assessment on the effectiveness of the Board and Committees covering areas such as Board structure and operation, management relationship with the Board, 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.

Upon completion of the assessment, the NC noted that the Board and its Committees are considered to be fully effective and have the right composition and sufficient knowledge of related areas. Overall the quality of individual Director was considered strong and the Directors were found to possess the relevant qualifications, knowledge, experience and ability to understand the technical requirements, risk and management of the Company's business. In addition, the Directors have demonstrated a willingness to devote time and effort to the affairs of the Company while acting in good faith and with integrity at all times.

(d) Reviewed and assessed the independence of the Independent Directors of the Company.

Based on the evaluation results, the NC concluded that each Independent Directors has fulfilled the independence criteria set out in the MMLR and they continue to demonstrate their independence through their engagement in all meetings, providing objective challenge to the Management and bringing independent judgment to decisions taken by the Board.

(e) Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to Company's Articles of Association at the forthcoming 45th AGM. The Directors standing for retirement by rotation and subject to re-election at the forthcoming AGM are Dato' Ikhwan Salim bin Dato' Haji Sujak and Encik Muhammad Hanizam bin Hj. Borhan.

(f) Reviewed and assessed the independence of Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan, who have served the Company as Independent Directors for more than nine (9) years to continue serving as Independent Director and recommended to the Board for consideration.

(g) Reviewed and discussed the succession planning of the Company.

(h) Reviewed and discussed the suitable training programme for continuous development of Directors.

(i) Reviewed and recommended to the Board for approval, the revised NC's terms of reference in compliance with the latest amendments to the MMLR.

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

STRENGTHENING COMPOSITION OF THE BOARD (CONT'D)

2.3 Remuneration policies and procedures

The objective of the Group is to ensure that the Group attracts and retains Directors of calibre needed to run the Group successfully. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors lie with the RC. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors.

The RC comprises three (3) members which all of whom are Independent Non-Executive Directors:-

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

The duties and responsibilities of the RC are as follows:-

(a) To recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors in all its forms. The determination of remuneration packages of Executive Directors and Non-Executive Directors including Non-Executive Chairman, should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration.

(b) To review the Board remuneration policies and procedures which shall be disclosed in the Annual Report. Remuneration of the Board shall be aligned with the business strategy and long-term objectives of the Company, and to reflect the Board's responsibilities, expertise and complexity of the Company's activities.

(c) To review Executive Directors' scope of service contracts, if any.

During the financial year under review, the RC convened two (2) meetings. The details of attendance of the members of RC at those meetings are as follows:-

Committee Members	Number of Attendance Achieved
Dato' Ikhwan Salim bin Dato' Haji Sujak	2/2
Mr Ng Wah Lok	1/2
Mr Roy Thean Chong Yew	2/2

In respect of the financial year under review, the RC had reviewed the remuneration for the Executive Directors, which reflects the level of risk, responsibility as well as the performance of the Company and considered the packages are well within the industry norm. 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 Director concerned.

STRENGTHENING COMPOSITION OF THE BOARD (CONT'D)

2.3 Remuneration policies and procedures (Cont'd)

The transparency and accountability aspects of corporate governance as applicable to Directors' remuneration recommended by the best practices of the MCCG 2012 are deemed appropriately complied with the following disclosures:-

1. The Directors' fees for the financial year ended 31 December 2016 of RM119,000 is subject to the approval by shareholders at the forthcoming AGM of the Company.

2. The aggregate remuneration of Directors paid during the financial year under review for the Company and the Group is as follows:-

	The Company			
Directors	**Fees (RM'000)**	**Salaries and Other Emoluments (RM'000)**	**Allowances (RM'000)**	**Total (RM'000)**
Executive Directors	45	1,721	58	1,824
Non-Executive Directors	75	–	297	372

	The Group			
Directors	**Fees (RM'000)**	**Salaries and Other Emoluments (RM'000)**	**Allowances (RM'000)**	**Total (RM'000)**
Executive Directors	45	1,721	58	1,824
Non-Executive Directors	75	–	297	372

Directors' remuneration are broadly categorized as follows:-

	The Company and Group Number of Directors	
Range of remuneration	**Exective Directors**	**Non-Executive Directors**
RM50,001 – RM100,000	–	3
RM150,001 – RM200,000	–	1
RM250,001 – RM300,000	1	–
RM400,001 – RM450,000	1	–
RM1,050,001 – RM1,100,000	1	–

(Note: None of the Directors received remuneration other than the above range)

The Board as a whole determines the remuneration of Non-Executive Directors.

REINFORCE OF INDEPENDENCE

3.1 Annual Assessment of Independence

The Board, through the NC has conducted an assessment on the Independent Directors and the Independent Director who exceeds cumulative term of nine (9) years shall seek for shareholders' approval in the AGM for continuity in serving the Board.

The Independent Directors play a crucial role in exercising independent judgment and objective participation in the proceedings and decision making process of the Board. The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders.

3.2 Tenure of Independent Directors

In line with the MCCG 2012, the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, an Independent Director may continue to serve on the Board subject to the Director's re-designation as a Non-Independent Director. In exceptional cases and subject to assessment by the NC, the Board may recommend for an Independent Director who has served a consecutive or cumulative term of nine (9) years to remain as an Independent Director subject to shareholders' approval.

The Independent Directors, namely Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan have served the Company as Independent Directors for a cumulative term of more than nine (9) years. The Board has via the NC conducted an annual performance evaluation and assessment on the Independent Directors and is of the opinion that they remain objective and independent in expressing their views. The Board will be seeking the shareholders' approval in the forthcoming AGM for Mr Ng Wah Lok and Encik Muhammad Hanizam bin Hj. Borhan to continue as Independent Directors of the Company. The justifications for their continuation as Independent Directors are disclosed in the Notice of the AGM.

3.3 Separation of positions of the Chairman and Managing Director

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 the leaderships, effectiveness, conduct and governance 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.

3.4 Board Composition and Balance

The Board currently has seven (7) members, comprising three (3) Executive Directors and four (4) Independent Non-Executive Directors. 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. This composition satisfies the requirement of MCCG 2012 and the MMLR for the Chairman to be a non-executive member of the Board and Independent Non-Executive Directors to make up more than half of the Board membership respectively.

The composition of the Board ensures that the Independent Non-Executive Directors will be able to exercise independent judgment on the affairs of the Company. They play a strong and vital role in entrenching good governance practices in the affairs of the Group through their participations in the NC, RC, AC and RMC respectively.

The Executive Directors are directly responsible for the day-to-day management of the business and operations for procuring new business and for the commercial and corporate performance of the Company.

FOSTER COMMITMENT

4.1 Time Commitment

The Directors are to devote sufficient time and effort to carry out their responsibilities. 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 allow a Director to sit on the boards of up to five (5) listed issuers.

The Board met five (5) times during the financial year ended 31 December 2016. The attendance of each Director at the Board Meetings held during the financial year ended 31 December 2016 are 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/CFO	5/5	100
Encik Muhammad Hanizam bin Hj. Borhan - Independent Non-Executive Director	5/5	100
Mr Ng Wah Lok - Senior Independent Non-Executive Director	4/5	80
Mr Roy Thean Chong Yew - Independent Non-Executive Director	5/5	100
Mr Ong Teng Chun - Executive Director	5/5	100

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.

FOSTER COMMITMENT (CONT'D)

4.2 Directors' training

The Board, via the NC, assesses the training needs of each of its Directors on an ongoing basis, by determining areas that would best strengthen their contributions to the Board.

All members of the Board have completed the Mandatory Accreditation Programme prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities") as required by the MMLR. In addition, an orientation programme will be held for newly appointed Directors to enable them to familiarise themselves with the Group's business and operation. The Senior Management had also briefed the Directors on general economic, industry and technical developments from time to time.

The Directors have individually or collectively attended various training programme during the financial year ended 31 December 2016, amongst others, the following:-

Name of Directors	Programmes Attended
Dato' Ikhwan Salim bin Dato' Haji Sujak	• Financial Reporting.
Dato' Sri Tai Hean Leng @ Tek Hean Leng	• Sustainability Engagement Series for CFOs/CSOs. • Financial Reporting.
Mr Lau Yoke Leong	• Sustainability Engagement Series for CFOs/CSOs. • Audit Committee Workshop – E : Understanding Complex Financial Reporting under MFRS/IFRS. • Audit Committee Workshop – I : Fraud Risk Management. • Financial Reporting. • Amendments to Bursa Malaysia's Listing Requirements – With Latest Cases on Directors' Duties.
Mr Ong Teng Chun	• Financial Reporting.
Mr Roy Thean Chong Yew	• Share Capital at No Par Value, Share Buybacks and Redeemable Preference Shares - Accounting Implications. • Case Study Workshop for Independent Directors "Rethinking - Independent Directors : A New Frontier". • Financial Reporting. • Amendments to Bursa Malaysia's Listing Requirements – With Latest Cases on Directors' Duties.
Mr Ng Wah Lok	• Financial Reporting.
Encik Muhammad Hanizam bin Hj. Borhan	• Audit Committee Workshop – E : Understanding Complex Financial Reporting under MFRS/IFRS. • Audit Committee Workshop – J : The Nominating Committee (NC). • Financial Reporting.

FOSTER COMMITMENT (CONT'D)

4.2 Directors' training (Cont'd)

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.

The Company Secretaries facilitate the organisation of internal training programmes and keep 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 briefed the Board members on any changes to the Malaysian Financial Reporting Standards ("MFRS") that affect the Group's financial statements during the year.

UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with applicable financial reporting standards

The Board aims to present a balanced, clear and meaningful assessment of the Company's financial position and prospects in all their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided through the annual financial statements and quarterly announcements of financial results to the shareholders as well as the Management Discussion and Analysis in the Annual Report.

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. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements. A statement by the Board of its responsibilities as set out in this Annual Report.

5.2 Assessment of sustainability and independence of External Auditors

The Board upholds the integrity of financial reporting by the Company. As such, it has established procedures, via the AC, in assessing the suitability and independence of the External Auditors. Such procedures entail the provision of assurance by the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

In safeguarding and supporting External Auditors' independence and objectivity, the Company has established an External Auditors' Assessment Policy to spell out the selection process of new External Auditors, restrict the type of non-audits services that can be provided by the External Auditors and the approval process related to it.

The Board has determined that the provision of non-audit service contracts which cannot be entered into with the External Auditors include management consulting, strategic decision, internal audit and policy and standard operating procedures documentation. The Board was of view that the objectivity and independence of the External Auditors are not in any way impaired by reason of the non-audit services provided to the Group.

RECOGNISE AND MANAGE RISKS

6.1 Sound framework to manage risks

The RMC comprises three (3) members as follows:-

Mr Ng Wah Lok	-	Chairman
Dato' Sri Tai Hean Leng @ Tek Hean Leng	-	Member
Mr Ong Teng Chun	-	Member

The RMC assists the Board in 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.

The principal roles and functions of the RMC are summarised as follows:

(a) To review and recommend appropriate risk management strategies, policies and risk tolerances in line with the Company's business objectives for the Board's approval.
(b) To ensure the implementation of the risk management framework and review the adequacy and integrity of the same in identifying, assessing and managing risk and in establishing the Company's risk appetite.
(c) To discuss with the Management on action to be taken to improve the risk management framework based on the risk identified in the risk management reports.
(d) To consider and evaluate other matters as judged appropriate by the Committee or as authorized by the Board.
(e) To submit all recommendations and findings of the Committee to the Board for approval and notification.
(f) To evaluate the Group process that has in place for assessing and continuously improving internal controls and systems, particularly those related to areas of significant business risk.
(g) To work with the CFO and Group Internal Audit Department ("IAD") in the preparation of the Statement on Risk Management and Internal Control for inclusion in the Company's Annual Report and to recommend the same for the approvals of the Committee and Board.
(h) To overseeing the management of principal business risks and significant/material economic, environmental and social risks.
(i) To ensure the resources and processes are in place to enable the organization to achieve its sustainability commitments and targets.
(j) To review the disclosures statements relating to management of sustainability matters of the Company in the Annual Report.

The Board has engaged an external consultant to assist in developing an Enterprise Risk Management ("ERM") policy, including risk strategy and structure, risk reporting structure and risk assessment process.

The following had been performed by the external consultant in carrying out their work:-

(i) Assist in developing an ERM policy, including risk strategy and structure, risk reporting structure and risk assessment process.
(ii) Objectives and goals setting, including strategic and business objectives, risk appetite and the link between the Group's vision and mission.
(iii) Carry out an overall business process analysis.
(iv) Determine the risk parameters.
(v) Perform the risk assessment process.
(vi) Document the risk profile.
(vii) Establish the risk action plan.

RECOGNISE AND MANAGE RISKS (CONT'D)

6.2 Internal audit function

The Board has established an internal audit function within the Group, which 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 independent 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 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.

The details of the Company's internal control within the Group as set out in the Statement on Risk Management and Internal Control of this Annual Report.

ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policy

The Company is committed to provide clear, accurate and timely disclosure of all material information pertaining to its performance and operations to its stakeholders and the general public. The Company has in place a Corporate Disclosure Policy which serves to provide guidance to the relevant persons on the disclosure requirements and the manner in which the material information is to be disseminated and confidential information maintained.

7.2 Leverage on information technology for effective dissemination of information

The Company has established a website at www.masteel.com.my from which shareholders as well as members of the public may access the latest information on the operations and activities of the Group as well as the information required by Bursa Securities.

The Company ensures timely release of the financial results on a quarterly basis to provide an overview of the Group's performance and operations to its shareholders. The Company also makes timely announcements for the information of its shareholders and the general public of any corporate maneuvers in accordance with the MMLR.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Encourage shareholder participation at general meetings

The AGM is the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session in which shareholders may raise questions pertaining to the business activities of the Company. The Directors are available to respond to questions from shareholders at the AGM.

STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS (CONT'D)

8.2 Poll voting

The Board noted that pursuant to Paragraph 8.29A of MMLR, the Company must ensure that any resolution set out in the Notice of any general meeting is to be voted by poll. Also, the Recommendation 8.2 of MCCG 2012 states that the Board should encourage poll voting.

At the previous AGM of the Company held on 29 June 2016, the Chairman had notified the shareholders on the demand for a poll on all resolutions as set forth in the Agenda of the previous AGM for the interest of all shareholders.

The Board will continue to adopt poll voting for all resolutions set out in the Notice of the AGM of which the votes cast will be validated by an independent scrutineer. The outcome of all resolutions proposed at the AGM is to be announced to Bursa Securities at the end of the meeting day while a summary of the key matters discussed at the AGM shall be published on the Company's website as soon as practicable after the conclusion of the AGM.

8.3 Effective Communication and Proactive Engagement

The Board recognizes 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 through disclosure to Bursa Securities and to the press.

The Board has put in place a Corporate Disclosure Policy and Procedure 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's website, www.masteel.com.my is accessible by the shareholders, investors and members of the public to obtain information on the Company's press releases, corporate information, operation activities and financial performance.

The Board has identified Mr Ng Wah Lok as the Senior Independent Non-Executive Director, to address any valid and appropriate issues raised by shareholders, via his email address at nwl@masteel.com.my.

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 2016, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable prudent judgement and estimates, adopted to include new and revised 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.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

The Company did not implement any fund raising exercise during the financial year under review.

2. SHARE BUY-BACK

The Company had obtained its shareholders' approval at the Company's Annual General Meeting held on 29 June 2016 in respect of the share buy-back of up to 10% of the issued and paid up share capital of the Company.

During the financial year under review, the Company had bought back from the open market 563,000 of its issued Ordinary Shares listed on the Main Market and retained as treasury shares. A monthly breakdown of treasury shares bought back during the financial year under review is set out below:-

Month	No. of shares purchase and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average price paid per share (RM)	Total consideration paid (RM)
March 2016	113,000	0.549	0.558	0.556	62,797.15
December 2016	450,000	0.657	0.657	0.657	296,748.71
Total	**563,000**	**0.549**	**0.657**	**0.639**	**359,545.86**

During the financial year, Masteel has not resold or cancelled any shares bought-back. As at 31 December 2016, the Company held 1,213,800 shares as treasury shares.

3. 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	142
Non-audit fee	9	9

4. MATERIAL CONTRACTS

There were no material contracts entered by the Company and its subsidiary involving Directors and/or major shareholders' interest during the financial year ended 31 December 2016.

This Statement is made in accordance with a resolution of the Board dated 13 April 2017.

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 company.

In addition, the AC shall:-

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

(b) Maintain open lines of communication between the Board, the Internal Auditors and the External Auditors 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 full attendance from all the members of the AC.

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	5/5

SUMMARY OF AC WORKS

The AC carried out main works during the financial year ended 31 December 2016 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 and audited financial statements with the adoption of the new MFRS for the Group before recommending to the Board for consideration and approval.
- Reviewed the Corporate Governance 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.
- Reviewed and assessed the competency of the internal audit function.

Corporate Governance

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

External Audit

- Reviewed and discussed the audit findings and management letter raised by the External Auditors for the draft Audited Financial Statements for the financial year ended 31 December 2015.
- Reviewed and discussed with the External Auditors of the Group on their Audit Status Memorandum for the Group for the financial year ended 31 December 2015 and Audit Planning Memorandum for the financial year ended 31 December 2016.
- Held two (2) private meetings with the External Auditors without the presence of the Executive Directors and Management on 12 April 2016 and 24 November 2016 to ensure there were no restrictions and the scope of their audit is in line with the MCCG 2012.
- Reviewed and discussed on the recommendation of the re-appointment of Messrs RSM Malaysia as External Auditors of the Group to the Board and reviewed their independence and audit fees.

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:-

- Transport Cost for Billets and Steel Bars at Rolling Mill.
- New Customer Review.
- Corporate Governance.
- Purchases at Rolling Mill.
- Human Resources Development Fund.
- Debtor Aging at Rolling Mill.
- External Auditors' Management Letter.
- Raw Material Incentive Schemes.
- Inventory.

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 financial year ended 31 December 2016 amounted to RM170,252.

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 44 to 45 of this Annual Report.

Statement on Risk Management and Internal Control

Pursuant to paragraph 15.26(b) of the 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 2016, 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 company, 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 maintain a sound system of risk management and internal controls and for review 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 RMC to oversee the implementation of the risk management framework and internal control device.

The Board and management are presently practising 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.

The Group has appointed a Risk Management Consultant 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 was tabled to the Board for review and evaluation on 25 May 2016 and had been adopted on the same day.

INTERNAL AUDIT

Internal Audit Function

The IAD reports directly to the AC, to assist the AC in discharging its duties and responsibilities and to provide reports on the adequacy and effectiveness of risk management functions and internal controls in the Group.

INTERNAL AUDIT (CONT'D)

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 on the businesses and resolutions to mitigate such risk. The AC also reviews and approves the internal audit plan annually.

Besides, the Board also delegates the daily running of the business to the 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 IAD executed internal control reviews on business processes.

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 risk 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 reviewed annually by RMC 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 CFO 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.

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement for inclusion in the 2016 Annual Report. The External Auditors 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 13 April 2017.

Financial **statements**

Directors' **Report**

The directors have pleasure in presenting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	**Company RM'000**
Net profit for the financial year	21,430	20,142

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.

The directors recommend the payment of a final dividend of 0.85 sen per share in respect of the year ended 31 December 2016. This dividend is subject to approval by the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

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

SUBSIDIARY COMPANY

Dato’ Sri Tai Hean Leng @ Tek Hean Leng
Ong Teng Chun

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 2016 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 1.1.2016	**Acquired**	**(Disposed)**	**Balance as at 31.12.2016**
Shareholdings in which the director is deemed to have an interest:				
Dato’ Sri Tai Hean Leng @ Tek Hean Leng*	75,276,219	–	–	75,276,219

* 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 has 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' REMUNERATION

The directors' remuneration is disclosed in Note 22 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	1

SUBSIDIARY

The details of the Company's subsidiary is disclosed in Note 7 to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 20 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.

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

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

13 April 2017

Statements of **Financial Position**

as at 31 December 2016

	Note	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**611,663**	602,191	**611,663**	602,191
Investment in a subsidiary	7	**–**	–	**–**	–
Investment in associate	8	**7,018**	8,421	**7,010**	9,708
		618,681	610,612	**618,673**	611,899
Current assets					
Inventories	9	**392,308**	382,265	**392,308**	382,265
Trade and other receivables	10	**211,571**	151,804	**212,384**	152,609
Tax recoverable		**5,428**	4,165	**5,428**	4,165
Fixed deposits with licensed banks	11	**28,312**	11,290	**28,312**	11,290
Cash and bank balances		**32,397**	3,615	**32,397**	3,615
		670,016	553,139	**670,829**	553,944
TOTAL ASSETS		**1,288,697**	1,163,751	**1,289,502**	1,165,843

Statements of **Financial Position**

(Cont'd)

	Note	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	12	**122,254**	122,254	**122,254**	122,254
Share premium	13	**78,204**	78,204	**78,204**	78,204
Treasury shares	14	**(897)**	(538)	**(897)**	(538)
Retained earnings	15	**351,406**	329,976	**352,213**	332,071
TOTAL EQUITY		**550,967**	529,896	**551,774**	531,991
LIABILITIES					
Non-current liabilities					
Borrowings	16	**52,758**	42,487	**52,758**	42,487
Deferred tax liabilities	17	**18,011**	13,501	**18,011**	13,501
		70,769	55,988	**70,769**	55,988
Current liabilities					
Trade and other payables	18	**253,660**	162,157	**253,658**	162,154
Trade deposits	19	**104,921**	105,382	**104,921**	105,382
Borrowings	16	**308,380**	310,328	**308,380**	310,328
		666,961	577,867	**666,959**	577,864
TOTAL LIABILITIES		**737,730**	633,855	**737,728**	633,852
TOTAL EQUITY AND LIABILITIES		**1,288,697**	1,163,751	**1,289,502**	1,165,843

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 2016

	Note	GROUP 2016 RM'000	GROUP 2015 RM'000	COMPANY 2016 RM'000	COMPANY 2015 RM'000
REVENUE		**1,206,758**	1,143,694	**1,206,758**	1,143,694
COST OF SALES		**(1,109,183)**	(1,098,587)	**(1,109,183)**	(1,098,587)
GROSS PROFIT		**97,575**	45,107	**97,575**	45,107
OTHER OPERATING INCOME		**3,593**	7,373	**3,593**	7,373
DISTRIBUTION COSTS		**(26,346)**	(21,313)	**(26,346)**	(21,313)
ADMINISTRATIVE EXPENSES		**(30,611)**	(60,281)	**(33,302)**	(60,227)
PROFIT/(LOSS) FROM OPERATIONS	20	**44,211**	(29,114)	**41,520**	(29,060)
FINANCE COSTS	23	**(16,838)**	(16,829)	**(16,838)**	(16,829)
SHARE OF RESULTS OF ASSOCIATE		**(1,403)**	(449)	**–**	–
PROFIT/(LOSS) BEFORE TAXATION		**25,970**	**(46,392)**	**24,682**	(45,889)
TAXATION	24	**(4,540)**	(4,011)	**(4,540)**	(4,011)
NET PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE FINANCIAL YEAR		**21,430**	(50,403)	**20,142**	(49,900)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		**21,430**	(50,403)	**20,142**	(49,900)
		Sen	**Sen**		
Earnings/(Loss) per share (sen):-					
- Basic	26	**8.87**	(20.81)		

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

	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Retained earnings RM'000	Total equity RM'000
GROUP							
At 1 January 2016		**122,254**	**78,204**	**(538)**	**–**	**329,976**	**529,896**
Net profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**21,430**	**21,430**
		122,254	**78,204**	**(538)**	**–**	**351,406**	**551,326**
Transactions with owners:							
Share buy-back	14	**–**	**–**	**(359)**	**–**	**–**	**(359)**
At 31 December 2016		**122,254**	**78,204**	**(897)**	**–**	**351,406**	**550,967**
At 1 January 2015		118,350	43,948	(349)	32,929	381,965	576,843
Net loss and total comprehensive expense for the year		–	–	–	–	(50,403)	(50,403)
		118,350	43,948	(349)	32,929	331,562	526,440
Transactions with owners:							
Issue of shares	12	3,904	1,327	–	–	–	5,231
Share buy-back	14	–	–	(189)	–	–	(189)
Exercise of warrants		–	2,967	–	(2,967)	–	–
Transfer of warrant reserves		–	29,962	–	(29,962)	–	–
Dividends paid	29	–	–	–	–	(1,586)	(1,586)
		3,904	34,256	(189)	(32,929)	(1,586)	3,456
At 31 December 2015		122,254	78,204	(538)	–	329,976	529,896

	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrant reserves RM'000	Retained earnings RM'000	Total equity RM'000
COMPANY							
At 1 January 2016		**122,254**	**78,204**	**(538)**	**–**	**332,071**	**531,991**
Net profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**20,142**	**20,142**
		122,254	**78,204**	**(538)**	**–**	**352,213**	**552,133**
Transactions with owners:							
Share buy-back	14	**–**	**–**	**(359)**	**–**	**–**	**(359)**
At 31 December 2016		**122,254**	**78,204**	**(897)**	**–**	**352,213**	**551,774**
At 1 January 2015		118,350	43,948	(349)	32,929	383,557	578,435
Net loss and total comprehensive expense for the year		–	–	–	–	(49,900)	(49,900)
		118,350	43,948	(349)	32,929	333,657	528,535
Transactions with owners:							
Issue of shares	12	3,904	1,327	–	–	–	5,231
Share buy-back	14	–	–	(189)	–	–	(189)
Exercise of warrants		–	2,967	–	(2,967)	–	–
Transfer of warrant reserves		–	29,962	–	(29,962)	–	–
Dividends paid	29	–	–	–	–	(1,586)	(1,586)
		3,904	34,256	(189)	(32,929)	(1,586)	3,456
At 31 December 2015		122,254	78,204	(538)	–	332,071	531,991

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

Statements of
Cash Flows
for the financial year ended 31 December 2016

	GROUP		COMPANY	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	**25,970**	(46,392)	**24,682**	(45,889)
Adjustments for:				
Depreciation of property, plant and equipment	**23,002**	22,368	**23,002**	22,368
Gain on disposal of property, plant and equipment	**(126)**	(25)	**(126)**	(25)
Impairment loss on investment in associate	**–**	–	**2,698**	–
Interest expense	**16,838**	16,829	**16,838**	16,829
Interest income	**(329)**	(145)	**(329)**	(145)
Net unrealised foreign exchange loss	**7,784**	22,171	**7,784**	22,171
Reversal of allowance for doubtful debts	**–**	(34)	**–**	(34)
Share of results of associate	**1,403**	449	**–**	–
Written off of property, plant and equipment	**–**	257	**–**	257
Operating profit before working capital changes	**74,542**	15,478	**74,549**	15,532
Increase in inventories	**(10,043)**	(217,112)	**(10,043)**	(217,112)
(Increase)/Decrease in receivables	**(59,767)**	182,864	**(59,775)**	182,811
Increase in payables	**83,719**	53,976	**83,720**	53,975
(Decrease)/Increase in trade deposits	**(461)**	1,671	**(461)**	1,671
Cash generated from operations	**87,990**	36,877	**87,990**	36,877
Interest paid	**(16,793)**	(16,719)	**(16,793)**	(16,719)
Tax paid	**(1,293)**	(2,390)	**(1,293)**	(2,390)
Net cash generated from operating activities	**69,904**	17,768	**69,904**	17,768

	GROUP		COMPANY	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	**329**	145	**329**	145
Proceeds from disposal of property, plant and equipment	**160**	25	**160**	25
Purchase of property, plant and equipment (Note 25)	**(32,165)**	(88,057)	**(32,165)**	(88,057)
Net cash used in investing activities	**(31,676)**	(87,887)	**(31,676)**	(87,887)
CASH FLOWS FROM FINANCING ACTIVITIES				
Bills payable	**3,010**	29,870	**3,010**	29,870
Drawdown/(Repayment) of revolving credit	**4,950**	(4,000)	**4,950**	(4,000)
Repayment of finance lease liabilities	**(364)**	(1,771)	**(364)**	(1,771)
Drawdown of term loan	**4,510**	24,115	**4,510**	24,115
Repayment of term loans	**–**	(8,678)	**–**	(8,678)
Payment of finance lease interest	**(45)**	(110)	**(45)**	(110)
Share buy-back (Note 14)	**(359)**	(189)	**(359)**	(189)
Net proceeds from issuance of shares	**–**	5,231	**–**	5,231
Dividends paid (Note 29)	**–**	(1,586)	**–**	(1,586)
Net cash generated from financing activities	**11,702**	42,882	**11,702**	42,882
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**49,930**	(27,237)	**49,930**	(27,237)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	**8,779**	36,016	**8,779**	36,016
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**58,709**	8,779	**58,709**	8,779

NOTES TO THE STATEMENTS OF CASH FLOWS

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

	GROUP		COMPANY	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Fixed deposits with licensed banks	**28,312**	11,290	**28,312**	11,290
Cash at banks	**31,918**	3,395	**31,918**	3,395
Cash at banks (USD)	**337**	73	**337**	73
Cash at banks (CNY)	**123**	128	**123**	128
Cash in hand	**19**	19	**19**	19
	32,397	3,615	**32,397**	3,615
Bank overdrafts	**(2,000)**	(6,126)	**(2,000)**	(6,126)
	58,709	8,779	**58,709**	8,779

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

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is manufacturing of steel bars and steel billets. The principal activity of the subsidiary 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 applicable approved Malaysian Financial Reporting Standards ("MFRSs") issued by the Malaysian Accounting Standards Board ("MASB"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia except that Note 37 has been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants and the directive issued by Bursa Malaysia Securities Berhad.

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) Subsidiary

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 subsidiary. Subsidiary is 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 statement of financial position and consolidated statement of profit or loss and consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (Cont'd)

(i) Subsidiary (Cont'd)

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.

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's 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 subsidiary 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.

(ii) Associate

Associate is 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 associates' 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (Cont'd)

(ii) Associate (Cont'd)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

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.

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 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.

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.

(i) Leased assets

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Assets and liabilities arising from finance lease contracts are initially recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum future lease rentals.

After initial recognition, the depreciation policy applied is consistent with that for depreciable assets that are owned. As a result, the depreciation recognised is calculated in accordance with the useful life stated for property, plant and equipment (the Group and the Company does not hold leased intangible assets). In cases where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

The interest element of rental obligations is charged to profit or loss over the period of the lease at a constant rate on the balance of finance lease obligations outstanding.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Incentives to take out operating leases are credited to the profit or loss on a straight-line basis over the lease term.

Provision is made in the statement of financial position for the present value of the onerous element of operating leases. This typically arises when the Group and the Company cease to use premises and they are left vacant to the end of the lease or are sublet at rentals, which fall short of the amount payable by the Group and the Company under the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Impairment of non-financial assets

(i) 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.

3.5 Inventories

Inventories are carried in the statement 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.

3.6 Financial instruments

(i) Initial recognition and measurement

The Group and the Company recognise a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Group and the Company recognise all financial assets and financial liabilities at fair value. The fair value of a financial asset/liability on initial recognition is normally represented by the transaction price. The transaction price for financial assets/liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition/ issue of the financial instrument. Transaction costs incurred on acquisition of a financial asset and issue of a financial liability classified at fair value through profit or loss are expensed immediately.

The Group and the Company recognise financial assets using settlement date accounting, thus an asset is recognised on the day it is received by the Group and the Company and derecognised on the day that it is delivered by the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

(ii) Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. The Group and the Company classify financial assets in one of the following four categories:

(a) Financial assets at fair value through profit or loss (FVTPL)

Assets are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition.

Gains or losses arising on remeasurement of financial assets at FVTPL incorporate any dividend or interest earned and are recognised in profit or loss.

For the financial years ended on 31 December 2016 and 2015, the Group and the Company did not classify any financial assets as held for trading or designated as at fair value through profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that the Group and the Company intend to sell immediately or in the near term cannot be classified in this category. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility.

Typically trade and other receivables (excluding prepayments and non-refundable deposits) and cash and cash equivalents are classified in this category.

(c) Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition the Group and the Company designate as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables cannot be classified in this category. Similar to loans and receivables, these assets are carried at amortised cost using the effective interest method minus any reduction for impairment or uncollectibility.

For the financial years that ended on 31 December 2016 and 2015, the Group and the Company did not carry any financial asset classified in this category.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

(ii) Subsequent measurement of financial assets (Cont'd)

(d) Available-for-sale (AFS) financial assets

These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. They are carried at their fair value. However, unquoted equity instruments are carried at cost, where it is not possible to reliably measure their fair value.

Except for foreign exchange gains and losses on debt instruments, interest income and dividends that are recognised in profit or loss, changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in revaluation reserve, until the investment is disposed of or is determined to be impaired. At that time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified from equity to profit or loss.

For the financial years that ended on 31 December 2016 and 2015, the Group and the Company did not carry any financial asset classified in this category.

(iii) Impairment of financial assets

At the end of each reporting period, the Group and the Company assess whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

For AFS equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group and the Company assess them collectively for impairment, based on the Group's and the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

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

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of AFS equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(iv) Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the "substance over form" based derecognition test prescribed by MFRS 139. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognised/derecognised in full or recognised to the extent of the Group's and the Company's continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

(v) Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Group and the Company classify financial liabilities in one of the following two categories:

(a) Liabilities at fair value through profit or loss (FVTPL)

Liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as they arise.

For the financial years that ended on 31 December 2016 and 2015, the Group and the Company did not classify any financial liabilities held for trading or designated as at fair value through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

(v) Subsequent measurement of financial liabilities (Cont'd)

(b) Other financial liabilities

All liabilities which have not been classified in the previous category fall into this residual category.

These liabilities are carried at amortised cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category.

Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

(vi) Derecognition of financial liabilities

A financial liability is removed from the Group's and the Company's statements of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(vii) Financial guarantee contracts

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

Fair value arising from financial guarantee contracts are classified as deferred income and is amortised to profit or loss using straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3.7 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 statement of cash flows only, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 Foreign currencies transactions and balances

Foreign currency monetary assets and liabilities are translated into the functional currency of the concerned entity of the Group 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 (e.g. available-for-sale equity instruments) are translated using the exchange rates at the date when the fair value is determined.

3.9 Equity

Equity instruments are contracts that give a residual interest in the net assets of the Group and 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.

To the extent those proceeds exceed the par value of the shares issued they are credited to a share premium account.

(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 statement 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.

3.10 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 statement 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.11 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 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.

(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.

3.12 Revenue recognition

(i) Revenue from the sale of goods

Revenue from the sale of goods is recognised in profit or loss on the date that goods are delivered to the customer and legal title has passed. Revenue is the fair value of the consideration received or receivable for goods and is net of estimated returns, trade discounts and sales-based taxes (e.g. value added tax).

(ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

(iii) Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 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.

3.14 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 statement 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 statement 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 considers 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Income tax (Cont'd)

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 subsidiary 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.

3.15 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.

3.16 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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.

3.17 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.17 Fair value measurement (Cont'd)

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.

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 2016, except for MFRS 14, Amendments to MFRS 5, 11, and 127 which are not applicable to the Group and the Company:

- Amendments to MFRS 7 *Financial Instruments: Disclosures - Servicing Contracts and Applicability of the Amendments to MFRS 7 to Condensed Interim Financial Statements (Annual Improvements 2012-2015 Cycle)*
- Amendments to MFRS 10 *Consolidated Financial Statements*, MFRS 12 *Disclosure of Interests in Other Entities* and MFRS 128 *Investment in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 101 *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 138 *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 *Property, Plant and Equipment* and MFRS 141 *Agriculture - Agriculture: Bearer Plants*
- Amendments to MFRS 119 *Employee Benefits - Discount Rates: Regional Market Issue (Annual Improvements 2012-2015 Cycle)*
- Amendments to MFRS 134 *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report' (Annual Improvements 2012-2015 Cycle)*

The adoption of the above mentioned accounting standards and amendments are not expected to have any significant impact on the financial statements of the Group and the Company.

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

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

The following are accounting standards, amendments and interpretations 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 January 2017

- Amendments to MFRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)*

MFRSs, Amendments to MFRSs and Interpretations effective for annual period beginning on or after 1 January 2018

- MFRS 9 *Financial Instruments* (2014)
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 15 – *Clarifications to MFRS 15*
- Amendments to MFRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 1 *First-time Adoption of Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 140 – *Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

MFRSs effective for annual periods beginning on or after 1 January 2019

- MFRS 16 *Leases*

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.

Amendments to MFRS 4 *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* has not been taken into consideration because it is not applicable to the Group and the Company.

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)

The Group and the Company have assessed, where practicable, the potential impact of all these accounting standards, amendments and interpretations that will be effective in future period, as below:

MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's and the Company's investment in unquoted shares will be measured at fair value through other comprehensive income.

The adoption of MFRS 9 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 9.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

MFRS 16 *Leases*

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Company is required to account for major part of its operating leases in the statement of financial position by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group and the Company.

The financial effects arising from the adoption of this standard are still being assessed by 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) Functional currency

The financial statements are prepared in the functional currency of the Company of Ringgit Malaysia, which is the currency of the primary economic environment in which the Company operates. 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 Company has determined that Ringgit Malaysia to be its functional currency.

(b) Allowance for impairment losses of trade receivables

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment. Bad debts are written off when identified, to the extent that it is feasible that impairment and uncollectibility are determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amount of receivables at the reporting date (as reflected in Note 10).

(c) 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 as available-for-sale, 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.

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

(d) 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 9).

(e) Fair value measurement

Some of the Group's and 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.

(f) 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.

(g) Provisions for liabilities and charges

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provisions recorded by the Group and the Company arise from obligations in relation to manufacturer's warranties, refunds, guarantees, onerous contracts, outstanding litigation and business restructuring.

The recognition and measurement of provisions require the Group and the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

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

(g) Provisions for liabilities and charges (Cont'd)

Moreover, the Group's and the Company's accounting policy require recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

In particular, as far as restructuring provisions are concerned, considerable judgement is required to determine whether an obligating event has occurred. All the available evidence must be assessed to determine whether a plan is detailed enough to create a valid expectation of management's commitment to the restructuring by starting to implement the plan or announce its main features to those affected by it.

(h) Contingencies

Contingent liabilities of the Group and 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 the Company requires significant judgement.

(i) Depreciation of property, plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over their useful lives. Management estimates the useful lives of the 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) Quantities and valuation of scrap metals

The Group appoints 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.

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold land and buildings RM'000	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 and Company							
Carrying amount							
At 1 January 2016	71	99,737	342,512	704	439	158,728	602,191
Additions	–	–	3	496	107	31,902	32,508
Disposal	–	–	–	(34)	–	–	(34)
Transfers	–	24,169	166,091	17	353	(190,630)	–
Depreciation charge	(4)	(2,506)	(19,955)	(396)	(141)	–	(23,002)
At 31 December 2016	67	121,400	488,651	787	758	–	611,663
At 31 December 2016							
Cost	173	146,080	769,182	3,897	3,681	–	923,013
Accumulated depreciation	(106)	(24,680)	(280,531)	(3,110)	(2,923)	–	(311,350)
Carrying amount	67	121,400	488,651	787	758	–	611,663

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

	Freehold land and buildings RM'000	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	Electrical installation RM'000	Capital work-in-progress RM'000	Total RM'000
Group and Company								
Carrying amount								
At 1 January 2015	76	102,460	351,512	1,045	441	54	81,131	536,719
Additions	–	–	10,305	54	141	–	77,597	88,097
Written off	–	(257)	–	–	–	–	–	(257)
Reclassification	–	–	54	–	–	(54)	–	–
Depreciation charge	(5)	(2,466)	(19,359)	(395)	(143)	–	–	(22,368)
At 31 December 2015	71	99,737	342,512	704	439	–	158,728	602,191
At 31 December 2015								
Cost	173	121,911	603,090	3,875	3,221	–	158,728	890,998
Accumulated depreciation	(102)	(22,174)	(260,578)	(3,171)	(2,782)	–	–	(288,807)
Carrying amount	71	99,737	342,512	704	439	–	158,728	602,191

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

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

	Group and Company 2016 RM'000	Group and Company 2015 RM'000
Motor vehicles	**698**	704

(b) The carrying amounts of property, plant and equipment charged as securities for borrowing as disclosed in Note 16 are as follows:

	Group and Company 2016 RM'000	Group and Company 2015 RM'000
Leasehold land and buildings	**97,272**	99,737
Plant and machinery	**488,651**	342,512
	585,923	442,249

(c) The leasehold land of the Group and of the Company have unexpired periods of lease of 51 to 95 years (2015: 52 to 96 years).

(d) Included in capital work-in-progress is RM4,961,000 (2015: RM3,581,000) borrowing costs capitalised at 8.20 to 8.75% (2015: 8.20 to 8.35%) per annum.

7. INVESTMENT IN A SUBSIDIARY

	Company 2016 RM'000	Company 2015 RM'000
Unquoted shares, at cost	*	*

* The carrying amount stated at RM2 (2015: RM2).

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

Name of company	Interest in equity held by the Company 2016 %	Interest in equity held by the Company 2015 %	Principal activities
Metropolitan Commuter Network Sdn. Bhd.	**100**	100	Dormant

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Unquoted shares, at cost				
At beginning of the year	**8,421**	8,870	**9,708**	9,708
Share of accumulated post-acquisition losses	**(1,403)**	(449)	**–**	–
Impairment of investment	**–**	–	**(2,698)**	–
At end of the year	**7,018**	8,421	**7,010**	9,708

Name of company	Interest in equity held by the Company 2016 %	2015 %	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 (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2016	**48.25**	**3,372**	**1,743**	**28,410**	**13,887**
2015	48.25	3,484	931	29,713	12,280

9. INVENTORIES

	Group and Company 2016 RM'000	Group and Company 2015 RM'000
At cost		
Raw materials	**363,722**	348,921
Goods in transit	**576**	3,079
	364,298	352,000
At net realisable value		
Finished goods	**28,218**	30,473
Impairment of inventories	**(208)**	(208)
	28,010	30,265
	392,308	382,265
Recognised in profit or loss:		
Inventories recognised as cost of sales	**846,974**	910,468

10. TRADE AND OTHER RECEIVABLES

	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Trade receivables				
Third parties	**150,614**	122,709	**150,614**	122,709
Other receivables				
Due from subsidiary	**–**	–	**813**	805
Due from associate	**824**	819	**824**	819
Deposits	**1,280**	271	**1,280**	271
Sundry receivables and prepayments	**58,853**	28,005	**58,853**	28,005
	60,957	29,095	**61,770**	29,900
	211,571	151,804	**212,384**	152,609

10. TRADE AND OTHER RECEIVABLES (CONT'D)

The normal trade credit terms of the Group and of the Company ranged from 30 to 180 days (2015: 30 to 180 days). The amount due from subsidiary company 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% (2015: 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	
	2016	**2015**
	RM'000	**RM'000**
Neither past due nor impaired	**149,859**	122,698
Past due, not impaired		
- 31 to 60 days past due, not impaired	**755**	11
	150,614	122,709

The movements in the allowance for impairment losses of trade receivables during the financial year were:

At 1 January	**–**	34
Impairment loss reversed	**–**	(34)
At 31 December	**–**	–

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.

11. 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	
	2016	**2015**
	% per annum	**% per annum**
Deposits with licensed banks	**2.20 - 2.85**	2.40 - 3.00

Deposits of the Group and of the Company are unsecured and have an average maturity period of between 2 days and 3 months (2015: between 4 days and 3 months).

12. SHARE CAPITAL

	Group and Company 2016 RM'000	2015 RM'000
Ordinary shares of RM0.50 each		
Authorised	**500,000**	500,000
Issued and fully paid		
At 1 January 244,508,003 (2015: 236,700,671) ordinary shares	**122,254**	118,350
Issued during the year Nil (2015: 7,807,332) ordinary shares	**–**	3,904
At 31 December 244,508,003 (2015: 244,508,003) ordinary shares	**122,254**	122,254

As at 31 December 2015, the Company issued 7,807,332 new ordinary shares of RM0.50 each through the subscription of shares by warrant holders at an exercise price of RM0.67 per ordinary share for cash.

13. SHARE PREMIUM

	Group and Company 2016 RM'000	2015 RM'000
At 1 January	**78,204**	43,948
Add: Issue of shares (Note 12)	**–**	1,327
Add: Exercise of warrants	**–**	2,967
Transfer from warrant reserves	**–**	29,962
At 31 December	**78,204**	78,204

Share premium arose from the issuance of shares at a premium.

14. TREASURY SHARES

	Group and Company	
	2016	2015
	RM'000	RM'000
At cost		
At 1 January	**(538)**	(349)
Acquired during the financial year	**(359)**	(189)
At 31 December	**(897)**	(538)

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 interests 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 67A of the Companies Act 1965. 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 563,000 ordinary shares of RM0.50 as follows:

Date	Shares repurchased	Purchase price (RM)
21.03.2016	80,000	0.55
22.03.2016	33,000	0.56
05.12.2016	450,000	0.66

At the financial year end, the number of outstanding shares in issue after setting off the treasury shares against equity was 243,294,203 (2015: 243,857,203).

15. 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.

16. BORROWINGS

	Group and Company 2016 RM'000	2015 RM'000
Current liabilities		
Bank overdrafts	**2,000**	6,126
Bill payable	**287,628**	284,618
Revolving credit	**4,950**	9,000
Finance lease liabilities	**302**	275
Terms loans	**13,500**	10,309
	308,380	310,328
Non-current liabilities		
Revolving credit	**10,000**	1,000
Finance lease liabilities	**508**	556
Term loans	**42,250**	40,931
	52,758	42,487
	361,138	352,815
Total borrowings		
Bank overdrafts	**2,000**	6,126
Bill payable	**287,628**	284,618
Revolving credit	**14,950**	10,000
Finance lease liabilities	**810**	831
Term loans	**55,750**	51,240
	361,138	352,815

The bank overdraft facilities are repayable on demand and bear interest ranging from 5.62% to 8.10% (2015: 5.00% to 8.33%) per annum.

The bill payable facilities are repayable within 120 - 180 days and bear interest rates ranging from 3.53% to 6.65% (2015: 3.77% to 7.00%) per annum. Certain bill payable facilities are secured by corporate guarantee from a third party.

The revolving credit facilities are repayable on quarterly basis and bear interest rates at 4.94% and 8.45% (2015: 5.65% and 8.35%) per annum.

The finance lease liabilities bear interest rates ranging from 1.62% to 5.82% (2015: 1.62% to 5.82%) per annum.

16. BORROWINGS (CONT'D)

The term loans bears interest rates ranging from 8.20% to 8.50% (2015: 3.21% to 8.35%) 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 *	78	November 2009
Term loan II	22	October 2011
Term loan III	16	September 2015

* The term loan had been settled on March 2016.

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	
	2016	**2015**
	RM'000	**RM'000**
Bank borrowings excluding finance lease liabilities		
Repayment terms:		
- not later than one (1) year	**308,078**	310,053
- later than one (1) year but not later than two (2) years	**19,500**	14,500
- later than two (2) years but not later than five (5) years	**32,750**	27,431
	360,328	351,984
Finance lease liabilities		
Minimum lease payments:		
- not later than one (1) year	**337**	312
- later than one (1) year but not later than two (2) years	**291**	300
- later than two (2) years but not later than five (5) years	**248**	287
	876	899
Less: Future finance charges on finance lease	**(66)**	(68)
Present value of finance lease liabilities	**810**	831
Present value of finance lease liabilities		
- not later than one (1) year	**302**	275
- later than one (1) year but not later than two (2) years	**273**	278
- later than two (2) years but not later than five (5) years	**235**	278
	810	831

17. DEFERRED TAX LIABILITIES

	Group and Company 2016 RM'000	2015 RM'000
At 1 January	**(13,501)**	(9,506)
Recognised in profit or loss (Note 24)	**(4,510)**	(3,995)
At 31 December	**(18,011)**	(13,501)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**65,170**	61,232
Deferred tax liabilities	**(83,181)**	(74,733)
	(18,011)	(13,501)

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:

	Unutilised investment tax allowances RM'000	Other deductible temporary differences RM'000	Unutilised capital allowance and reinvestment allowance RM'000	Total RM'000
At 1 January 2016	**–**	**4,889**	**56,343**	**61,232**
Recognised in profit or loss	**–**	**2,150**	**1,788**	**3,938**
At 31 December 2016	**–**	**7,039**	**58,131**	**65,170**
At 1 January 2015	12,750	1,916	52,920	67,586
Recognised in profit or loss	(12,750)	2,973	3,423	(6,354)
At 31 December 2015	–	4,889	56,343	61,232

17. DEFERRED TAX LIABILITIES (CONT'D)

Deferred tax liabilities of the Group and of the Company:

	Excess of capital allowances over depreciation RM'000
At 1 January 2016	**(74,733)**
Recognised in profit or loss	**(8,448)**
At 31 December 2016	**(83,181)**
At 1 January 2015	(77,092)
Recognised in profit or loss	2,359
At 31 December 2015	(74,733)

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Trade payables				
Third parties	**193,558**	123,207	**193,558**	123,207
Other payables				
Accruals	**20,679**	14,521	**20,677**	14,518
Staff costs payable	**–**	1,552	**–**	1,552
Sundry payables	**39,423**	22,877	**39,423**	22,877
Deposits	**–**	–	**–**	–
	60,102	38,950	**60,100**	38,947
	253,660	162,157	**253,658**	162,154

The normal trade credit terms of the Group and of the Company range from 30 to 180 days (2015: 30 to 180 days).

18. TRADE AND OTHER PAYABLES (CONT'D)

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

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
United States Dollars	**50,287**	11,250
Chinese Yuan Renminbi	**376**	145
Swiss Franc	**–**	339
Euro	**221**	–
At 31 December	**50,884**	11,734

19. TRADE DEPOSITS

The Company has 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 Company has granted Cargill an option to buy steel billets from the Company for a period of time at contracted amounts stated in the Agreements. The Company is required to make an offer to Cargill of a variable quantity of steel billets ("commodity") at contracted amount not later than 20 business days before maturity date stated in the Agreements. 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 Company's agreement to deliver the commodity, Cargill agreed to make advance payments upon request by the Company. If Cargill does not accept the offer to purchase the steel billets upon the maturity date, 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.

As at 31 December 2016, there are 4 (2015: 4) Agreements pending execution.

Included in trade deposits are 87% (2015: 96%) of trade deposits with Cargill.

As at 31 December 2016, there have been 5 (2015: 2) Agreements being partially executed. The total amounts transacted were USD9,458,000 (2015: USD4,117,000) which equivalent to RM39,135,800 (2015: RM16,102,615).

Included in the Group's and Company's trade deposits are balances denominated in United States Dollars of USD20,658,318 (equivalent to RM90,921,390)(2015: USD23,710,727 equivalent to RM101,425,000).

During the financial year, the advance payment discount/charge incurred are as follows:-

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Advance payment discounts	**1,642**	768
Advance payment charges	**5,314**	4,629
	6,956	5,397

20. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Profit/(Loss) from operations is arrived at after charging:				
Auditors' remuneration				
- statutory audit	**142**	132	**140**	130
- other services	**9**	10	**9**	10
- under provision in previous financial year	**–**	53	**–**	53
Depreciation of property, plant and equipment	**23,002**	22,368	**23,002**	22,368
Impairment loss on investment in associate	**–**	–	**2,698**	–
Realised foreign exchange loss	**–**	4,735	**–**	4,735
Rental of equipment	**2,690**	2,146	**2,690**	2,146
Rental of premises	**888**	860	**888**	860
Staff costs (Note 21)	**30,373**	29,643	**30,373**	29,643
Unrealised foreign exchange loss	**7,784**	25,297	**7,784**	25,297
Written off of property, plant and equipment	**–**	257	**–**	257
And crediting:				
Fixed deposits interest income	**329**	145	**329**	145
Gain on disposal of property, plant and equipment	**126**	25	**126**	25
Realised foreign exchange gain	**3,113**	3,890	**3,113**	3,890
Rental income	**–**	50	**–**	50
Reversal of allowance for doubtful debts	**–**	34	**–**	34
Unrealised foreign exchange gain	**–**	3,126	**–**	3,126

21. STAFF COSTS

	Group and Company	
	2016 RM'000	**2015 RM'000**
Salaries, bonus, allowances and overtime	**28,521**	27,673
Employees Provident Fund	**1,552**	1,641
Social security costs	**163**	148
Other benefits	**137**	181
	30,373	29,643

Included in staff costs of the Group and of the Company are directors' remuneration as disclosed in Note 22.

22. DIRECTORS' REMUNERATION

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Directors of the Company		
Executive:		
Salaries and other emoluments	**1,721**	1,987
Fees	**45**	45
Allowances	**58**	67
	1,824	2,099
Non-executive:		
Fees	**75**	45
Allowances	**297**	315
	372	360
Total executive directors' remuneration	**1,824**	2,099
Total non-executive directors' remuneration	**372**	360
Grand total	**2,196**	2,459

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

	Number of Directors	
	2016	**2015**
Executive directors:		
Less than RM50,000	**–**	1
RM250,001 - RM300,000	**1**	–
RM350,001 - RM400,000	**–**	1
RM400,001 - RM450,000	**1**	1
RM1,050,001 - RM1,100,000	**1**	–
RM1,250,001 - RM1,300,000	**–**	1
Non-executive directors:		
Less than RM50,000	**–**	2
RM50,001 - RM100,000	**3**	2
RM100,001 - RM150,000	**–**	1
RM150,001 - RM200,000	**1**	–

23. FINANCE COSTS

Recognised in profit or loss:

	Group and Company 2016 RM'000	2015 RM'000
Interest expenses of financial liabilities that are not at fair value through profit or loss:		
- bill payable	**15,391**	14,985
- bank overdrafts and revolving credit	**1,254**	1,220
- finance lease	**45**	110
- term loans	**148**	514
	16,838	16,829

24. TAXATION

	Group and Company 2016 RM'000	2015 RM'000
Current financial year		
Income tax expense	**–**	–
Deferred tax expense	**4,808**	3,959
	4,808	3,959
Under/(Over) provision in prior financial year		
Income tax expense	**30**	16
Deferred tax expense	**(298)**	36
	(268)	52
	4,540	4,011

24. TAXATION (CONT'D)

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

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Profit/(Loss) before taxation	**25,970**	(46,392)	**24,682**	(45,889)
Tax at Malaysia statutory tax rate of 24% (2015: 25%)	**6,233**	(11,598)	**5,924**	(11,472)
Tax effect in respect of:				
Expenses not deductible for tax purposes	**417**	2,807	**726**	2,681
Unabsorbed capital allowances not recognised	**(1,842)**	–	**(1,842)**	–
Reversal of investment tax allowance previously recognised	**–**	12,750	**–**	12,750
Tax expense for the year	**4,808**	3,959	**4,808**	3,959

Subject to agreement with the Inland Revenue Board, the Company has unutilised reinvestment allowances and capital allowances of approximately RM211,678,000 and RM30,532,000 respectively (2015: RM211,678,600 and RM23,086,000) which are available for set off against future chargeable income.

25. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Finance lease arrangements	**343**	40
Cash payments	**32,165**	88,057
	32,508	88,097

26. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

	2016	**2015**
	RM'000	**RM'000**
Profit/(Loss) attributable to owners of ordinary shareholders	**21,430**	(50,403)
Weighted average number of ordinary shares in issue	**241,663**	242,226
Basic earnings/(loss) per share (sen)	**8.87**	(20.81)

(b) Diluted earnings per share

There was no dilutive potential ordinary shares as at 31 December 2016.

27. FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group'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 policy that no trading in derivative financial instruments shall be undertaken.

The main areas of financial risks faced by the Group 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 has no significant interest-bearing financial assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group'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 interest rate risk arises primarily from interest-bearing borrowings. The Group'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 does 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 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 profit by approximately RM3,603,000 (2015: RM3,520,000).

(b) Credit risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group'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 exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the Head of Credit Control. Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

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

27. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Foreign currency risk

The Group is 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), Renminbi (CNY), Euro (EUR) and Swiss Franc (CHF). 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 maintains 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 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		Company	
	Profit after tax RM'000	Equity RM'000	Profit after tax RM'000	Equity RM'000
2016				
USD/RM				
- strengthened by 5%	**5,353**	**5,353**	**5,353**	**5,353**
- weakened by 5%	**(5,353)**	**(5,353)**	**(5,353)**	**(5,353)**
CNY/RM				
- strengthened by 5%	**10**	**10**	**10**	**10**
- weakened by 5%	**(10)**	**(10)**	**(10)**	**(10)**
EUR/RM				
- strengthened by 5%	**8**	**8**	**8**	**8**
- weakened by 5%	**(8)**	**(8)**	**(8)**	**(8)**
2015				
USD/RM				
- strengthened by 5%	4,223	4,223	4,223	4,223
- weakened by 5%	(4,223)	(4,223)	(4,223)	(4,223)
CNY/RM				
- strengthened by 5%	1	1	1	1
- weakened by 5%	(1)	(1)	(1)	(1)
CHF/RM				
- strengthened by 5%	13	13	13	13
- weakened by 5%	(13)	(13)	(13)	(13)

27. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity risk

The Group manages 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 maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises 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 and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group

2016	**Less than 1 year**	**1 - 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**
Non derivative financial liabilities			
Trade and other payables	**253,660**	**–**	**253,660**
Borrowings	**317,030**	**56,896**	**373,926**
	570,690	**56,896**	**627,586**

2015	**Less than 1 year**	**1 - 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**
Non derivative financial liabilities			
Trade and other payables	162,157	–	162,157
Borrowings	319,572	47,362	366,934
	481,729	47,362	529,091

27. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Company

2016	Less than 1 year	1 - 5 years	Total
	RM'000	RM'000	RM'000
Non derivative financial liabilities			
Trade and other payables	**253,658**	**–**	**253,658**
Borrowings	**317,030**	**56,896**	**373,926**
	570,688	**56,896**	**627,584**

2015	Less than 1 year	1 - 5 years	Total
	RM'000	RM'000	RM'000
Non derivative financial liabilities			
Trade and other payables	162,154	–	162,154
Borrowings	319,572	47,362	366,934
	481,726	47,362	529,088

27. 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 statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 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
2016										
Group and Company										
Financial liabilities										
Revolving credit	**–**	**–**	**–**	**–**	**–**	**–**	**14,339**	**14,339**	**14,339**	**14,950**
Finance lease liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**758**	**758**	**758**	**810**
Term loans	**–**	**–**	**–**	**–**	**–**	**–**	**53,828**	**53,828**	**53,828**	**55,750**
	–	**–**	**–**	**–**	**–**	**–**	**68,925**	**68,925**	**68,925**	**71,510**
2015										
Group and Company										
Financial liabilities										
Revolving credit	–	–	–	–	–	–	9,863	9,863	9,863	10,000
Finance lease liabilities	–	–	–	–	–	–	826	826	826	831
Term loans	–	–	–	–	–	–	49,761	49,761	49,761	51,240
	–	–	–	–	–	–	60,450	60,450	60,450	62,071

27. 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 (2015: 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, finance 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.

28. CATEGORIES OF FINANCIAL INSTRUMENTS

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

(a) Loans and receivables ["L&R"]
(b) Financial liabilities measured at amortised costs ["FL"]

	Note	Carrying amount RM'000	L&R RM'000	FL RM'000
Group				
2016				
Financial assets				
Trade and other receivables	10	**211,480**	**211,480**	**–**
Fixed deposits with licensed banks	11	**28,312**	**28,312**	**–**
Cash and bank balances		**32,397**	**32,397**	**–**
At 31 December 2016		**272,189**	**272,189**	**–**
Financial liabilities				
Trade and other payables	18	**253,660**	**–**	**253,660**
Trade deposits	19	**104,921**	**–**	**104,921**
Borrowings	16	**361,138**	**–**	**361,138**
At 31 December 2016		**719,719**	**–**	**719,719**
2015				
Financial assets				
Trade and other receivables	10	151,797	151,797	–
Fixed deposits with licensed banks	11	11,290	11,290	–
Cash and bank balances		3,615	3,615	–
At 31 December 2015		166,702	166,702	–
Financial liabilities				
Trade and other payables	18	162,157	–	162,157
Trade deposits	19	105,382	–	105,382
Borrowings	16	352,815	–	352,815
At 31 December 2015		620,354	–	620,354

28. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

	Note	Carrying amount RM'000	L&R RM'000	FL RM'000
Company				
2016				
Financial assets				
Trade and other receivables	10	**212,293**	**212,293**	**–**
Fixed deposits with licensed banks	11	**28,312**	**28,312**	**–**
Cash and bank balances		**32,397**	**32,397**	**–**
At 31 December 2016		**273,002**	**273,002**	**–**
Financial liabilities				
Trade and other payables	18	**253,658**	**–**	**253,658**
Trade deposits	19	**104,921**	**–**	**104,921**
Borrowings	16	**361,138**	**–**	**361,138**
At 31 December 2016		**719,717**	**–**	**719,717**
2015				
Financial assets				
Trade and other receivables	10	152,602	152,602	–
Fixed deposits with licensed banks	11	11,290	11,290	–
Cash and bank balances		3,615	3,615	–
At 31 December 2015		167,507	167,507	–
Financial liabilities				
Trade and other payables	18	162,154	–	162,154
Trade deposits	19	105,382	–	105,382
Borrowings	16	352,815	–	352,815
At 31 December 2015		620,351	–	620,351

28. CATEGORIES OF FINANCIAL INSTRUMENTS (CONT'D)

Net gains and losses arising from financial instruments:

	Group and Company 2016 RM'000	2015 RM'000
Net gains/(losses) on:		
Loan and receivables	**329**	179
Financial liabilities measured at amortised cost	**(21,509)**	(39,845)
	(21,180)	(39,666)

29. DIVIDENDS

	Group and Company 2016 RM'000	2015 RM'000
Recognised during the year:		
Final single-tier dividend in respect of financial year ended 31 December 2014: 0.65 sen per share on 244,039,603 ordinary shares declared on 9 July 2015 and paid on 28 August 2015	**–**	1,586

30. SEGMENT INFORMATION

(a) Primary reporting format - by business segment

The Group is primarily organised 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:

Area	Sales 2016 RM'000	Sales 2015 RM'000	Total Assets 2016 RM'000	Total Assets 2015 RM'000	Capital Expenditure 2016 RM'000	Capital Expenditure 2015 RM'000
Malaysia	**1,070,248**	1,055,538	**1,288,697**	1,163,751	**32,508**	88,097
Outside Malaysia	**136,510**	88,156	**–**	–	**–**	–
	1,206,758	1,143,694	**1,288,697**	1,163,751	**32,508**	88,097

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 (2015: one) major customer amounted to RM191,288,503 (2015: RM109,386,798) arising from sales of steel billets and bars.

31. CAPITAL COMMITMENTS

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Capital expenditure		
Approved and contracted for:		
Property, plant and equipment	**7,053**	7,992

The above amount is in respect of the construction of new rolling mill located at the existing leasehold industrial land of the Company at Bukit Raja. The cost of construction is being funded by a syndicated loan of RM65 million and internally generated fund.

Operating lease commitments - as lessee

Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) at the reporting date are as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Not later than 1 year	**644**	98
Later than 1 year and not later than 5 years	**79**	7
	723	105

32. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group'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 2016 and 2015 were as follows:

	Group	
	2016	**2015**
	RM'000	**RM'000**
Total borrowings (Note 16)	**361,138**	352,815
Total equity	**550,967**	529,896
Gearing ratio	**65.55%**	66.58%

33. CONTINGENT LIABILITIES

	Group and Company	
	2016 RM'000	2015 RM'000
Unsecured bank guarantees issued in favour of third parties	**9,180**	8,480

34. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group 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 either directly or indirectly. The key management personnel includes all the directors of the Group, and certain members of senior management of the Group.

The Group and the Company have related party relationship with its subsidiary, 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. There is no significant related party transactions of the Group and of the Company during the financial year. The balances due from subsidiary and associate are shown in Note 10.

Compensation of key management personnel

The Board of Directors defined that key management personnel of the Company are directors of the Company. The compensation of key management personnel during the financial year is disclosed in Note 22 to the financial statements.

35. SIGNIFICANT EVENT

On 25 November 2016, the Company announced that the Head of Joint Venture Agreement ("MOU") entered into with KUB Malaysia Bhd ("KUB") on 19 January 2011 to pursuit Johor Commuter Train Project ("the Project") has been terminated on a mutual basis by both KUB and the Company.

On 14 December 2016, the Company further announced that the MOU was terminated after due consideration on the non-viability of the Project.

36. 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, Section 51
Off Jalan Tandang
46050 Petaling Jaya
Selangor Darul Ehsan

(d) The financial statements are expressed in Ringgit Malaysia ("RM"), which is also 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 13 April 2017.

37. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2016 into realised and unrealised losses is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements* as issued by the Malaysian Institute of Accountants.

	Group	
	2016 RM'000	**2015 RM'000**
Total retained earnings/(accumulated losses) of the Company and its subsidiary:		
- realised	**347,466**	335,905
- unrealised	**5,236**	(4,642)
	352,702	331,263
Less: Consolidation adjustment	**(1,296)**	(1,287)
Total Group retained earnings as per consolidated financial statements	**351,406**	329,976

	Company	
	2016 RM'000	**2015 RM'000**
Total retained earnings/(accumulated losses) of the Company:		
- realised	**346,977**	336,713
- unrealised	**5,236**	(4,642)
Total Company retained earnings as per financial statements	**352,213**	332,071

The disclosure of realised and unrealised profits above is presented solely for compliance with the directive issued by Bursa Malaysia and should not be used for any other purpose.

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. (7878-V)** do hereby state that, in the opinion of the directors, the financial statements set out on pages 51 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965, 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 2016 and of the financial results and cash flows of the Group and of the Company for the financial year ended on that date.

In the opinion of the director, the information set out in Note 37 on page 109 to the financial statements has been compiled in accordance with the *Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirement*, issued by the Malaysian Institute of Accountants, and presented based on the format presented by Bursa Malaysia Securities Berhad.

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

13 April 2017

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. (7878-V)** do solemnly and sincerely declare that the financial statements set out on pages 51 to 109 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.

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 13 April 2017

Lau Yoke Leong
Director

Before me

S. Arulsamy
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 2016 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 51 to 108.

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 2016, 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 1965 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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
Quantities and valuation of scrap metals *Refer to Note 3.5 (Significant Accounting Policies), Note 5(k) (Significant Accounting Estimates and Judgements) and Note 9 (Inventories)* As at 31 December 2016, the Company recorded total inventories of RM392.31 million (2015: RM382.27 million). Included in raw materials was scrap metals of RM311.80 million (2015: RM289.98 million). The quantity of scrap metals was surveyed by an independent quantity surveyor which was engaged by the Company. We have identified quantities and valuation of scrap metals as a key audit matter because of the existence of significant estimation that could result in material misstatement on the valuation of inventories. Apart from the above, we also noted that the surveyor's report did not report the scrap metals on a category basis.	**Our procedures included, amongst others:** • We read the surveyor's report and found that topographic survey was carried out to calculate the volume of scrap metals. • From our discussion with management and the quantity surveyor, and our understanding of the surveyor's report, we noted that the tonnage were computed by multiplying the volume obtained with bulk density tested on the site. There was no evidence of management bias or influence on the quantity surveyor in relation to these factors. • We evaluated the quantity surveyor's competence, capabilities and objectivity by checking the surveyor's qualification and his registration to the Board of Engineers website. We read their terms of engagement with the Company to determine whether there were any matters that might have affected his objectivity or may have imposed scope limitations upon his work. We also considered other engagements which might exist between the Company and the quantity surveyor. We found no evidence to suggest that the objectivity of the quantity surveyor in his performance of the valuation was compromised. • We have compared the total scrap metals quantities in the books of the Company to the total scrap metals quantities estimated in the surveyor's report and noted no material variance. Based on our assessment, there were no significant exception noted, except that the surveyor report prepared by quantity surveyor should be reported on a category basis. We have highlighted this to the management through management letter.

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

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, Corporate Governance Statement, Audit Committee Report, Management Discussion and Analysis 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.

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 1965 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 the Company's internal control.

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

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

- 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.
- 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, related safeguards.

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 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiary of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the accounts and the auditors' reports of the associate of which we have not acted as auditors, which are indicated in note 8 to the financial statements, being accounts that have been included in the consolidated accounts.

(c) We are satisfied that the accounts of the subsidiary and associate that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS (CONT'D)

Other Reporting Responsibilities

The supplementary information set out in Note 37 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

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

Yong Chung Sin
2892/04/18(J)
Chartered Accountant

Kuala Lumpur

13 April 2017

Location	Existing Use	Approximate Age of Building (Years)	Tenure	Land Area (Built-up Area)	Net Book Value (RM'000)	Date of Revaluation/ Date of Acquisition
Wisma Masteel, Lot 29C, Off Jln Tandang, Section 51, 46050 Petaling Jaya, Selangor Darul Ehsan	Office, factory and warehouse	34 years	Leasehold for 99 years expiring on 15.04.2067	130,897 sq. ft. (63,187 sq. ft.)	Land – 8,595 Building – 1,152	30.09.2005
Lot 29B, Off Jln Tandang, Section 51, 46050 Petaling Jaya, Selangor Darul Ehsan	Factory	8 years	Leasehold for 99 years expiring on 15.04.2067	110,425 sq. ft. (69,960 sq. ft.)	Land – 7,755 Building – 2,562	22.12.2009
Lot PT 20299, Jln Waja, Bukit Raja Industrial Estate, 41050 Klang, Selangor Darul Ehsan	Office, factory and warehouse	16 years	Leasehold for 99 years expiring on 03.12.2111	1,562,266 sq. ft. (187,220 sq. ft.)	Land – 49,855 Building – 49,031	30.09.2005
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	7 years	Leasehold for 99 years expiring on 05.03.2106	(4,176 sq. ft.)	Building – 1,427	06.11.2008
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	7 years	Leasehold for 99 years expiring on 05.03.2106	(3,003 sq. ft.)	Building – 1,023	06.11.2008
GRN 33304 Lot 3780 Mukim of Pasir Panjang, District of Port Dickson, Negeri Sembilan Darul Khusus	Bungalow	32 years	Freehold	5,403 sq. ft. (1,334 sq. ft)	Land – 65 Building – Nil	30.09.2005

Analysis of **Shareholdings**

as at 31 March 2017

Total number of issued shares	:	244,508,003 ordinary shares
Voting Rights	:	One (1) vote per ordinary share

ANALYSIS BY SHAREHOLDINGS
as at 31 March 2017

Size of Holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital [1]
1 - 99	500	10.052	15,282	0.006
100 – 1,000	472	9.489	259,468	0.106
1,001 – 10,000	2,641	53.096	13,496,888	5.547
10,001 – 100,000	1,192	23.964	36,766,583	15.111
100,001 – 12,164,709 [2]	168	3.377	117,479,763	48.287
12,164,710 and above [3]	1	0.020	75,276,219	30.94
TOTAL	**4,974**	**100.00**	**243,294,203**	**100.00**

Notes:-

[1] Excluding a total of 1,213,800 ordinary shares bought-back by the Company and retained as treasury shares as at 31 March 2017.
[2] Less than 5% of issued shares (excluding treasury shares)
[3] 5% and above of issued shares (excluding treasury shares)

LIST OF TOP 30 HOLDERS
as at 31 March 2017

No.	Name	No. of Shares	%
1	TYY RESOURCES SDN BHD	75,276,219	30.940
2	RAYA REKAJAYA SDN BHD	9,058,469	3.723
3	KEMAJUAN REKACEKAP SDN BHD	6,559,666	2.696
4	HARUM MAJUINDAH SDN BHD	5,947,500	2.444
5	NG TENG SONG	5,724,700	2.352
6	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAH SIEW SEONG	5,238,000	2.152
7	KUMPULAN WANG SIMPANAN GURU-GURU	4,500,000	1.849
8	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS)	4,080,000	1.676
9	KUMPULAN WANG SIMPANAN GURU-GURU	3,500,000	1.438
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	3,410,200	1.401
11	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR OOI CHIN HOCK (8058312)	2,748,900	1.129
12	SU MING KEAT	2,645,700	1.087
13	PELABURAN MARA BERHAD	2,000,000	0.822
14	TEO CHEE HOON	1,996,200	0.820
15	SU MING YAW	1,907,500	0.784

LIST OF TOP 30 HOLDERS (CONT'D)
as at 31 March 2017

No.	Name	No. of Shares	%
16	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAYA REKAJAYA SDN BHD	1,887,400	0.775
17	LIM KHUAN ENG	1,870,000	0.768
18	KUMPULAN WANG SIMPANAN GURU-GURU	1,600,000	0.657
19	MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHOW LEE (MARGIN)	1,420,000	0.583
20	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP (8058900)	1,409,100	0.579
21	LIM JIT HAI	1,400,066	0.575
22	NG TENG SONG	1,300,500	0.534
23	NG ENG KEONG	1,254,800	0.515
24	NEOH CHOO EE & COMPANY, SDN. BERHAD	1,250,000	0.513
25	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURTIES ACCOUNT FOR ONG SIEW ENG @ ONG CHAI (8040800)	1,227,200	0.504
26	MEGAMIX SDN BHD	1,200,000	0.493
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD AMANAHRAYA INVESTMENT MANAGEMENT SDN BHD FOR NOORSHAH BINTI ISMAIL (C245-240115)	1,146,133	0.471
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG SENG CHAN (009)	1,100,000	0.452
29	TAI MAY CHEAN	1,062,333	0.436
30	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR BSI SA (BSI BK SG-NR)	1,050,000	0.431
	TOTAL	**154,770,586**	**63.614**

DIRECTORS' SHAREHOLDINGS
as at 31 March 2017

	Direct Interest		Indirect Interest	
Name of Director	**No. of Shares**	**% of Issued Capital [1]**	**No. of Shares**	**% of Issued Capital [1]**
Dato' Sri Tai Hean Leng @ Tek Hean Leng	–	–	75,276,219 [2]	30.94

Notes:-

[1] Excluding a total of 1,213,800 ordinary shares bought-back by the Company and retained as treasury shares as at 31 March 2017.
[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.

SUBSTANTIAL SHAREHOLDERS
as at 31 March 2017

	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	75,276,219	30.94	–	–
Dato' Sri Tai Hean Leng @ Tek Hean Leng	–	–	75,276,219 [2]	30.94
Datin Ng Pik Lian	–	–	81,835,885 [3]	33.64
Tay Kwok Peng (Administrator of the Estate of Tai Chet Siang) [4]	–	–	75,276,219 [2]	30.94

Notes:-

[1] Excluding a total of 1,213,800 ordinary shares bought-back by the Company and retained as treasury shares as at 31 March 2017.
[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.
[4] Based on Record of Depositors.

Masteel

MALAYSIA STEEL WORKS (KL) BHD
www.masteel.com.my
(Company No. 7878-V)
(Incorporated in Malaysia)

No. of Shares	
CDS account No.	

Proxy **Form**

I/We, ... (NRIC No./Company No. ....)

of ....

being a member of **MALAYSIA STEEL WORKS (KL) BHD** hereby appoint the *Chairman of the Meeting or

.... (NRIC No. ....)

of ....

failing whom .... (NRIC No. ....)

of ....,
as my/our proxy(ies) to vote for me/us on my/our behalf at the Forty-Fifth Annual General Meeting of the Company to be held at Dewan Perdana, Level 2, Convention Centre, Grand Bluewave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 15 June 2017 at 3.00 p.m. and at any adjournment thereof for/against the resolutions to be proposed thereat.

* 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.	Declaration of final single-tier dividend of 0.85 sen per ordinary share in respect of the financial year ended 31 December 2016	Ordinary Resolution 1		
2.	Approval on the increase of Directors' Fees for financial year ended 31 December 2016	Ordinary Resolution 2		
3.	Approval of Directors' Fees for the financial year ending 31 December 2017 and the benefits payable from 1 January 2017 until the next Annual General Meeting	Ordinary Resolution 3		
4.	Re-election of Dato' Ikhwan Salim bin Dato' Haji Sujak as Director	Ordinary Resolution 4		
5.	Re-election of Encik Muhammad Hanizam bin Hj. Borhan as Director	Ordinary Resolution 5		
6.	Re-appointment of Messrs RSM Malaysia as Auditors	Ordinary Resolution 6		
7.	Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director	Ordinary Resolution 7		
8.	Authority for Encik Muhammad Hanizam bin Hj. Borhan to continue in office as Independent Non-Executive Director	Ordinary Resolution 8		
9.	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 for the Directors to allot and issue shares	Ordinary Resolution 9		
10.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 10		

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

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

____
Signature/Common Seal

Date: ________________________________

Contact No: ____________________________

NOTES:

1. 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 a maximum of 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 and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each proxy.
3. 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.
4. The Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at or by facsimile transmission to the Company's Share Registrar office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, Tricor's Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than 24 hours before the time appointed for the taking of the poll 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.
6. Pursuant to paragraph 8.29A(1) of the MMLR, all the resolutions set out in the Notice of the AGM will be put to vote by poll.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 7 June 2017 (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.

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 Annual General Meeting dated 28 April 2017.

Please fold here

Stamp

The Share Registrar
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Malaysia

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
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