Masteel

MALAYSIA STEEL WORKS (KL) BHD

www.masteel.com.my

ANNUAL REPORT 2018

PUTTING THE STEEL INTO MALAYSIA'S GROWTH

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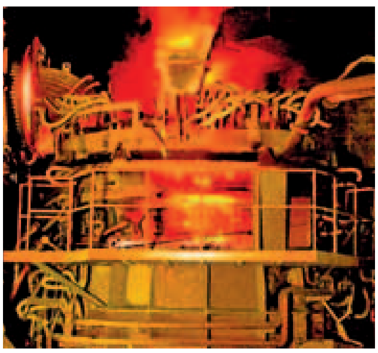
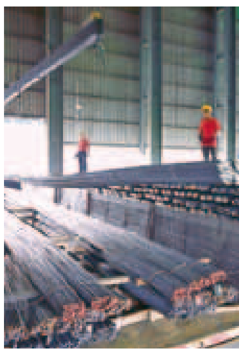



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Forty-Seventh 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 on Thursday, 20 June 2019 at 2.00 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 2018 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To approve the Directors' fees up to an aggregate amount of RM159,600.00 for the financial year ending 31 December 2019 and benefits payable to the Directors up to an aggregate amount of RM398,760.00 from 21 June 2019 until the next AGM of the Company and the payment thereof. **(Ordinary Resolution 1)**

3. To re-elect the Director, Dato' Sri Tai Hean Leng @ Tek Hean Leng who is retiring pursuant to Clause 96 of the Constitution of the Company. **(Ordinary Resolution 2)**

4. To re-elect the Director, Mr Ng Wah Lok who is retiring pursuant to Clause 96 of the Constitution of the Company. **(Ordinary Resolution 3)**

5. To re-elect the Director, Mr Ong Teng Chun who is retiring pursuant to Clause 96 of the Constitution of the Company. **(Ordinary Resolution 4)**

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

As Special Business

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

7. **Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director** **(Ordinary Resolution 6)**

   "**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."

8. **Authority for Encik Muhammad Hanizam Bin Hj. Borhan to continue in office as Independent Non-Executive Director** **(Ordinary Resolution 7)**

   "**THAT** 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."

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

"**THAT** subject to the Companies Act 2016 ("the Act"), the Constitution of the Company, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits of the Company as at 31 December 2018 of RM427.4 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 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 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 and to dealt with such treasury shares in the manner as set out in Section 127(7) 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-Eighth 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-Eighth 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 authorities (if any)."

Notice of Annual General Meeting
(Cont'd)

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

    "**THAT** pursuant to Sections 75 and 76 of the Act and the Constitution of the Company, 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 Constitution of the Company and approval of all the relevant regulatory bodies being obtained for such allotment and issue."

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

By Order of the Board,

TAI YIT CHAN (MAICSA 7009143)
TAN AI NING (MAICSA 7015852)
Company Secretaries

Selangor Darul Ehsan
30 April 2019

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 not more than two (2) proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.

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

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 duly notarised certified copy of that power or authority must be deposited to the Company's Share Registrar office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or adjourned AGM.

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

7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 12 June 2019 (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.

Explanatory Notes

1. **Audited Financial Statements for the financial year ended 31 December 2018**

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

2. **Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director**

   In respect of Ordinary Resolution 6, 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 subject to the approval from the shareholders of the Company:-

   a. He fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgment to the Board.
   b. He has contributed sufficient time and effort in attending the Board 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 Board 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.

3. **Authority for Encik Muhammad Hanizam Bin Hj. Borhan to continue in office as Independent Non-Executive Director**

   In respect of Ordinary Resolution 7, 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 subject to the approval from the shareholders of the Company:-

   a. He fulfilled the criteria under the definition on Independent Director as stated in the MMLR of Bursa Securities, and therefore is able to bring independent and objective judgment to the Board.
   b. He has contributed sufficient time and effort in attending the Board 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 Board 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.

Explanatory Notes (Cont'd)

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

   Ordinary Resolution 8 proposed under item 9 of the Agenda, if passed, will give the Directors of the Company the 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-Seventh AGM is required by law to be held.

   Please refer to the Statement to Shareholders dated 30 April 2019 for further information.

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

   The Company had, during its Forty-Sixth AGM held on 21 June 2018, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. As at the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

   Special Resolution 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 and the Constitution of the Company. 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.

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)

Ng Siew Peng
(Executive Director)

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

RISK MANAGEMENT COMMITTEE

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

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
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

AUDITORS

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

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name: Masteel
Stock Code: 5098

Corporate Structure

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

MS EXPRESS SDN BHD
(Company No. 1227637-T)

Providing various type of trailers, trucks and lorry transportation for coals, iron ore and steel for steel manufacturers

100%

BIO MOLECULAR INDUSTRIES SDN BHD
(Company No. 691229-K)

BioNexus certified company that is involved in manufacturing, research and development of radioisotopes and radiopharmaceutical products for Positron Emission Tomography

48.25%

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

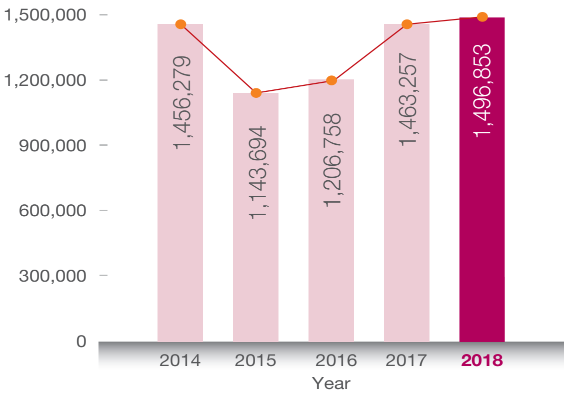
Has submitted the striking off application

100%

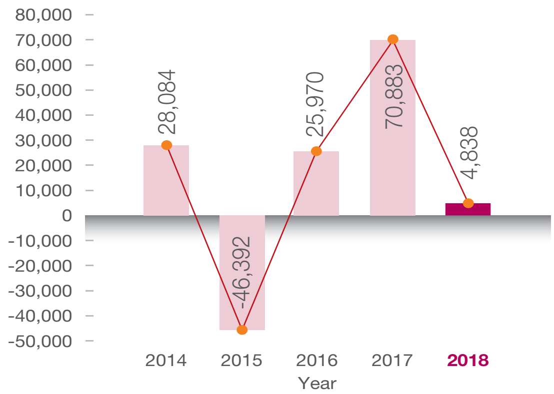
Financial Highlights

	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	1,456,279	1,143,694	1,206,758	1,463,257	1,496,853
Profit/(Loss) before taxation	28,084	(46,392)	25,970	70,883	4,838
Net Profit/(Loss) for the financial year	15,828	(50,403)	21,430	75,458	6,705
Total Assets Employed	1,089,343	1,163,751	1,288,697	1,317,111	1,376,837
Total Shareholders' funds	576,843	529,896	550,967	648,023	657,618
Paid-up Share Capital	118,350	122,254	122,254	221,472	230,094
No. of Ordinary Shares in Issue ('000)	236,700	244,508	244,508	315,631	427,240
Gearing Ratio	54.31%	66.58%	65.55%	54.77%	59.31%
Net Assets per Share (RM)	2.44	2.17	2.25	2.05	1.54
Earnings/(Loss) per Share (sen)	6.99	(20.81)	8.87	25.03	1.58
Diluted Earnings per Share (sen)	6.20	–	–	–	–
Gross Dividend per Share (sen)	0.65	–	–	0.90	–

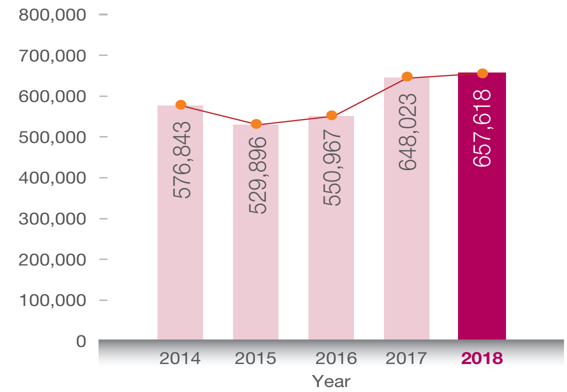
REVENUE
RM'000



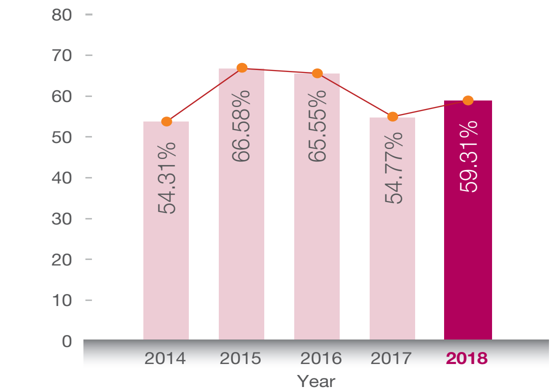
PROFIT/(LOSS) BEFORE TAXATION
RM'000



TOTAL SHAREHOLDERS' FUNDS
RM'000



GEARING RATIO
%



Directors' Profile

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

Dato' Ikhwan Salim Bin Dato' Haji Sujak, a Malaysian, male, aged 62, was appointed as Non-Executive Chairman since 22 May 2003 and a Non-Executive Director of Malaysia Steel Works (KL) Bhd ("Masteel") since 23 July 1998. He was re-designated as an Independent Non-Executive Director on 23 April 2012. He obtained a Bachelor of Science degree in Economics/ Accounting in 1977 from Queen's University, Belfast, Ireland. He joined Nestle (M) Sdn Bhd as a Finance Executive in 1979. In 1980, he joined Jaya Management Sdn Bhd, a subsidiary of General Corporation Berhad as the Group Finance Planning Manager and upon restructuring his family's varied business operations in 1981, he was made the Director for the holding company, Jaya Holdings Sdn Bhd. Since 1999, he was appointed as Director of Konsortium Jaringan Selangor Sdn Bhd and was also appointed as an Independent Director as well as Chairman of the audit committee of Glomac Berhad. Subsequently, he was appointed as Independent Director of Kumpulan Perangsang Selangor Berhad in 2001 to 2008. He was also appointed as a Director in Land and General Berhad on 1 December 2007. He was also a committee member of Automobile Association of Malaysia and the British Graduates Association of Malaysia. Dato' Ikhwan Salim also sits on the Board of several private companies in Malaysia.

Dato' Ikhwan Salim attended all 5 Board meetings of the Company held during the financial year ended 31 December 2018.

Dato' Sri Tai Hean Leng, a Malaysian, male, aged 55, was appointed as an Executive Director of Masteel on 25 April 1994. He is also the Managing Director/ Chief Executive Officer of Masteel. He obtained a Bachelor of Science degree in Mechanical Engineering from The University of Southern California in 1987 and a Master's degree in Finance from the University of Hull, United Kingdom in 1993. He began his practical training in 1987 as a Plant Manager in the manufacturing of Liquefied Petroleum Gas ("LPG") pressure vessels for the oil and gas industries. He has been involved in the formulation and implementation of Masteel's corporate strategies including corporate planning, business expansion and operations. He has more than 28 years of business experience in the iron and steel industry. Dato' Sri Tai also sits on the Board of Metropolitan Commuter Network Sdn Bhd and MS Express Sdn Bhd which are the wholly-owned subsidiaries of Masteel. He also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia. Dato' Sri Tai is a member of the board of the Malaysia Steel Institute ("MSI"), he is the Vice President of the Malaysia Steel Association ("MSA") and also sits on the Board of Rosegate Insurance Brokers Sdn Bhd. He does not hold any directorship in any other public company.

Dato' Sri Tai attended all the 5 Board meetings of the Company held during the financial year ended 31 December 2018.

Dato' Sri Tai Hean Leng @ Tek Hean Leng
(Managing Director/Chief Executive Officer)

Lau Yoke Leong
(Executive Director/Chief Financial Officer)

Lau Yoke Leong, a Malaysian, male, aged 50, was appointed as an Executive Director of Masteel on 16 April 2007. He joined Masteel as an Accountant in July 2000, promoted as Chief Accountant in June 2004 and was appointed as Chief Financial Officer in April 2016. He is a Fellow Chartered Certified Accountant and a member of the Malaysian Institute of Accountants ("MIA"). He has more than 18 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. He does not hold any directorship in any other public company.

Mr Lau attended all 5 Board meetings of the Company held during the financial year ended 31 December 2018.

Ong Teng Chun, a Malaysian, male, aged 51, 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. He does not hold any directorship in any other public company.

Mr Ong attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2018.

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

Directors' Profile
(Cont'd)

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

Ng Wah Lok, a Malaysian, male, aged 58, was appointed as an Independent Non-Executive Director of Masteel on 29 July 2004. He obtained his Bachelor of Engineering degree in 1984 and a Master degree in Engineering Science in 1989 from the University of Malaya. Upon graduation, he worked as a Project Engineer for a research project in the University of Malaya developing a hand pump to eradicate waterborne diseases in rural areas. In 1989, he joined Malaysian Industrial Products Sdn Bhd as a Project Engineer. In 1993, he was appointed as the General Manager of Masteel and was responsible for the upgrading of the rolling mill in Petaling Jaya and managed the expansion of the Bukit Raja plant in Klang. In 1999, he resigned as Senior General Manager and alternate Director of Masteel. He is currently a Director of a private limited company and 4 unlisted public companies in Malaysia, namely Eagle Dialysis Centre Berhad, New Covenant Community Centre Bhd, Full Gospel Tabernacle Bhd and Tung Ling Seminary.

Mr Ng attended all 5 Board meetings of the Company held during the financial year ended 31 December 2018.

Roy Thean Chong Yew, a Malaysian, male, aged 47, was appointed as an Independent Non-Executive Director of Masteel on 2 July 2015. He is a member of the Malaysian Institute of Certified Public Accountants ("MICPA"), Malaysian Institute of Accountants ("MIA") and a Chartered Member of Institute of Internal Auditors of Malaysia ("CMIIA"). He started embarking on his career path in 1994 with PKF Malaysia. After accumulating extensive working experience in his field, he left PKF Malaysia as an Audit Manager in 2003 to join a professional services firm, Russell Bedford Malaysia Business Advisory Sdn. Bhd. ("RBMBA") for another six (6) years, rising to the position of an Executive Director. In 2009, he left RBMBA to start his own business venture. With over 23 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 4 out of 5 Board meetings of the Company held during the financial year ended 31 December 2018.

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

Muhammad Hanizam Bin Hj. Borhan
(Independent Non-Executive Director)
(Chairman of Nomination Committee, Members of Audit Committee and Risk Management Committee)

Muhammad Hanizam Bin Hj. Borhan, a Malaysian, male, aged 46, 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 20 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 Examinations Council and was responsible to review the accounting syllabus periodically. He does not hold any directorship in any other public company.

Encik Muhammad Hanizam attended all 5 Board meetings during the financial year ended 31 December 2018.

Ng Siew Peng, a Malaysian, female, aged 40, was appointed as an Executive Director on 23 November 2017. She obtained a Master of Business Administration with specialisation in Finance from University of Southern Queensland, Australia. She joined Masteel in October 2012 as an Assistant Finance Manager and was subsequently promoted to the position of Corporate Manager in April 2016. Her principal duties are to ensure the integrity of the governance framework, compliance with statutory and regulatory requirements and implements decision made by the Board of Directors. She has more than 15 years of working experience in Corporate Finance and Corporate Governance. Prior to joining Masteel, she worked in Frontken Corporation Berhad, where she worked closely with the Senior Vice President to achieve the Company's objectives and participate actively in corporate finance related assignments. From 2004 to 2010, she was with Soon Seng Palm Oil Mill Sdn Bhd to assist the Group Director on implementation and coordination of new overseas investment plan. She does not hold any directorship in any other public company.

Ms Ng attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2018.

Ng Siew Peng
(Executive Director)

Other than the aforesaid, none of the Directors has family relationship with any other directors/ major shareholders, except for the Managing Director/Chief Executive Officer, who is related to a major shareholder. None of the Directors have any conflict of interest with the Company. The members of the Board have no convictions for any offences within the past five (5) years or have been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 31 December 2018, other than traffic offences (if any).

Particulars of Key Senior Management

Tan Ka Yeong
(Senior Vice President)

Tan Ka Yeong, a Malaysian, male, aged 50, was appointed as a Senior Vice President of Masteel on 1 October 2018. He joined Masteel as a Plant Engineer in 1997 and was promoted as a Special Assistant to the Managing Director/ Chief Executive Officer in 2006. In 2009, he was promoted again as a Deputy General Manager. He holds a MSC in Materials Engineering with Distinction from University of Sunderland, Sunderland U.K. He has more than 25 years of experience in the engineering field. He started his engineering profession in 1994 to 1997 with Harom LPG Industries Sdn Bhd as a Plant Engineer before joining Masteel in 1997.

None of the Key Senior Management has any directorship in public companies and listed issuers. None of the Key Senior Management has family relationship with any directors/ major shareholders. None of the Key Senior Management have any conflict of interest with the Company. The Key Senior Management have no convictions for any offences within the past five (5) years or have been imposed on any public sanction or penalty by relevant regulatory bodies during the financial year ended 31 December 2018, other than traffic offences (if any).

Management Discussion and Analysis

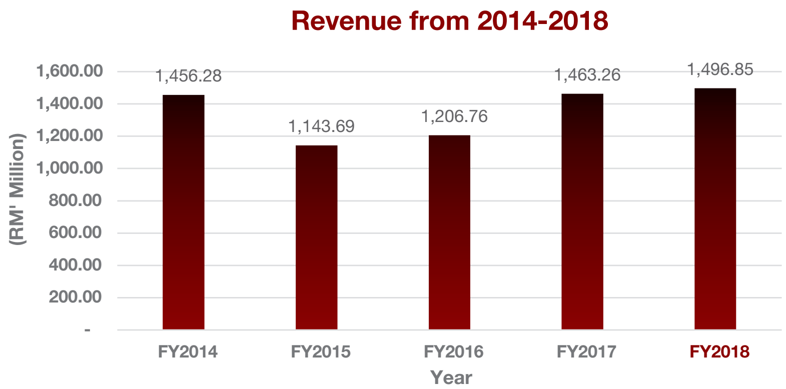
GROUP'S BUSINESS AND OPERATIONS

The principal business activities of Malaysia Steel Works (KL) Bhd ("Masteel" or "Company") involve in the production of steel billets and steel bars which comply with the Malaysian Standard (MS 146:2016) for the construction sector. The Company has two (2) 100%-owned subsidiaries i.e. Metropolitan Commuter Network Sdn Bhd (has submitted the striking off application), and MS Express Sdn Bhd ("MSX") which is involved in the transportation and logistics activities.

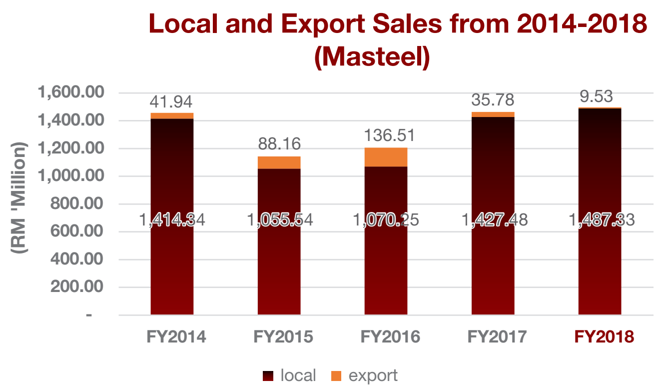
Masteel also has an associate company, Bio Molecular Industries Sdn Bhd ("Bio-M"), which is a BioNexus certified company that manufactures and undertakes research and development of radioisotopes and radiopharmaceutical products which are used by hospitals for cancer cells imaging. These products are in full compliance with the Ministry of Health of Malaysia's National Pharmaceutical Regulatory Affairs ("NPRA") regulation and standards.

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 the Peninsular Malaysia.

The main driver of revenue for Masteel and its subsidiaries ("Group") is from the sales of steel bars and billets.



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

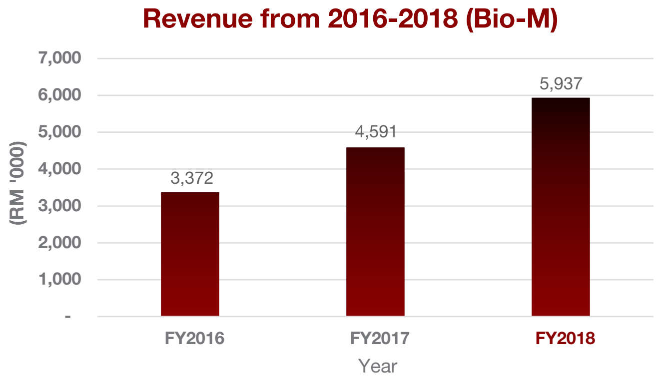


Management Discussion and Analysis
(Cont'd)

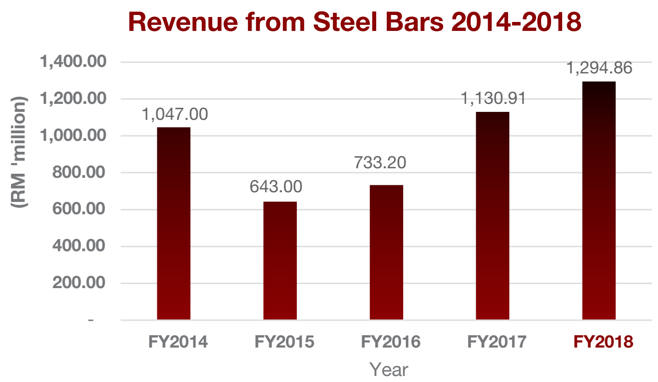
GROUP'S BUSINESS AND OPERATIONS (CONT'D)

In MSX's first year of operation, it recorded a revenue of RM3.05 million and a profit before tax ("PBT") of RM1.36 million. The sole driver of revenue and profit for MSX was derived from transporting Masteel's steel bars and billets between its manufacturing facilities at Bukit Raja and Petaling Jaya.

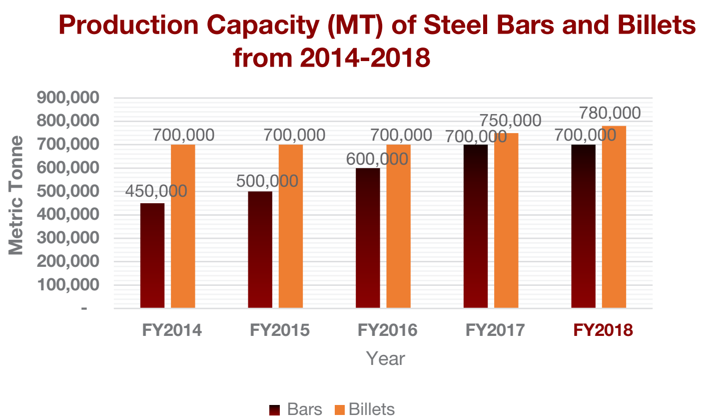
Bio-M, the associate company which manufactures radioisotopes for the imaging of cancer cells recorded a revenue of RM5.94 million which is an increase of 29.41% from RM4.59 million in the financial year ended ("FYE") 31 December 2017. In line with the increase in turnover and higher utilisation of the manufacturing facility, Bio-M's gross profit also increased from RM1.99 million in the FYE 31 December 2017 to RM2.63 million in the FYE 31 December 2018.



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 Company's manufacturing activities is to maximise the shareholders' value through the generation of maximum profits by increasing sales volume and widening profit margin per metric tonne ("MT") with the efficient utilisation of minimum overheads and capitals.

Whilst the Company is constantly striving to improve its output through the upgrading of its plant and machinery, it is also diligently looking towards establishing new strategic partnerships 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 its manufacturing facilities are key agendas for the management team ("Management") of the Company. For instance, the utilisation of a new technologically efficient facility will increase the billet production capacity and reduce the reliance on various consumables which constitutes a significant amount of the production cost. This technological transformation will eventually enable the Company to keep the costs of production in check and remain competitive in the industry.

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

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

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

The Group's key financial performance for the FYE 31 December 2018 are as follows:-

(a) For the year under review, the Group's revenue increased by 2.29% to RM1,496.85 million as compared to RM1,463.26 million in the previous financial year. The increase in revenue was due to a higher sales volume of steel bars coupled with better average selling prices.

(b) However, the profitability of the Group had decreased from RM75.46 million in the FYE 31 December 2017 to RM6.71 million in the FYE 31 December 2018. The decrease in net profit was primarily due to lower margin, impairment of inventories, higher administrative expenses and unrealised foreign exchange loss.

(c) The capital intensive steel making facilities' output were driven by the market demand, domestic supply, duration of festive holidays and scheduled and unscheduled plant outages. Upon the recent installation and commissioning of a new facility in October 2018, Masteel's cost of production will continue to improve.

MSX currently possesses eight (8) prime movers and trailers which exclusively transports Masteel's steel bars and billets between its manufacturing facilities at Bukit Raja and Petaling Jaya. This has allowed Masteel to reduce a portion of its transportation costs. Eventually, MSX could extend its services to include delivery of bars directly to the sites of the Company's customers.

Management Discussion and Analysis
(Cont'd)

FINANCIAL RESULTS AND FINANCIAL CONDITION (CONT'D)

The cyclotron at the radio pharmaceutical production facility recorded an improved sales output of radioisotopes from 111,242mCi in the FYE 31 December 2017 to 142,337mCi in the FYE 31 December 2018 (27.95% higher) due to more hospitals installing Positron Emission Tomography – Computed Tomography ("PET-CT") scanners throughout Central and Southern regions of Peninsular Malaysia. The production run has also increased from 181 in the FYE 31 December 2017 to 245 in the FYE 31 December 2018.

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

The tactical business direction is to further reduce the costs of production of the steel billets through the utilisation of the newly installed facilities. The objective of the above strategy is to achieve a higher level of economies of scale that would reduce the total costs of production and improve the bottom line.

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

1) In addition to the current softness in the property sector, the ongoing review on various prominent mega infrastructure and construction projects by the country's new administration following the General Election held on 9 May 2018 ("Administration") is severely affecting the local demand of steel bars. However, the recent announcements on the revival of several projects under review (such as the MRT2 and LRT3) were seen as positive development for the resumption of the shelved projects.

2) Risk of imported steel bars being dumped and offloaded in Malaysia is currently minimal due to the existing import duty and safeguard duty. Nevertheless, the exclusion of the safeguard duty on bars being imported from certain countries poses some degree of risks to the local steel players.

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

4) Foreign exchange volatility risk will continue to be minimised and mitigated through constant monitoring of the foreign exchange market and the Company's overall foreign exchange exposure.

5) The commencement of a foreign owned steel mill at the East Coast of Peninsular Malaysia is posing a significant risk as it substantially increases the supply of steel products into the local market which is in the midst of experiencing weakness in demand as a consequence of the subdued construction and property sectors.

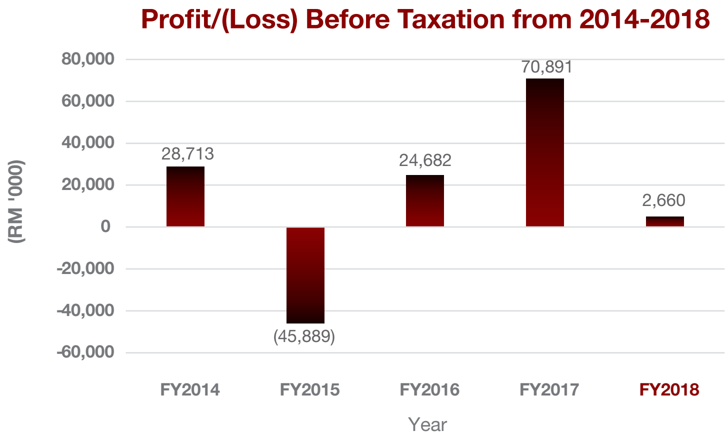
FINANCIAL SECTION OF THE COMPANY

1) For the first six (6) months of the year under review, the domestic demand and selling price of steel bars continued with its upward momentum. This 6-month period contributed approximately 65% to the Company's annual gross profit of RM86.05 million for the FYE 31 December 2018.

2) Gross profit of the Company recorded a decline from RM134.79 million in the FYE 31 December 2017 to RM86.05 million in the FYE 31 December 2018. The fall in the Company's gross profit despite a marginally higher revenue was mainly due to the contraction of margin in the fourth quarter ("Q4") of 2018 in line with the economic and market conditions of the local steel industry. Compressed margin in Q4 was largely as a result of excess supply from a new foreign owned steel mill. Furthermore, the review on various mega infrastructure projects by the new Administration also contributed to the reduction in demand of steel bars for the said quarter.

FINANCIAL SECTION OF THE COMPANY (CONT'D)

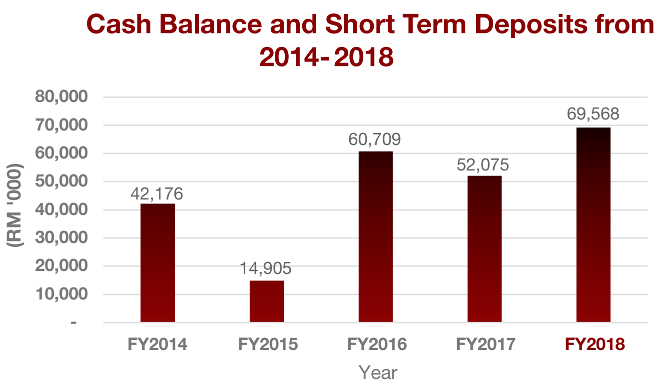
3) Following the decline in gross profit, the Company posted a PBT of RM2.66 million for the year under review. The main factors which contributed to the decline of the PBT were items including unrealised foreign exchange losses of RM6.17 million, impairment of inventories of RM4.59 million and various professional and guarantee fees in relation to the Company's issuance of an Islamic medium term note under the Islamic principle of Ijarah ("Sukuk") during the FYE 31 December 2018.



4) For the FYE 31 December 2018, the Company recorded an increase in its Property, Plant & Equipment account from RM596.70 million to RM628.04 million due to the addition of three (3) new factory buildings and the acquisition of the new steel production facilities.

5) The reduction of the Company's trade receivables from RM183.86 million as at 31st December 2017 to RM136.13 million as at 31st December 2018 is reflective of the Company's greater emphasis on its receivables collection policy.

6) Due to the increased efficiency and effectiveness of the Company's receivables collection process and financial prudence in maintaining a cash reserve for volatile economic conditions ahead, the Company's cash balance and short-term deposits increased by 39.34% from RM52.08 million in the FYE 31 December 2017 to RM69.57 million in the FYE 31 December 2018.



Management Discussion and Analysis
(Cont'd)

FINANCIAL SECTION OF THE COMPANY (CONT'D)

7) The considerable increase in the Company's long-term borrowings from RM33.54 million in the FYE 31 December 2017 to RM144.81 million in the FYE 31 December 2018 was due to the Company's successful issuance of Sukuk with a nominal value of RM130 million.

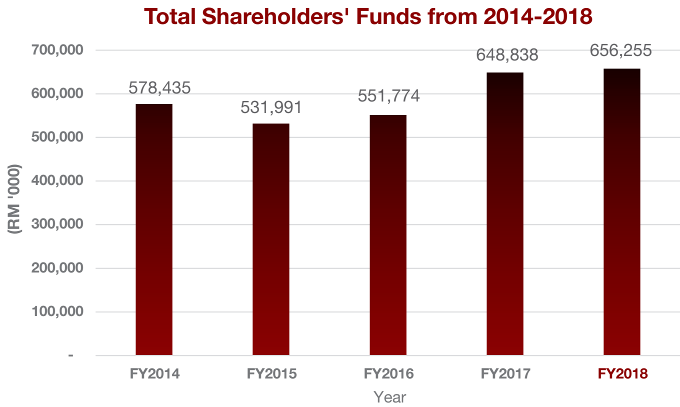
   a. The Sukuk is guaranteed by Danajamin Nasional Berhad ("Danajamin") via the issuance of an unconditional and irrevocable Kafalah Guarantee which guarantees the Sukuk for an amount of up to a nominal value of RM130 million and one (1) profit payment obligation

   b. The Sukuk had been assigned a credit rating of AAA IS(fg) by Malaysian Rating Corporation Berhad ("MARC") with a stable outlook.

   c. As there is a moratorium of two (2) years for the repayment on the principle component of the Sukuk, the Company has reduced its short-term debt considerably while also easing the pressure on the Company's debt service obligations with regards to the repayment of principle. This debt management strategy enhances the Company's liquidity in facing any future headwinds and other challenges due to volatility in the local and global steel industry.

8) As a net result from the Sukuk issuance and redemption of the Company's term loan facilities, the Company's gearing ratio has increased marginally from 0.55 times in the FYE 31 December 2017 to a manageable 0.59 times in the FYE 31 December 2018.

9) The Company's shareholders' funds had also increased marginally by 1.14% to RM656.25 million for the FYE 31 December 2018 as compared to RM648.84 million in the previous year. The increase was mainly attributable to an increase in its share capital as a result from the issuance of 4.8 million new shares under the private placement program and 106,808,988 new shares from the bonus issuance exercise.



FORWARD LOOKING STATEMENTS

Looking at the year ahead, the Company expects a challenging and volatile environment for the steel industry. In the local steel sector, the new foreign owned steel mill in the East Coast of Peninsular Malaysia had commenced its operations and has increased the output and supply of local steel bars. However, substantial amounts of its production output are designated for export. As such, the relevant authorities should monitor and ensure the compliance and adherence on the investment conditions of the foreign owned steel mill in order to protect the local industry.

FORWARD LOOKING STATEMENTS (CONT'D)

Internationally, the Company was not affected by the steel tariff of 25% announced by Donald Trump's administration in early 2018 as Masteel does not export its products to the USA. This is not expected to change for the year ahead. In any case, with the existence of the safeguard duty until 2020, the risk of imported steel bars being dumped in Malaysia is expected to be low. The continuation of the safeguard duty also allows Masteel more time to plan and implement further cost-efficient improvements for the Company.

On the demand side, the new Administration had undertaken various austerity and cost saving measures which had impacted the local steel industry since 9 May 2018. One of such measures was the shelving and review on various mega infrastructure projects in the nation which led to a lower demand and consumption of steel bars. However, the new Administration had recently announced the resumption of the MRT2 and LRT3 projects. This could potentially be the beginning in the revival of the other shelved projects which shall be a boon to the local steel industry.

While the impact to the local steel industry arising from external factors is beyond the Company's control, Masteel had commissioned its new facility in October 2018 in order to cushion the negative impact as a consequence of the stiff competition among the local steel players and the volatile prices of raw materials and steel bars.

The results from the utilisation of the new facility had been positive and corroborated with the initial studies on the cost savings arising from the facility. With the proven reduction in its costs of production, Masteel is installing and commissioning a second facility with a larger capacity by June 2019. With the new facilities, Masteel would be able to shift a substantial portion of production to the new facilities. This timely technological transformation plan and strategy will further enhance the Company's cost efficiency and revenues for the years ahead.

Should the demand and selling prices of steel bars remain depressed, Masteel will endeavour to increase the sales of its steel billets to its traditional markets with a positive margin contribution with the new facilities.

In order to further protect the Company from liquidity risks, Masteel had increased its cash reserves to serve as a buffer to meet any unforeseen obligations. Additionally, the moratorium on principle repayments of Masteel's Sukuk will ease the pressure on the Company's debt service obligations with regards to the repayment of principle thus better preparing the Company for any challenging times ahead.

MSX is expected to continue its contribution to the Company's cost saving initiatives by reducing the transportation cost of Masteel's steel bars and billets between its manufacturing facilities at Bukit Raja and Petaling Jaya.

In the radio pharmaceutical division, the quantities of radioisotopes to be sold is expected to grow organically by approximately 8% to 9% in the year ahead. Bio-M is expecting two (2) new customers in the year 2019 which will consequently increase its orders by 15,000mCi.

Sustainability Statement

SCOPE

The scope of 2018 Sustainability Report ("Report") covers the parent entity, Malaysia Steel Works (KL) Bhd ("Masteel" or "Company"). The subsidiary of the Company namely MS Express Sdn Bhd is not included in the Report as it was founded during the financial year ended ("FYE") 31 December 2018 and meaningful data collection is still in progress.

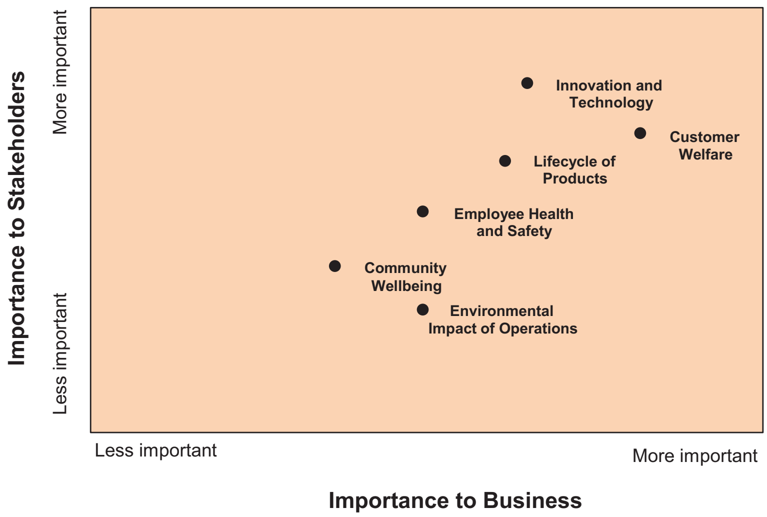
GOVERNANCE

The Board of Directors ("Board") of Masteel oversees the integration of sustainability principles in its daily operations, including dedication to customers, innovation in steel-making technology and sustainable lifecycle of products. The Board recognises the importance of risks and opportunities associated with the identified material issues and is committed to ensure the adherence by tracking indicators which relevant to each material issue.

THE SUSTAINABILITY APPROACH

A materiality assessment was conducted to determine the material issues which are most important to Masteel and its stakeholders. A list of economic, environmental, and social material issues relevant to the steel industry was collated based on industry sustainability standards. The issues were prioritised based on importance to the business and stakeholders. Proxies were used to assess importance for stakeholders, which include government, employees, investors, customers and suppliers. The results were mapped on a Materiality Matrix and approved by the Board. Material issues of highest priority discussed in the Report include Customer Welfare, Innovation and Technology and Lifecycle of Products.

Materiality Matrix



CUSTOMER WELFARE

The Company places the highest priority to ensure the welfare of its customers are met and exceeded each and every time. There is zero tolerance for the Company's systems and personnel to not comply with the aforementioned ethos. Customer Welfare is the satisfactory provision to customers of Masteel in terms of product quality, variety and delivery. The terms of trade must also be perceived by the customers to be of high quality, intuitive and seamless. Further initiatives include making the documentation for customers easier to understand and introducing PREDICTIVE delivery system to ensure the products are ready for delivery even before customers place physical orders.

CUSTOMER WELFARE (CONT'D)

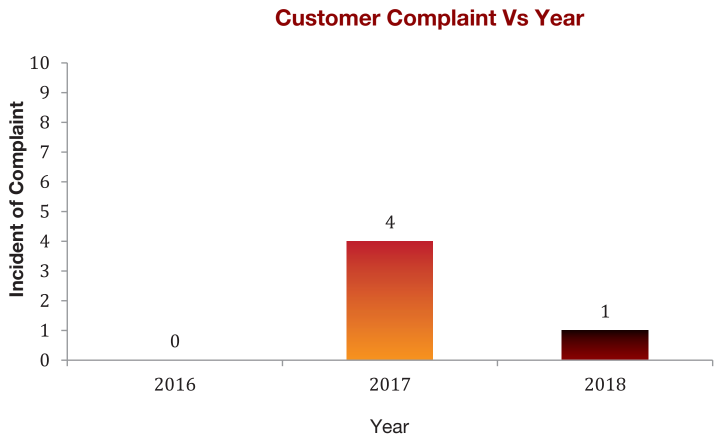
A current pilot programme to provide preapproved or enhanced credit limits to customers is also being developed. The practise of customers having to face the delivery restrictions and interruptions due to exceeded credit limits will be avoided, as a continuous interactive credit review for customers has been implemented in the credit department.

The initiative to produce more custom-made steel to meet customer preferences is also being implemented.

Customer welfare encompasses the objective of ensuring full customer retention for present and future revenue optimisation as the cornerstone value that permeates all management decisions.

It would be fatal if customer satisfaction is not upheld at all times, as this could result in the loss of sales and diminish the brand prestige and goodwill that could have far reaching implications on the Company.

Factors that could contribute towards a decline in customer satisfaction include product quality, pricing, service standards, compliance issues with contracts and statutory standards. If not adequately and expediently resolved, these issues could cause ramifications that will have a multiplier effect that affects multiple key stakeholders. On rare occasions, the dual effect of potential loss of revenue and libellous monetary claims could be financially overbearing on the Company.



INNOVATION AND TECHNOLOGY

Adopting best practice of innovation and technology is essential to Masteel's operations, as it supports sustainable manufacturing. This is achieved through the following:-

1) Timely adaptation of cost effective technology;
2) Efficient processes that minimise the use of raw materials, energy, spares and generation of by-products and waste; and
3) Reliable technology that can be augmented and upgraded.

The approach of the management team ("Management") to ensure ongoing improvements in innovation and technology include the following primary areas:-

1) Improvements in plant capacity to recycle and transform waste steel scrap into prime grade steel;
2) Cost reductions in transforming raw materials to finished products; and
3) Adaptation of fourth industrial revolution technologies.

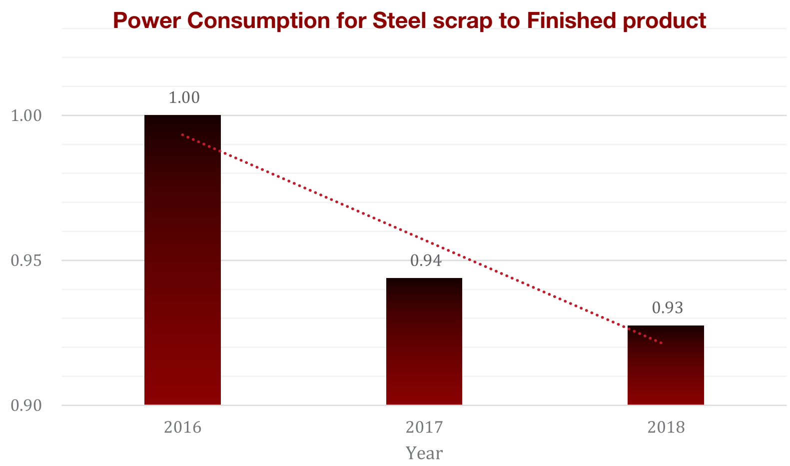
Sustainability Statement
(Cont'd)

INNOVATION AND TECHNOLOGY (CONT'D)

In the past ten (10) years, Masteel has improved the capacity to convert its feedstock to finished goods by approximately 100% while using the same square footage of space. Product yield has maintained in the upper ranges of the global industry benchmarks for steel producers and energy consumed for the recovery and conversion process has been reduced progressively.

Moving forward, the Company and its subsidiaries ("Group") will strive to further improve its capacity and conversion costs by 20% within the next five (5) years. Extensive use of artificial intelligence in its automated processes and secured big data cloud storage will be adopted within the Group.

The consequences of not ensuring continuous improvements in innovation and technology will result in excessive waste in the manufacturing process, which include waste of raw materials, energy, consumables and manpower. Indirect effects include pollution, production of inferior products and negative social impacts. This results in high costs of production and inconsistent of product quality.



LIFECYCLE OF PRODUCTS

Masteel is utilising a combination of steel scrap for its recovery process. This is done by diversifying the blend of steel scrap to include a wider variety of scrap that can be used to create its product. This enhances the ability of the process to utilise recycled waste material to improve conservation capacities.

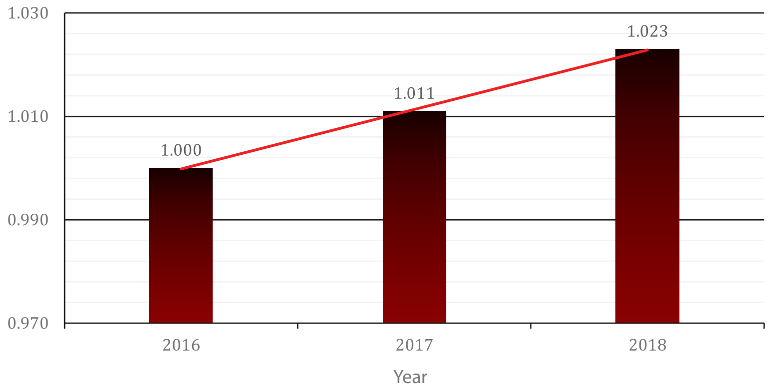
Masteel's steel bar product life cycle begins with the usage of steel scrap as the primary inputs to the process. This eliminates contamination of air, soil and the water table by using an electric furnaces to recover, smelt and refine steel scrap into steel bars, which are compliant to international standards and specifications. This includes MS146: 2016, ISO 9001 and Australian Concrete Reinforce Standards. The resulting "New Steel" is used to reinforce the strength of concrete in the construction of buildings and infrastructure such as tunnels and dams. The construction process calls for steel bars to be encased in concrete and thus has zero carbon footprint for at least fifty (50) years.

LIFECYCLE OF PRODUCTS (CONT'D)

Masteel's Research and Development department is currently developing the metallurgical properties of its product to ensure greater durability.

Failure to manage continuous improvements in reducing Masteel's environmental footprint effectively could result in reduced competitiveness. To mitigate this risk, the Management has employed adaptive strategies to ensure technology advancements that ensure high quality and sustainable products.

Recovery Rate of Raw Material Used



CORPORATE SOCIAL RESPONSIBILITY

Masteel initiated a new Corporate Social Responsibility ("CSR") program in 2018 by providing financial education to youths in universities.

It is to support the effort of government and Bursa Malaysia Berhad ("Bursa Malaysia") to enhance the financial literacy and develop an investment culture among Malaysians.

The program serves as an investment education platform and is an integral part of Masteel's CSR initiatives from September 2018 to December 2020. Ten (10) seminars have been planned for the program in which four (4) seminars will be conducted in Klang Valley and six (6) seminars in other states throughout Malaysia, respectively.

The targeted group is the younger generation and the focus is to inculcate financial literacy to youths.

The main objectives of the program are to:-

1. Improve the level of financial literacy among participants;
2. Enhance financial knowledge for investors protection (avoid scams) purpose;
3. Impart investment knowledge for wealth building purpose; and
4. Teach participants on financial planning to achieve specific financial goals in different stages of life.

Sustainability Statement
(Cont'd)

CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

The program targets to reach 120 to 150 university students per session. Each seminar consists of three (3) hours financial education talk. Masteel engage the former Vice President of Investor Education Department of Bursa Malaysia, Mr. Warren Mak to be the speaker for the 10 seminars. The Company believes that with his 15 years of experience in Bursa Malaysia will be able to provide useful financial information and valuable investment knowledge to participants.

The Company is also glad to sponsor free lunch and goodies to participants who attend this CSR program.

In 2018, Masteel conducted two (2) sessions of three (3) hours investor education talks in the following universities:-

1. UCSI University – 13 October 2018; and
2. TAR University College – 2 November 2018.

The Company planned to conduct eight (8) more financial literacy seminars in 2019 and 2020 on a quarterly basis. By providing proper financial education to the public, Masteel wish to contribute to the development of the younger generations and help to reduce social problem among youths.

The Company believe that financial education is a very important and effective way to help people to build wealth and contribute to the economic growth of the country.

Corporate Governance Overview Statement

INTRODUCTION

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

This Corporate Governance Overview Statement is supported with a report ("Corporate Governance Report"), based on a prescribed format as outlined in paragraph 15.25(2) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") so as to map the application of Masteel's corporate governance practices against the MCCG. The Corporate Governance Report is available on the Company's website, at http://www.masteel.com.my/uploads/2019/04/Corporate-Governance-Report-2018.pdf as well as via an announcement on the website of Bursa Securities.

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

Summary of Corporate Governance Practices

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

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

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

- Practice 4.2 (Tenure of independent directors);
- Practice 4.5 (Policies on gender diversity, its targets and measures to meet those targets);
- Practice 4.6 (Sourcing of candidates for directorship using independent sources);
- Practice 7.2 (Disclosure on a named basis the Company's top five (5) senior management's remuneration in bands of RM50,000);
- Practice 11.2 (Adoption of integrated reporting based on a globally recognised framework); and
- Practice 12.3 (Use of technology to facilitate remote shareholders participation during general meetings).

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

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

Corporate Governance Overview Statement
(Cont'd)

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its directions and operations, and ultimately the enhancement of long-term shareholders' value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, 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 Limit of Authority further detailed the authorisation of expenditure within the Group.

The Managing Director/Chief Executive Officer ("MD/CEO") together with the Executive Directors, supported by the management team ("Management"), 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 organisational 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, accounting, finance, political and commercial field.

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

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

Each Board 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 Board Committee.

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 Board Committee meetings. The ultimate responsibility for decision making lies with the Board.

The Board Charter is reviewed periodically by the Board or at least once a year to ensure it complies with legislations and best practices, and remains relevant and effective in light of the Board's objectives. A copy of the Board Charter is published in the Company's website at www.masteel.com.my.

The Directors allocate 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 of Bursa Securities allow a Director to sit on the boards of up to five (5) listed issuers.

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

I Board Responsibilities (Cont'd)

The Board met five (5) times during the financial year ended ("FYE") 31 December 2018. The attendance of each Director at the Board meetings held during the FYE 31 December 2018 is as follows:-

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

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

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

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

I Board Responsibilities (Cont'd)

The Board has access to the advice and services of the Company Secretaries. Both Company Secretaries of the Company have legal qualifications and are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016 ("CA"). Both of them are Fellow members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). The Company Secretaries provide support to the Board in fulfilling its fiduciary duties and leadership role in shaping the corporate governance of the Group.

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

II Board Composition

The Board currently has eight (8) members, comprising four (4) Executive Directors and four (4) Independent Non-Executive Directors. The composition fulfills the requirements as set out in the MMLR of Bursa Securities which stipulated that at least two (2) directors or one-third of the Board, whichever is higher, must be independent. The Chairman of the Board is an Independent Non-Executive Director who carries out a leadership role in the conduct of the Board and its relations with shareholders and stakeholders.

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

All Directors are subject to retirement by rotation and in ascertaining the number of directors to retire, the Company shall ensure that all Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. The Board therefore, recommends and supports their proposed re-election of Dato' Sri Tai Hean Leng @ Tek Hean Leng, Mr Ng Wah Lok and Mr Ong Teng Chun pursuant to Clause 96 of the Company's Constitution.

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

The Board has through the NC, conducted an annual assessment on the effectiveness of the Board as a whole and the contribution of each individual Director.

The NC consists exclusively of Non-Executive Directors as follows:-

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

The 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.

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

II Board Composition (Cont'd)

The Chairman of the NC, Encik Muhammad Hanizam Bin Hj. Borhan is an Independent Non-Executive Director. During the FYE 31 December 2018, the NC held one (1) meeting and all members registered full attendance. Below is a summary of the key activities undertaken by the NC in discharge of its duty for the FYE 31 December 2018:-

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

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

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

(d) 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 Directors and recommended to the Board for consideration.

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

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

III Remuneration

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

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

Name	Number of Attendance Achieved	Percentage (%)
Dato' Ikhwan Salim Bin Dato' Haji Sujak - Chairman	2/2	100%
Mr Roy Thean Chong Yew - Member	1/2	50%
Mr Ng Wah Lok - Member	2/2	100%

The RC had reviewed the remuneration for the Executive Directors, which reflects the level of risk and responsibility, the individual's performance indicators ("KPI") in the job, the performance of the Company and considered the packages are well within the comparable companies in similar industry. The RC had also reviewed the fees for Non-Executive Directors, which reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

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

The detailed remuneration of the Board is disclosed in the Corporate Governance Report of the Company and in Note 24 of the Notes to the audited financial statements of the Company for the FYE 31 December 2018.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

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

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

The AC consists of the following members:-

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

The AC comprises three (3) members all of whom are Independent Non-Executive Directors. The composition of the AC, including its roles and responsibilities, number of meetings and attendance of the AC, summary of the AC activities and Internal Auditors' activities during the financial year under review are set out on pages 39 to 41 of the Audit Committee Report of this Annual Report.

The AC regularly reviews and scrutinizes the audit report by the Internal Auditors and conducts an annual assessment on the adequacy of the department's scope of work and resources. The AC has in its terms of reference requires that a former key audit partner to observe a cooling-off period of at least two (2) years before being appointed as a member of the AC. Alongside, the AC has the procedures to assess the suitability, objectivity and independence of the External Auditors which is contained in the External Auditors Assessment Policy. All members of the AC undertake continuous professional development to keep themselves abreast with the relevant developments in accounting and auditing standards, practices and rules.

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 proposed by the Internal Auditors.

II Risk Management and Internal Control Framework

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

The RMC consists of the following members:-

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

During the financial year under review, the RMC convened two (2) meetings which were attended by all the RMC members. The RMC reviewed and discussed on the potential risks identified, impact of the risks and its mitigation method.

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

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

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

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

The details of the Company's risk management and internal control framework are set out on pages 42 and 43 of the Statement on Risk Management and Internal Control of this Annual Report.

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

I Communication with Stakeholders

The Board 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, stakeholders and public in general through disclosure to Bursa Securities and to the press.

The Board has put in place a Corporate Disclosure Policy and Procedures to ensure compliance with the disclosure requirements as stipulated in the MMLR of Bursa Securities 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 public at large to obtain information on the Company's press releases, corporate information, operation activities and financial performance.

II Conduct of General Meetings

The Annual General Meeting ("AGM") is a 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 Group's businesses and affairs. The Chairman, and the other members of the Board together with the Management and the Company's external auditors are available to respond to queries from shareholders at the AGM. At the previous AGM of the Company held on 21 June 2018, all the Directors were present at the meeting to respond to the questions raised by the shareholders or proxies. 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 and chaired the meeting in an orderly manner. A scrutineer was appointed to validate the votes cast at the previous AGM. Such scrutineer must be independent of the person undertaking the polling process.

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

II Conduct of General Meetings (Cont'd)

Further, in line with the good corporate governance practice, the notice of the previous AGM was issued at least twenty eight (28) days before the AGM date. In addition to being dispatched individually to shareholders, the notice of AGM is also circulated in a nationally circulated newspaper alongside an announcement on the website of Bursa Securities. This allows shareholders to have immediate access of the notice of AGM and make the necessary preparations for the AGM.

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

FOCUS AREAS AND FUTURE PRIORITIES ON CORPORATE GOVERNANCE

The Board, against a challenging business backdrop, focused its attention on the foundational aspects of its roles as they relate to the creation of long-term value for stakeholders.

Areas which gained prominence from the Board during the FYE 31 December 2018 and the forward looking action items that will help achieve its corporate governance objectives are as follows:-

I Boardroom Independence

The Board has not developed a policy which limits the tenure of its Independent Directors to nine (9) years as yet. Nonetheless, the Board is mindful of the prescribed Practice of the MCCG pertaining to Board independence. The Board further recognises that tenure of directorship is not an absolute indicator of a Director's independence and objectivity wherein the spirit, intention, purpose and attitude should also be considered.

The NC has performed an assessment on the independence of all Independent Directors based on criteria approved by the Board and concluded that the Independent Directors have continued to demonstrate their independence through their engagement in meetings, providing objective challenge to the Management and bringing independent judgment to decisions taken by the Board. The Chairman will ensure that all Directors' views are heard and provides an opportunity to all Directors to actively participate in all discussion during the meetings.

II Boardroom diversity

The Board recognises and embraces the benefits of having gender diversity in the boardroom as a mix-gendered board would offer different viewpoints, ideas and market insights which enable better problem solving to gain competitive advantage in serving an increasingly diverse customer base than the boardroom that dominated by one gender.

The Board will focus its efforts to establish a diverse Board with a variety of skills, experience, age, cultural background and gender.

III Review of Board and Board Committees' policies and procedures

The Board undertook a review of its Board Charter alongside the Terms of Reference and Corporate Policies for each of the Board Committees during the year 2018. The documents were updated to provide guidance on governance and conduct of the Board, Board Committees and employees of the Company.

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

FOCUS AREAS AND FUTURE PRIORITIES ON CORPORATE GOVERNANCE (CONT'D)

IV Professional development of Directors

The Board, via the NC, assesses the training needs of each of the 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, as required by the MMLR of Bursa Securities. 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 programmes during the FYE 31 December 2018, amongst others, the following:-

Name of Directors	Programmes Attended
Dato' Ikhwan Salim Bin Dato' Haji Sujak	• King on Governance, Value Creation in the Era of Seismic Disruption
Dato' Sri Tai Hean Leng @ Tek Hean Leng	• King on Governance, Value Creation in the Era of Seismic Disruption • Remuneration Committee: Attracting and Retaining the Best Talents
Mr Lau Yoke Leong	• Evolution of Future CFOs • Regional CFO Business Forum 2018 • CG Briefing Session
Mr Ong Teng Chun	• Blue Ocean Shift Masterclass
Mr Ng Wah Lok	• Employment Insurance System Act 2017 (Preparation & Implementation)
Mr Roy Thean Chong Yew	• Engineering and Chemical Innovation in Palm Oil Mills Guarantees Increment of the Current OER • Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide • Audit Committee Conference 2018 • Blockchain Economic Summit • International Professional Practices Framework (IPPF) Workshop
Encik Muhammad Hanizam Bin Hj. Borhan	• CG Briefing Session • King on Governance, Value Creation in the Era of Seismic Disruption
Ms Ng Siew Peng	• King on Governance, Value Creation in the Era of Seismic Disruption • Ethics and Integrity in Governance

FOCUS AREAS AND FUTURE PRIORITIES ON CORPORATE GOVERNANCE (CONT'D)

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

The External Auditors also briefed the Board on any changes to the Malaysian Financial Reporting Standards ("MFRS") that affect the Group's financial statements during the year.

V Succession Planning

The Board understands that succession planning is important for the continuity of Masteel's business operation whilst maintaining the confidence of stakeholders. The Board has a plan in place to provide for the orderly succession of the Board members and the Senior Management. In February 2019, the Board has reviewed and revised its Succession Plan to ensure that successors are identified for every key position in the Company. The Company will develop and implement coaching and mentoring programmes for the successors to prepare them for advancement.

VI Sourcing of Directors

In exercising objectivity in the selection process of Directors, the NC plans to have access to a wide selection of suitably qualified candidates. Above and beyond referrals from the Directors, shareholders and the Management, this may include utilizing sources such as directors' registry, independent search firms as well as industry and professional associations. The NC would clearly articulate the screening criteria to the relevant parties in order to maximise the effectiveness of the search conducted.

This Statement is made in accordance with a resolution of the Board dated 1 April 2019.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

The Company raised an amount of RM27.6 million from a private placement exercise which was completed on 30 January 2018 which has been fully utilised.

On 30 November 2018, the Company had raised an amount of RM130 million from an Islamic Medium Term Notes Issuance Programme under the Shariah Principle of Ijarah guaranteed by Danajamin Nasional Berhad. The total proceed was fully utilised in the financial year under review.

2. AUDIT AND NON-AUDIT FEES

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

Type of Fees	The Company (RM'000)	The Group (RM'000)
Audit fee	140	147
Non-audit fee	8	8

3. MATERIAL CONTRACTS

There were no material contracts entered by the Company and its subsidiaries involving Directors and/or major shareholders' interest during the financial year ended 31 December 2018.

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 FYE 31 December 2018, 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.

Audit Committee Report

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

In addition, the AC shall:-

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

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

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

MEMBERS

The AC comprises three (3) members, all of whom are Independent Non-Executive Directors and its current composition is as follows:-

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").*

Both Mr Roy Thean Chong Yew and Encik Muhammad Hanizam Bin Hj. Borhan are members of MIA. The Company had complied with Paragraph 15.09 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

TERMS OF REFERENCE

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.

MEETINGS

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

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

Minutes of each AC meeting were recorded and tabled for recommendation at the following AC meeting and subsequently tabled to the Board for notation. The AC Chairman reported to the Board the activities that had been undertaken and the key recommendations for the Board's consideration and decision.

Audit Committee Report
(Cont'd)

SUMMARY OF AC WORKS

The AC main works carried out during the financial year ended ("FYE") 31 December 2018 in discharging its duties and responsibilities in accordance with its terms of reference are as follows:-

Financial Reporting and Annual Reporting

- Reviewed the Group's quarterly reports with the adoption of the new Malaysian Financial Reporting Standards ("MFRS") for the Group before recommending to the Board for consideration and approval. The Quarterly Interim Financial Reports were tabled at the AC meetings held on 26 February 2018, 25 May 2018, 29 August 2018 and 26 November 2018 respectively. The quarterly interim financial reports were prepared in accordance with MFRS 134 and Paragraph 9.22 of the MMLR of Bursa Securities.

- Reviewed the Group's draft audited financial statements for the FYE 31 December 2017 at the AC meeting held on 4 April 2018 before recommending to the Board for approval.

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

Internal Audit

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

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

Corporate Governance

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

External Audit

- Reviewed and discussed the audit findings and management letter raised by the EA for the draft Audited Financial Statements for the FYE 31 December 2017.

- Reviewed and discussed with the EA of the Group on their Audit Status Memorandum for the Group for the FYE 31 December 2017 and Audit Planning Memorandum for the FYE 31 December 2018.

- Held two (2) private meetings with the EA without the presence of the Executive Directors and Management on 4 April 2018 and 26 November 2018 to ensure there were no restrictions and the scope of their audit is in line with the Malaysian Code On Corporate Governance ("MCCG").

- Assessed the performance, sustainability and independence of the EA and was satisfied with the sustainability of the EA and recognized that the provision of non-audit services by Messrs RSM Malaysia for the FYE 2018 did not in any way impair their objectivity independence as EA of the Company.

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

Risk Management Framework and Internal Control System

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

SUMMARY OF AC WORKS (CONT'D)

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:-

    - Bar inventory record
    - Diesel consumption and inventory record
    - CCTV recording
    - Good and Service Tax compliance
    - Corporate Governance compliance
    - Bar sales and receipt record
    - Administrative payment authorisation
    - Software licensing
    - Weighbridge system reliability
    - Inventory software reliability
    - Debtors ageing and recoverability
    - Scrap purchases and inventory record
    - Capital expenditure review
    - Financial highlights peers review

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

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

The cost incurred for the internal audit function of the Group in respect of the FYE 31 December 2018 amounted to RM270,662.

An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 42 and 43 of this Annual Report.

CONTINUOUS TRAINING DEVELOPMENT

The details of training programmes and seminars attended by each AC member during the financial year are set out in the CG Overview Statement on pages 27 to 36 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 2018, which has been prepared in accordance with the "Statement on Risk Management and Internal Control Guidance for Directors of Public Listed Companies" by The Institute of Internal Auditors Malaysia.

BOARD RESPONSIBILITIES

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

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

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

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

RISK MANAGEMENT

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

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

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

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

INTERNAL AUDIT

Internal Audit Function

The Internal Audit Department ("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 facing the businesses and resolutions to mitigate such risk. The AC also reviews and approves the internal audit plan annually.

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

During the financial year under review, the Internal Audit executed internal control reviews on business processes, corporate governance, acquisition of assets, security, assets recoverability and records. The findings of the reviews were discussed with Senior Management and subsequently presented to the Board and AC.

Risk Management Framework ("RMF")

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

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

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

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

Assurance from Management and Conclusion

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

REVIEW OF THIS STATEMENT

Pursuant to paragraph 15.23 of the MMLR, the External Auditor ("EA") have reviewed this Statement for inclusion in the 2018 Annual Report. The EA have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the systems of risk management and internal control of the Group.

This statement is made in accordance with a resolution of the Board dated 1 April 2019.

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 2018.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the financial year	6,705	4,527

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

The dividends on ordinary shares paid or declared by the Company since the end of the previous financial year were as follow:

	RM'000
Final single-tier dividend of 0.90 sen on 425,858,831 ordinary shares, paid on 21 August 2018	3,834

The directors do not recommend any final dividend in respect of the financial year ended 31 December 2018.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM221,472,000 to RM230,094,000 by way of:-

(a) issuance of 106,808,988 new ordinary shares at RM53,404,494 on the basis of one (1) bonus share for every three (3) existing shares held (bonus issue) by capitalising its share premium included in share capital of RM52,392,366 and retained earnings of RM1,012,128 respectively;

(b) issuance of 4,800,000 ordinary shares via private placement to eligible investors for a total cash consideration of RM7,209,600 to fund the Company's investment; and

(c) transfer of capital reserves amounted to RM400,014 to share capital.

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

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

Directors' Report
(Cont'd)

RESERVES AND PROVISIONS

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

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

THE COMPANY

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

SUBSIDIARY COMPANIES

Dato' Sri Tai Hean Leng @ Tek Hean Leng
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 2018 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 1.1.2018	**Acquired/ Addition**	**(Disposed)**	**Balance as at 31.12.2018**
Shareholdings in which the director is deemed to have an interest:				
Dato' Sri Tai Hean Leng @ Tek Hean Leng*	96,169,462	34,723,154	–	130,892,616

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

DIRECTORS' INTERESTS IN SHARES (CONT'D)

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

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

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

DIRECTORS' REMUNERATION

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

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

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

	Group RM'000
Directors and officers	20

SUBSIDIARIES

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

AUDITORS' REMUNERATION

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

OTHER STATUTORY INFORMATION

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

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

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

Directors' Report
(Cont'd)

OTHER STATUTORY INFORMATION (CONT'D)

(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.

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

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

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

(d) In the opinion of the directors:

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

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

AUDITORS

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

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

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG

Kuala Lumpur

1 April 2019

Statements of Financial Position

as at 31 December 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**630,463**	596,697	**628,038**	596,697
Investment in subsidiaries	7	**–**	–	**500**	500
Investment in associate	8	**6,141**	6,302	**6,130**	6,294
		636,604	602,999	**634,668**	603,491
Current assets					
Inventories	9	**499,479**	430,216	**499,479**	430,216
Trade and other receivables	10	**162,154**	226,200	**162,011**	227,020
Tax recoverable		**5,445**	5,120	**5,445**	5,120
Other investment	11	**3,000**	–	**3,000**	–
Fixed deposits with licensed banks	12	**48,108**	32,065	**48,108**	32,065
Cash and bank balances		**22,047**	20,511	**21,460**	20,010
		740,233	714,112	**739,503**	714,431
TOTAL ASSETS		**1,376,837**	1,317,111	**1,374,171**	1,317,922

Statements of Financial Position

(Cont'd)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	13	**230,094**	221,472	**230,094**	221,472
Share premium	14	**–**	–	**–**	–
Treasury shares	15	**(1,199)**	(313)	**(1,199)**	(313)
Retained earnings	16	**428,723**	426,864	**427,360**	427,679
TOTAL EQUITY		**657,618**	648,023	**656,255**	648,838
LIABILITIES					
Non-current liabilities					
Borrowings	17	**146,809**	33,542	**144,808**	33,542
Deferred tax liabilities	18	**9,603**	11,969	**9,603**	11,969
		156,412	45,511	**154,411**	45,511
Current liabilities					
Trade and other payables	19	**202,764**	219,764	**204,000**	219,760
Trade deposits	20	**116,843**	82,411	**116,843**	82,411
Borrowings	17	**243,200**	321,402	**242,662**	321,402
		562,807	623,577	**563,505**	623,573
TOTAL LIABILITIES		**719,219**	669,088	**717,916**	669,084
TOTAL EQUITY AND LIABILITIES		**1,376,837**	1,317,111	**1,374,171**	1,317,922

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 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
REVENUE	21	**1,496,853**	1,463,257	**1,496,853**	1,463,257
COST OF SALES		**(1,409,186)**	(1,328,468)	**(1,410,805)**	(1,328,468)
GROSS PROFIT		**87,667**	134,789	**86,048**	134,789
OTHER OPERATING INCOME		**7,044**	16,032	**7,044**	16,032
DISTRIBUTION COSTS		**(26,378)**	(26,521)	**(26,378)**	(26,521)
ADMINISTRATIVE EXPENSES		**(47,587)**	(32,592)	**(48,388)**	(33,300)
PROFIT FROM OPERATIONS	22	**20,746**	91,708	**18,326**	91,000
FINANCE COSTS	25	**(15,747)**	(20,109)	**(15,666)**	(20,109)
SHARE OF RESULTS OF ASSOCIATE		**(161)**	(716)	**–**	–
PROFIT BEFORE TAXATION		**4,838**	70,883	**2,660**	70,891
TAX CREDIT	26	**1,867**	4,575	**1,867**	4,575
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**6,705**	75,458	**4,527**	75,466
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		**6,705**	75,458	**4,527**	75,466
		Sen	**Sen**		
Earnings per share (sen):-					
- Basic	28	**1.58**	25.03		

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

Statements of Changes in Equity

for the financial year ended 31 December 2018

	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Capital reserves RM'000	Retained earnings RM'000	Total equity RM'000
GROUP							
At 1 January 2018		**221,472**	**–**	**(313)**	**–**	**426,864**	**648,023**
Net profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**6,705**	**6,705**
		221,472	**–**	**(313)**	**–**	**433,569**	**654,728**
Transactions with owners:							
Issue of shares	13	**7,210**	**–**	**–**	**–**	**–**	**7,210**
Bonus shares issues	13	**1,012**	**–**	**–**	**–**	**(1,012)**	**–**
Share (buy-back)/resales	15	**–**	**–**	**(886)**	**400**	**–**	**(486)**
Transfer in accordance with Section 618(2) of the Companies Act 2016	13	**400**	**–**	**–**	**(400)**	**–**	**–**
Dividends	30	**–**	**–**	**–**	**–**	**(3,834)**	**(3,834)**
		8,622	**–**	**(886)**	**–**	**(4,846)**	**2,890**
At 31 December 2018		**230,094**	**–**	**(1,199)**	**–**	**428,723**	**657,618**
At 1 January 2017		122,254	78,204	(897)	–	351,406	550,967
Net profit and total comprehensive income for the year		–	–	–	–	75,458	75,458
		122,254	78,204	(897)	–	426,864	626,425
Transactions with owners:							
Issue of shares	13	20,417	–	–	–	–	20,417
Bonus shares issues	13, 14	25,811	(25,811)	–	–	–	–
Share resales	15	–	–	584	597	–	1,181
Transfer in accordance with Section 618(2) of the Companies Act 2016	13, 14	52,990	(52,393)	–	(597)	–	–
		99,218	(78,204)	584	–	–	21,598
At 31 December 2017		221,472	–	(313)	–	426,864	648,023

	Note	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Capital reserves RM'000	Retained earnings RM'000	Total equity RM'000
COMPANY							
At 1 January 2018		**221,472**	**–**	**(313)**	**–**	**427,679**	**648,838**
Net profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**4,527**	**4,527**
		221,472	**–**	**(313)**	**–**	**432,206**	**653,365**
Transactions with owners:							
Issue of shares	13	**7,210**	**–**	**–**	**–**	**–**	**7,210**
Bonus shares issues	13	**1,012**	**–**	**–**	**–**	**(1,012)**	**–**
Share (buy-back)/resales	15	**–**	**–**	**(886)**	**400**	**–**	**(486)**
Transfer in accordance with Section 618(2) of the Companies Act 2016	13	**400**	**–**	**–**	**(400)**	**–**	**–**
Dividends	30	**–**	**–**	**–**	**–**	**(3,834)**	**(3,834)**
		8,622	**–**	**(886)**	**–**	**(4,846)**	**2,890**
At 31 December 2018		**230,094**	**–**	**(1,199)**	**–**	**427,360**	**656,255**
At 1 January 2017		122,254	78,204	(897)	–	352,213	551,774
Net profit and total comprehensive income for the year		–	–	–	–	75,466	75,466
		122,254	78,204	(897)	–	427,679	627,240
Transactions with owners:							
Issue of shares	13	20,417	–	–	–	–	20,417
Bonus shares issues	13, 14	25,811	(25,811)	–	–	–	–
Share resales	15	–	–	584	597	–	1,181
Transfer in accordance with Section 618(2) of the Companies Act 2016	13, 14	52,990	(52,393)	–	(597)	–	–
		99,218	(78,204)	584	–	–	21,598
At 31 December 2017		221,472	–	(313)	–	427,679	648,838

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

Statements of Cash Flows

for the financial year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**4,838**	70,883	**2,660**	70,891
Adjustments for:				
Depreciation of property, plant and equipment	**28,641**	28,049	**28,317**	28,049
Gain on disposal of property, plant and equipment	**(4)**	(18)	**(4)**	(18)
Impairment loss on investment in associate	**–**	–	**164**	716
Impairment on inventories	**4,593**	2,168	**4,593**	2,168
Interest expense	**15,747**	20,109	**15,666**	20,109
Interest income	**(602)**	(774)	**(602)**	(774)
Net unrealised foreign exchange loss/(gain)	**6,169**	(12,350)	**6,169**	(12,350)
Share of results of associate	**161**	716	**–**	–
Operating profit before working capital changes	**59,543**	108,783	**56,963**	108,791
Increase in inventories	**(73,856)**	(40,076)	**(73,856)**	(40,076)
Decrease/(Increase) in receivables	**64,046**	(54,052)	**65,009**	(54,059)
(Decrease)/Increase in payables	**(18,091)**	14,305	**(16,851)**	14,303
Increase/(Decrease) in trade deposits	**29,354**	(18,938)	**29,354**	(18,938)
Cash generated from operations	**60,996**	10,022	**60,619**	10,021
Interest paid	**(15,597)**	(20,053)	**(15,597)**	(20,053)
Tax paid	**(824)**	(1,159)	**(824)**	(1,159)
Net cash generated from/(used in) operating activities	**44,575**	(11,190)	**44,198**	(11,191)

Statements of Cash Flows
(Cont'd)

	Group		Company	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	**602**	774	**602**	774
Increase in investment in subsidiary	**–**	–	**–**	(500)
Increase in other investment	**(3,000)**	–	**(3,000)**	–
Proceeds from disposal of property, plant and equipment	**11**	18	**11**	18
Purchase of property, plant and equipment (Note 27)	**(59,133)**	(12,220)	**(59,133)**	(12,220)
Net cash used in investing activities	**(61,520)**	(11,428)	**(61,520)**	(11,928)
CASH FLOWS FROM FINANCING ACTIVITIES				
Bills payable	**(59,489)**	11,814	**(59,489)**	11,814
Repayment of revolving credit	**–**	(4,950)	**–**	(4,950)
Repayment of finance lease liabilities	**(756)**	(421)	**(546)**	(421)
Drawdown of term loans	**136,850**	–	**136,850**	–
Repayment of term loans	**(42,821)**	(13,500)	**(42,821)**	(13,500)
Payment of finance lease interest	**(150)**	(56)	**(69)**	(56)
Share (buy-back)/resales (Note 15)	**(886)**	584	**(886)**	584
Net proceeds from issuance of shares	**7,610**	21,014	**7,610**	21,014
Dividends paid (Note 30)	**(3,834)**	–	**(3,834)**	–
Net cash generated from financing activities	**36,524**	14,485	**36,815**	14,485
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**19,579**	(8,133)	**19,493**	(8,634)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	**50,576**	58,709	**50,075**	58,709
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**70,155**	50,576	**69,568**	50,075

Statements of Cash Flows
(Cont'd)

NOTES TO THE STATEMENTS OF CASH FLOWS

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Fixed deposits with licensed banks	**48,108**	32,065	**48,108**	32,065
Cash at banks	**21,832**	20,232	**21,245**	19,731
Cash at banks (USD)	**72**	139	**72**	139
Cash at banks (CNY)	**117**	118	**117**	118
Cash in hand	**26**	22	**26**	22
	22,047	20,511	**21,460**	20,010
Bank overdrafts	**–**	(2,000)	**–**	(2,000)
	70,155	50,576	**69,568**	50,075

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 subsidiaries as stated in Note 7 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

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

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

3.2 Basis of consolidation

(i) 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 subsidiaries. Subsidiaries are consolidated from the effective date of acquisition, which is the date on which the Group effectively obtains control of the acquired business, until that control ceases.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (Cont'd)

(i) Subsidiary (Cont'd)

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

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

Investment in subsidiaries 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 excludes transaction costs.

(ii) Associate

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (Cont'd)

(ii) Associate (Cont'd)

Profits or losses on Group transactions with associates are eliminated to the extent of the Group's interest in the relevant associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associate is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

(iii) Transactions eliminated on consolidation

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

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.3 Property, plant and equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

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

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

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

3.6 Financial instruments

(i) Initial recognition and measurement

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

(ii) Derecognition of financial instruments

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

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

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(iii) Financial assets

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

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

All financial assets are subject to review for impairment in accordance with Note 3.6(vii).

(iv) Financial liabilities

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

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3.17.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Financial instruments (Cont'd)

(vi) Recognition of gains and losses

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

(vii) Impairment of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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 and of the Company using the exchange rates at the reporting date. Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss.

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

3.9 Equity

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

(i) Dividend distribution

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

(ii) Treasury shares

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

(iii) Distribution of assets to owners of the Company

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statements of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

3.11 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 of the Company. Short term accumulating compensated absence such as paid annual leave are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(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 contracts with customers

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

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

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

(ii) Interest income

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Income tax (Cont'd)

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 and of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's and of the Company's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.17 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, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2018, except for Amendments to MFRS 2, 1 and 140 which are not applicable to the Group and the Company:

- MFRS 9 *Financial Instruments* (2014)
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 15 – *Clarifications to MFRS 15*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The adoption of the above-mentioned accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group and of the Company.

The impacts of initial application of MFRS 15 and MFRS 9 are disclosed below:

a) MFRS 15 *Revenue from Contracts with Customers*

The core principle of this new MFRS is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identifying the contract with a customer;
(ii) identifying the performance obligations in the contract;
(iii) determining the transaction price;
(iv) allocating the transaction price to the separate performance obligations in the contract; and
(v) recognising revenue when (or as) the entity satisfies a performance obligation.

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

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (Cont'd)

a) MFRS 15 *Revenue from Contracts with Customers* (Cont'd)

For a contract with a customer that has multiple elements, MFRS 15 requires that the contract shall be identified into separate performance obligations if they are individually distinct. The transaction price (i.e. the consideration receivable) in the contract shall be allocated to the performance obligations on the relative standalone selling price method. If the consideration receivable is variable, a probability weighted estimated or the most likely outcome is applied in the measurement of revenue, depending on which is the more appropriate basis under the particular circumstances. Revenue for a performance obligation is recognised in profit or loss when, or as, the entity transfers control of an asset (i.e. the good or service), to the customer. MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, timing and uncertainty of revenue and cash flows from contracts with customers.

Other than the enhanced new disclosures about contracts with customers, which the Group and the Company have complied with in the current year, the adoption of this new MFRS has no effect on the Group's and Company's financial position or results.

The amendments to MFRS 15 are to clarify certain aspects of MFRS 15 to make them easier for reporting entities to apply the requirements of the new Revenue Standard. In assessing whether an entity's promises to transfer goods or services to the customer are separately identifiable, the objective is to determine whether the nature of the promise, within the context of the contract, is to transfer each of those goods or services individually or, instead, to transfer a combined item or items to which the promised goods or services are inputs.

The adoption of MFRS 15 does not have any significant impact on the financial statements of the Group and of the Company as at 31 December 2018.

b) MFRS 9 *Financial Instruments (2014)*

For the purpose of subsequent measurement, the Group and the Company classify financial assets at amortised cost.

The classification is based on the Group's business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

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

MFRS 9 also introduces a new impairment methodology for financial assets, lease receivables and contract assets subject to impairment requirements and a new hedged accounting model. It uses a single forward-looking expected credit loss model that requires a 12-month expected credit loss be provided on initial recognition of a financial instrument, and if, and only if, there has been a significant deterioration in the credit risk after initial recognition, a lifetime expected credit loss shall be recognised.

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

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (Cont'd)

b) MFRS 9 *Financial Instruments (2014)* (Cont'd)

The date of initial application of MFRS 9 is 1 January 2018. The effects of the adoption are discussed below:

Changes in measurement categories

The original measurement categories of the Group's and of the Company's financial assets have been changed to conform with the new measurement categories from original measurement category in MFRS 139 (Loans and receivables) to new measurement in category in MFRS 9 (Financial assets at AC).

Reconciliation of carrying amount:

	Amount under MFRS 139 RM'000	Effect of transition RM'000	Amount under MFRS 9 RM'000
Group			
Loans and receivables reclassified as financial assets at AC			
Trade and other receivables	226,200	–	226,200
Fixed deposits with licensed banks	32,065	–	32,065
Cash and bank balances	20,511	–	20,511
Total	278,776	–	278,776
Company			
Loans and receivables reclassified as financial assets at AC			
Trade and other receivables	227,020	–	227,020
Fixed deposits with licensed banks	32,065	–	32,065
Cash and bank balances	20,010	–	20,010
Total	279,095	–	279,095

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

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted (Cont'd)

b) MFRS 9 *Financial Instruments (2014)* (Cont'd)

Classification basis and reasons

The classifications of loans and receivables under MFRS 139 have been changed to financial assets measured at amortised cost model because MFRS 9 no longer has the former measurement categories. The measurement basis for such instruments at amortised cost effective interest method is retained because the Group's and the Company's business model objective for such financial assets is to collect contractual cash flows of interest and principal and the instruments have these contractual cash flow characteristics.

For financial liabilities, the Group and the Company did not change the measurement categories because the requirements in MFRS 9 are substantially similar to those in the former MFRS 139.

c) Other new and revised MFRSs

The adoption of the other new and revised accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group and the Company.

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:

MFRSs, Amendments to MFRSs and Interpretations effective for annual period beginning on or after 1 January 2019

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 11 *Joint Arrangements – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

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

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

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)

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

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 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 Group and the Company are required to account for major part of their operating leases in the statements of financial position by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Group and of 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 Group and of the Company of Ringgit Malaysia, which is the currency of the primary economic environment in which the Group and the Company operate. Factors considered by management when determining the functional currency include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies, and sources of financing. Based on the factors considered, the Group and the Company have determined that Ringgit Malaysia to be its functional currency.

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

(b) Loss allowances of financial assets

The Group and the Company recognise impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Group's and the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Group's and the Company's financial positions and results (as reflected in Note 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 at amortised cost, the Group and the Company consider those assets to be impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is "significant" or "prolonged" requires significant judgement.

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

(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).

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

(e) Fair value measurement

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

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

(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.

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.

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

(h) Contingencies

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

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

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

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

(l) Classification of financial assets

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

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							
Carrying amount							
At 1 January 2018	65	118,451	476,383	1,048	750	–	596,697
Additions	–	–	58,606	3,480	267	61	62,414
Disposal	–	–	–	(7)	–	–	(7)
Depreciation charge	(2)	(2,949)	(24,698)	(779)	(213)	–	(28,641)
At 31 December 2018	63	115,502	510,291	3,742	804	61	630,463
At 31 December 2018							
Cost	173	146,080	840,006	7,911	4,145	61	998,376
Accumulated depreciation	(110)	(30,578)	(329,715)	(4,169)	(3,341)	–	(367,913)
Carrying amount	63	115,502	510,291	3,742	804	61	630,463

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	Capital work-in-progress RM'000	Total RM'000
Company							
Carrying amount							
At 1 January 2018	65	118,451	476,383	1,048	750	–	596,697
Additions	–	–	58,606	731	267	61	59,665
Disposal	–	–	–	(7)	–	–	(7)
Depreciation charge	(2)	(2,949)	(24,698)	(455)	(213)	–	(28,317)
At 31 December 2018	63	115,502	510,291	1,317	804	61	628,038
At 31 December 2018							
Cost	173	146,080	840,006	5,162	4,145	61	995,627
Accumulated depreciation	(110)	(30,578)	(329,715)	(3,845)	(3,341)	–	(367,589)
Carrying amount	63	115,502	510,291	1,317	804	61	628,038

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	Total RM'000
Group and Company						
Carrying amount						
At 1 January 2017	67	121,400	488,651	787	758	611,663
Additions	–	–	12,218	668	197	13,083
Depreciation charge	(2)	(2,949)	(24,486)	(407)	(205)	(28,049)
At 31 December 2017	65	118,451	476,383	1,048	750	596,697
At 31 December 2017						
Cost	173	146,080	781,400	4,487	3,878	936,018
Accumulated depreciation	(108)	(27,629)	(305,017)	(3,439)	(3,128)	(339,321)
Carrying amount	65	118,451	476,383	1,048	750	596,697

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

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

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Plant and machinery	**336**	373	**336**	373
Motor vehicles	**3,639**	978	**1,214**	978
	3,975	1,351	**1,550**	1,351

(b) The carrying amounts of property, plant and equipment charged as securities for borrowing as disclosed in Note 17 are as follows:

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Leasehold land and buildings	**115,502**	94,806
Plant and machinery	**472,348**	436,058
	587,850	530,864

(c) The leasehold land of the Group and of the Company have unexpired periods of lease of 49 to 93 years (2017: 50 to 94 years).

7. INVESTMENT IN SUBSIDIARIES

	Company 2018 RM'000	Company 2017 RM'000
Unquoted shares, at cost	**500**	500

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

Name of company	Interest in equity held by the Company 2018 %	Interest in equity held by the Company 2017 %	Principal activities
Metropolitan Commuter Network Sdn. Bhd. *	**100**	100	Dormant
MS Express Sdn. Bhd.	**100**	100	Transportation and logistic

* The subsidiary consolidated using management accounts. The financial statements of the subsidiary are not required to be audited as application had been made to strike off the Company during the financial year.

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Unquoted shares, at cost				
At beginning of the year	**6,302**	7,018	**6,294**	7,010
Share of accumulated post-acquisition losses	**(161)**	(716)	**–**	–
Impairment of investment	**–**	–	**(164)**	(716)
At end of the year	**6,141**	6,302	**6,130**	6,294

Name of company	Interest in equity held by the Company 2018 %	2017 %	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
2018	**48.25**	**5,938**	**340**	**28,115**	**15,413**
2017	48.25	4,592	1,480	27,913	14,870

Notes to the Financial Statements

(Cont'd)

9. INVENTORIES

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
At cost		
Raw materials	**432,217**	385,348
Goods in transit	**4,058**	2,381
	436,275	387,729
At net realisable value		
Finished goods	**70,174**	44,863
Impairment of inventories	**(6,970)**	(2,376)
	63,204	42,487
	499,479	430,216
Recognised in profit or loss:		
Inventories recognised as cost of sales	**1,410,805**	1,328,468
Impairment on inventories	**4,593**	2,168

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade receivables				
Third parties	**136,134**	183,858	**136,134**	183,858
Other receivables				
Due from subsidiaries	**–**	–	**34**	820
Due from associate	**875**	848	**875**	848
Deposits	**176**	2,493	**174**	2,493
Sundry receivables and prepayments	**24,969**	39,001	**24,794**	39,001
	26,020	42,342	**25,877**	43,162
	162,154	226,200	**162,011**	227,020

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 (2017: 30 to 180 days). The amount due from subsidiary companies represent non-trade advances, are unsecured, interest free and repayable on demand. The amount due from associate company consists of unsecured non-trade advances which bear interest rate of 3.55% (2017: 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	
	2018	**2017**
	RM'000	**RM'000**
Neither past due nor impaired	**136,122**	183,824
Past due, not impaired		
- 1 to 30 days past due, not impaired	**5**	–
- 31 to 60 days past due, not impaired	**7**	34
	136,134	183,858

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. OTHER INVESTMENT

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Financial institution	**3,000**	–

12. FIXED DEPOSITS WITH LICENSED BANKS

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

	Group and Company	
	2018	**2017**
	% per annum	**% per annum**
Deposits with licensed banks	**2.40 - 3.60**	2.40 - 2.85

Deposits of the Group and of the Company are unsecured and have an average maturity period of between 2 days and 3 months (2017: between 4 days and 3 months).

13. SHARE CAPITAL

	Group and Company 2018 RM'000	2017 RM'000
Issued and fully paid		
At 1 January 315,630,843 (2017: 244,580,003) ordinary shares	**221,472**	122,254
Issuance of 4,800,000 (2017: 19,500,000) ordinary shares under private placement	**7,210**	20,417
Issuance of 106,808,988 (2017: 51,622,840) bonus shares	**1,012**	25,811
Transfer from share premium and capital reserves in accordance with Section 618(2) of Companies Act 2016	**400**	52,990
At 31 December 427,239,831 (2017: 315,630,843) ordinary shares	**230,094**	221,472

During the financial year, the Company increased its issued and paid-up share capital from RM221,472,000 to RM230,094,000 by way of:-

(a) issuance of 106,808,988 new ordinary shares at RM53,404,494 on the basis of one (1) bonus share for every three (3) existing shares held (bonus issue) by capitalising its share premium included in share capital of RM52,392,366 and retained earnings of RM1,012,128 respectively;

(b) issuance of 4,800,000 ordinary shares via private placement to eligible investors for a total cash consideration of RM7,209,600 to fund the Company's investment; and

(c) transfer of capital reserves amounted to RM400,014 to share capital.

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

Included in share capital is capital reserves amounting to RM997,000 (2017: RM597,000).

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

14. SHARE PREMIUM

	Group and Company	
	2018	2017
	RM'000	RM'000
At 1 January	–	78,204
Less: Bonus issue (Note 13)	–	(25,811)
Transfer pursuant to S618(2) of Companies Act 2016	–	(52,393)
At 31 December	–	–

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. In year 2017, the share premium has been transferred and become part of the Company's share capital.

15. TREASURY SHARES

	Group and Company	
	2018	2017
	RM'000	RM'000
At cost		
At 1 January	**(313)**	(897)
(Acquired)/Resold during the financial year	**(886)**	584
At 31 December	**(1,199)**	(313)

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

During the financial year, the Company repurchased its shares totaling 1,381,000 (2017: Nil) ordinary shares as follows:

Date	Shares repurchased	Purchase price (RM)
09.03.2018	514,000	0.97
12.03.2018	517,000	0.97
05.07.2018	350,000	0.57

During the financial year, the Company had resold 423,800 (2017: 790,000) treasury shares in the open market. The average carrying value of the treasury shares was RM0.739 (2017: RM0.739) per share.

15. TREASURY SHARES (CONT'D)

At the financial year end, the number of outstanding shares in issue after setting off the treasury shares against equity was 425,858,831 (2017: 315,207,043).

Capital reserve

The capital reserve comprises of capital redemption reserves arising from gain on resold of treasury shares. In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the capital redemption reserve account has become part of the Company's share capital. Accordingly, the capital redemption reserve has been transferred and become part of the Company's share capital.

16. RETAINED EARNINGS

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

17. BORROWINGS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current liabilities				
Bank overdrafts	–	2,000	–	2,000
Bill payable	**239,953**	299,442	**239,953**	299,442
Finance lease liabilities	**964**	460	**426**	460
Terms loans	**2,283**	19,500	**2,283**	19,500
	243,200	321,402	**242,662**	321,402
Non-current liabilities				
Revolving credit	**10,000**	10,000	**10,000**	10,000
Finance lease liabilities	**2,813**	792	**812**	792
Term loans	**133,996**	22,750	**133,996**	22,750
	146,809	33,542	**144,808**	33,542
	390,009	354,944	**387,470**	354,944
Total borrowings				
Bank overdrafts	–	2,000	–	2,000
Bill payable	**239,953**	299,442	**239,953**	299,442
Revolving credit	**10,000**	10,000	**10,000**	10,000
Finance lease liabilities	**3,777**	1,252	**1,238**	1,252
Term loans	**136,279**	42,250	**136,279**	42,250
	390,009	354,944	**387,470**	354,944

17. BORROWINGS (CONT'D)

The bank overdraft facilities are repayable on demand and bear interest ranging from 5.45% to 8.10% (2017: 5.45% to 8.10%) per annum.

The bill payable facilities are repayable within 120 - 180 days and bear interest rates ranging from 3.74% to 6.45% (2017: 3.54% to 6.60%) per annum. Certain bill payable facilities are secured by a third party security.

The revolving credit facilities are repayable on monthly basis and bear interest rates at 5.21% and 5.25% (2017: 4.98% and 5.50%) per annum.

The finance lease liabilities bear interest rates ranging from 2.41% to 5.82% (2017: 1.62% to 5.82%) per annum.

The term loans bear interest rates ranging from 8.29% to 8.85% (2017: 8.20% to 8.60%) 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*	16	September 2015
Term loan II	12	November 2018
Term loan III	40	November 2018

* *The term loan had been settled on December 2018.*

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.

17. BORROWINGS (CONT'D)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Bank borrowings excluding finance lease liabilities				
Repayment terms:				
- not later than one (1) year	**242,236**	320,942	**242,236**	320,942
- later than one (1) year but not later than two (2) years	**2,283**	19,500	**2,283**	19,500
- later than two (2) years but not later than five (5) years	**141,713**	13,250	**141,713**	13,250
	386,232	353,692	**386,232**	353,692
Finance lease liabilities				
Minimum lease payments:				
- not later than one (1) year	**1,145**	512	**480**	512
- later than one (1) year but not later than two (2) years	**1,067**	369	**402**	369
- later than two (2) years but not later than five (5) years	**1,961**	473	**430**	473
- later than five (5) years	**30**	–	**30**	–
	4,203	1,354	**1,342**	1,354
Less: Future finance charges on finance lease	**(426)**	(102)	**(104)**	(102)
Present value of finance lease liabilities	**3,777**	1,252	**1,238**	1,252
Present value of finance lease liabilities				
- not later than one (1) year	**964**	460	**426**	460
- later than one (1) year but not later than two (2) years	**945**	338	**375**	338
- later than two (2) years but not later than five (5) years	**1,840**	454	**409**	454
- later than five (5) years	**28**	–	**28**	–
	3,777	1,252	**1,238**	1,252

18. DEFERRED TAX LIABILITIES

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	**(11,969)**	(18,011)
Recognised in profit or loss (Note 26)	**2,366**	6,042
At 31 December	**(9,603)**	(11,969)
Presented after appropriate offsetting as follows:		
Deferred tax assets	**82,295**	69,503
Deferred tax liabilities	**(91,898)**	(81,472)
	(9,603)	(11,969)

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

Deferred tax assets of the Group and of the Company:

	Other deductible temporary differences RM'000	Unutilised capital allowance and reinvestment allowance RM'000	Total RM'000
At 1 January 2018	**1,488**	**68,015**	**69,503**
Recognised in profit or loss	**5,560**	**7,232**	**12,792**
At 31 December 2018	**7,048**	**75,247**	**82,295**
At 1 January 2017	7,039	58,131	65,170
Recognised in profit or loss	(5,551)	9,884	4,333
At 31 December 2017	1,488	68,015	69,503

18. 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 2018	**(81,472)**
Recognised in profit or loss	**(10,426)**
At 31 December 2018	**(91,898)**
At 1 January 2017	(83,181)
Recognised in profit or loss	1,709
At 31 December 2017	(81,472)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Trade payables				
Third parties	**171,682**	194,436	**173,017**	194,436
Other payables				
Sundry payable	**52**	–	**52**	–
Accruals	**31,030**	25,328	**30,931**	25,324
	202,764	219,764	**204,000**	219,760

The normal trade credit terms of the Group and of the Company range from 30 to 180 days (2017: 30 to 180 days).

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

	Group and Company	
	2018 RM'000	2017 RM'000
United States Dollars	**35,705**	60,301
Chinese Yuan Renminbi	**927**	287
At 31 December	**36,632**	60,588

20. TRADE DEPOSITS

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

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

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

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

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

As at 31 December 2018, there were 6 (2017: 4) Agreements pending execution.

Included in trade deposits was 100% (2017: 100%) of trade deposits with Cargill.

As at 31 December 2018, there has been 1 (2017: 1) Agreement being partially executed. The total amounts transacted were USD2,281,536 (2017: USD2,243,588) which equivalent to RM9,468,850 (2017: RM9,054,897).

Included in the Group's and Company's trade deposits are balances denominated in United States Dollars of USD30,625,000 (equivalent to RM116,843,076) (2017: USD20,419,531) (equivalent to RM82,411,186).

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

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
Advance payment discounts	**635**	585
Advance payment charges	**7,051**	7,114
	7,686	7,699

21. REVENUE

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Revenue from contracts with customers:		
- Sales of manufactured goods	**1,496,853**	1,463,257
Timing of revenue		
- At a point in time	**1,496,853**	1,463,257

22. PROFIT FROM OPERATIONS

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Profit from operations is arrived at after charging:				
Auditors' remuneration				
- statutory audit	**147**	144	**140**	140
- other services	**8**	9	**8**	9
Depreciation of property, plant and equipment	**28,641**	28,049	**28,317**	28,049
Impairment loss on investment in associate	**–**	–	**164**	716
Impairment on inventories	**4,593**	2,168	**4,593**	2,168
Rental of equipment	**3,920**	3,098	**3,920**	3,098
Rental of premises	**838**	969	**838**	969
Staff costs (Note 23)	**47,606**	43,322	**46,958**	43,322
Unrealised foreign exchange loss	**6,169**	–	**6,169**	–
And crediting:				
Fixed deposits interest income	**602**	774	**602**	774
Gain on disposal of property, plant and equipment	**4**	18	**4**	18
Realised foreign exchange gain	**6,106**	2,866	**6,106**	2,866
Unrealised foreign exchange gain	**–**	12,350	**–**	12,350

22. PROFIT FROM OPERATIONS (CONT'D)

Net gains and losses arising from financial instruments:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Net gains/(losses) on:				
Financial assets measured at amortised cost	**602**	774	**602**	774
Financial liabilities measured at amortised cost	**(15,810)**	(4,893)	**(15,729)**	(4,893)
	(15,208)	(4,119)	**(15,127)**	(4,119)

23. STAFF COSTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Salaries, bonus, allowances and overtime	**45,096**	40,667	**44,496**	40,667
Employees Provident Fund	**2,141**	2,271	**2,100**	2,271
Social security costs	**218**	206	**213**	206
Other benefits	**151**	178	**149**	178
	47,606	43,322	**46,958**	43,322

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

24. DIRECTORS' REMUNERATION

	Group and Company 2018 RM'000	2017 RM'000
Directors of the Company		
Executive:		
Salaries and other emoluments	**2,823**	1,964
Fees	**102**	76
Allowances	**58**	65
	2,983	2,105
Non-executive:		
Fees	**111**	102
Allowances	**329**	326
	440	428
Total executive directors' remuneration	**2,983**	2,105
Total non-executive directors' remuneration	**440**	428
Grand total	**3,423**	2,533

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

	Number of Directors 2018 RM'000	2017 RM'000
Executive directors:		
Less than RM50,000	**–**	1
RM200,001 - RM250,000	**1**	–
RM350,001 - RM400,000	**–**	1
RM450,001 - RM500,000	**1**	–
RM500,001 - RM550,000	**–**	1
RM650,001 - RM700,000	**1**	–
RM1,200,001 - RM1,250,000	**–**	1
RM1,600,001 - RM1,650,000	**1**	–
Total executive directors	**4**	4
Non-executive directors:		
RM50,001 - RM100,000	**2**	2
RM100,001 - RM150,000	**1**	1
RM150,001 - RM200,000	**1**	1
Total non-executive directors	**4**	4
Total executive and non-executive directors	**8**	8

25. FINANCE COSTS

Recognised in profit or loss:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expenses of financial liabilities measured at amortised cost:				
- bill payable	**11,915**	15,099	**11,915**	15,099
- bank overdrafts and revolving credit	**548**	733	**548**	733
- finance lease	**150**	56	**69**	56
- term loans	**3,134**	4,221	**3,134**	4,221
	15,747	20,109	**15,666**	20,109

26. TAX CREDIT

	Group and Company	
	2018 RM'000	2017 RM'000
Current financial year		
Income tax expense	**1,178**	1,427
Deferred tax expense	**(1,103)**	14,537
	75	15,964
(Over)/Under provision in prior financial year		
Income tax expense	**(679)**	40
Deferred tax expense	**(1,263)**	(20,579)
	(1,942)	(20,539)
	(1,867)	(4,575)

26. TAX CREDIT (CONT'D)

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Profit before taxation	**4,838**	70,883	**2,660**	70,891
Tax at Malaysia statutory tax rate of 24% (2017: 24%)	**1,161**	17,012	**638**	17,014
Tax effect in respect of:				
Expenses not deductible for tax purposes	**1,525**	2,335	**2,048**	2,333
Utilisation of reinvestment allowances	**(2,611)**	(3,383)	**(2,611)**	(3,383)
Tax expense for the year	**75**	15,964	**75**	15,964

Subject to agreement with the Inland Revenue Board, the Company has unutilised reinvestment allowances of approximately RM313,527,000 (2017: RM283,396,000) which are available to set off against future chargeable income up to the year of assessment 2025.

27. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Finance lease arrangements	**3,281**	863	**532**	863
Cash payments	**59,133**	12,220	**59,133**	12,220
	62,414	13,083	**59,665**	13,083

28. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2018 RM'000	2017 RM'000
Profit attributable to owners of ordinary shareholders	**6,705**	75,458
Weighted average number of ordinary shares in issue	**425,491**	301,493
Basic earnings per share (sen)	**1.58**	25.03

(b) Diluted earnings per share

There was no dilutive potential ordinary shares as at 31 December 2018.

29. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Interest rate risk

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

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

29. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Interest rate risk (Cont'd)

Interest rate sensitivity analysis

(i) Fair value sensitivity analysis for fixed rate instrument

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

(ii) Interest rate risk sensitivity analysis

The Group's and the Company's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate were to increase/decrease by 1%, it would impact the Group's and the Company's profit by approximately RM3,862,000 (2017: RM3,537,000).

(b) Credit risk

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

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

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

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

29. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk (Cont'd)

Concentration of credit risk

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

100% of the Group's trade and other receivables were concentrated within Malaysia. There was no significant exposure to single customers or to industry groups.

The credit risk of the Group's and of the Company'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.

(c) Foreign currency risk

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

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

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

	Group and Company Profit after tax RM'000
2018	
USD/RM	
- strengthened by 5%	**5,794**
- weakened by 5%	**(5,794)**
CNY/RM	
- strengthened by 5%	**31**
- weakened by 5%	**(31)**
2017	
USD/RM	
- strengthened by 5%	3,062
- weakened by 5%	(3,062)
CNY/RM	
- strengthened by 5%	6
- weakened by 5%	(6)

29. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity risk

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

Maturity analysis

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

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

Group

2018	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Non derivative financial liabilities				
Trade and other payables	**202,764**	**–**	**–**	**202,764**
Borrowings	**255,486**	**160,701**	**30**	**416,217**
	458,250	**160,701**	**30**	**618,981**

2017	**Less than 1 year RM'000**	**1 - 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Non derivative financial liabilities				
Trade and other payables	219,764	–	–	219,764
Borrowings	328,572	34,801	–	363,373
	548,336	34,801	–	583,137

29. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

Company

2018	Less than 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	Total RM'000
Non derivative financial liabilities				
Trade and other payables	**204,000**	**–**	**–**	**204,000**
Borrowings	**254,821**	**158,505**	**30**	**413,356**
	458,821	**158,505**	**30**	**617,356**

2017	Less than 1 year RM'000	1 - 5 years RM'000	More than 5 years RM'000	Total RM'000
Non derivative financial liabilities				
Trade and other payables	219,760	–	–	219,760
Borrowings	328,572	34,801	–	363,373
	548,332	34,801	–	583,133

29. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(e) Fair value information

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

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				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
2018										
Group										
Financial liabilities										
Revolving credit	–	–	–	–	–	–	**9,503**	**9,503**	**9,503**	**10,000**
Finance lease liabilities	–	–	–	–	–	–	**3,916**	**3,916**	**3,916**	**3,777**
Term loans	–	–	–	–	–	–	**133,803**	**133,803**	**133,803**	**136,279**
	–	–	–	–	–	–	**147,222**	**147,222**	**147,222**	**150,056**
2018										
Company										
Financial liabilities										
Revolving credit	–	–	–	–	–	–	**9,503**	**9,503**	**9,503**	**10,000**
Finance lease liabilities	–	–	–	–	–	–	**1,264**	**1,264**	**1,264**	**1,238**
Term loans	–	–	–	–	–	–	**133,803**	**133,803**	**133,803**	**136,279**
	–	–	–	–	–	–	**144,570**	**144,570**	**144,570**	**147,517**
2017										
Group and Company										
Financial liabilities										
Revolving credit	–	–	–	–	–	–	9,529	9,529	9,529	10,000
Finance lease liabilities	–	–	–	–	–	–	1,316	1,316	1,316	1,252
Term loans	–	–	–	–	–	–	40,617	40,617	40,617	42,250
	–	–	–	–	–	–	51,462	51,462	51,462	53,502

29. 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 (2017: 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.

30. DIVIDENDS

	Group and Company 2018 RM'000	2017 RM'000
In respect of the financial year ended 31 December 2018:		
Final single-tier dividend of 0.90 sen on 425,858,831 ordinary shares, paid on 21 August 2018	**3,834**	–

All the dividend paid or proposed in current financial year are single-tier dividends with no income tax consequences to shareholders of the Company.

Before the dividends were paid to the shareholders, the directors of the Company had taken reasonable steps to ensure that the Company would be able to pay its debts in full within 12 months after the payment of dividends to shareholders.

31. 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		Total assets		Capital expenditure	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Malaysia	**1,487,325**	1,427,481	**1,376,837**	1,317,111	**62,414**	13,083
Outside Malaysia	**9,528**	35,776	**–**	–	**–**	–
	1,496,853	1,463,257	**1,376,837**	1,317,111	**62,414**	13,083

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 (2017: one) major customer amounted to RM325,991,089 (2017: RM311,964,087) arising from sales of steel billets and bars.

32. CAPITAL COMMITMENTS

	Group and Company	
	2018	2017
	RM'000	RM'000
Capital expenditure		
Contracted but not provided for		
Acquisition of property, plant and equipment	**10,800**	–

The above amount is in respect of the acquisition of new plant and equipment located at Rolling Mill, Bukit Raja. The cost of acquisition is being funded by Islamic medium term notes (or Sukuk Ijarah) issuance programme under the Islamic principle of Ijarah (Sukuk Ijarah Programme) of RM130 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	
	2018	2017
	RM'000	RM'000
Not later than 1 year	**310**	633
Later than 1 year and not later than 5 years	**212**	31
	522	664

33. 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 2018 and 2017 were as follows:

	Group	
	2018	2017
	RM'000	RM'000
Total borrowings (Note 17)	**390,009**	354,944
Total equity	**657,618**	648,023
Gearing ratio	**59.31%**	54.77%

34. CONTINGENT LIABILITIES

	Group and Company 2018 RM'000	2017 RM'000
Unsecured bank guarantees issued in favour of third parties	**69,800**	12,185

35. RELATED PARTY TRANSACTIONS

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

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The balances due from subsidiaries and associate are shown in Note 10.

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

	Company 2018 RM'000	2017 RM'000
Transportation charged by subsidiary	**3,046**	–

Compensation of key management personnel

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

36. SIGNIFICANT EVENT DURING THE YEAR

(a) On 30 January 2018, the Company announced that it had completed the Private Placement of 24,300,000 Company's shares which it had proposed on 25 May 2017 and approved by Bursa Securities on 9 June 2017, following the listing of and quotation for the remaining 4,800,000 Company's shares which the Company announced that it received the fifteen and final Subscription Notice from the investor (Shares Subscription Agreement signed with an investor with first Subscription Notice served on 24 July 2017) on 25 January 2018 at a subscription price of RM1.502.

The said subscription price represents a discount of approximately 9.02% to the average of the daily volume weighted average market prices ("VWAP") of the Company's shares for the consecutive Trading Days up to and including 24 January 2018 of RM1.6509.

All the Company's shares put forward for Private Placement have been fully subscribed with a total of RM27,627,175 raised from this exercise.

(b) On 29 January 2018, the Company obtained approval from its shareholders via an Extraordinary General Meeting in relation to the proposed bonus issue of up to 106,810,281 bonus shares on the basis of 1 bonus share for every 3 existing Company's shares held on 14 February 2018. On 15 February 2018, the Company announced that 106,808,988 Bonus Shares were listed and quoted on the Main Market of Bursa Securities, marking the completion of the Bonus Issue.

(c) On 8 November 2018, the Company announced that it had lodged with the Securities Commission Malaysia ("SC") for the proposed establishment of the Sukuk Ijarah Programme under the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework. The tenure of the Sukuk Ijarah Programme is up to seven (7) years from the date of first issuance under the Sukuk Ijarah Programme.

The Financial Guarantee Insurer will issue a Kafalah Guarantee to guarantee the norminal value of Sukuk Ijarah issued (of up to norminal value of RM130 million) and one (1) profit / rental payment obligation. First issuance of the Sukuk Ijarah is expected to be for a period of up to five (5) years. The Financial Guarantee Insurer may at its discretion extend the tenure of the Kafalah Guarantee for a further period of two (2) years.

On 30 November 2018, the Company announced that the Sukuk Ijarah is being guaranteed by the Financial Guarantee Insurer and consequently, Malaysian Rating Corporation Berhad ("MARC") has on the 21 November 2018 assigned a final financial guarantee supported rating of AAA IS(fg) with a stable outlook to the Company's proposed Sukuk Ijarah Programme. The Company is indeed pleased to announce that its Sukuk Ijarah Issuance has been oversubscribed by approximately 30%.

The funds available from this issuance shall be used for the repayment of existing term loans, funding of general working capital requirements, and for the acquisition of a melting technological package which the Company expects will significantly improve the conversion costs of the Company's steel billets and fortify its competitiveness in the foreseeable future.

The Company believes that the injection of additional working capital funds into the Company will not only improve its liquidity position, but also allow it to scale up its operations in line with the installation of the new technological package.

The Company is diversifying a portion of its loans from floating-rates to a fixed-rate for a significant portion of its long-term debts in order to minimise the Company's interest rate risks which the Company foresees this mix of financing will allow the Company to have a more efficient cost of capital.

The issuance of the Sukuk Ijarah of RM130 million in nominal value had increased the Company's gearing ratio marginally from 0.46 times (as at 30 September 2018) to 0.61 times.

37. EVENTS AFTER THE REPORTING PERIOD

(a) On 3 January 2019, the Company repurchased its shares of 133,000 ordinary shares at an average purchase price of RM0.375 per ordinary share. The repurchase transaction was financed by internally generated funds.

(b) On 7 January 2019, the Company repurchased its shares of 109,000 ordinary shares at an average purchase price of RM0.458 per ordinary share. The repurchase transaction was financed by internally generated funds.

(c) On 10 January 2019, the Company repurchased its shares of 52,000 ordinary shares at an average purchase price of RM0.473 per ordinary share. The repurchase transaction was financed by internally generated funds.

38. OTHER INFORMATION

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

(b) The registered office is situated at:

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

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

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

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

(e) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the directors on 1 April 2019.

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 49 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2018 and of the financial results and cash flows of the Group and of the Company for the financial year ended on that date.

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

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG

Kuala Lumpur

1 April 2019

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 49 to 108 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

LAU YOKE LEONG
MIA number: 14053

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 1 April 2019

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 2018 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 49 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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' 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
Revenue recognition Revenue recognition is identified as a key audit matter as the Group's revenue transactions are voluminous with different terms and pricing for different customers. Possibility of revenue being recognised before the significant risks and rewards of ownership of the goods sold have been transferred to the customers shall be minimised. Revenue of the Group comprises income generated from manufacturing and selling of steel bars and steel billets. Revenue from sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, usually in the form of an executed purchase order and when the goods are delivered to customers.	**Our procedures included, amongst others:** • We assessed and evaluated the appropriateness of the design and implementation of controls over the control in revenue cycle with no exception noted. • We performed test of operating effectiveness on the relevant controls identified within the revenue cycle with no exception noted. • We verified revenue transactions to respective sales invoices and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of the goods to customers based on selected samples. • We verified the credit notes and sales returns post the year-end date to ascertain if revenue was recognised in the correct financial period. • We selected revenue transactions pre and post year-end date and agreed the selected sales invoices and acknowledged delivery orders that evidenced the transfer of risks and rewards of ownership of goods and confirmed that these transactions were recognised in the correct financial periods.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, 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.

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

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

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 2016 in Malaysia, we report that the associate of which we have not acted as auditors, is disclosed in Note 8 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

RSM Malaysia
AF: 0768
Chartered Accountants

Lou Hoe Yin
03120/04/2020 J
Chartered Accountant

Kuala Lumpur

1 April 2019

List of Properties

as at 31 December 2018

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 Jalan Tandang, Section 51 46050 Petaling Jaya, Selangor Darul Ehsan	Office, factory and warehouse	36 years	Leasehold for 99 years expiring on 15 April 2067	130,897 sq. ft. (63,187 sq. ft.)	Land – 8,256 Building – 494	30-Sep-05
Lot 29B, Off Jalan Tandang, Section 51 46050 Petaling Jaya, Selangor Darul Ehsan	Factory	10 years	Leasehold for 99 years expiring on 15 April 2067	110,425 sq. ft. (69,960 sq. ft.)	Land – 7,450 Building – 1,742	22-Dec-09
Lot PT 20299 Jalan Waja, Bukit Raja Industrial Estate 41050 Klang Selangor Darul Ehsan	Office, factory and warehouse	18 years	Leasehold for 99 years expiring on 3 December 2111	1,562,266 sq. ft. (187,220 sq. ft.)	Land – 48,805 Building – 46,705	30-Sep-05
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	9 years	Leasehold for 99 years expiring on 5 March 2106	(4,176 sq. ft.)	Building – 1,194	6-Nov-08
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	9 years	Leasehold for 99 years expiring on 5 March 2106	(3,003 sq. ft.)	Building – 856	6-Nov-08
GRN 33304 Lot 3780 Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus	Bungalow	34 years	Freehold	5,403 sq. ft. (1,334 sq. ft)	Land – 63 Building – Nil	30-Sep-05

Analysis of Shareholdings
as at 1 April 2019

Total number of issued shares	:	427,239,831 ordinary shares
Voting Rights	:	One (1) vote per ordinary share

ANALYSIS BY SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital [1]
1 - 99	1,025	10.31	38,954	0.01
100 – 1,000	831	8.36	382,817	0.09
1,001 – 10,000	4,422	44.50	23,824,658	5.60
10,001 – 100,000	3,267	32.87	99,751,101	23.44
100,001 – 21,278,240 [2]	392	3.94	170,674,685	40.11
21,278,241 and above [3]	1	0.01	130,892,616	30.76
TOTAL	**9,938**	**100.00**	**425,564,831**	**100.00**

Notes:-

[1] Excluding a total of 1,675,000 ordinary shares bought-back by the Company and retained as treasury shares as at 1 April 2019.
[2] Less than 5% of issued shares (excluding treasury shares)
[3] 5% and above of issued shares (excluding treasury shares)

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS
as at 1 April 2019

	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	–	–	130,892,616 [2]	30.76

Notes:-

[1] Excluding a total of 1,675,000 ordinary shares bought-back by the Company and retained as treasury shares as at 1 April 2019.
[2] Deemed interested pursuant to Section 8(4) of the Companies Act 2016 by virtue of his interest in TYY Resources Sdn Bhd.

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

Analysis of Shareholdings
(Cont'd)

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS
as at 1 April 2019

Name of Substantial Shareholder	Direct Interest No. of Shares	Direct Interest % of Issued Capital [1]	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital [1]
TYY Resources Sdn Bhd	130,892,616	30.76 [1]	–	–
Dato' Sri Tai Hean Leng @ Tek Hean Leng	–	–	130,892,616 [2]	30.76
Datin Ng Pik Lian	–	–	141,388,081 [3]	33.22
Estate of Tai Chet Siang, Deceased [4]	–	–	130,892,616 [2]	30.76

Notes:-

[1] Excluding a total of 1,675,000 ordinary shares bought-back by the Company and retained as treasury shares as at 1 April 2019.

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

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

THE 30 LARGEST SECURITIES ACCOUNT HOLDERS
as at 1 April 2019

No.	Name	No. of Holdings	%
1	TYY RESOURCES SDN BHD	130,892,616	30.76
2	RAYA REKAJAYA SDN BHD	11,058,656	2.60
3	KEMAJUAN REKACEKAP SDN BHD	10,495,465	2.47
4	CIMB GROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR DBS BANK LTD (SFS)	7,698,000	1.81
5	HARUM MAJUINDAH SDN BHD	6,795,200	1.60
6	YAYASAN GURU TUN HUSSEIN ONN	5,839,000	1.37
7	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAH SIEW SEONG	4,489,600	1.05
8	SU MING KEAT	4,233,120	0.99
9	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAYA REKAJAYA SDN BHD	3,830,980	0.90
10	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ER SOON PUAY	2,749,500	0.65
11	LIM JIT HAI	2,447,072	0.58
12	YAYASAN GURU TUN HUSSEIN ONN	2,300,000	0.54
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP (8058900)	2,254,560	0.53

Analysis of Shareholdings

(Cont'd)

THE 30 LARGEST SECURITIES ACCOUNT HOLDERS (CONT'D)
as at 1 April 2019

No.	Name	No. of Holdings	%
14	HSBC NOMINEES (ASING) SDN BHD BNY MELLON FOR MACKENZIE EMERGING MARKETS SMALL CAP FUND	2,095,700	0.49
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM ANN HUAT	1,868,693	0.44
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD AMANAHRAYA INVESTMENT MANAGEMENT SDN BHD FOR NOORSHAH BINTI ISMAIL (C245-240115)	1,833,812	0.43
17	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR ACADIAN EMERGING MARKETS SMALL CAP EQUITY FUND, LLC	1,717,680	0.40
18	TAI MAY CHEAN	1,699,732	0.40
19	MAYBANK NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAN TUAN SAM	1,493,100	0.35
20	KWAN YEW KOK	1,380,000	0.32
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEOH EWE JIN (MY0829)	1,334,865	0.31
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD OOH PEAK KIM	1,200,000	0.28
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR VIGNESWARAN A/L RAMAKRISHNAN (E-KLC)	1,200,000	0.28
24	LIM KHUAN ENG C/O INTER-PACIFIC SECURITIES SDN BHD	1,190,000	0.28
25	MARGARTE YUEN	1,083,000	0.25
26	NEOH CHOO EE & COMPANY, SDN BERHAD	1,000,000	0.23
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HUNG YEW LOONG (E-JBU)	999,900	0.23
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR RICKOH CORPORATION SDN BHD (MY0507)	960,000	0.23
29	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW GOO @ LAW YEOW CHING	880,000	0.21
30	GAN SEONG LIAM	800,000	0.19
TOTAL		**217,820,251**	**51.18**

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 ....

and telephone no./email address ....
being a member/members of **MALAYSIA STEEL WORKS (KL) BHD** (the "Company"), hereby appoint

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

of ....

or failing him/her, ... (NRIC No. ....)

of ....,
or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Forty-Seventh Annual General Meeting ("AGM") 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, 20 June 2019 at 2.00 p.m. or at any adjournment thereof. I/We indicate with an "x" in the spaces below how I/we wish my/our vote to be cast.

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

NO.	RESOLUTIONS		FOR	AGAINST
1.	Approval of Directors' Fees for the financial year ending 31 December 2019 and the benefits payable from 21 June 2019 until the next Annual General Meeting	Ordinary Resolution 1		
2.	Re-election of Dato' Sri Tai Hean Leng @ Tek Hean Leng as Director	Ordinary Resolution 2		
3.	Re-election of Mr Ng Wah Lok as Director	Ordinary Resolution 3		
4.	Re-election of Mr Ong Teng Chun as Director	Ordinary Resolution 4		
5.	Re-appointment of Messrs RSM Malaysia as Auditors	Ordinary Resolution 5		
6.	Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director	Ordinary Resolution 6		
7.	Authority for Encik Muhammad Hanizam Bin Hj. Borhan to continue in office as Independent Non-Executive Director	Ordinary Resolution 7		
8.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 8		
9.	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 and the Constitution of the Company for the Directors to allot and issue shares	Special Resolution		

(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.)

The proportion of my/our shareholdings to be represented by my/our proxies are as follows:-

First Proxy	%
Second Proxy	%
	100%

Proxy Form (Cont'd)

If appointment of proxy is under hand	
.... Signed by *individual member/*officer or attorney of member/*authorised nominee of .... (beneficial owner)	No. of shares held: …………………………..….......... Securities Account No.: ……..…………….................. (CDS Account No.) (Compulsory) Date:
If appointment of proxy is under seal The Common Seal of ………………………………….... was hereto affixed in accordance with its Constitution in the presence of:- ……………………..……… ……………………..……...... Director Director/Secretary in its capacity as *member/*attorney of member/*authorised nominee of .... (beneficial owner)	Seal No. of shares held: …………………………..….......... Securities Account No.: ……..…………….................. (CDS Account No.) (Compulsory) Date:

Signed this ………….. day of ……………………………, 2019.

** Strike out whichever is not desired. Unless otherwise instructed, the proxy may vote as he/she thinks fit.*

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 not more than two (2) proxies to attend, participate, speak and vote on his (her) behalf. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend, participate, speak and vote at the meeting of the Company shall have the same rights as the members to speak at the meeting.

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

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 duly notarised certified copy of that power or authority must be deposited to the Company's Share Registrar office at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, not less than forty-eight (48) hours before the time set for holding the meeting or any adjournment thereof. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the AGM or adjourned AGM.

6. Pursuant to paragraph 8.29A(1) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad, 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 12 June 2019 (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 AGM dated 30 April 2019.

NOTICE:-
Kindly note that Malaysia Steel Works (KL) Bhd will not be providing any door gifts or hotel meal vouchers for this AGM.

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Stamp

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

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