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

50yrs
Par Excellence

BRAND FINANCE ® U.K
Top 75 brand

MALAYSIA STEEL WORKS (KL) BHD Registration No. 197101000213 (7878-V) **ANNUAL REPORT** 2022

Masteel

MALAYSIA STEEL WORKS (KL) BHD

Registration No. 197101000213 (7878-V)

ANNUAL REPORT

2022

FTSE4Good

PUTTING THE STEEL INTO MALAYSIA'S GROWTH

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fifty-First Annual General Meeting (**"51st AGM"**) of the Company will be conducted as a virtual meeting through live streaming from the broadcast venue via Remote Participation and Voting (**"RPV"**) facilities at Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia (**"Broadcast Venue"**) on Wednesday, 31 May 2023 at 2.00 p.m. for the purpose of considering and if thought fit, passing with or without modifications the resolutions set out in this Notice.

AGENDA

As Ordinary Business

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon.	*[Please refer to Note (i) of the Explanatory Notes]*
2.	To approve the Directors' fees up to an aggregate amount of RM180,000.00 for the financial year ending 31 December 2023 and benefits payable to the Directors up to an aggregate amount of RM438,000.00 from 31 May 2023 until the next AGM of the Company and the payment thereof.	**(Ordinary Resolution 1)** *[Please refer to Note (ii) of the Explanatory Notes]*
3.	To re-elect the following Directors who are retiring pursuant to Clause 96 of the Constitution of the Company:-	
	(i) Dato' Sri Tai Hean Leng @ Tek Hean Leng	**(Ordinary Resolution 2)**
	(ii) Mr. Lau Yoke Leong	**(Ordinary Resolution 3)**
	Encik Muhammad Hanizam Bin Hj. Borhan who is retiring pursuant to Clause 96 of the Constitution of the Company, has expressed his intention not to seek for re-election. Hence, he will retain his office until the conclusion of the 51st AGM.	*[Please refer to Note (iii) of the Explanatory Notes]*
4.	To re-elect Puan Zueraini Binti Ahmad Basri who is retiring pursuant to Clause 103 of the Constitution of the Company.	**(Ordinary Resolution 4)** *[Please refer to Note (iii) of the Explanatory Notes]*
5.	To re-appoint RSM Malaysia PLT 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:-

6.	**Proposed Continuation in Office of Dato' Ikhwan Salim Bin Dato' Haji Sujak as Independent Non-Executive Director**	**(Ordinary Resolution 6)**
	"THAT approval be and is hereby given to Dato' Ikhwan Salim Bin Dato' Haji Sujak who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company.	*[Please refer to Note (iv) of the Explanatory Notes]*

7. **Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares ("Proposed Renewal of Share Buy-Back Mandate")** **(Ordinary Resolution 7)**

[Please refer to Note (v) of the Explanatory Notes]

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

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

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

(i) the conclusion of the next AGM of the Company (being the Fifty-Second 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 Fifty-Second 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);

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

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

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Mandate as may be agreed or allowed by any relevant governmental and/or regulatory authority."

8. **Proposed Renewal of Authority under Sections 75 and 76 of the Act and the Constitution of the Company for the Directors to allot and issue shares** **(Ordinary Resolution 8)**

[Please refer to Note (vi) of the Explanatory Notes]

"**THAT** pursuant to Sections 75 and 76 of the Act, the Directors be and are hereby authorised and empowered to allot and issue shares in the Company at any time until the conclusion of the next AGM of the Company and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) at the time of issue, subject always to the Constitution of the Company and approval of all relevant regulatory bodies being obtained for such allotment and issuance.

THAT in connection with the above, pursuant to Section 85 of the Act and Clause 59 of the Constitution of the Company, the shareholders do hereby waive the statutory pre-emptive rights of the offered shares in proportion of their holdings of such price and at such terms to be offered arising from any issuance of new shares above by the Company.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

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

By Order of the Board,

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

Selangor Darul Ehsan
28 April 2023

NOTES:-

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

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

3. In respect of deposited securities, only members whose names appear on the Record of Depositors on 25 May 2023 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.

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

NOTES (CONT'D):-

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

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

7. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it is entitled to appoint not more than two (2) proxies in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an Authorised Nominee appoints two (2) proxies to attend and vote at the AGM, the proportion of shareholdings to be represented by each proxy must be specified in the proxy form, failing which, the appointment shall be invalid.

   The members, proxies or corporate representatives may submit questions before the AGM to the Chairman or Board of Directors electronically by email to eservices@sshsb.com.my no later than Monday, 29 May 2023 at 2.00 p.m. or via real-time submission of typed texts via RPV facilities during live streaming of the AGM as the primary mode of communication.

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

9. The appointment of proxy may be made in the form of hardcopy or by electronic means as specified below and must be received by the Share Registrar, Securities Services (Holdings) Sdn Bhd no later than Monday, 29 May 2023 at 2.00 p.m. or any adjournment thereof:-

   In hardcopy form
   Deposited at the office of the Share Registrar at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia.

   By electronic means
   Alternatively, the instrument appointing of proxy may also be lodged electronically via SS e-Portal at https://sshsb.net.my/ or by fax to +603-2094 9940 or by email to eservices@sshsb.com.my.

   If you have submitted your proxy form(s) prior to the AGM and subsequently decide to appoint another person or wish to personally participate in the AGM via RPV facilities, please write to eservices@sshsb.com.my to revoke the earlier appointed proxy(ies) no later than Monday, 29 May 2023 at 2.00 p.m. or any adjournment thereof.

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

EXPLANATORY NOTES

(i) Agenda 1 - Audited Financial Statements for the financial year ended 31 December 2022

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

(ii) Ordinary Resolution 1 - Directors' Fees and Benefits

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

The shareholders had, at the Fiftieth ("50th") AGM held on 16 June 2022 approved the Directors' fees up to an aggregate amount of RM180,000.00 for the financial year ended 31 December 2022 and benefits payable to the Directors up to an aggregate amount of RM496,000.00 from 16 June 2022 until the next AGM of the Company.

During a review in 2023, the Remuneration Committee recommended and the Board has approved, subject to shareholders' approval at this AGM, that the Directors' fees remain unchanged and the benefits payable to the Directors from 31 May 2023 until the next AGM of the Company to be held in year 2024 be reduced to an aggregate amount of RM438,000.00 following the reduction in total number of board members in the Company.

(iii) Ordinary Resolutions 2 to 4 - Re-election of Directors

Section 340(1)(b) of the Act provides that the election of directors in place of those retiring shall be approved at annual general meeting. The profiles of the Directors who are standing for re-election as per Agenda items no. 3 and 4 are set out in the Directors' profile of the Annual Report 2022.

Based on the recommendation of the Nomination Committee, the Board is satisfied with the performance and contributions of the following Directors and supports the re-election based on the following justifications:-

(a) Ordinary Resolution 2 - Re-election of Dato' Sri Tai Hean Leng @ Tek Hean Leng (**"Dato' Sri Tai"**) as Executive Director

Dato' Sri Tai shows exemplary leadership in building businesses and creating value, he has contributed significantly to the Company by providing valuable input and steer the Company forward in the past years with notable achievements during his tenure as Managing Director/Chief Executive Officer of the Company. He has exercised his due care and carried out his professional duties proficiently during his tenure as Executive Director of the Company.

(b) Ordinary Resolution 3 - Re-election of Mr. Lau Yoke Leong (**"Mr. Lau"**) as Executive Director/Chief Financial Officer

Mr. Lau has vast experience in managing the financial and treasury activities as Chief Financial Officer of the Company. He is also familiar with the Group's business operations and able to provide valuable input to steer the Group forward. He has also exercised his due care and carried out his professional duties during his tenure as Executive Director of the Company.

(c) Ordinary Resolution 4 - Re-election of Puan Zueraini Binti Ahmad Basri (**"Puan Zueraini"**) as Independent Non-Executive Director

Puan Zueraini fulfills the requirement of independence set out in the MMLR of Bursa Securities. She has demonstrated her independence by proactively providing external perspective to the Board in developing the Group's risk management strategies. She also exercised her professional duties proficiently during her tenure as an Independent Non-Executive Director of the Company.

Encik Muhammad Hanizam Bin Hj. Borhan, having served as an Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years will retire by rotation pursuant to Clause 96 of the Constitution of the Company. As he is not seeking for re-election, he will retire at the conclusion of this AGM.

Mr. Ng Wah Lok, having served as a Senior Independent Non-Executive Director of the Company for a cumulative term of more than twelve (12) years has expressed his intention to resign as a director at the conclusion of this AGM.

EXPLANATORY NOTES (CONT'D)

(iv) Ordinary Resolution 6 - Proposed Continuation in Office of Dato' Ikhwan Salim Bin Dato' Haji Sujak ("Dato' Ikhwan") as Independent Non-Executive Director

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

(v) Ordinary Resolution 7 - Proposed Renewal of Share Buy-Back Mandate

Ordinary Resolution 7 proposed under item 7 of the Agenda, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of ordinary shares by the Company up to ten per centum (10%) of the total number of issued shares of the Company at the time of issue as the Directors may deem fit and expedient in the best interests of the Company. The authority will, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next AGM of the Company or the expiry of the period within which the next AGM of the Company following the 51st AGM is required by law to be held.

Please refer to the Statement to Shareholders dated 28 April 2023 for further information.

(vi) Ordinary Resolution 8 - 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 50th AGM held on 16 June 2022, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Sections 75 and 76 of the Act. As of the date of this notice, the Company did not issue any shares pursuant to this mandate obtained.

Ordinary Resolution 8 proposed under item 8 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Sections 75 and 76 of the Act. The mandate, if passed, serves as a measure to meet the Company's immediate working capital needs in the short term without relying on conventional debt financing (which will result in higher finance costs to be incurred) for the purpose of funding investment project(s), working capital and/or acquisition(s). This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The waiver of pre-emptive rights pursuant to Section 85 of the Act and Clause 59 of the Constitution of the Company will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer new shares to all the existing shareholders of the Company prior to issuance of new shares in the Company under the general mandate.

If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect thereof.

PERSONAL DATA PRIVACY:

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

CORPORATE INFORMATION

Board Of Directors

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

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

LAU YOKE LEONG
(Executive Director/Chief Financial Officer)

ONG TENG CHUN
(Executive Director)

NG SIEW PENG
(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)

ZUERAINI BINTI AHMAD BASRI
(Independent Non-Executive Director)

Audit Committee	Roy Thean Chong Yew (Chairman) Ng Wah Lok Muhammad Hanizam Bin Hj. Borhan
Nomination Committee	Muhammad Hanizam Bin Hj. Borhan (Chairman) Ng Wah Lok Roy Thean Chong Yew
Remuneration Committee	Muhammad Hanizam Bin Hj. Borhan (Chairman) Ng Wah Lok Roy Thean Chong Yew
Risk Management Committee	Ng Wah Lok (Chairman) Ong Teng Chun Muhammad Hanizam Bin Hj. Borhan

Company Secretaries

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

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

Registered Office

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

Head Office

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

Auditors

RSM Malaysia PLT
202206000002 (LLP0030276-LCA) & AF 0768
5th Floor, Penthouse, Wisma RKT, Block A
No. 2, Jalan Raja Abdullah
Off Jalan Sultan Ismail
50300 Kuala Lumpur

Share Registrar

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

Principal Bankers

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

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Shares
Stock Name : Masteel
Stock Code : 5098

Warrants
Stock Name : Masteel-WB
Stock Code : 5098WB

CORPORATE STRUCTURE

Masteel
MALAYSIA STEEL WORKS (KL) BHD
[Registration No. 197101000213 (7878-V)]

100%

MS EXPRESS SDN BHD
201701013472 (1227637-T)

Logistic provider for transportation of steel products and building materials.

100%

MS FABRICON SDN BHD
202001014310 (1370630-V)

Dormant

48.25%

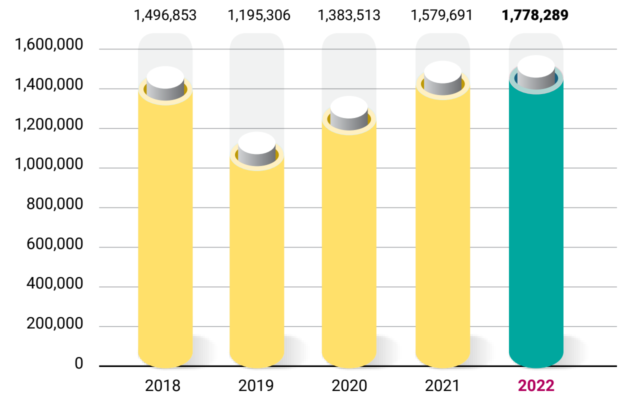
BIO MOLECULAR INDUSTRIES SDN BHD
200501014182 (691229-K)

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

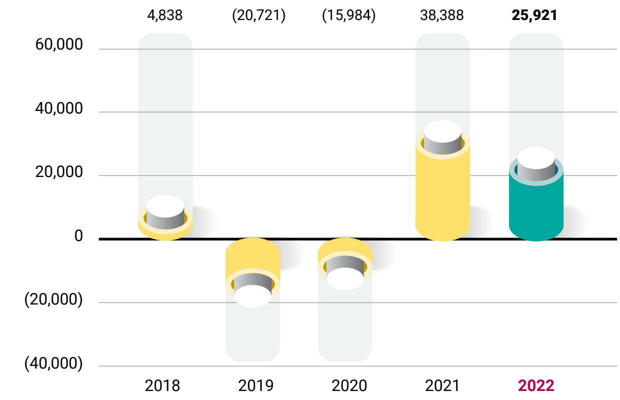
FINANCIAL HIGHLIGHTS

	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	1,496,853	1,195,306	1,383,513	1,579,691	**1,778,289**
Profit/(Loss) before taxation	4,838	(20,721)	(15,984)	38,388	**25,921**
Net Profit/(Loss) for the financial year	6,705	(8,326)	(14,726)	32,503	**19,071**
Total Assets Employed	1,376,837	1,518,292	1,606,618	1,722,730	**1,803,456**
Total Shareholders' funds	657,618	729,982	720,772	844,372	**862,955**
Paid-up Share Capital	230,094	233,310	239,942	329,648	**329,648**
No. of Ordinary Shares in Issue ('000)	427,240	436,040	452,740	679,110	**679,110**
Gearing Ratio	59.31%	65.56%	59.11%	46.19%	**55.43%**
Net Assets per Share (RM)	1.54	1.67	1.59	1.24	**1.27**
Earnings/(Loss) per Share (sen)	1.58	(1.95)	(3.27)	4.79	**2.82**
Diluted Earnings per Share (sen)	–	–	–	3.87	**2.39**

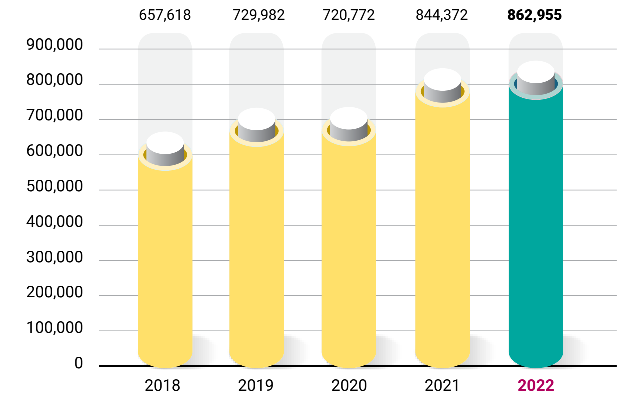
REVENUE
RM'000



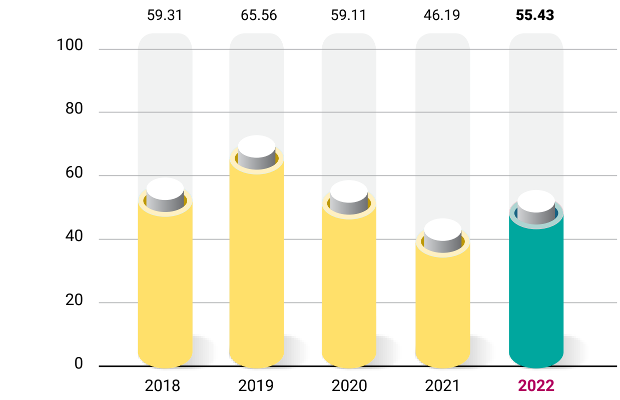
PROFIT/ (LOSS) BEFORE TAXATION
RM'000



TOTAL SHAREHOLDERS' FUNDS
RM'000



GEARING RATIO
%



DIRECTORS' PROFILE

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK

Chairman – Independent Non-Executive

Nationality	Malaysian
Gender	Male
Age	66

Dato' Ikhwan Salim Bin Dato' Haji Sujak was appointed as Non-Executive Chairman on 22 May 2003 and a Non-Executive Director of Malaysia Steel Works (KL) Bhd ("Masteel") on 23 July 1998. He was re-designated as an Independent Non-Executive Director on 23 April 2012. He obtained a Bachelor of Science degree in Economics/ Accounting in 1977 from Queen's University, Belfast, Ireland. He joined Nestle (M) Sdn Bhd as a Finance Executive in 1979. In 1980, he joined Jaya Management Sdn Bhd, a subsidiary of General Corporation Berhad as the Group Finance Planning Manager and upon restructuring his family's varied business operations in 1981, he was made the Director for the holding company, Jaya Holdings Sdn Bhd. In 1999, he was appointed as Director of Konsortium Jaringan Selangor Sdn Bhd. Subsequently, he was appointed as Independent Director of Kumpulan Perangsang Selangor Berhad from 2001 to 2008. He was also a committee member of the Automobile Association of Malaysia and the British Graduates Association of Malaysia. On 1 January 2022, Dato' Ikhwan Salim was appointed as Member of SME Corp. Malaysia. Dato' Ikhwan Salim is currently holding directorships in Glomac Berhad and Land & General Berhad and 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 2022.

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG

Managing Director/Chief Executive Officer

Nationality	Malaysian
Gender	Male
Age	59

Dato' Sri Tai Hean Leng 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 35 years of business experience in the iron and steel industry. Dato' Sri Tai also sits on the Board of MS Express Sdn Bhd which is the wholly-owned subsidiary of Masteel. He also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia. Dato' Sri Tai is a member of the board of the Malaysia Steel Institute ("MSI") and he is the Vice President of the Malaysia Steel Association ("MSA"). Dato' Sri Tai was appointed as Vice Chairman of Sustainable Development & Climate Change Committee ("SDCC") of the Federation of Malaysian Manufacturers ("FMM") on 2 March 2023. 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 2022.

Directors' Profile

(CONT'D)

LAU YOKE LEONG

Executive Director/Chief Financial Officer

Nationality	Malaysian
Gender	Male
Age	54

Lau Yoke Leong was appointed as an Executive Director of Masteel on 16 April 2007. He joined Masteel as an Accountant in July 2000, was 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 21 years of experience in various fields of accounting, audit, taxation and management matters as well as an in-house training instructor on updating accounting standards and audit software programs, corporate restructuring, corporate exercise and due diligence assignments. He started his accounting profession in 1994 as an auditor with Messrs Ong & Wong. He completed the professional qualification from The Association of Chartered Certified Accountants in late 1995. Upon graduation in 1995, he joined another public accounting firm, Messrs T.H.Liew & Gan before moving on to Messrs Deloitte Touche Tohmatsu as an auditor from 1996 to 1999. From 1999 to 2000, he was with Bell Management Services Sdn Bhd before joining Masteel. Mr. Lau also sits on the Board of MS Fabricon Sdn Bhd which is the wholly-owned subsidiary of Masteel. He also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia. He does not hold any directorship in any other public company.

Mr. Lau attended all 5 Board meetings of the Company held during the financial year ended 31 December 2022.

MUHAMMAD HANIZAM BIN HJ. BORHAN

Independent Non-Executive Director

(Chairman of Nomination Committee and Remuneration Committee, Member of Audit Committee and Risk Management Committee)

Nationality	Malaysian
Gender	Male
Age	50

Muhammad Hanizam Bin Hj. Borhan was appointed as an Independent Non-Executive Director on 12 November 2007. He is a member of the Malaysian Institute of Accountants ("MIA"). He obtained his Bachelor in Accountancy (Hons) Degree from the Universiti Teknologi MARA ("UiTM") Shah Alam in 1997. He started his career in an accounting firm Messrs Ali Jaafar & Co, in Kuala Lumpur as an audit assistant between 1996 to 1999 before he moved on to become audit supervisor with Messrs MNZ Associates, a Public Accountants firm between 1999 to 2000. He re-joined Messrs Ali Jaafar & Co in October 2000 as Audit Assistant Manager and was subsequently promoted to become the Audit Manager from 2002 to 2004. He joined Messrs Ismail Adam & Co as Tax Manager from May 2004 to September 2005. Thereafter, he started his own professional firm Messrs My Accounting Services where he is currently offering accounting and business advisory services to a variety of clients. He has more than 23 years of experience in small and medium-sized firms involved 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 the Malaysian Higher School Certificate under the Majlis Peperiksaan Malaysia ("MPM") and was responsible to review the accounting syllabus periodically. He does not hold any directorship in any other public company.

Encik Muhammad Hanizam attended all 5 Board meetings of the Company held during the financial year ended 31 December 2022.

NG SIEW PENG

Executive Director

Nationality	Malaysian
Gender	Female
Age	44

Ng Siew Peng was appointed as an Executive Director on 23 November 2017. She obtained a Master of Business Administration with specialisation in Finance from the University of Southern Queensland, Australia. She joined Masteel in October 2012 as an Assistant Finance Manager and was subsequently promoted to the position of Corporate Manager in April 2016. Her principal duties are to ensure the integrity of the governance framework, compliance with statutory and regulatory requirements and implements decision made by the Board of Directors. She was also tasked to work with the Sustainability team of Masteel to manage the Company's Environmental, Social and Governance ("ESG") strategies and initiatives. She has more than 19 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 in the implementation and coordination of new overseas investment plan. She also sits on the Board of a private company. She does not hold any directorship in any other public company.

Ms. Ng attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2022.

NG WAH LOK

Senior Independent Non-Executive Director

*(Chairman of Risk Management Committee,
Member of Audit Committee, Nomination Committee and Remuneration Committee)*

Nationality	Malaysian
Gender	Male
Age	62

Ng Wah Lok 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 several private companies 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 2022.

Directors' Profile

(CONT'D)

ONG TENG CHUN

Executive Director

(Member of Risk Management Committee)

Nationality	Malaysian
Gender	Male
Age	54

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

Mr. Ong attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2022.

ROY THEAN CHONG YEW

Independent Non-Executive Director

(Chairman of Audit Committee
Members of Nomination Committee and Remuneration Committee)

Nationality	Malaysian
Gender	Male
Age	51

Roy Thean Chong Yew 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 26 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 is holding directorships in JAG Berhad and Teladan Setia Group Berhad, both listed on the ACE Market.

Mr. Roy Thean attended all 5 Board Meetings of the Company held during the financial year ended 31 December 2022.

ZUERAINI BINTI AHMAD BASRI

Independent Non-Executive Director

Nationality	Malaysian
Gender	Female
Age	49

Zueraini Binti Ahmad Basri was appointed as an Independent Non-Executive Director on 1 July 2022. Pn. Zueraini obtained her Bachelor of Business Administration, Finance & Organisational Behavior from the University of Missouri-St.Louis and Master in Finance from the Royal Melbourne Institute of Technology University. Currently, she is pursuing the Climate and Sustainability certification and intends to contribute further in sustainability goals. She has over 23 years of risk management experience in financial institutions covering financial and non-financial risk management in both local and foreign banks. She has applied her extensive experience to set-up integrated risk management as the pioneering Chief Risk Officer for BMW Financial Services Malaysia. She currently oversees retail and commercial credit risk, operational risk, enterprise risk, market risk and business continuity management for BMW Financial Services. In her banking days, she covered credit evaluation across commercial, corporate and investment segments, within conventional and Islamic banking. Her main risk focus area was in credit and financial evaluation, loan structuring and corporate governance. Given the breadth of her exposure, she supports business strategies through forward looking risk management practices and encourages enterprise-wide risk management approach for organizations. She does not hold any directorship in any other public company.

For the financial year ended 31 December 2022, Pn. Zueraini attended all 2 Board Meetings of the Company, which were held subsequent to her appointment as Director on 1 July 2022.

Other than the aforesaid, none of the Directors has a 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 2022, other than traffic offences (if any).

PARTICULARS OF KEY SENIOR MANAGEMENT

TAN KA YEONG

Senior Vice President

Nationality	Malaysian
Gender	Male
Age	54

Tan Ka Yeong 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 Deputy General Manager. He holds a MSC in Materials Engineering with Distinction from the University of Sunderland, Sunderland U.K. He has more than 28 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 a 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 2022, other than traffic offences (if any).

MANAGEMENT
DISCUSSION AND ANALYSIS

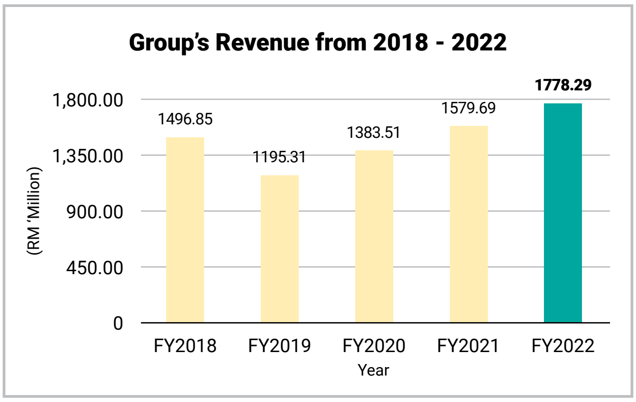
GROUP'S BUSINESS AND OPERATIONS

Masteel's principal business activities are in the manufacturing and marketing of high tensile steel bars, mild steel bars and prime steel billets which comply with the Malaysian Standard (MS 146:2014), Australasian Certification Authority for Reinforcing and Structural Steels [("ACRS") (Australia)] for the construction and infrastructure sectors and ISO 9001 (Quality Management System). In addition, Masteel has also been accredited ISO 14001 (Environmental Management Systems) & ISO 45001 (Occupational Health and Safety Management Systems). The Company has two (2) 100%-owned subsidiaries i.e., MS Express Sdn Bhd ("MSX") and MS Fabricon Sdn Bhd ("MSF"). MSX is involved in the transportation and logistics of steel bar and billets between Masteel's Bukit Raja and Petaling Jaya facilities and transportation and delivery of Masteel's products to its customers, whilst MSF's primary activities are to operate a "Cut and Bend" facility for the steel products of Masteel.

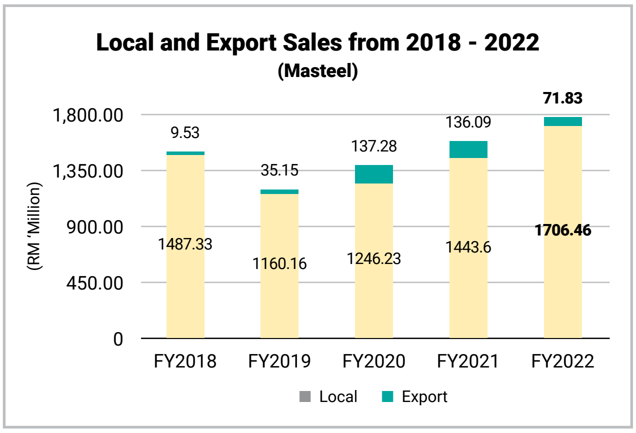
Masteel also has a 48.25% owned associate company, Bio Molecular Industries Sdn Bhd ("Bio-M"), which is a strategic partnership between Masteel and Curium International S.A., which is a worldwide leader in radiopharmaceuticals. Bio-M has own cyclotron and a dedicated radiochemistry lab for R&D in its facility and it is principally involved in producing radiopharmaceuticals for the diagnosis and management of cancer patients [(Positron Emission Tomography) PET]. Bio-M is GMP-certified by the local National Pharmaceutical Control Bureau (NPCB). The company has also been granted the BioNexus Status by Malaysian Biotechnology Corporation Sdn Bhd and the facility is also licensed by the Atomic Energy Licensing Board.

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

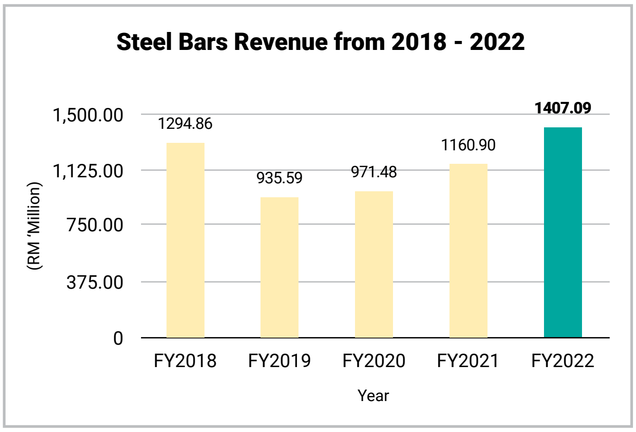
The main driver of revenue for the Group is from the sales of steel bars and billets.



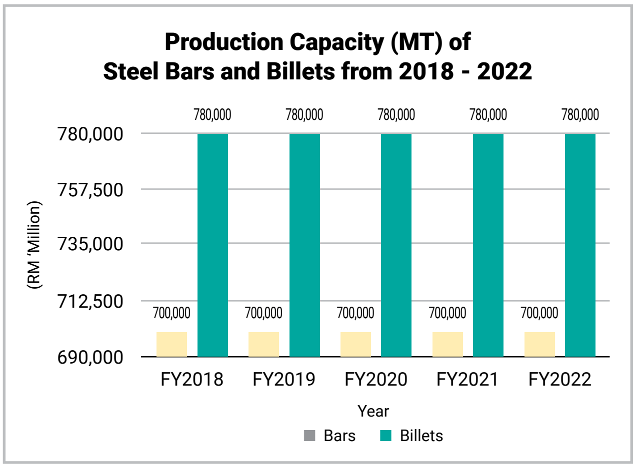
The distribution between local and export sales for the past 5 years are as follows:



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



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



BUSINESS OBJECTIVES

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

Whilst the Company is constantly striving to improve its productivity and cost efficiency through continuous management upskilling and upgrading of its plant and machinery, whilst focusing its core objective of being a sustainable steel producer to better serve its home market and new markets across the continents.

Ongoing development on the technology and methodology to improve the efficiencies and reliability of the manufacturing facilities are key agendas for the management team of the Company. The utilisation of a new environmentally efficient steel melting facility also improves the billet production efficiency and reduce reliance on various consumables which constitutes a significant amount of the production cost. This technological transformation will eventually enable the Company to keep the costs of production in check and remain competitive in the industry. Besides to remain competitive, this technological transformation further reduces Green House Gases ("GHG") emission which is in line with our Company's mission as the first "green" integrated steel mill in Malaysia.

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

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

Although majority Covid-19 pandemic restrictions have been removed, Masteel is still observing some critical Covid-19 prevention measures to ensure the safety and wellbeing of its employees whilst mitigating any disruption to its operation.

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

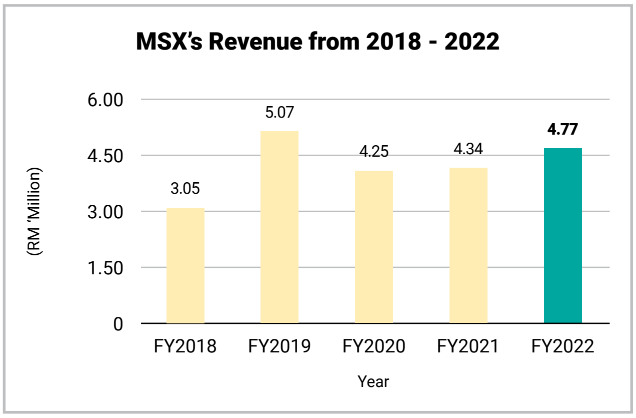
FINANCIAL RESULTS AND FINANCIAL CONDITION

The Group's key financial performance for FYE2022 is as follows:-

(a) For the year under review, the Group's revenue increased by 12.66% to RM1.78 billion as compared to RM1.58 billion in the previous financial year. The increase in revenue was mainly attributed to higher sales volume of steel bars as compared to previous year despite recording a lower selling price. A higher sales volume was recorded mainly due to improvement of demand as a consequence of local and global economic recovery.

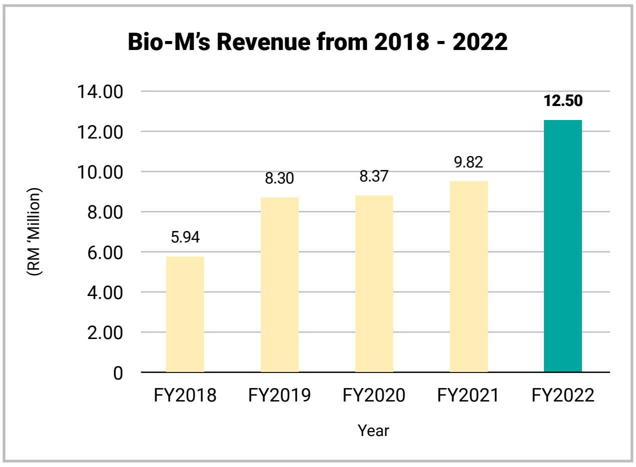
(b) The Group recorded a decline in its profit before tax from RM38.39 million in FYE2021 to RM25.92 million in FYE2022. The decline was mainly due to higher prices of raw materials as a result of global inflationary pressure and supply chain disruptions.

In FYE2022, the Group still managed to record an improved turnover with a lower profitability despite operating in a very trying global economic environment which has been caused by numerous complex and interconnected challenges such as geopolitical tensions including the Russia/Ukraine war, global supply chain disruptions, high inflationary environment and stringent zero COVID policy adopted by China in 2022. The Group's commendable performance was mainly driven by the cost-efficient and the latest state of the art production technologies that have been deployed by the Company notwithstanding the effects of high price volatility and tightening monetary policies faced by the steel industry worldwide.



In line with the economic recovery and improvement in Masteel's operation since late year 2022, MSX's revenue also increased by 9.91% from RM4.34 million in FYE2021 to RM4.77 million in FYE2022. In line with increase in revenue, MSX's profit before taxation ("PBT") increased marginally by 1.11% from RM0.90 million in FYE2021 to RM0.91 million in FYE2022. The main reason for the improvement in profit before taxation was due to a lower hire purchase financing cost incurred in FYE2022.

During the year under review, MSF has remained dormant. However, its loss before tax had reduced from RM0.56 million in FYE2021 to RM0.11 million in FYE2022.



Bio-M, the associate company which the leading manufacture in Malaysia of radioisotopes for PET-CT imaging of cancer had recorded a turnover of RM12.50 million in FYE2022, an increase of 27.29% from RM9.82 million in FYE 2021 In line with the increase of its customer base in FYE2022, Bio-M's gross profit increased by 32.12% from RM4.11 million in FYE2021 to RM5.43 million in FYE2022. Consequently, the Company achieved an improved profit before taxation of RM1.94 million in FYE2022 as compared to profit before taxation of RM0.32 million recorded in FYE2021.

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

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

(1) After battling the Covid-19 pandemic for 2 years, Malaysia commenced its transition to the endemic phase and reopened its border on 1 April 2022. However, the possibility of emergence of more contagious new variant of Covid-19 such as the new XXB Omicron variants, which had spread rapidly among local communities in China, still persist and shall be closely monitored. Reopening of Malaysia's national borders to the influx of Chinese tourists could pose a threat to public health as new Omicron variants of Covid-19 could be highly contagious. The increased risk of the Omicron variant transmission in Malaysia may have a consequential adverse effect on the Company's production operations, demand and consumption of steel bars. Nevertheless, with the existing comprehensive Government's Standard Operation Procedures, the public health sector's readiness to cope with any possible increased demand for healthcare facilities should the Covid-19 cases spike and the high vaccination rate amongst the Malaysian population, the risk of reimplementation of total economic lockdowns will be very low.

(2) Political stability has contributed to Malaysia's economic growth since its independence in 1957 as well as its recovery from the many previous economic recessions. In November 2022, the formation of Malaysia's unprecedented unity government which will provide a strong foundation of economic growth and stability, will be able to mitigate the negative effects associated with political instability of a country.

(3) The pace of rollout of new megaprojects under the 2023 Budget, coupled with the current softness in the property sector are the major risk factors which could affect the local demand for steel bars. Nevertheless, with the improved political stability situation in the country, acceleration on the implementation of infrastructure projects with high multiplier effects will be expected. Improved confidence and sentiment in property investment will also provide better outlook to Malaysian property sector.

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

(5) The Company is susceptible to any adverse movement in borrowing cost as the Company is reliant on short-term borrowings to meet its working capital requirements. Any decision by the Bank Negara Malaysia to revise the monetary policy by changing the overnight policy rate will impact the borrowing cost of the Company. Thus, as a cost conscious manufacturer, the Company is always on the lookout for alternative financing options such as equity funding.

(6) Certain operational risks which are inherent in the manufacturing industry such as disruption of electricity supply and fire hazards will affect production of the plant and have a negative impact on the financial performance of the Company. The risk of potential fire hazard exists as the nature of the steel manufacturing processes involves the use of furnaces to generate heat for the melting of scrap metals. With the existence of this fire hazard, the management of the Company has implemented various mitigating measures such as installing effective fire suppression systems, providing suitable firefighting equipment and training for employees on fire-fighting techniques.

Management Discussion and Analysis

(CONT'D)

(7) The cost of the Company's steel production is subjected to fluctuations in prices of raw materials, in particular scrap metal and electricity tariff. The supply tightness and global supply chain disruptions which are still in existence since 2021 coupled with the Chinese government's tight control over steel production and the removal of export rebates had resulted in increased raw material costs and rising steel prices respectively. The global market price for thermal coal had been steadily increased since early 2022 and reached its peak in September 2022. This high cost of thermal coal had driven up the power generation cost in Malaysia significantly as 60% of power generation in Malaysia is derived from thermal coal. In some situations, increases in the prices of raw materials and electricity tariff cannot be directly passed to the customers in order to remain price-competitive and to maintain the Company's market share. Therefore, a significant increase in the market prices of raw materials and increase in energy cost will have an adverse effect on the business and future earnings of the Company. Nevertheless, the management of the Company will endeavour to mitigate any potential increase in cost by striving for higher output and better production cost efficiency with the implementation of new technology packages and manpower retraining.

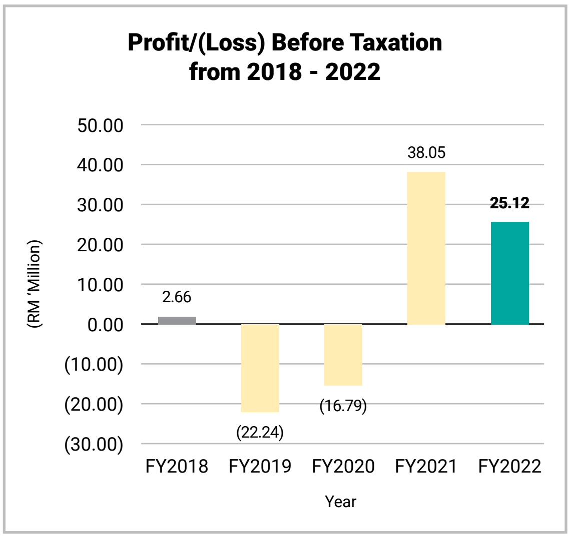
(8) Foreign exchange volatility risk will continue to be minimized and mitigated through constant monitoring of the foreign exchange market and the Company's overall forex exposure. In addition, the Company is anticipating to increase its foreign currency-based revenue via the export of billets and steel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

(9) Our steel manufacturing business operates in a market characterised by strong competition resulting from a number of established local and foreign steel players as well as some volume of imported steel products. Such competition, arising from local steel producers or imported steel products, may result in a loss of market share and a margin compression on our steel products.

(10) Global steel industry is susceptible to geopolitical and natural disaster risks that will affect the supply chain of steel industry. The Russia-Ukraine war which was erupted in early 2022 coupled with the recent massive earthquake in Turkey have a disruptive effect on the global steel supply chain as their combined crude steel output accounts to approximately 138 million tonnes. Besides affecting the crude steel output, these geopolitical tensions and natural disaster will also trigger severe disruption to global market's critical raw materials supply chain. The eventual repercussion of the supply chain disruptions in relation to raw materials and steel products will have a continued inflationary impact on the costs of raw materials and building materials which in turn will have a detrimental knock-on effect on the global economic growth.

FINANCIAL SECTION OF THE COMPANY

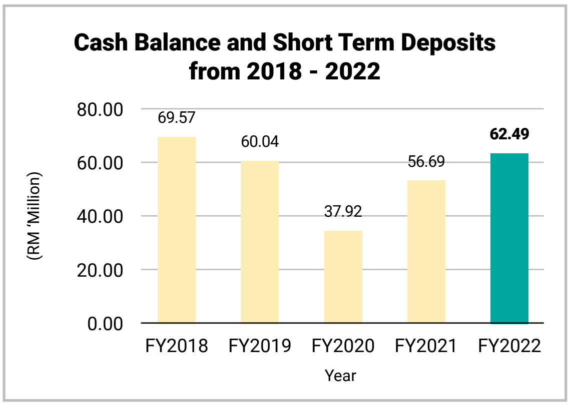
(a) The Company's revenue increased by 12.66% from RM1.58 billion in FYE2021 to RM1.78 billion in FYE2022 due to higher sales volume of steel bars as compared to previous year resulting from the recovery of the local steel demand and prices in line with economic activities reopening since 3rd quarter of FYE2021. Pent up demand for construction materials subsequent to the easing of Covid-19 pandemic restriction resulted in an improvement of the Company's sales of steel bars.



(2) Further to the successful completion of Masteel's technological transformation plan in its steelmaking process in the first quarter of 2021 and the completion of the Company's upgrading and revamping of its Klang rolling mill and continuous casting machine facilities in the second half of 2022, the Company recorded a Gross profit of RM114.38 million in FYE2022, a marginal decrease of 3.11% from RM118.05 million in FYE2021 despite operating in a high inflationary cost push environment.

(3) In FYE2022, the Company recorded a Profit before Tax ("PBT") of RM25.12 million as compared to Profit Before Tax of RM38.05 million in FYE 2021. The main factors which contributed to the Company's continuous profitability were increased sales volume, improved production cost efficiency, prudent financial and operational management.

(4) As at 31 December 2022, the Company's inventories value increased by 9.48% from RM652.56 million as at 31 December 2021 to RM714.43 million as a consequence of higher prices of raw materials.

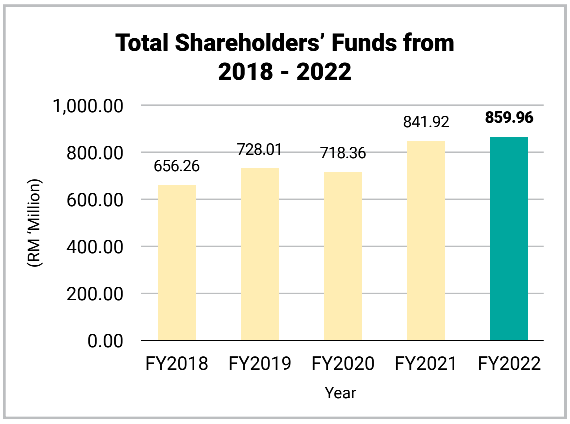


(5) In line with the improvement of its collection, the Company's cash balance and short-term deposits increased by 10.23% from RM56.69 million in FYE2021 to RM62.49 million in FYE2022.

(6) As a result of higher inventories as at 31 December 2022, the Company's short-term borrowings increased by 22.46% from RM313.82 million in FYE2021 to RM384.30 million in FYE2022. The Company's net long-term borrowings also increased by 30.06% from RM67.00 million in FYE2021 to RM87.14 million in FYE2022 due to the upgrading and revamping of its Klang rolling mill capital expenditure.

(7) As at 31 December 2022, the Company's Property, Plant & Equipment account increased by 5.67% from RM779.87 million in FYE2021 to RM824.12 million mainly due to its capital expenditure on the upgrading of its Klang rolling mill and its revamping on the continuous casting machine facility.

(8) In tandem with the increase of the Company's turnover, its trade payable increased marginally from RM449.27 million as at 31 December 2021 to RM462.10 million as at 31 December 2022. However, in view of the Company's higher production volume of its steel products, the Company's average trade payable days improved marginally from 112 days in FYE2021 to 101 days in FYE2022.



(9) The Company's shareholders' funds had increased by 2.14% to RM859.96 million as at 31 December 2022 as compared to RM841.92 million in the previous year. The increase was mainly due to the increase of retained earnings.

FORWARD LOOKING STATEMENTS

Global steel industry outlook for 2023 remains cautiously optimistic, with signs of recovery and growth in China's economy, the world's second biggest economy, amidst facing multiple headwinds such as high inflationary environment, rising interest rates, increased financial instability associated with the turbulence in the United States and European banking sector, slowing global economy and rising geopolitical tensions. In view of the rapid recovery of China's economy, after abandoning its "Zero Covid" policy in early December 2022, the world economy will be able to better withstand any unforeseen downward pressure and uncertainties arising from the headwinds. With the planned crude steel production cut by approximately 2.5%, being part of China's pledge to curb carbon dioxide emissions, coupled with expectations of stronger Chinese demand as a consequence of its various economic stimulus packages, the global steel industry is poised to enjoy a gradual and stable recovery.

Local steel industry is recovering from the COVID-19 pandemic and its associated disruptions. The industry had experienced a sharp decline in demand and production since 2020, as lockdowns and supply chain disruptions affected steel consumption in various sectors, including construction, automotive, and manufacturing.

Masteel remains upbeat on the Company's prospects as prices of its steel products are firming upward supported by our government's various fiscal stimulus measures including, acceleration on the implementation of infrastructure projects which offer high multiplier effects. Under the RM388.10 billion 2023 budget, development expenditure allocation was increased to RM97.00 billion, the highest in the nation's history compared to RM71.16 billion in 2022, which will augur well for the entire infrastructure and construction sectors.

In particular, the construction sector is expected to have a growth of 6.1% in 2023 with civil engineering subsector is anticipated to regain its positive growth, following the continuation and acceleration of major infrastructure projects, such as Mass Rail Transit Line 3 (MRT3), Johor-Singapore Rapid Transit System (RTS), the Pan Borneo highways in Sabah and Sarawak, Baleh Hydroelectric, Sarawak Water Supply Grid Programme, Large-Scale Solar 3 plants, upgrade of the Klang Valley Double Track (KDVT) Phase 2, East Coast Rail Link and the 5G network rollout.

Management Discussion and Analysis

(CONT'D)

Furthermore, in line with the revival and launching of new rail and road network infrastructure, Malaysia property market will continue to improve in 2023. This improved outlook on Malaysia property sector will bode well for the construction and building materials sectors.

Despite prices of raw materials increasing, Masteel was still able to achieve a commendable profitable performance in FYE2022 due to the completion of the Company's upgrading and revamping of its Klang rolling mill and continuous casting machine facilities in the second half of 2022. Upon commissioning of the abovementioned facilities, the rolling mill productivity and cost efficiency had improved while the emission of Green House Gases ("GHG") was further reduced. Besides improving the Company's financial performance, these upgrades are also consistent with the Company's commitment in championing environmentally-responsible practices in the industry as Masteel is the first ultra-low carbon emission' integrated steel mill in the nation.

Moving forward, the steel industry is expected to recover alongside with the improving performance of the construction sector which will be driven by the Government's continuous efforts in promoting infrastructure development in the country, return of foreign workers and the uplift in the demand for properties as the economy recovers.

In anticipation of an improvement in local demand for steel products, Masteel will continue to maximise its new steelmaking facilities and continue to explore any export opportunity of its steel products to regional markets where demand remains firm. In conjunction with Masteel's aspiration to be a regional steel player, the Company is applying for accreditation of its steel bars by CARE Certification International which will allow the Company to export its steel products to neighbouring countries such as Singapore, Hong Kong and United Kingdom.

Masteel is well-positioned to capitalize on any potential economic boom in the long steel sector due to its new state of the art steel melting facilities and the technological upgrades and revamping of its Klang rolling mill along with the continuous casting machine facilities.

Masteel's subsidiary, MSX, is expected to continue its contribution to the Group's cost-saving initiatives by reducing the transport costs of delivering its billets and steel bars between its Bukit Raja Plant to Petaling Jaya Plant. MSX performance is expected to improve as it replaces its older prime movers with new units.

In the radiopharmaceutical division, the quantity of radioisotopes to be sold in 2023 is expected to grow organically with the addition of 2 new customers who will be starting their Positron Emission Tomography – Computed Tomography services. The estimated doses to be ordered from both new customers are approximately 7,200 mCi per year.

Masteel and its Management has always made the spirit of dynamism and proactiveness as its hallmark, this is reflected in the Board of Directors' and Management's ability to look forward and plan ahead and this has allowed the Company to overcome many hurdles over the past 5 decades.

On Masteel's endeavour in increasing the value creation to its stakeholders, the Company is cognisant of the importance of adopting Environmental, Social and Governance ("ESG") best practices in the steel manufacturing activities. The Company's inclusion in the FTSE4Good Bursa Malaysia Index and FTSE4Good Bursa Malaysia Syariah Index in December 2022 will augur well for the stock price performance in the future.

Looking to maintain the above achievement, we have established both short and long-term emissions reduction targets, with a goal of reducing emissions by a further 10% by 2026, and 15% by 2031. The pursuit of reducing GHG emissions will be further enhanced by the introduction of a new technology package at its Petaling Jaya steel plant in 2023.

In FYE2023, the Company will continue to strengthen its ESG practises in the ensuing quarters by launching its first "Green Award" program with the objective to "internalize" ESG practices by inviting all its stakeholders to start their Sustainability Statement and carbon dioxide emission calculation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

In recognising the importance of good governance as a fundamental part of discharging their responsibilities, the Board of Directors ("Board") of Malaysia Steel Works (KL) Bhd ("Masteel" or "Company") has taken steps to evaluate and implement the Group's corporate governance policies and procedures. The Board is committed to ensure that good corporate governance is practiced and complied with throughout the Group within the framework as expounded by the Malaysian Code on Corporate Governance 2021 ("MCCG") and Corporate Governance Guide (4th Edition) to enhance the shareholders' value.

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

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

Summary of Corporate Governance Practices

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

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

As at the date of this statement, Masteel has applied most of the practices espoused by the MCCG ("Practices"), except for the following:

- Practice 5.3 - Tenure of independent directors does not exceed a cumulative term limit of nine (9) years, and if does, to seek shareholders' approval via two-tier voting process;
- Practice 5.4 (Step Up) - Policy which limits the tenure of independent directors to nine (9) years;
- Practice 5.9 - The Board comprises at least 30% woman directors;
- Practice 8.2 - Disclosure on a named basis of the Company's top five (5) senior management's remuneration in bands of RM50,000;
- Practice 8.3 (Step Up) - Fully disclose the detailed remuneration of each member of senior management on a named basis; and
- Practice 12.2 - Adoption of integrated reporting based on a globally recognised framework.

Amongst the five (5) Step Ups advocated by the MCCG, the Board has adopted Step Up 4.5 which calls for the board to identify a designated person to provide dedicated focus to manage sustainability strategically; Step Up 9.4 which calls for the Audit Committee to comprise solely Independent Directors; and Step Up 10.3 which required the Risk Management Committee ("RMC") to comprise of majority Independent Directors. Step Ups are aspirational practices to facilitate companies in achieving greater excellence in corporate governance. Accordingly, the adoption of Step Ups is voluntary and in the heightened self-interest of Masteel.

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

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I Board Responsibilities

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

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

The Group is continuously taking proactive actions to ensure that adequate procedures are in place to prevent persons associated with the Group from undertaking corrupt conduct. Subsequent to the introduction of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act"), the Group had on 29 May 2020 adopted the Anti-Bribery and Anti-Corruption Policy ("ABAC Policy") and will conduct a review of the ABAC policy at appropriate intervals or at least once every three (3) years to consider its suitability, adequacy and effectiveness. An Integrity Committee was established and a Compliance Officer was appointed to assist RMC in undertaking primarily anti-bribery and anti-corruption measures and responses in accordance with the Guidelines on Adequate Procedures issued pursuant to the MACC Act. The Company also maintains a Register of Gifts, Entertainment, Hospitality, Travel, Donation and Sponsorship ("GEHTDS") which will be regularly reviewed by the Integrity Committee.

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

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

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

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

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

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

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

I Board Responsibilities (Cont'd)

During the year, the Board undertook a review on the Board Charter, Terms of Reference of Board Committees and policies such as Whistleblowing Policy and External Auditors Assessment Policy in order to ensure compliance with legislation and best practices and to remain relevant and effective. The policies are designed to provide guidance and clarity for Directors and Management on the role of the Board and Board Committees in discharging their duties towards the Company.

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

The Board met five (5) times during the financial year ended ("FYE") 31 December 2022. The attendance of each Director at the Board meetings held during the FYE 31 December 2022 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 *- Managing Director/Chief Executive Officer ("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*	5/5	100
Encik Muhammad Hanizam Bin Hj. Borhan *- Independent Non-Executive Director*	5/5	100
Puan Zueraini Binti Ahmad Basri *- Independent Non-Executive Director* *(Appointed on 1 July 2022)*	2/2	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.

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)

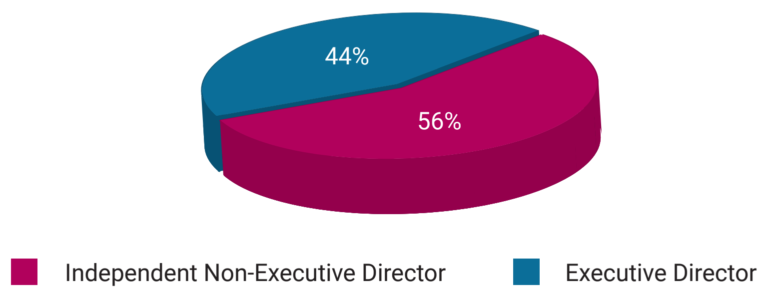
The Board is also of the view that the Chairman of the Board should not involve in any Board Committees in order to ensure check and balance, as well as objectivity, will not be impaired/influenced by the Chairman of the Board who also sits on Board Committee(s). During the year under review, the Chairman of the Board has not been a member of any Board Committee and was not involved/participated in the decision-making process of all the Board Committees of the Company.

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

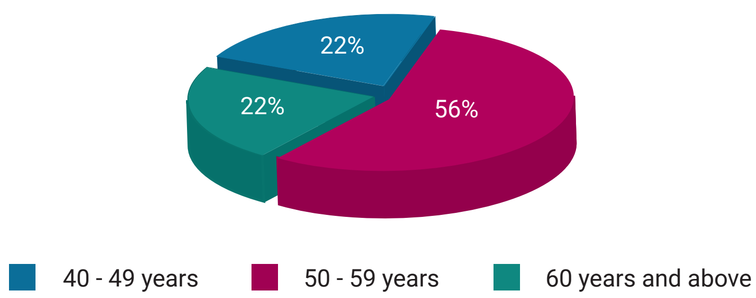
Notices of meetings are circulated to Directors at least seven (7) days before the meetings. The Management provides the Board with detailed meeting materials at least five (5) business days in advance. Senior Management may be invited to join the meetings to brief the Board and the Board Committees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

II Board Composition

BOARD COMPOSITION



BOARD AGE DIVERSITY



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

II Board Composition (Cont'd)

The Board currently has nine (9) members, comprising four (4) Executive Directors and five (5) Independent Non-Executive Directors. The present Board composition complies with Paragraph 15.02 of the MMLR which requires at least two (2) directors or one-third (1/3) of the Board, whichever is higher, to be independent. The Chairman of the Board is an Independent Non-Executive Director who carries out a leadership role in the conduct of the Board and its relations with shareholders and stakeholders.

The current size and composition of the Board are 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 participation in the respective Board Committees. The Independent Non-Executive Directors of the Company had devoted sufficient time and attention to the Group's affairs. None of the Directors on the Board hold more than five (5) directorships in other listed issuers on Bursa Securities.

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

The Board acknowledges the requirement under Practice 5.9 of the MCCG to have at least 30% of women Directors on the Board so that to have diverse perspectives insights in making Board decisions. The Board however believes that it is more important to have the right mix and skills at the Board instead of merely looking at percentages in order to carry out its duties effectively. Nonetheless, with the recommendation of the NC and having reviewed the profile of Puan Zueraini Binti Ahmad Basri, the Board had on 1 July 2022 appointed Puan Zueraini Binti Ahmad Basri as Independent Non-Executive Director. Hence, there are currently two (2) female directors on Board.

III NC

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

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

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

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

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

III NC (Cont'd)

The Chairman of the NC, Encik Muhammad Hanizam Bin Hj. Borhan is an Independent Non-Executive Director. During the FYE 31 December 2022, 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 2022:

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

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

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

- Reviewed, considered and recommended to the Board for approval, the re-election of Directors who retire by rotation pursuant to the Company's Constitution and subsequently tabling at the forthcoming Annual General Meeting ("AGM").

- Reviewed and assessed the independence of Dato' Ikhwan Salim Bin Dato' Haji Sujak, who has served the Company as an Independent Director for a cumulative term of more than nine (9) years to continue serving as an Independent Director and recommended to the Board for consideration and subsequently tabling at the forthcoming AGM.

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

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

- Reviewed and discussed the succession planning of the Company.

- Reviewed and proposed the revised Terms of Reference of NC to the Board for approval.

- Reviewed, assessed and recommended the appointment of Puan Zueraini Binti Ahmad Basri as the Independent Non-Executive Director of the Company.

- Reviewed the revised assessment and evaluation forms of the Board and Board Committees by including Environmental, Social and Governance factors in the said forms to assess the performance of the Board against the achievement of the sustainability targets.

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

III NC (Cont'd)

The Directors have individually or collectively attended various training programmes during the FYE 31 December 2022, amongst others, the following:-

Name of Directors	Programmes Attended
Dato' Ikhwan Salim Bin Dato' Haji Sujak	• Conduct of Directors & Common Breaches of Listing Requirements
Dato' Sri Tai Hean Leng @ Tek Hean Leng	• Task Force on Climate-related Financial Disclosures (TCFD) Climate Disclosure Training Programme • Forging Environmental, Social and Governance (ESG) for the Future of Your Business - Capture, Analyse, Rate and Trade
Mr. Lau Yoke Leong	• Forging Environmental, Social and Governance (ESG) for the Future of Your Business - Capture, Analyse, Rate and Trade • Conducting a Better Annual General Meeting • The Corporate Governance Overview Statement, Corporate Governance Report, Audit Committee Report, and Statement on Risk Management & Internal Control
Mr. Ong Teng Chun	• Forging Environmental, Social and Governance (ESG) for the Future of Your Business - Capture, Analyse, Rate and Trade
Ms. Ng Siew Peng	• Webinar Series: Fundamentals of Board Governance • Webinar Series: Board Succession, Evaluation and Recruitment • Webinar Series: Environmental, Social and Governance (ESG) and Sustainability Reporting • Task Force on Climate-related Financial Disclosures (TCFD) Climate Disclosure Training Programme • Sustainability Management and Reporting - What this entails and how the Board and Management managing and reporting sustainability practices • Forging Environmental, Social and Governance (ESG) for the Future of Your Business - Capture, Analyse, Rate and Trade • Conducting a better Annual General Meeting
Mr. Ng Wah Lok	• Leadership conference - Growing your vision - FGT International.
Mr. Roy Thean Chong Yew	• Corporate Liability Updates • Environmental, Social and Governance (ESG) Sustainability - Impact to the Company and Board of Directors • Malaysian Institute of Accountants (MIA) International Accountants Conference 2022 • Sustainability Report Awareness • Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees • The Role of Board in Strategy, Environmental, Social and Governance (ESG) & Risk Management Usual Oversight
Encik Muhammad Hanizam Bin Hj. Borhan	• Malaysian Institute of Accountants (MIA) Webinar Series : Environmental, Social and Governance (ESG) Reporting : A Key to Value Creation Today
Puan Zueraini Binti Ahmad Basri	• Bursa Malaysia Mandatory Accreditation Programme

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

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

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

Following the amendments made to MMLR of Bursa Securities, the Board had on 26 May 2022 adopted a Directors' Fit and Proper Policy which set out the approach, guidelines and procedures to ensure a formal, rigorous and transparent process is being adhered for the appointment and/or re-election of the Directors of the Company. The Directors' Fit and Proper Policy is available on the Company's website at www.masteel.com.my.

In evaluating the suitability of candidates for the Board, the NC reviews the completed Fit and Proper Self-declaration Form and ensures that the candidates possess the necessary background, skills, professional expertise and character.

During the year under review, Puan Zueraini Binti Ahmad Basri was appointed as Independent Non-Executive Director effective 1 July 2022. In proposing her recommendation, the NC has considered and evaluated her skills, knowledge, expertise, time commitment and diversity before recommending it to the Board for approval. Subsequent to the appointment, she also completed the Mandatory Accreditation Programme (MAP) within four months from the date of her appointment.

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

The NC is also responsible to conduct the fit and proper assessments on the Directors who are due for retirement at the AGM.

Based on the assessment, the NC and the Board are satisfied with the performance of the following Directors who are subject to retirement pursuant to the Company's Constitution at the forthcoming AGM:

(i) Dato' Sri Tai Hean Leng @ Tek Hean Leng – Clause 96;
(ii) Mr. Lau Yoke Leong – Clause 96;
(iii) Encik Muhammad Hanizam Bin Hj. Borhan – Clause 96; and
(iv) Puan Zueraini Binti Ahmad Basri – Clause 103.

All the aforesaid Directors have expressed their intention to seek for re-election at the forthcoming AGM with the exception of Encik Muhammad Hanizam Bin Hj. Borhan, who shall retain the office until the conclusion of the forthcoming AGM.

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

III NC (Cont'd)

(ii) Tenure of Independent Director

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

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

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

Dato' Ikhwan Salim Bin Dato' Haji Sujak has served the Company as Independent Non-Executive Director for more than nine (9) years. The NC and the Board have determined that Dato' Ikhwan Salim Bin Dato' Haji Sujak remained unbiased, objective and independent in expressing his opinion and participating in decision-making of the Board.

The Board will seek the approval of the shareholders of the Company to support the Board's decision to retain him as Independent Non-Executive Director based on the following justifications:-

(a) He has fulfilled the criteria under the definition of Independent Director as stated in the MMLR, and therefore is able to bring independent and objective judgment to the Board.

(b) He has contributed sufficient time and effort in attending all the 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 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.

Mr. Ng Wah Lok and Encik Muhammad Hanizam Bin Hj. Borhan have served the Company as Senior Independent Non-Executive Director and Independent Non-Executive Director of the Company respectively for a cumulative term of more than twelve (12) years. Pursuant to the mandatory twelve (12) years tenure limit for independent directors introduced via the enhanced MMLR of Bursa Securities, all long-serving Independent Directors of more than 12 years must resign or be re-designated as non-Independent Directors on or before 1 June 2023.

As Encik Muhammad Hanizam Bin Hj. Borhan who is retiring by rotation pursuant to Clause 96 of the Constitution of the Company is not seeking for re-election, he will retire at the conclusion of the forthcoming AGM. Meanwhile, Mr. Ng Wah Lok has also expressed his intention to resign as a Senior Independent Non-Executive Director at the conclusion of the forthcoming AGM.

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

IV Remuneration

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

During the financial year 2022, the RC consists of the following members:

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

During the financial year 2022, the RC had convened two (2) meetings and attended by all the RC members. The RC had reviewed the remuneration for the Executive Directors, which reflects the level of risk and responsibility, the individual's performance indicators ("KPI") on the job, and the performance of the Company and considered their remuneration packages are well within the comparable companies in similar industry. The RC had also reviewed the fees and benefits payable for Non-Executive Directors, which reflects the experience and level of responsibilities undertaken by the individual Non-Executive Directors concerned. Furthermore, the RC had also reviewed and proposed the revised Terms of Reference of RC to the Board for approval.

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

The detailed remuneration of the Board is disclosed in the Corporate Governance Report of the Company and in Note 24 of the Notes to the financial statements of the Company FYE 31 December 2022.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I Audit Committee

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

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

The AC consists of the following members:

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

The AC comprises solely of Independent Non-Executive Directors. The composition of the AC, including its roles and responsibilities, number of meetings and attendance of the AC, summary of the AC activities and Internal Auditors' activities during the FYE 31 December 2022 are set out on pages 39 to 41 of the Audit Committee Report of this Annual Report.

The AC regularly reviews and scrutinises the audit report by the Internal Auditors and conducts an annual assessment on the adequacy of the department's scope of work and resources. The AC has in its Terms of Reference requires that a former key audit partner observe a cooling-off period of at least three (3) years before being appointed as a member of the AC and to date, the Company has not appointed any former key audit partner as Director of the Company.

Alongside, the AC has the procedures to assess the suitability, objectivity and independence of the External Auditors annually which is contained in the External Auditors Assessment Policy. The AC had met with the External Auditors twice during FYE 31 December 2022 without the presence of the Management (i.e. 7 April 2022 and 28 November 2022 respectively) to discuss any key area or issues which require the attention of the AC and Board.

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

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

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

II Risk Management and Internal Control Framework

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

The RMC consists of the following members:

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

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 a 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 have been adopted.

The details of the Company's risk management and internal control framework are set out on pages 42 to 45 of the Statement on Risk Management and Internal Control of this Annual Report.

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

I Communication with Stakeholders

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

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

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

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

II Conduct of General Meetings

The AGM is a principal forum for two-way communication between the shareholders and the Management of the Group. Shareholders are provided with an opportunity to participate in the question and answer session in which they may raise questions pertaining to the Group's businesses and affairs. The Chairman, and the other members of the Board together with the Management and the Company's external auditors are available to respond to queries from shareholders at the AGM. In light of the Covid-19 pandemic, Masteel has conducted its Fiftieth ("50th") AGM on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities on 16 June 2022. This is so provided by the Constitution of the Company which allows for General Meetings to be held using any technology or electronic means.

In light of the Covid-19 pandemic, only essential individuals such as Chairman, MD/CEO, CFO, AC Chairman and Company Secretary were physically present at the broadcast venue while the rest of the Directors and meeting participants participated in the meeting remotely for the safety of shareholders, Directors, staff and other stakeholders as their safety are of paramount importance to Masteel.

During the AGM, shareholders took the opportunity to raise questions on the agenda items of the AGM as well as the financial performance of the Group via real-time submission of typed texts via the RPV facilities, the Chairman and MD/CEO responded to all questions raised and provided clarification as required by shareholders.

Electronic poll voting was adopted at the 50th AGM and the Chairman had notified the shareholders on the demand for a poll on all resolutions as set forth in the Agenda of the AGM for the interest of all shareholders and chaired the meeting in an orderly manner. A scrutineer was appointed to validate the votes cast at the said AGM. Such scrutineer must be independent of the person undertaking the polling process.

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

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

The outcome of all resolutions proposed at the 50th AGM was announced to Bursa Securities at the end of the meeting day while the minutes of the said meeting were published on the Company's website as soon as practicable after the conclusion of the AGM.

FOCUS AREAS AND FUTURE PRIORITIES ON CORPORATE GOVERNANCE

The Board, against a challenging business backdrop, focused its attention on the foundational aspects of its roles as they relate to the creation of long-term value for stakeholders. The Board will continue to enhance the corporate disclosure requirements in the best interest of the shareholders and stakeholders of the Company in the upcoming years.

During the year under review, the Company has been actively embedding the Environmental, Social and Governance factors in business decision-making process, to meet the global demand for ESG as well as for long-term sustainability of the Group.

The areas to be prioritised by the Board will be those principles yet to be adopted by the Company as disclosed in the Corporate Governance Report 2022.

This Statement is made in accordance with a resolution of the Board dated 5 April 2023.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS

There was no corporate proposal during the financial year ended 31 December 2022.

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	150	160
Non-audit fee	11	11

3. MATERIAL CONTRACTS

There was no material contract entered by the Company and its subsidiaries involving Directors and/or major shareholders' interest during the financial year ended 31 December 2022.

DIRECTORS' RESPONSIBILITY STATEMENT

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

The Board is satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2022, the Group has used the appropriate accounting policies and applied them consistently and supported by reasonable prudent judgment and estimates, adopted to include new and revised Malaysian Financial Reporting Standards (MFRSs) where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Board has also taken all 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") and enhance their independence by providing direction to and oversight of their functions;

(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, financial reporting, operating and accounting controls.

MEMBERS

The AC comprises the following members:-

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

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

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

During the financial year under review, five (5) AC meetings were held which recorded full attendance from all the members of the AC, 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	5/5

Audit Committee Report

(CONT'D)

SUMMARY OF AC WORKS

The AC carried out main works during the FYE 31 December 2022 in discharging its duties and responsibilities in accordance with its terms of reference which are as follows:-

Financial Reporting and Annual Reporting

- Reviewed the Group's quarterly reports with the adoption of the new MFRS for the Group before recommending to the Board for consideration and approval. The First, Second, Third and Fourth Quarter Interim Financial Reports were tabled at the AC meetings held on 26 May 2022, 25 August 2022, 28 November 2022 and 27 February 2023 respectively. The quarterly interim financial reports were prepared in accordance with MFRS 134, IAS 34, Companies Act 2016 and Paragraph 9.22 of the MMLR.

- Reviewed the Group's draft audited financial statements for the FYE 31 December 2021 at the AC meeting held on 7 April 2022 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 in accordance to the Internal Audit Charter.

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 raised by the EA for the draft Audited Financial Statements for the FYE 31 December 2021.

- Reviewed and discussed with the EA of the Group on their Audit Status Memorandum for the Group for the FYE 31 December 2021 and Audit Planning Memorandum for the FYE 31 December 2022.

- Held two (2) private meetings with the EA without the presence of the Executive Directors and Management on 7 April 2022 and 28 November 2022 to ensure there were no restrictions and the scope of their audit is in line with the MCCG.

- Assessed the performance, suitability, objectivity and independence of the EA and was satisfied with the performance and the suitability of the EA and recognized that the provision of non-audit services by RSM Malaysia PLT for the FYE 2022 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 RSM Malaysia PLT as EA of the Group to the Board and reviewed their objectivity and independence and audit fees.

SUMMARY OF AC WORKS (CONT'D)

Risk Management Framework and Internal Control System

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

Related Party Transactions

- Reviewed if there is any, the related party transactions and/or recurrent related party transactions entered into by the Company and to determine if such transactions are undertaken on an arm's length basis and normal commercial terms, and the disclosure of such transactions in the Annual Report of the Company, and to review conflicts of interests that may arise within the Company or the Group.

INTERNAL AUDIT FUNCTION

The internal audit activities are carried out in-house by the IAD of the Group, headed by a qualified personnel and a member of IIA (Institute of Internal Auditors Malaysia). 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 IAD 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:-

   - Review on delivery of steel bars to customers
   - Review on billets sales and collection
   - Review on steel bars inventory
   - Review of scrap payments to suppliers
   - Review on the bank reconciliation
   - Review on the data security, back up and cyber security procedures
   - Review on diesel usage and inventory
   - Review on the weighbridge system

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 IAD were tabled to the AC at their scheduled meetings.

The cost incurred for the IAD of the Group in respect of the FYE 31 December 2022 amounted to RM292,327.

An overview of the state of internal control within the Group is set out in the Statement on Risk Management and Internal Control on pages 42 to 45 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR"), the Board is pleased to provide the following statement on the state of risk management and internal control of the Group for the financial year ended 31 December 2022, 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, internal control, integrity and sustainability reporting matter.

The Board and Management are presently practicing proactive significant risks identification on a biannually basis, particularly environment, social, governance, finance, procurement, sales and marketing, operation, human resource management, information technology and legal, 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, operations, social and environmental related matters. The risk owners, mainly the department head will update their Key Risk Registers at specific intervals i.e. yearly basis for Company risks level. The RMC reviews the key risks and planned actions to ascertain if those risks are mitigated and are managed appropriately. The RMC report shall be tabled to the Board for review and evaluation twice a year.

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

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

RISK MANAGEMENT (CONT'D)

Risk Summary

The Board and RMC takes a proactive stance on evolving risks, with such risks to be identified, assessed and mitigative actions to be taken/implemented.

The prevalent use and changing development in Information Technology ("IT") brings with it inherent IT risks. In view of this, the Company had engaged an external IT Consultant and implemented IT Cybersecurity Monitoring System to protect the Company's system against malwares/threats.

Accordingly, the overall risk map has been updated and the risk impact of "Information Technology" has been adjusted from 'high' to 'medium'.

Taking cognizance of the impact of sustainability on business environment and its inherent risks, the Risk Register has been updated accordingly with risks in the areas of environment, social and governance ("ESG"), the main components of sustainability. Some of the ESG risks and mitigation action being updated into the Risk Register are:

- ESG: Environment - Environment aspect has been improved in which the Company has taken initiatives by replacing the furnace from Electric Arc to Induction, thus reducing the emission of carbon dioxide.

Management has established the supplier evaluation questionnaire to carry out the risk assessment in relation to the environmental issue for existing or potential new suppliers.

- ESG: Social - The Company is committed to protect human rights by promoting gender diversity and provide equal rights and opportunities to all employees. The Company has in place relevant programme(s)/statement in preventing and control of global health issue.

- ESG: Governance Risk Management - A comprehensive Risk Management Framework was duly established by the Company.

- ESG: Tax & Corporate Governance - All relevant rules and regulations in relation to the tax laws & regulations, corporate governance guidelines and regulatory requirements are duly complied with.

- ESG: Anti-Bribery and Anti-Corruption - The Company has performed most of the compliance programmes as set forth in the Guidelines.

With the updates, the Risk Register has incorporated sustainability risks, and thus encompass most identifiable key risks. The Board and RMC takes a vigilant stance and serious view of possible risk breaches. During the financial year, there were reviews undertaken by independent reviewers on the following areas, to assess the robustness and effectiveness of the risk preventive and detective controls. This is to ensure that potential financial losses, regulatory risks, reputational and other risks are assessed and mitigated.

The areas reviewed were the areas of legal and procurement.

The focus on the risk review on Legal Division were in the areas of:

- Contract management
- Business licensing
- Agreement with outsource legal advisor
- Regulatory changes

Reviews were also undertaken on Procurement Division, on the main areas of procurement and material controls, together with the sub-processes, ranging from price evaluation, delivery, quality of goods, and supply chain management, amongst others.

Based on the reviews, there were only minor findings, and risk rating in both areas covered remained as "medium". On an overall basis, there were no negative impact on the robustness and effectiveness of the risk controls in these areas.

Statement on Risk Management and Internal Control

(CONT'D)

INTERNAL AUDIT

Internal Audit Function

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

Control and Monitoring Process

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

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

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

During the financial year under review, the Internal Audit executed internal control reviews on business operating procedures, sales and collection, inventory, scrap payment terms and data security, backup and cyber security. 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 by making reference to the 'Three Lines of Defense' model, which has been adopted by the Institute of Internal Auditors – Global. 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 and its sustainability.

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 2022 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 5 April 2023.

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 2022.

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	19,071	18,529

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

DIVIDEND

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

ISSUE OF SHARES AND DEBENTURES

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

WARRANT

On 27 October 2021, the Company issued 226,369,915 free detachable warrants ("Warrants 2021/2026") pursuant to the rights share with warrants on the basis of one (1) warrant for every one (1) rights share subscribed.

The warrants are constituted by a deed poll dated 7 May 2021 and first supplemental deed poll dated 2 September 2021 to supplement and vary the deed poll for the revision of the issue price of the rights share from RM0.586 to RM0.395.

The salient term of warrants are as follows:

(i) each warrant entitles the registered holder, at any time during the exercise period, to subscribe for one (1) new ordinary share of the Company at the exercise price;

(ii) the exercise price for the warrant was fixed at RM0.395 per warrant;

(iii) the issue date of warrant is 22 October 2021 and are valid for exercise for a period of 5 years from its issue date and will expire on 21 October 2026. Any warrant not exercised by its expiry date will thereafter lapse and cease to be valid for any purpose; and

(iv) the new shares to be issued arising from the exercise of the warrant will, upon allotment and issuance, rank pari passu in all respects with then existing shares, save and except that the said new shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, prior to the date of allotment of the said new shares.

WARRANT (CONT'D)

The number of unexercised warrants are as follows:

At 1 January/ 31 December	226,369,915

As at the end of the financial year, there is no warrant been exercised into ordinary shares of the Company.

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
Puan Zueraini Binti Ahmad Basri (appointed on 1 July 2022)

SUBSIDIARY COMPANIES

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

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

DIRECTORS' INTERESTS

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 December 2022 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 1.1.2022	**Addition**	**(Disposed)**	**Balance as at 31.12.2022**
The Company				
Direct interest				
Dato' Sri Tai Hean Leng @ Tek Hean Leng	1,425,000	–	–	1,425,000
Shareholdings in which the director is deemed to have an interest:				
Dato' Sri Tai Hean Leng @ Tek Hean Leng*	213,038,900	–	–	213,038,900

	Number of warrants (Warrants 2021/2026)			
	Balance as at 1.1.2022	**Addition**	**(Disposed)**	**Balance as at 31.12.2022**
The Company				
Direct interest				
Dato' Sri Tai Hean Leng @ Tek Hean Leng	475,000	–	–	475,000
Shareholdings in which the director is deemed to have an interest:				
Dato' Sri Tai Hean Leng @ Tek Hean Leng*	72,346,284	–	–	72,346,284

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

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

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

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

DIRECTORS' REPORT

(CONT'D)

DIRECTORS' REMUNERATION

The amount of remunerations of the directors or past directors of the Group and of the Company comprising remunerations received/ receivable from the Group and the Company during the financial year are as follow:

Directors	Group RM'000	Company RM'000
Executive:		
Salaries, bonus and statutory contributions	2,645	2,645
Fees	80	80
Allowances	38	38
	2,763	2,763
Non-executive:		
Fees	80	80
Allowances	371	371
	451	451
Total executive directors' remuneration	2,763	2,763
Total non-executive directors' remuneration	451	451
Grand total	3,214	3,214

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

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

	Group RM'000	Company RM'000
Directors and officers	24	24

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

SUBSIDIARIES

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

AUDITORS' REMUNERATION

The amounts paid to or receivable by the auditors as remuneration for their services as auditors are as follow:

	Group RM'000	Company RM'000
Auditors' remuneration		
- statutory audit	160	150
- other services	11	11
	171	161

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

(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.

OTHER STATUTORY INFORMATION (CONT’D)

(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, RSM Malaysia PLT, 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

5 April 2023

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**825,278**	781,220	**824,121**	779,870
Investment in subsidiaries	7	**–**	–	**500**	500
Investment in associate	8	**7,368**	6,439	**7,358**	6,429
Deferred tax assets	9	**–**	2,693	**–**	2,693
		832,646	790,352	**831,979**	789,492
Current assets					
Inventories	10	**714,429**	652,559	**714,429**	652,559
Trade and other receivables	11	**193,098**	222,523	**194,093**	223,715
Tax recoverable		**445**	278	**445**	278
Fixed deposits with licensed banks	12	**24,830**	52,713	**24,830**	52,713
Cash and bank balances		**38,008**	4,305	**37,660**	3,975
		970,810	932,378	**971,457**	933,240
TOTAL ASSETS		**1,803,456**	1,722,730	**1,803,436**	1,722,732

STATEMENTS OF FINANCIAL POSITION

(CONT'D)

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	13	**329,648**	329,648	**329,648**	329,648
Revaluation reserves		**76,649**	76,649	**76,649**	76,649
Treasury shares	14	**(587)**	(99)	**(587)**	(99)
Warrant reserves	15	**32,824**	32,824	**32,824**	32,824
Retained earnings	16	**424,421**	405,350	**421,429**	402,900
TOTAL EQUITY		**862,955**	844,372	**859,963**	841,922
LIABILITIES					
Non-current liabilities					
Lease liabilities	17	**3,337**	5,498	**2,910**	5,226
Borrowings	18	**87,142**	67,000	**87,142**	67,000
Deferred tax liabilities	9	**3,936**	121	**3,792**	–
		94,415	72,619	**93,844**	72,226
Current liabilities					
Trade and other payables	19	**458,247**	445,695	**462,096**	449,270
Trade deposits	20	**–**	42,497	**–**	42,497
Tax payable		**17**	16	**–**	–
Lease liabilities	17	**3,522**	3,649	**3,233**	2,935
Borrowings	18	**384,300**	313,882	**384,300**	313,882
		846,086	805,739	**849,629**	808,584
TOTAL LIABILITIES		**940,501**	878,358	**943,473**	880,810
TOTAL EQUITY AND LIABILITIES		**1,803,456**	1,722,730	**1,803,436**	1,722,732

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 2022

	Note	Group 2022 RM'000	Group 2021 RM'000	Company 2022 RM'000	Company 2021 RM'000
REVENUE	21	**1,778,289**	1,579,691	**1,778,289**	1,579,691
COST OF SALES		**(1,662,574)**	(1,460,530)	**(1,663,906)**	(1,461,638)
GROSS PROFIT		**115,715**	119,161	**114,383**	118,053
OTHER OPERATING INCOME		**5,363**	3,815	**5,309**	3,770
DISTRIBUTION COSTS		**(24,624)**	(19,656)	**(24,624)**	(19,656)
ADMINISTRATIVE EXPENSES		**(50,838)**	(47,121)	**(49,371)**	(46,235)
PROFIT FROM OPERATIONS	22	**45,616**	56,199	**45,697**	55,932
FINANCE COSTS	25	**(20,624)**	(17,964)	**(20,582)**	(17,885)
SHARE OF RESULTS OF ASSOCIATE		**929**	153	**–**	–
PROFIT BEFORE TAXATION		**25,921**	38,388	**25,115**	38,047
TAXATION	26	**(6,850)**	(5,885)	**(6,586)**	(5,581)
NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		**19,071**	32,503	**18,529**	32,466
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		**19,071**	32,503	**18,529**	32,466

	Note	Sen	Sen
Earnings per share (sen):-			
- Basic	28	**2.82**	4.79
- Diluted	28	**2.39**	3.87

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Share capital RM'000	Treasury shares RM'000	Revaluation reserves RM'000	Warrants reserves RM'000	-Distributable- Retained earnings RM'000	Total equity RM'000
GROUP							
At 1 January 2022		**329,648**	**(99)**	**76,649**	**32,824**	**405,350**	**844,372**
Net profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**19,071**	**19,071**
		329,648	**(99)**	**76,649**	**32,824**	**424,421**	**863,443**
Transactions with owners:							
Share buy-back	14	**–**	**(488)**	**–**	**–**	**–**	**(488)**
At 31 December 2022		**329,648**	**(587)**	**76,649**	**32,824**	**424,421**	**862,955**
At 1 January 2021		239,942	(1,490)	76,649	–	405,671	720,772
Net profit and total comprehensive income for the year		–	–	–	–	32,503	32,503
		239,942	(1,490)	76,649	–	438,174	753,275
Transactions with owners:							
Issue of shares pursuant to rights issue	13, 15	89,416	–	–	32,824	(32,824)	89,416
Share resales	13, 14	290	1,490	–	–	–	1,780
Share buy-back	14	–	(99)	–	–	–	(99)
		89,706	1,391	–	32,824	(32,824)	91,097
At 31 December 2021		329,648	(99)	76,649	32,824	405,350	844,372

STATEMENTS OF CHANGES IN EQUITY
(CONT'D)

	Note	Share capital RM'000	Treasury shares RM'000	Revaluation reserves RM'000	Warrants reserves RM'000	-Distributable- Retained earnings RM'000	Total equity RM'000
COMPANY							
At 1 January 2022		**329,648**	**(99)**	**76,649**	**32,824**	**402,900**	**841,922**
Net profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**18,529**	**18,529**
		329,648	**(99)**	**76,649**	**32,824**	**421,429**	**860,451**
Transactions with owners:							
Share buy-back	14	**–**	**(488)**	**–**	**–**	**–**	**(488)**
At 31 December 2022		**329,648**	**(587)**	**76,649**	**32,824**	**421,429**	**859,963**
At 1 January 2021		239,942	(1,490)	76,649	–	403,258	718,359
Net profit and total comprehensive income for the year		–	–	–	–	32,466	32,466
		239,942	(1,490)	76,649	–	435,724	750,825
Transactions with owners:							
Issue of shares pursuant to rights issue	13, 15	89,416	–	–	32,824	(32,824)	89,416
Share resales	13, 14	290	1,490	–	–	–	1,780
Share buy-back	14	–	(99)	–	–	–	(99)
		89,706	1,391	–	32,824	(32,824)	91,097
At 31 December 2021		329,648	(99)	76,649	32,824	402,900	841,922

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	**25,921**	38,388	**25,115**	38,047
Adjustments for:				
Depreciation of property, plant and equipment	**32,442**	32,060	**31,711**	31,332
Gain on disposal of property, plant and equipment	**(307)**	(173)	**(253)**	(173)
Reversal of impairment loss on investment in associate	**–**	–	**(929)**	(154)
Impairment loss on inventories	**1,599**	1,427	**1,599**	1,427
Interest expense	**20,624**	17,964	**20,582**	17,885
Interest income	**(384)**	(385)	**(384)**	(385)
Net unrealised foreign exchange (gain)/loss	**(4,395)**	6,084	**(4,395)**	6,084
Share of results of associate	**(929)**	(153)	**–**	–
Operating profit before working capital changes	**74,571**	95,212	**73,046**	94,063
Increase in inventories	**(63,469)**	(86,298)	**(63,469)**	(86,298)
Decrease/(Increase) in receivables	**29,496**	(10,726)	**29,622**	(11,344)
Increase in payables	**16,947**	42,596	**17,221**	43,069
Decrease in trade deposits	**(42,497)**	(20,027)	**(42,497)**	(20,027)
Cash generated from operations	**15,048**	20,757	**13,923**	19,463
Interest paid	**(20,054)**	(17,157)	**(20,054)**	(17,157)
Tax paid	**(508)**	(685)	**(268)**	(284)
Net cash (used in)/generated from operating activities	**(5,514)**	2,915	**(6,399)**	2,022
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	**384**	385	**384**	385
Proceeds from disposal of property, plant and equipment	**283**	173	**253**	173
Purchase of property, plant and equipment (Note 27)	**(75,055)**	(38,337)	**(74,995)**	(38,331)
Net cash used in investing activities	**(74,388)**	(37,779)	**(74,358)**	(37,773)

STATEMENTS OF CASH FLOWS

(CONT'D)

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES				
Bills payable	**27,163**	(18,456)	**27,163**	(18,456)
Drawndown of revolving credit	**25,000**	–	**25,000**	–
Repayment of lease liabilities	**(3,780)**	(3,446)	**(2,985)**	(2,746)
Drawdown of term loans	**75,000**	17,000	**75,000**	17,000
Repayment of term loans	**(40,000)**	(31,713)	**(40,000)**	(31,713)
Payment of finance lease interest	**(570)**	(807)	**(528)**	(728)
Share buy-back (Note 14)	**(488)**	(99)	**(488)**	(99)
Share resales	**–**	1,780	**–**	1,780
Net proceeds from issuance of shares pursuant to rights issue	**–**	89,416	**–**	89,416
Net cash generated from financing activities	**82,325**	53,675	**83,162**	54,454
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,423**	18,811	**2,405**	18,703
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	**56,954**	38,143	**56,624**	37,921
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	**59,377**	56,954	**59,029**	56,624

NOTES TO THE STATEMENTS OF CASH FLOWS

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

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Fixed deposits with licensed banks	**24,830**	52,713	**24,830**	52,713
Cash at banks	**37,849**	4,271	**37,501**	3,941
Cash at banks (USD)	**133**	8	**133**	8
Cash in hand	**26**	26	**26**	26
	38,008	4,305	**37,660**	3,975
Bank overdrafts	**(3,461)**	(64)	**(3,461)**	(64)
	59,377	56,954	**59,029**	56,624

STATEMENTS OF CASH FLOWS

(CONT'D)

NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)

		Group		Company	
		2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
(b)	Cash outflows for leases as a lessee				
	Included in net cash from operating activities:				
	Payment relating to short-term leases	**6,452**	4,873	**6,452**	4,873
	Payment relating to leases of low-value assets	**368**	283	**368**	283
	Interest paid in relation to lease liabilities	**570**	807	**528**	728
	Included in net cash from financing activities:				
	Payment of lease liabilities	**3,780**	3,446	**2,985**	2,746
	Total cash outflows for leases	**11,170**	9,409	**10,333**	8,630
(c)	Reconciliation of liabilities arising from financing activities:				
	Balance at 1 January				
	Lease liabilities	**9,147**	12,086	**8,161**	10,400
	Loans and borrowings	**380,882**	413,987	**380,882**	413,987
	Repayment of finance lease liabilities	**(3,780)**	(3,446)	**(2,985)**	(2,746)
	Outflows of repayment	**(40,000)**	(50,169)	**(40,000)**	(50,169)
	Addition of lease liabilities (Note 27)	**1,492**	507	**967**	507
	Inflows from new debts	**130,560**	17,064	**130,560**	17,064
	Balance at 31 December				
	Lease liabilities	**6,859**	9,147	**6,143**	8,161
	Loans and borrowings	**471,442**	380,882	**471,442**	380,882

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

NOTES TO THE FINANCIAL STATEMENTS
- 31 DECEMBER 2022

1. 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

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

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

3.2 Basis of consolidation

(i) Subsidiaries

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

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

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

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

(ii) Associate

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Basis of consolidation (Cont'd)

(ii) Associate (Cont'd)

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

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

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

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

(iii) Transactions eliminated on consolidation

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

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

3.3 Property, plant and equipment

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

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

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Property, plant and equipment (Cont'd)

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

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

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

3.4 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

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

At inception or on reassessment of a contract that contains a lease component, the Group and the Company allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Company are a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (Cont'd)

(ii) Recognition and initial measurement

As a lessee

The Group and the Company recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

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

The Group and the Company exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Leases (Cont'd)

(iii) Subsequent measurement

As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use asset are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company change its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3.5 Impairment of non-financial assets

Impairment of property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Inventories

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

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

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

3.7 Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Derecognition of financial instruments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

(iii) Financial assets

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

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

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

(iv) Financial liabilities

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

Financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with original or modified terms of a debt instrument. Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of: (a) the amount of the loss allowance; and (b) the amount initially recognised less, when appropriate, the cumulative of income recognised in accordance with the principles in MFRS 15 Revenue from Contracts with Customers.

(v) Fair value measurement

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

(vi) Recognition of gains and losses

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Financial instruments (Cont'd)

(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)

3.8 Cash and cash equivalents

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

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

3.9 Foreign currencies transactions and balances

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

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

3.10 Equity

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

(i) Dividend distribution

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

(ii) Treasury shares

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

(iii) Distribution of assets to owners of the Company

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 Equity (Cont'd)

(iv) Warrants

The warrants issued by the Company is recognised as an equity instrument in the statements of financial position. Its value is determined based on the difference between the gross proceeds from the issuance of the rights share, and is classified as warrant reserve in equity.

The issuance of ordinary shares upon exercise of the warrants is treated as new subscription of ordinary shares in the Company. The proceeds are credited to share capital. The warrant reserve in relation to the unexercised warrants will be reversed upon expiry of the warrants.

3.11 Provisions

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

3.12 Employees benefits

(i) Short-term benefit

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

(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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Revenue recognition

(i) Revenue from contracts with customers

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

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

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

The Group and the Company measure revenue from a sale of goods or a service transaction at the amount of the transaction price that is allocated to that performance obligation, which is usually the invoice price, net of a trade discounts and volume rebates given to the customer.

(ii) Interest income

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

3.14 Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.15 Income tax

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 Earnings per ordinary share

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

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

3.17 Operating segments

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

3.18 Fair value measurement

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

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 Amendments to MFRSs adopted

For the preparation of the financial statements, the following amendments to the MFRSs issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2022:

- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment – Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to MFRS Standards 2018–2020

The adoption of the above-mentioned amendments to MFRSs has no significant impact on the financial statements of the Group and of the Company.

4.2 Amendments to MFRSs not yet effective

The following are amendments to the MFRSs that have been issued by the MASB up to the date of the issuance of the Group's and of the Company's financial statements but have not been adopted by the Group and the Company:

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

- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Presentation of Financial Statements – Non-current Liabilities with Covenants*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

Amendments to MFRSs effective for annual periods beginning on or after a 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 amendments will be adopted by the Group and the Company when they become effective. None of these is expected to have significant effect on the financial statements of the Group and of the Company.

4.3 MFRSs and Amendments to MFRSs not applicable

- MFRS 17 *Insurance Contracts*, Amendments to MFRS 17 *Insurance Contracts*, and Amendment to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 Financial Instruments – Comparative Information* are not expected to be applicable to the Group and the Company.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Loss allowances of financial assets

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

(b) 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.

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

(c) Net realisable value of inventories

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

(d) 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.

(e) 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.

(f) Depreciation of property, plant and equipment

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

(g) Quantities and valuation of raw materials

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

6. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Leasehold land RM'000	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 2022	108	136,407	45,812	568,192	2,761	643	27,297	781,220
Additions	–	–	763	73,426	1,846	249	263	76,547
Disposals	–	–	–	–	(47)	–	–	(47)
Reclassification	–	–	263	27,297	–	–	(27,560)	–
Depreciation charge	–	(1,810)	(1,789)	(27,347)	(1,252)	(244)	–	(32,442)
At 31 December 2022	**108**	**134,597**	**45,049**	**641,568**	**3,308**	**648**	**–**	**825,278**
At 31 December 2022								
Cost/Revaluation	108	140,480	76,530	1,079,331	9,062	5,010	–	1,310,521
Accumulated depreciation	–	(5,883)	(31,481)	(437,763)	(5,754)	(4,362)	–	(485,243)
Carrying amount	108	134,597	45,049	641,568	3,308	648	–	825,278

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

	Freehold land RM'000	Leasehold land RM'000	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 2022	108	136,407	45,812	567,820	1,791	635	27,297	779,870
Additions	–	–	763	73,426	1,261	249	263	75,962
Reclassification	–	–	263	27,297	–	–	(27,560)	–
Depreciation charge	–	(1,810)	(1,789)	(27,248)	(622)	(242)	–	(31,711)
At 31 December 2022	108	134,597	45,049	641,295	2,430	642	–	824,121
At 31 December 2022								
Cost/Revaluation	108	140,480	76,530	1,078,837	5,683	5,000	–	1,306,638
Accumulated depreciation	–	(5,883)	(31,481)	(437,542)	(3,253)	(4,358)	–	(482,517)
Carrying amount	108	134,597	45,049	641,295	2,430	642	–	824,121

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

	Freehold land RM'000	Leasehold land RM'000	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 2021	108	138,217	47,566	528,651	2,782	773	56,339	774,436
Additions	–	–	32	229	1,161	138	37,284	38,844
Reclassification	–	–	–	66,326	–	–	(66,326)	–
Depreciation charge	–	(1,810)	(1,786)	(27,014)	(1,182)	(268)	–	(32,060)
At 31 December 2021	108	136,407	45,812	568,192	2,761	643	27,297	781,220
At 31 December 2021								
Cost/Revaluation	108	140,480	75,504	978,608	8,273	4,768	27,297	1,235,038
Accumulated depreciation	–	(4,073)	(29,692)	(410,416)	(5,512)	(4,125)	–	(453,818)
Carrying amount	108	136,407	45,812	568,192	2,761	643	27,297	781,220

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

	Freehold land RM'000	Leasehold land RM'000	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 2021	108	138,217	47,566	528,186	1,184	764	56,339	772,364
Additions	–	–	32	224	1,161	137	37,284	38,838
Reclassification	–	–	–	66,326	–	–	(66,326)	–
Depreciation charge	–	(1,810)	(1,786)	(26,916)	(554)	(266)	–	(31,332)
At 31 December 2021	108	136,407	45,812	567,820	1,791	635	27,297	779,870
At 31 December 2021								
Cost/ Revaluation	108	140,480	75,504	978,114	5,135	4,758	27,297	1,231,396
Accumulated depreciation	–	(4,073)	(29,692)	(410,294)	(3,344)	(4,123)	–	(451,526)
Carrying amount	108	136,407	45,812	567,820	1,791	635	27,297	779,870

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

(a) Included in property, plant and equipment of the Group and of the Company are right-of-use assets as follows: -

Group	Leasehold land RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2021	140,480	16,702	5,395	162,577
Additions	–	–	722	722
Transfer to property, plant and equipment	–	–	(800)	(800)
At 31 December 2021/ 1 January 2022	**140,480**	**16,702**	**5,317**	**162,499**
Additions	**–**	**–**	**1,846**	**1,846**
Disposal	**–**	**–**	**(344)**	**(344)**
Transfer to property, plant and equipment	**–**	**–**	**(620)**	**(620)**
At 31 December 2022	**140,480**	**16,702**	**6,199**	**163,381**
Accumulated depreciation				
At 1 January 2021	2,263	626	2,698	5,587
Charge for the year	1,810	501	1,090	3,401
Transfer to property, plant and equipment	–	–	(800)	(800)
At 31 December 2021/ 1 January 2022	**4,073**	**1,127**	**2,988**	**8,188**
Charge for the year	**1,810**	**501**	**1,137**	**3,448**
Disposal	**–**	**–**	**(297)**	**(297)**
Transfer to property, plant and equipment	**–**	**–**	**(585)**	**(585)**
At 31 December 2022	**5,883**	**1,628**	**3,243**	**10,754**
Net carrying amount				
As at 1 January 2021	138,217	16,076	2,697	156,990
As at 31 December 2021	136,407	15,575	2,329	154,311
As at 31 December 2022	**134,597**	**15,074**	**2,956**	**152,627**

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

(a) Included in property, plant and equipment of the Group and of the Company are right-of-use assets as follows: - (cont'd)

Company	Leasehold land RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2021	140,480	16,702	2,257	159,439
Additions	–	–	722	722
Transfer to property, plant and equipment	–	–	(800)	(800)
At 31 December 2021/ 1 January 2022	**140,480**	**16,702**	**2,179**	**159,361**
Additions	**–**	**–**	**1,261**	**1,261**
Transfer to property, plant and equipment	**–**	**–**	**(276)**	**(276)**
At 31 December 2022	**140,480**	**16,702**	**3,164**	**160,346**
Accumulated depreciation				
At 1 January 2021	2,263	626	1,158	4,047
Charge for the year	1,810	501	462	2,773
Transfer to property, plant and equipment	–	–	(800)	(800)
At 31 December 2021/ 1 January 2022	**4,073**	**1,127**	**820**	**6,020**
Charge for the year	**1,810**	**501**	**512**	**2,823**
Transfer to property, plant and equipment	**–**	**–**	**(276)**	**(276)**
At 31 December 2022	**5,883**	**1,628**	**1,056**	**8,567**
Net carrying amount				
As at 1 January 2021	138,217	16,076	1,099	155,392
As at 31 December 2021	136,407	15,575	1,359	153,341
As at 31 December 2022	**134,597**	**15,074**	**2,108**	**151,779**

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

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Plant and machinery	**15,074**	15,575	**15,074**	15,575
Motor vehicles	**2,956**	2,329	**2,108**	1,359
	18,030	17,904	**17,182**	16,934

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

	Group and Company	
	2022 RM'000	2021 RM'000
Leasehold land and buildings	**178,622**	182,219
Plant and machinery	**613,556**	500,765
	792,178	682,984

(d) The leasehold land of the Group and of the Company have unexpired periods of lease of 45 to 89 years (2021: 46 to 90 years).

(e) The freehold land and leasehold land of the Group and of the Company were revalued on 30 September 2019 based upon valuations carried out by independent professional valuers using the fair value method which is determined by reference to "Comparison Method" basis.

The revaluation surplus on freehold land and leasehold land amounted to RM76,649,000 was credited to other comprehensive income and shown in revaluation reserves (non-distributable).

The fair value of the land are within level 2 of the fair value hierarchy.

The fair values of freehold land and leasehold land were arrived at based on recent transactions and by assessing prices of similar land in the surrounding areas with adjustments made for differences in location, size and shape of the land, tenure, if any and other relevant characteristics.

There were no transfers between levels of fair value hierarchy during the financial year.

The fair value measurements of the land are based on the highest and best use which does not differ from their actual use.

Had the freehold land and leasehold land carried at historical cost, the carrying amount of the freehold land and leasehold land that would have been included in the financial statements of the Group and of the Company as at reporting date would be as follows:

	Group and Company	
	2022 RM'000	2021 RM'000
Freehold land	**65**	65
Leasehold land	**61,124**	61,971
	61,189	62,036

7. INVESTMENT IN SUBSIDIARIES

	Company	
	2022 RM'000	2021 RM'000
Unquoted shares, at cost	**500**	500

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

Name of company	Interest in equity held by the Company 2022 %	2021 %	Principal activities
MS Express Sdn. Bhd. #	**100**	100	Transportation and logistic
MS Fabricon Sdn. Bhd. #	**100**	100	Dormant

\# Audited by RSM Malaysia PLT

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unquoted shares, at cost				
At beginning of the year	**6,439**	6,286	**6,429**	6,275
Share of accumulated post-acquisition gains	**929**	153	**–**	–
Reversal of impairment loss on investment	**–**	–	**929**	154
At end of the year	**7,368**	6,439	**7,358**	6,429

Name of company	Interest in equity held by the Company 2022 %	2021 %	Principal activity
Bio Molecular Industries Sdn. Bhd.	**48.25**	48.25	Manufacturing, research and development of radioisotopes and radiopharmaceuticals products

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

8. INVESTMENT IN ASSOCIATE (CONT'D)

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

	Effective ownership interest %	Revenue (100%) RM'000	Profit (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2022	**48.25**	**12,502**	**1,942**	**26,202**	**10,935**
2021	48.25	9,821	315	27,877	14,554

9. DEFERRED TAX ASSETS/ (LIABILITIES)

Group	Assets RM'000	Liabilities RM'000	Net RM'000
2022			
At 1 January	**2,693**	**(121)**	**2,572**
Recognised in profit or loss (Note 26)	**(2,693)**	**(3,815)**	**(6,508)**
At 31 December	**–**	**(3,936)**	**(3,936)**
2021			
At 1 January	5,452	(87)	5,365
Recognised in profit or loss (Note 26)	(2,759)	(34)	(2,793)
At 31 December	2,693	(121)	2,572

Company

	2022 Liabilities RM'000	2021 Assets RM'000
At 1 January	**2,693**	5,452
Recognised in profit or loss (Note 26)	**(6,485)**	(2,759)
At 31 December	**(3,792)**	2,693

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

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	**97,561**	95,644	**97,561**	95,644
Deferred tax liabilities	**(101,497)**	(93,072)	**(101,353)**	(92,951)
	(3,936)	2,572	**(3,792)**	2,693

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 2022	**8,772**	**86,872**	**95,644**
Recognised in profit or loss	**(4,862)**	**6,779**	**1,917**
At 31 December 2022	**3,910**	**93,651**	**97,561**
At 1 January 2021	10,883	81,656	92,539
Recognised in profit or loss	(2,111)	5,216	3,105
At 31 December 2021	8,772	86,872	95,644

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

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

Deferred tax liabilities:

	Excess of capital allowances over depreciation RM'000	Other taxable temporary differences RM'000	Total RM'000
Group			
At 1 January 2022	**(93,072)**	**–**	**(93,072)**
Recognised in profit or loss	**(8,364)**	**(61)**	**(8,425)**
At 31 December 2022	**(101,436)**	**(61)**	**(101,497)**
At 1 January 2021	(85,990)	(1,184)	(87,174)
Recognised in profit or loss	(7,082)	1,184	(5,898)
At 31 December 2021	(93,072)	–	(93,072)
Company			
At 1 January 2022	**(92,951)**	**–**	**(92,951)**
Recognised in profit or loss	**(8,341)**	**(61)**	**(8,402)**
At 31 December 2022	**(101,292)**	**(61)**	**(101,353)**
At 1 January 2021	(85,903)	(1,184)	(87,087)
Recognised in profit or loss	(7,048)	1,184	(5,864)
At 31 December 2021	(92,951)	–	(92,951)

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

10. INVENTORIES

	Group and Company 2022 RM'000	2021 RM'000
At cost		
Raw materials	**656,599**	571,347
Goods in transit	**–**	659
	656,599	572,006
At net realisable value		
Finished goods	**61,333**	82,457
Impairment of inventories	**(3,503)**	(1,904)
	57,830	80,553
	714,429	652,559
Recognised in profit or loss:		
Inventories recognised as cost of sales	**1,663,906**	1,461,638
Impairment loss on inventories	**1,599**	1,427

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Trade receivables				
Third parties	**183,121**	215,249	**183,121**	215,249
Other receivables				
Due from subsidiary	**–**	–	**1,177**	1,278
Due from associate	**725**	722	**725**	722
Deposits	**373**	252	**372**	251
Sundry receivables and prepayments	**8,879**	6,300	**8,698**	6,215
	9,977	7,274	**10,972**	8,466
	193,098	222,523	**194,093**	223,715

The normal trade credit terms of the Group and of the Company ranged from 30 to 180 days (2021: 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% (2021: 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	
	2022 RM'000	2021 RM'000
Neither past due nor impaired	**183,121**	187,683
Past due, not impaired		
- 1 to 30 days past due, not impaired	**–**	16
- 31 to 60 days past due, not impaired	**–**	–
- 61 to 90 days past due, not impaired	**–**	27,550
	183,121	215,249

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.

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	
	2022	**2021**
	% per annum	**% per annum**
Deposits with licensed banks	**1.85-2.60**	0.95-1.55

Deposits of the Group and of the Company are unsecured and have an average maturity period between 1 day to 12 months (2021: 3 days to 1 month).

13. SHARE CAPITAL

	Group and Company	
	2022	**2021**
	RM'000	**RM'000**
Issued and fully paid with no par value		
At 1 January 679,109,746 (2021: 452,739,831) ordinary shares	**329,648**	239,942
Issuance of Nil (2021: 226,369,915) pursuant to rights issue	**–**	89,416
Gain on sale of Nil (2021: 2,360,600) treasury shares (Note 14)	**–**	290
At 31 December 679,109,746 (2021: 679,109,746) ordinary shares	**329,648**	329,648

In the previous financial year, the Company increased its issued and paid-up share capital from RM239,942,000 to RM329,648,000 by way of:

(a) issuance of 226,369,915 rights share with 226,369,915 free detachable warrants on the basis of one (1) free warrant for every one (1) rights share subscribed, to eligible investors for a total cash consideration of RM89,415,912 for repayment of bank borrowings, increasing working capital and expenses relating to the corporate exercise; and

(b) gain on sale of 2,360,600 treasury shares for a cash consideration of RM289,270 (Note 14).

The ordinary shares issued in the previous 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 (2021: RM997,000).

The holders of ordinary shares are entitled to receive dividend as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with reference shareholders with regard to the Company's residual assets. In respect of the Company's treasury shares held by the Company (see Note 14), all rights are suspended until those shares are reissued.

14. TREASURY SHARES

	Group and Company	
	2022 RM'000	2021 RM'000
At cost		
At 1 January	**(99)**	(1,490)
Acquired during the financial year	**(488)**	(99)
Sold during the financial year	**–**	1,490
At 31 December	**(587)**	(99)

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 totalling 1,495,000 (2021: 345,000) ordinary shares as follows:

Date	Shares repurchased	Purchase price (RM)
4.3.2022	615,000	0.33
14.11.2022	190,000	0.26
15.11.2022	190,000	0.26
30.12.2022	500,000	0.38

In 2021, the Company had resold 2,360,600 treasury shares in the open market for cash consideration of RM1,779,310. The average carrying value of the treasury shares was RM0.63 per share. The gain was taken up into share capital (Note 13).

At the financial year end, the number of outstanding shares in issue after setting off the treasury shares against equity was 677,269,746 (2021: 678,764,746).

15. WARRANT RESERVE

On 27 October 2021, the Company issued 226,369,915 free detachable warrants ("Warrants 2021/2026") pursuant to the rights share with warrants on the basis of one (1) warrant for every one (1) rights share subscribed.

The warrants are constituted by a deed poll dated 7 May 2021 and first supplemental deed poll dated 2 September 2021 to supplement and vary the deed poll for the revision of the issue price of the rights share from RM0.586 to RM0.395.

The salient term of warrants are as follows:

(i) each warrant entitles the registered holder, at any time during the exercise period, to subscribe for one (1) new ordinary share of the Company at the exercise price;

(ii) the exercise price for the warrant was fixed at RM0.395 per warrant;

(iii) the issue date of warrant is 22 October 2021 and are valid for exercise for a period of 5 years from its issue date and will expire on 21 October 2026. Any warrant not exercised by its expiry date will thereafter lapse and cease to be valid for any purpose; and

(iv) the new shares to be issued arising from the exercise of the warrant will, upon allotment and issuance, rank pari passu in all respects with then existing shares, save and except that the said new shares will not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid, prior to the date of allotment of the said new shares.

The movements in warrants are as follows:

	Number of unexercised warrants 2022	**Number of unexercised warrants 2021**
At 1 January	**226,369,915**	–
Issued during the financial year	**–**	226,369,915
At 31 December	**226,369,915**	226,369,915

As at the end of the financial year, there is no warrant been exercised into ordinary shares of the Company.

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. LEASE LIABILITIES

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current	**3,522**	3,649	**3,233**	2,935
Non-current	**3,337**	5,498	**2,910**	5,226
	6,859	9,147	**6,143**	8,161
Minimum lease payments:				
- not later than one (1) year	**3,881**	4,201	**3,556**	3,445
- later than one (1) year but not later than two (2) years	**2,163**	3,633	**2,015**	3,377
- later than two (2) years but not later than five (5) years	**1,198**	2,223	**871**	2,195
- later than five (5) years	**225**	–	**225**	–
	7,467	10,057	**6,667**	9,017
Less: Future finance charges	**(608)**	(910)	**(524)**	(856)
Present value of lease liabilities	**6,859**	9,147	**6,143**	8,161
Present value of lease liabilities				
- not later than one (1) year	**3,522**	3,649	**3,233**	2,935
- later than one (1) year but not later than two (2) years	**2,041**	3,350	**1,915**	3,105
- later than two (2) years but not later than five (5) years	**1,081**	2,148	**780**	2,121
- later than five (5) years	**215**	–	**215**	–
	6,859	9,147	**6,143**	8,161

The lease liabilities bear interest rate ranging from 2.11% to 4.48% (2021: 2.28% to 4.48%) per annum.

18. BORROWINGS

	Group and Company 2022 RM'000	2021 RM'000
Current liabilities		
Bank overdrafts	**3,461**	64
Bill payable	**300,981**	273,818
Revolving credit	**25,000**	–
Terms loans	**54,858**	40,000
	384,300	313,882
Non-current liabilities		
Term loans	**87,142**	67,000
	471,442	380,882
Total borrowings		
Bank overdrafts	**3,461**	64
Bill payable	**300,981**	273,818
Revolving credit	**25,000**	–
Term loans	**142,000**	107,000
	471,442	380,882

The bank overdraft facilities are repayable on demand and bear interest rate 7.67% (2021: 6.39%) per annum.

The bill payable facilities are repayable within 120 - 180 days and bear interest rates ranging from 4.10% to 6.85% (2021: 2.94% to 5.05%) per annum. Certain bill payable facilities are secured by a third-party security.

The term loans bear interest rate ranging from 4.42% to 6.29% (2021: 4.42% to 5.85%) per annum and is repayable on monthly and annually (2021: monthly and annually) basis through number of instalments and commencement date as below:

	Total number of instalments	Commencement date
Term loan I	4	November 2020
Term loan II	66	May 2023
Term loan III	10	January 2024
Term loan IV	10	January 2024

18. BORROWINGS (CONT'D)

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

(a) Negative pledge;
(b) Debentures over certain property, plant and equipment of the Company;
(c) First fixed charge over all leasehold land and buildings of the Company, as disclosed in Note 6;
(d) Memorandum of deposit and letter of set-off of fixed deposit by a corporate shareholder; and
(e) Legal charge over the land held by a related party.

	Group and Company	
	2022 RM'000	**2021 RM'000**
Repayment terms:		
- not later than one (1) year	**384,300**	313,882
- later than one (1) year but not later than two (2) years	**39,283**	50,000
- later than two (2) years but not later than five (5) years	**41,851**	17,000
- later than five (5) years	**6,008**	–
	471,442	380,882

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Trade payables				
Third parties	**326,977**	300,026	**326,686**	299,689
Due to subsidiaries	**–**	–	**4,321**	4,063
Other payables				
Sundry payables	**62,705**	70,464	**62,705**	70,464
Accruals	**68,565**	75,205	**68,384**	75,054
	458,247	445,695	**462,096**	449,270

19. TRADE AND OTHER PAYABLES (CONT'D)

The normal trade credit terms of the Group and of the Company range from 30 to 180 days (2021: 30 to 180 days).

Included in sundry payable is advance payment received of RM62,653,000 (2021: RM70,412,000). The Group and the Company apply the practical expedient in MFRS 15 Revenue from Contracts with Customers on not disclosing the aggregate amount of the revenue expected to be recognised in the future as the performance obligation is part of a contract that has an original expected duration of less than one year.

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

	Group and Company	
	2022	**2021**
	RM'000	**RM'000**
United States Dollars	**108,665**	116,157
Chinese Yuan Renminbi	**796**	980
Euro	**14,895**	–
At 31 December	**124,356**	117,137

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.

20. TRADE DEPOSITS (CONT'D)

Included in trade deposits of 2021 was 100% of trade deposits with Cargill.

As at 31 December 2022, there were no (2021: 3) Agreements pending execution, which were extended from earlier Agreements.

As at 31 December 2022, there has been no (2021: Nil) Agreement being executed.

Included in the Group's and the Company's trade deposits of 2021 are balances denominated in United States Dollars of USD10,163,472 (equivalent to RM42,496,529).

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

	Group and Company	
	2022	**2021**
	RM'000	**RM'000**
Late payment charges	**2,242**	5,404

21. REVENUE

	Group and Company	
	2022	**2021**
	RM'000	**RM'000**
Revenue from contracts with customers:		
- Sales of steel bars and steel billets	**1,778,289**	1,579,691
Timing of revenue		
- At a point in time	**1,778,289**	1,579,691

22. PROFIT FROM OPERATIONS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit from operations is arrived at after charging/ (crediting):				
Auditors' remuneration				
- statutory audit	**160**	150	**150**	140
- other services	**11**	8	**11**	8
Depreciation of property, plant and equipment	**32,442**	32,060	**31,711**	31,332
Reversal of impairment loss on investment in associate	**–**	–	**(929)**	(154)
Impairment loss on inventories	**1,599**	1,427	**1,599**	1,427
Expenses relating to short-term leases	**6,452**	4,873	**6,452**	4,873
Expenses relating to leases of low-value assets	**368**	283	**368**	283
Staff costs (Note 23)	**53,627**	47,301	**52,290**	45,821
Realised foreign exchange loss/(gain)	**10,833**	(2,976)	**10,833**	(2,976)
Unrealised foreign exchange (gain)/loss	**(4,395)**	6,084	**(4,395)**	6,084
Fixed deposits interest income	**(384)**	(385)	**(384)**	(385)
Gain on disposal of property, plant and equipment	**(307)**	(173)	**(253)**	(173)

23. STAFF COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries, bonus, allowances and overtime	**50,408**	44,165	**49,243**	42,871
Employees Provident Fund	**2,583**	2,537	**2,437**	2,380
Social security costs	**470**	413	**454**	394
Other benefits	**166**	186	**156**	176
	53,627	47,301	**52,290**	45,821

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

24. DIRECTORS' REMUNERATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Directors				
Executive:				
Salaries, bonus and statutory contributions	**2,645**	2,940	**2,645**	2,940
Fees	**80**	40	**80**	40
Allowances	**38**	78	**38**	38
	2,763	3,058	**2,763**	3,018
Non-executive:				
Fees	**80**	40	**80**	40
Allowances	**371**	330	**371**	330
	451	370	**451**	370
Total executive directors' remuneration	**2,763**	3,058	**2,763**	3,018
Total non-executive directors' remuneration	**451**	370	**451**	370
Grand total	**3,214**	3,428	**3,214**	3,388

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

	Number of Directors	
	2022 RM'000	2021 RM'000
Executive directors:		
RM200,001 – RM300,000	**1**	1
RM400,001 – RM500,000	**1**	1
RM500,001 – RM600,000	**1**	–
RM600,001 – RM650,000	**–**	1
RM1,500,001 – RM1,550,000	**1**	–
RM1,650,001 – RM1,700,000	**–**	1
Total executive directors	**4**	4
Non-executive directors:		
RM20,001 – RM100,000	**4**	3
RM100,001 – RM150,000	**–**	–
RM150,001 – RM200,000	**1**	1
Total non-executive directors	**5**	4
Total executive and non-executive directors	**9**	8

NOTES TO THE FINANCIAL STATEMENTS
(CONT'D)

25. FINANCE COSTS

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Recognised in profit or loss:				
Interest expenses of financial liabilities measured at amortised cost:				
- bill payable	**12,633**	11,109	**12,633**	11,109
- bank overdrafts and revolving credit	**1,760**	2	**1,760**	2
- finance lease	**570**	807	**528**	728
- term loans	**5,661**	6,046	**5,661**	6,046
	20,624	17,964	**20,582**	17,885

26. TAXATION

	Group		Company	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Current financial year				
Income tax expense	**292**	319	**52**	49
Deferred tax expense	**6,979**	3,404	**6,956**	3,370
	7,271	3,723	**7,008**	3,419
Under/ (Over) provision in prior financial year				
Income tax expense	**50**	2,773	**49**	2,773
Deferred tax expense	**(471)**	(611)	**(471)**	(611)
	(421)	2,162	**(422)**	2,162
	6,850	5,885	**6,586**	5,581

26. TAXATION (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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Profit before taxation	**25,921**	38,388	**25,115**	38,047
Tax at Malaysia statutory tax rate of 24% (2021: 24%)	**6,221**	9,213	**6,028**	9,131
Tax effect in respect of:				
Expenses not deductible for tax purposes	**13,532**	9,106	**13,486**	9,019
Utilisation of capital allowances	**(12,506)**	(14,731)	**(12,506)**	(14,731)
Deferred tax assets not recognised	**24**	135	**–**	–
Tax expense for the year	**7,271**	3,723	**7,008**	3,419

Subject to agreement with the Inland Revenue Board, the Company has unutilised reinvestment allowances of approximately RM352,507,000 (2021: RM353,201,000) which are available to set off against future chargeable income up to the year of assessment 2025.

As at 31 December 2022, the Group and the Company have unabsorbed capital allowance and unabsorbed tax losses, which are available to set off against future chargeable income, as follows:

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Unabsorbed capital allowance	**38,242**	22,258	**37,704**	21,735
Unabsorbed tax losses	**327**	327	**–**	–
	38,569	22,585	**37,704**	21,735

26. TAXATION (CONT'D)

The unabsorbed capital allowance is available indefinitely for offset against future taxable profits except for the unabsorbed tax losses will expire in the following financial years:

	Group	
	2022 RM'000	**2021 RM'000**
Year of assessments		
2030	**126**	126
2031	**201**	201

Deferred tax assets not recognised

As at 31 December 2022, the Group has the following deferred tax assets which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:

	Group	
	2022 RM'000	**2021 RM'000**
Shortfall of tax written down value over carrying amount of property, plant and equipment	**(76)**	(96)
Unutilised capital allowances	**129**	125
Unabsorbed tax losses	**79**	79
	132	108

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	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Lease arrangements	**1,492**	507	**967**	507
Cash payments	**75,055**	38,337	**74,995**	38,331
	76,547	38,844	**75,962**	38,838

28. EARNINGS PER SHARE

(a) Basic earnings per share

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

	2022 RM'000	**2021 RM'000**
Earnings attributable to owners of ordinary shareholders	**19,071**	32,503
Weighted average number of ordinary shares in issue ('000)	**677,269**	678,765
Basic earnings per share (sen)	**2.82**	4.79

(b) Diluted earnings per share

The diluted earnings per share of the Group for the financial year ended 31 December 2022 was calculated based on the earnings attributable to owners of the ordinary shareholders divided by the adjusted weighted average number of ordinary shares in issue and issuable as follows:

	Group	
	2022 RM'000	**2021 RM'000**
Earnings attributable to ordinary shareholders	**19,071**	32,503
Weighted average number of ordinary shares in issue ('000)	**677,269**	678,765
Effects of dilution ('000)	**121,822**	161,980
Adjusted weighted average number of ordinary shares in issue and issuable ('000)	**799,091**	840,745
Diluted earnings per share (sen)	**2.39**	3.87

29. FINANCIAL INSTRUMENTS

Categories of financial instruments of the Group and of the Company are as follow:

	2022 RM'000	2021 RM'000
Group		
Financial assets at amortised cost		
Trade and other receivables	**192,988**	222,435
Fixed deposits with licensed banks	**24,830**	52,713
Cash and bank balances	**38,008**	4,305
Total financial assets	**255,826**	279,453
Financial liabilities at amortised cost		
Trade and other payables	**458,247**	445,695
Trade deposits	**–**	42,497
Lease liabilities	**6,859**	9,147
Borrowings	**471,442**	380,882
Total financial liabilities	**936,548**	878,221
Company		
Financial assets at amortised cost		
Trade and other receivables	**194,093**	223,712
Fixed deposits with licensed banks	**24,830**	52,713
Cash and bank balances	**37,660**	3,975
Total financial assets	**256,583**	280,400
Financial liabilities at amortised cost		
Trade and other payables	**462,096**	449,270
Trade deposits	**–**	42,497
Lease liabilities	**6,143**	8,161
Borrowings	**471,442**	380,882
Total financial liabilities	**939,681**	880,810

Further quantitative disclosures are included throughout these financial statements.

30. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Interest rate risk

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

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. The Group's and the Company's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt.

The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rate fall.

Interest rate sensitivity analysis

(i) Fair value sensitivity analysis for fixed rate instrument

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

(ii) Interest rate risk sensitivity analysis

The Group's and the Company's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate were to increase/ decrease by 1%, it would impact the Group's and the Company's profit by approximately RM4,714,420 (2021: RM3,808,820).

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit risk

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

When an account is more than 180 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group and the Company identify 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 and the Company classify an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

For each significant receivable, the Group and the Company use a probability of default method that categories based on ageing profiles. The ECL is measured based on total outstanding trade receivables as per aged bracket multiply by probability of default. Probability of default is average of incremental rate of trade receivables over total sales.

Concentration of credit risk

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

100% of the Group's and the Company'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 other investments, arises from default of the counterpart, with a maximum exposure equal to the carrying amount of these financial assets.

Financial corporate guarantees

The maximum exposure to credit risk of the Group and of the Company in relation to the financial corporate guarantees given to the Group and the Company amounts to RM42,539,000 (2021: RM58,472,000) as at the end of the reporting period representing secured bank guarantees issued in favour of third parties.

(c) Foreign currency risk

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

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

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Foreign currency risk (Cont'd)

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
2022	
USD/RM	
- strengthened by 5%	**(4,124)**
- weakened by 5%	**4,124**
CNY/RM	
- strengthened by 5%	**(30)**
- weakened by 5%	**30**
EURO/RM	
- strengthened by 5%	**(566)**
- weakened by 5%	**566**
2021	
USD/RM	
- strengthened by 5%	(6,029)
- weakened by 5%	6,029
CNY/RM	
- strengthened by 5%	(37)
- weakened by 5%	37

(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.

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity risk (Cont'd)

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

2022	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	**458,247**	**–**	**–**	**458,247**
Borrowings	**397,120**	**92,506**	**6,439**	**496,065**
Lease liabilities	**3,881**	**3,361**	**225**	**7,467**
	859,248	**95,867**	**6,664**	**961,779**
Financial guarantee contracts*	**42,539**	**–**	**–**	**42,539**
2021				
Non derivative financial liabilities				
Trade and other payables	445,695	–	–	445,695
Borrowings	319,514	78,963	–	398,477
Lease liabilities	4,201	5,856	–	10,057
	769,410	84,819	–	854,229
Financial guarantee contracts*	58,472	–	–	58,472

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(d) Liquidity risk (Cont'd)

Maturity analysis (Cont'd)

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: (Cont'd)

Company

2022	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	**462,096**	**–**	**–**	**462,096**
Borrowings	**397,120**	**92,031**	**6,439**	**495,590**
Lease liabilities	**3,556**	**2,886**	**225**	**6,667**
	862,772	**94,917**	**6,664**	**964,353**
Financial guarantee contracts*	**42,539**	**–**	**–**	**42,539**
2021				
Non derivative financial liabilities				
Trade and other payables	449,270	–	–	449,270
Borrowings	318,758	78,679	–	397,437
Lease liabilities	3,445	5,572	–	9,017
	771,473	84,251	–	855,724
Financial guarantee contracts*	58,472	–	–	58,472

* As at end of the reporting period, there was no indication that the Company would default on repayment, hence the financial guarantees have not been recognised. The disclosure represents the maximum amount that is required to be settled in the event of the triggering event.

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(e) Fair value information

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

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2022										
Group										
Financial liabilities										
Term loans	**–**	**–**	**–**	**–**	**–**	**–**	**139,096**	**139,096**	**139,096**	**142,000**
Company										
Financial liabilities										
Term loans	**–**	**–**	**–**	**–**	**–**	**–**	**139,096**	**139,096**	**139,096**	**142,000**
2021										
Group										
Financial liabilities										
Term loans	–	–	–	–	–	–	104,776	104,776	104,776	107,000
Company										
Financial liabilities										
Term loans	–	–	–	–	–	–	104,776	104,776	104,776	107,000

30. FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(e) Fair value information (Cont'd)

Level 1 fair value

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

Level 2 fair value

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

Non-derivative financial liabilities

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2021: 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
Secured term loans	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.

31. SEGMENT INFORMATION

(a) Primary reporting format - by business segment

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

(b) Secondary reporting format - by geography

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

	Sales		Total assets		Capital expenditure	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Area						
Malaysia	**1,706,459**	1,443,598	**1,803,456**	1,722,730	**76,547**	38,844
Outside Malaysia	**71,830**	136,093	**–**	–	**–**	–
	1,778,289	1,579,691	**1,803,456**	1,722,730	**76,547**	38,844

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 (2021: one) major customer amounted to RM561,244,408 (2021: RM459,488,282) arising from sales of steel billets and bars.

32. CAPITAL MANAGEMENT

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

The gearing ratios as at 31 December 2022 and 2021 were as follows:

	Group		Company	
	2022 RM'000	**2021 RM'000**	**2022 RM'000**	**2021 RM'000**
Total lease liabilities (Note 17)	**6,859**	9,147	**6,143**	8,161
Total borrowings (Note 18)	**471,442**	380,882	**471,442**	380,882
	478,301	390,029	**477,585**	389,043
Total equity	**862,955**	844,372	**859,963**	841,922
Gearing ratio	**55.43%**	46.19%	**55.53%**	46.20%

There was no change in the Group's and the Company's approach to capital management during the financial year.

Under the requirement of borrowing facilities, the Group and the Company is required to maintain several financial covenants. As at the reporting date, the Group and the Company had complied with all the financial covenants.

33. CAPITAL COMMITMENTS

	Group and Company	
	2022 RM'000	2021 RM'000
Acquisition of property, plant and equipment		
- contracted but not provided for	**–**	33,363
- authorised but not contracted for	**2,396**	3,270

34. RELATED PARTY TRANSACTIONS

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

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The balances due from subsidiaries and associate are shown in Note 11 and 19.

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

	Company	
	2022 RM'000	2021 RM'000
Transportation charged by a subsidiary	**4,765**	4,342
Fabrication service charged by a subsidiary	**–**	70

Compensation of key management personnel

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

35. MATERIAL LITIGATION

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

On 10 December 2021, the Claim was dismissed by the Shah Alam High Court and the Court ordered costs together with interest of RM80,000 to be paid to the Company. The related party has filed a Notice of Appeal ("Appeal") to the Court of Appeal against the decision on 10 December 2021. The Court of Appeal scheduled the hearing of the Appeal on 7 November 2023.

The Board of Directors is of the view that there is no financial and operational impact arising from the Appeal.

36. OTHER INFORMATION

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

(b) The registered office is situated at:

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

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

Wisma Masteel
Lot 29C, 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 5 April 2023.

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the directors of **MALAYSIA STEEL WORKS (KL) BHD. (Registration No. 197101000213 (7878-V))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 53 to 116 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 2022 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

5 April 2023

STATUTORY **DECLARATION**

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

I, **LAU YOKE LEONG**, being the director primarily responsible for the financial management of **MALAYSIA STEEL WORKS (KL) BHD. (Registration No. 197101000213 (7878-V))** do solemnly and sincerely declare that the financial statements set out on pages 53 to 116 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 5 April 2023

Before me

ONG SIEW KEE
No. W 839
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 2022 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 53 to 116.

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 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT

(CONT'D)

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report 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, which we obtained prior to the date of this auditor's report, and the remaining parts of the annual report, which are expected to be made available to us after that date.

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

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

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

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

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.

INDEPENDENT AUDITORS' REPORT

(CONT'D)

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 PLT
202206000002 (LLP0030276-LCA) & AF: 0768
Chartered Accountants

Lou Hoe Yin
03120/04/2024 J
Chartered Accountant

Kuala Lumpur

5 April 2023

LIST OF **PROPERTIES**
AS AT 31 DECEMBER 2022

Location	Existing Use	Approximate Age of Building (Years)	Tenure	Land Area (Built-up Area)	Net Book Value (RM'000)	Date of Acquisition	Date of Revaluation
Wisma Masteel Lot 29C, Off Jalan Tandang, Section 51 46050 Petaling Jaya Selangor Darul Ehsan	Office, factory and warehouse	40 years	Leasehold for 99 years expiring on 15 April 2067	130,897 sq. ft. (63,187 sq. ft.)	Land – 19,698 Building – Nil	30-Sep-05	30-Sep-19
Lot 29B, Off Jalan Tandang, Section 51 46050 Petaling Jaya Selangor Darul Ehsan	Factory	14 years	Leasehold for 99 years expiring on 15 April 2067	110,425 sq. ft. (69,960 sq. ft.)	Land – 16,589 Building – 103	22-Dec-09	30-Sep-19
Lot 13039 Jalan Waja, Bukit Raja Industrial Estate 41050 Klang Selangor Darul Ehsan	Office, factory and warehouse	22 years	Leasehold for 99 years expiring on 3 December 2111	1,562,266 sq. ft. (187,220 sq. ft.)	Land – 98,310 Building – 43,262	30-Sep-05	30-Sep-19
Unit B-05-3 5th Floor Block B (West Wing) PJ8 Office Suite No. 23, Jalan Barat Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	Office	13 years	Leasehold for 99 years expiring on 5 March 2106	(4,176 sq. ft.)	Land – Nil Building – 728	6-Nov-08	NIL
Unit B-05-3A 5th Floor Block B (West Wing) PJ8 Office Suite No. 23, Jalan Barat Seksyen 8 46050 Petaling Jaya Selangor Darul Ehsan	Office	13 years	Leasehold for 99 years expiring on 5 March 2106	(3,003 sq. ft.)	Land – Nil Building – 522	6-Nov-08	NIL
GRN 33304 Lot 3780 Mukim of Pasir Panjang District of Port Dickson Negeri Sembilan Darul Khusus	Bungalow	38 years	Freehold	5,403 sq. ft. (1,334 sq. ft)	Land – 108 Building – Nil	30-Sep-05	30-Sep-19
B-33-03A Antara Genting Mukin of Bentong District of Bentong State of Pahang Darul Makmur	Condominium	Under Construction	Freehold	520 sq. ft.	Land – Nil Building – 189	31-Jan-22	NIL
B-33-05 Antara Genting Mukin of Bentong District of Bentong State of Pahang Darul Makmur	Condominium	Under Construction	Freehold	1066 sq. ft.	Land – Nil Building – 245	31-Jan-22	NIL

ANALYSIS OF SHAREHOLDINGS
AS AT 24 MARCH 2023

Total number of issued shares	:	679,109,746 ordinary shares (including 1,840,000 treasury shares)
Voting Rights	:	One (1) vote per ordinary share

ANALYSIS BY SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital [1]
1 – 99	1,203	10.79	45,698	0.01
100 – 1,000	959	8.60	456,692	0.06
1,001 – 10,000	4,404	39.50	25,066,803	3.70
10,001 – 100,000	3,972	35.62	130,642,661	19.29
100,001 – 33,863,486 [2]	611	5.48	308,018,992	45.48
33,863,487 and above [3]	1	0.01	213,038,900	31.46
TOTAL	**11,150**	**100.00**	**677,269,746**	**100.00**

Notes:-

[1] Excluding a total of 1,840,000 ordinary shares bought-back by the Company and retained as treasury shares as at 24 March 2023.
[2] Less than 5% of issued shares (excluding treasury shares)
[3] 5% and above of issued shares (excluding treasury shares)

DIRECTORS' SHAREHOLDINGS AS PER REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
Name of Director	No. of Shares	% of Issued Capital [1]	No. of Shares	% of Issued Capital [1]
Dato' Sri Tai Hean Leng @ Tek Hean Leng	1,425,000	0.21	213,038,900 [2]	31.46

Notes:-

[1] Excluding a total of 1,840,000 ordinary shares bought-back by the Company and retained as treasury shares as at 24 March 2023.
[2] Deemed interested pursuant to Section 8(4) of the Companies Act 2016 by virtue of his interest in TYY Resources Sdn Bhd.

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

ANALYSIS OF SHAREHOLDINGS

(CONT'D)

SUBSTANTIAL SHAREHOLDERS AS PER REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of Shares	% of Issued Capital [1]	No. of Shares	% of Issued Capital [1]
TYY Resources Sdn Bhd	213,038,900	31.46	–	–
Dato' Sri Tai Hean Leng @ Tek Hean Leng	1,425,000	0.21	213,038,900 [2]	31.46
Datin Ng Pik Lian	–	–	223,534,365 [3]	33.01
Estate of Tai Chet Siang, Deceased	–	–	213,038,900 [2]	31.46

Notes:-

[1] Excluding a total of 1,840,000 ordinary shares bought-back by the Company and retained as treasury shares as at 24 March 2023.

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

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

THE 30 LARGEST SECURITIES HOLDERS

No.	Names	No. of Shares	%
1.	TYY RESOURCES SDN BHD	213,038,900	31.46
2.	YICK HOE FERROUS STEEL SDN BHD	13,900,000	2.05
3.	RAYA REKAJAYA SDN BHD	12,193,356	1.80
4.	KEMAJUAN REKACEKAP SDN BHD	10,495,465	1.55
5.	YAYASAN GURU TUN HUSSEIN ONN	8,758,500	1.29
6.	NEOH CHOO EE & COMPANY SDN BHD	7,200,000	1.06
7.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	6,349,680	0.94
8.	YEO KHEONG SOON	5,500,000	0.81
9.	LIM JIT HAI	5,009,300	0.74
10.	SU MING YAW	4,992,450	0.74
11.	MAH SIEW SEONG	4,888,000	0.72
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SIM ANN HUAT	4,700,039	0.69
13.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ER SOON PUAY	4,308,300	0.64
14.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JASON KOH JIAN HUI	4,100,000	0.61
15.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG YIEW ON (6000006)	3,484,400	0.51

ANALYSIS OF SHAREHOLDINGS
(CONT'D)

THE 30 LARGEST SECURITIES HOLDERS (CONT'D)

No.	Names	No. of Shares	%
16.	YAYASAN GURU TUN HUSSEIN ONN	3,450,000	0.51
17.	QUEK SEE KUI	3,315,100	0.49
18.	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAYA REKAJAYA SDN BHD	3,008,180	0.44
19.	LEE YOKE HEAN	3,000,000	0.44
20.	YEO KOON LIAN	2,779,800	0.41
21.	NG TENG SONG	2,629,500	0.39
22.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD TA DANA FOKUS	2,200,000	0.32
23.	LIM AH HOCK	2,132,000	0.31
24.	LAU HAU KUAK	2,100,000	0.31
25.	ONG CHOOI EWE	2,023,100	0.30
26.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KONG HAN	2,000,000	0.30
27.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LAW GOO @ LAW YEOW CHING	1,950,000	0.29
28.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD NG KOK SHIANG (7000595)	1,900,000	0.28
29.	NG ENG KEONG	1,896,950	0.28
30.	GEE HIN ENGINEERING SDN BHD	1,850,000	0.27

ANALYSIS OF WARRANT HOLDINGS
AS AT 24 MARCH 2023

Total number of issued warrants B	:	226,369,915
Exercise price of the warrants B	:	RM0.3950
Issue date of the warrants B	:	22 October 2021
Expiry date of the warrants B	:	21 October 2026

ANALYSIS BY SIZE OF WARRANT HOLDINGS

Size of holdings	No. of Holders	% of Holders	No. of Warrants	% of Issued Warrants
1 – 99	81	3.24	3,530	0.00
100 – 1,000	218	8.72	132,346	0.06
1,001 – 10,000	1,072	42.88	5,540,159	2.45
10,001 – 100,000	884	35.36	33,310,952	14.71
100,001 – 11,318,494 [1]	244	9.76	115,036,644	50.82
11,318,495 and above [2]	1	0.04	72,346,284	31.96
TOTAL	**2,500**	**100.00**	**226,369,915**	**100.00**

Notes:-

[1] Less than 5% of issued warrants
[2] 5% and above of issued warrants

DIRECTORS' WARRANT HOLDINGS AS PER REGISTER OF DIRECTORS' WARRANT HOLDINGS

	Direct Interest		Indirect Interest	
Name of Director	No. of Warrants	% of Issued Warrants	No. of Warrants	% of Issued Warrants
Dato' Sri Tai Hean Leng @ Tek Hean Leng	475,000	0.21	72,346,284 [1]	31.96

Notes:-

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

THE 30 LARGEST WARRANT HOLDERS

No.	Names	No. of Warrants	%
1.	TYY RESOURCES SDN BHD	72,346,284	31.96
2.	ER SOON PUAY	4,171,900	1.84
3.	NEOH CHOO EE & COMPANY SDN BHD	3,600,000	1.59
4.	YAYASAN GURU TUN HUSSEIN ONN	2,919,500	1.29
5.	KENANGA NOMINEES (TEMPATAN) SDN BHD LIM SOH WOON	2,900,000	1.28
6.	QUEK SEE KUI	2,715,100	1.20
7.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LENG KOK LIANG (E-PRA/BTW)	2,710,000	1.20
8.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	2,116,560	0.94
9.	AFFIN HWANG NOMINEEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON POCK (TAN6190M)	2,000,000	0.88
10.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR THONG KAR JUN	2,000,000	0.88
11.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR QUEK SEE KUI	1,902,200	0.84
12.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHEE SENG	1,800,000	0.80
13.	MAH SIEW SEONG	1,780,000	0.79
14.	NG ENG KEONG	1,687,950	0.75
15.	SU MING YAW	1,664,150	0.74
16.	OOI CHIN HOCK	1,628,000	0.72
17.	YICK HOE FERROUS STEEL SDN BHD	1,624,200	0.72
18.	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR ER ZHI ZHENG	1,565,000	0.69
19.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON POCK	1,500,000	0.66
20.	HLIB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ER SOON PUAY	1,436,100	0.63
21.	KHOO EEL WEN	1,400,000	0.62
22.	YAP BEE HOONG	1,300,000	0.57
23.	TAN HOCK KIEN	1,292,600	0.57
24.	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR KIM HOCK (B B KLANG-CL)	1,214,400	0.54
25.	LEE WAI SUM	1,212,000	0.54
26.	NG ZHANG CONG	1,209,000	0.53
27.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CH'NG BEE JIUAN (CHN0181C)	1,200,000	0.53
28.	YAYASAN GURU TUN HUSSEIN ONN	1,150,000	0.51
29.	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KONG HAN	1,050,000	0.46
30.	JASON LEE WING YOON	1,000,000	0.44

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Masteel

MALAYSIA STEEL WORKS (KL) BHD

[Registration No. 197101000213 (7878-V)]

CDS Account No.

No. of Shares held

FORM OF PROXY

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

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

of ....

....

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

<table>
<tr><td rowspan="2">Full Name (in Block and as per NRIC/Passport)</td><td rowspan="2">NRIC/Passport No.</td><td colspan="2">Proportion of Shareholdings</td></tr>
<tr><td>No. of Shares</td><td>%</td></tr>
<tr><td rowspan="2">Address</td><td>Email:</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>Contact:</td></tr>
</table>

and/or

<table>
<tr><td rowspan="2">Full Name (in Block and as per NRIC/Passport)</td><td rowspan="2">NRIC/Passport No.</td><td colspan="2">Proportion of Shareholdings</td></tr>
<tr><td>No. of Shares</td><td>%</td></tr>
<tr><td rowspan="2">Address</td><td>Email:</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>Contact:</td></tr>
</table>

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Fifty-First Annual General Meeting ("**51st AGM**") of the Company which will be conducted as a virtual meeting through live streaming from the broadcast venue via Remote Participation and Voting ("**RPV**") facilities at Masteel Meeting Room, Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("**Broadcast Venue**") on Wednesday, 31 May 2023 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 2023 and the benefits payable from 31 May 2023 until the next AGM	Ordinary Resolution 1		
2.	Re-election of Dato' Sri Tai Hean Leng @ Tek Hean Leng as Director	Ordinary Resolution 2		
3.	Re-election of Mr. Lau Yoke Leong as Director	Ordinary Resolution 3		
4.	Re-election of Puan Zueraini Binti Ahmad Basri as Director	Ordinary Resolution 4		
5.	Re-appointment of RSM Malaysia PLT as Auditors	Ordinary Resolution 5		
6.	Proposed continuation in office of Dato' Ikhwan Salim Bin Dato' Haji Sujak as Independent Non-Executive Director	Ordinary Resolution 6		
7.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 7		
8.	Proposed Renewal of Authority under Sections 75 and 76 of the Companies Act 2016 and the Constitution of the Company for the Directors to allot and issue shares	Ordinary Resolution 8		

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

Dated this .... day of ...., 2023

....

Signature of Shareholder/Common Seal

Notes:-

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

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

3. In respect of deposited securities, only members whose names appear on the Record of Depositors on 25 May 2023 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.

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

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

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

7. Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it is entitled to appoint not more than two (2) proxies in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said securities account. Where an Authorised Nominee appoints two (2) proxies to attend and vote at the AGM, the proportion of shareholdings to be represented by each proxy must be specified in the proxy form, failing which, the appointment shall be invalid.

   The members, proxies or corporate representatives may submit questions before the AGM to the Chairman or Board of Directors electronically by email to eservices@sshsb.com.my no later than Monday, 29 May 2023 at 2.00 p.m. or via real-time submission of typed texts via RPV facilities during live streaming of the AGM as the primary mode of communication.

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

9. The appointment of proxy may be made in the form of hardcopy or by electronic means as specified below and must be received by the Share Registrar, Securities Services (Holdings) Sdn Bhd no later than Monday, 29 May 2023 at 2.00 p.m. or any adjournment thereof:

   In hardcopy form
   Deposited at the office of the Share Registrar at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur, Malaysia.

   By electronic means
   Alternatively, the instrument appointing of proxy may also be lodged electronically via SS e-Portal at https://sshsb.net.my/ or by fax to +603-2094 9940 or by email to eservices@sshsb.com.my.

   If you have submitted your proxy form(s) prior to the AGM and subsequently decide to appoint another person or wish to personally participate in the AGM via RPV facilities, please write in to eservices@sshsb.com.my to revoke the earlier appointed proxy(ies) no later than Monday, 29 May 2023 at 2.00 p.m. or any adjournment thereof.

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 28 April 2023.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

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

1st fold here

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

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MALAYSIA STEEL WORKS (KL) BHD Registration No. 197101000213 (7878-V) **ANNUAL REPORT** 2022

Masteel

MALAYSIA STEEL WORKS (KL) BHD
Registration No. 197101000213 (7878-V)

ANNUAL REPORT
2022

FTSE4Good

PUTTING THE STEEL INTO MALAYSIA'S GROWTH

CORPORATE GOVERNANCE REPORT

STOCK CODE	**:**	5098
COMPANY NAME	**:**	Malaysia Steel Works (KL) Bhd
FINANCIAL YEAR	**:**	December 31, 2022

OUTLINE:

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE
Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA
Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

SECTION A – DISCLOSURE ON MALAYSIAN CODE ON CORPORATE GOVERNANCE

Disclosures in this section are pursuant to Paragraph 15.25 of Bursa Malaysia Listing Requirements.

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.1
The board should set the company's strategic aims, ensure that the necessary resources are in place for the company to meet its objectives and review management performance. The board should set the company's values and standards, and ensure that its obligations to its shareholders and other stakeholders are understood and met.

Application	:	Applied
Explanation on application of the practice	:	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**") is committed to exhibit high standards of corporate governance. The Board is responsible for the overall corporate governance of the Company and its subsidiaries (collectively referred to as the "**Group**"), including its strategic directions, establishing goals for the Management and monitoring the achievement of these goals. The Board is also responsible for the formulation of policies, implementing an appropriate system of risk management, ensuring the adequacy and integrity of the Group's system of internal control, overseeing the investments and addressing sustainability of the business by instilling the appropriate culture, values and behaviour throughout the Group. The Board is guided by a Board Charter which sets out the respective roles of the Board, the Chairman of the Board, the Managing Director/Chief Executive Officer ("**MD/CEO**"), Independent Directors and Senior Independent Director. The Management's proposals which are reserved for the Board's approval will be discussed at the Board meetings, where the Directors have the opportunity to scrutinise the proposals and seek clarifications from the Management. The Executive Directors ensure that the Management has taken into account all the appropriate consideration before tabling the proposals to the Board for approval. Any significant updates on the proposals would be updated to the Directors either in the next Board meeting or in follow-up reports distributed. The day-to-day management of the Group is delegated to the MD/CEO and the Senior Management Team. In this respect, the Board is guided by the Limits of Authority which provides the authority limits for corporate, operational, financial and human resource functions. The

	Limits of Authority determines the respective approving authorities for each transaction, prohibiting unfettered powers for any single individual within the various levels of management. Nevertheless, the MD/CEO remains accountable to the Board for the authority that is delegated. The Group's sustainability initiatives reflect its continuous drive towards maximising the opportunities for strong fiscal growth and optimising operational efficiency in tandem with the long term-term value creation based on environmental, social and governance considerations. Details of the Group's sustainability efforts are set out in its Sustainability and Task Force on Climate-Related Financial Disclosure Report 2022. The Company has adopted a Succession Planning Policy to ensure that the Group is prepared with a plan to support operation and service continuity when the MD/CEO, Executive Directors and Senior Management or key business leaders leave their positions. The Company will review and discuss the Succession Plan for Directors and Senior Management to ensure that there are successors identified for every key position annually. Key Performance Indicators ("**KPIs**") for the MD/CEO and Executive Directors are in place to ensure the performance of the MD/CEO and Executive Directors are aligned with the Group's business targets for the year. During the financial year, the Remuneration Committee ("**RC**") will meet and assist the Board in reviewing the remuneration of the MD/CEO and Executive Directors based on the Assessment Form for KPIs and thereafter, recommend the appropriate annual increment and bonus payment for the MD/CEO and Executive Directors, whilst the performance of the Senior Key Management who report to the MD/CEO are evaluated annually by the MD/CEO premised on annual measurements and targets sets. The Risk Management Committee ("**RMC**") assists the Board in establishing a sound internal control framework to manage risks with the overall responsibility for overseeing the risk management activities of the Group, approving and implementing 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 Board receives regular reports from the Chairman of the RMC in relation to the potential risks identified, impact of the risks and mitigation of the key risks elements. The RMC monitors and manages the significant risks faced by the business throughout the financial year under review. The Company has established Integrity Committee and appointed a Compliance Officer to assist RMC in establishing an oversight body to

	undertake primarily anti-bribery and anti-corruption measures and responses. The Board strives to ensure there are regular communications with all its stakeholders, regardless of individual or institutional investors, including the wider stakeholders at large, through the timely releases of quarterly financial results, press release, corporate announcements and annual reports. The Board is assisted by the Audit Committee ("**AC**") in ensuring the Group's financial reporting processes are effective and the quality of the financial reporting is of the highest standard. The AC reviewed the quarterly financial reports prior to its recommendation to the Board for approval and announcements to Bursa Malaysia Securities Berhad ("**Bursa Securities**").	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.2
A Chairman of the board who is responsible for instilling good corporate governance practices, leadership and effectiveness of the board is appointed.

Application	:	Applied
Explanation on application of the practice	:	The Independent Non-Executive Chairman, Dato' Ikhwan Salim Bin Dato' Haji Sujak is responsible for the leadership, effectiveness, conduct and governance of the Board. In fulfilling his role, the responsibilities undertaken by the Chairman include, amongst others: • leading the Board in the oversight of the Management; • representing the Board to shareholders and to chair and to ensure an efficient organisation and conduct of the meetings of the Board and/or the shareholders; • setting the board agenda and ensuring the provision of accurate, timely, complete and clear information to Directors; • encouraging active participation and allowing dissenting views to be freely expressed; • managing the interface between Board and the Management; • leading the Board in establishing and monitoring good corporate governance practices within the Group; • maintaining regular dialogue with the MD/CEO over all operational matters and consulting with the remainder of the Board promptly over any matters that gives him/her cause for major concern; • functioning as a facilitator at meetings of the Board to ensure that no member dominates discussion, that appropriate discussions take place and that relevant opinions among members are forthcoming; • ensuring that Executive Directors look beyond their executive function and accept their share of responsibilities in governance; • guiding and mediating the actions of the Board with respect to the organisational priorities and governance concerns; • undertaking the primary responsibility for organising information necessary for the Board to deal with items on the agenda and for providing this information to Directors on a timely basis; and • performing other responsibilities assigned by the Board from time to time. The detailed roles and responsibilities of the Chairman are encapsulated in the Board Charter, which is available on the Company's website at www.masteel.com.my.

Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.3
The positions of Chairman and CEO are held by different individuals.

Application	:	Applied	
Explanation on application of the practice	:	The Board recognises the importance of exercising the objective to oversee the Management in order to guard the interest of the Company and its stakeholders. Stemming from this, the Board aims to ensure that there is an appropriate balance of power to prevent any single individual from dominating the deliberations and the decision-making process. The roles of the Chairman and MD/CEO are separated and clearly defined, and are held by two (2) distinct individuals. Dato' Ikhwan Salim Bin Dato' Haji Sujak is the Independent Non-Executive Chairman of the Board whereas Dato' Sri Tai Hean Leng @ Tek Hean Leng is the MD/CEO of Masteel. The Chairman is primarily responsible for the orderly conduct and working of the Board whilst the MD/CEO has the overall responsibility for the day-to-day running of the business and implementation of Board policies and decisions, who is assisted by the Executive Directors. The respective duties and responsibilities of the Chairman and the MD/CEO are provided in the Board Charter, which is available on the Company's website at www.masteel.com.my.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.4
The Chairman of the board should not be a member of the Audit Committee, Nomination Committee or Remuneration Committee

Note: If the board Chairman is not a member of any of these specified committees, but the board allows the Chairman to participate in any or all of these committees' meetings, by way of invitation, then the status of this practice should be a 'Departure'.			
Application	:	Applied	
Explanation on application of the practice	:	The Chairman of the Board, Dato' Ikhwan Salim Bin Dato' Haji Sujak, is not a member of the AC, Nomination Committee ("**NC**") and RC of the Company as to ensure that there is proper check and balance as well as objective review by the Board on deliberations emanating from the committee.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.5

The board is supported by a suitably qualified and competent Company Secretary to provide sound governance advice, ensure adherence to rules and procedures, and advocate adoption of corporate governance best practices.

Application	:	Applied
Explanation on application of the practice	:	The Board is supported by two (2) professionally qualified and competent Company Secretaries, namely Ms Tai Yit Chan and Ms Tan Ai Ning. Both Company Secretaries of the Company are qualified to act as Company Secretaries under Section 235(2) of the Companies Act 2016. They are qualified to act as Company Secretaries under Section 235(2) of CA 2016 and are Fellow members of the Malaysian Institute of Chartered Secretaries and Administrators ("**MAICSA**"). The Board is regularly apprised and advised by both Company Secretaries on the statutory and regulatory updates and requirements as well as pertinent governance matters. As counsels to the Board, the Company Secretaries also ensure proper supply of relevant information as well as the accuracy and adequacy of meeting materials, recording of meeting minutes and resolutions of the Board and Board Committees. The Company Secretaries additionally serve as a focal point for stakeholders' communication and engagement on corporate governance issues. The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in discharging its functions. During the year 2022, they attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for continuous development. The roles and responsibilities of the Company Secretary have been set forth in the Board Charter, which is available on the Company's website at www.masteel.com.my.
Explanation for departure	:	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Every company is headed by a board, which assumes responsibility for the company's leadership and is collectively responsible for meeting the objectives and goals of the company.

Practice 1.6

Directors receive meeting materials, which are complete and accurate within a reasonable period prior to the meeting. Upon conclusion of the meeting, the minutes are circulated in a timely manner.

Application	:	Applied
Explanation on application of the practice	:	In order to facilitate the Directors' time planning, the annual meeting calendar is prepared and tabled to the Board meeting at the beginning of the year. The Chairman, together with the Management and Company Secretary, are responsible for ensuring the Directors receive adequate and timely information prior to Board or Board Committee meetings. The notice of the Board meetings is circulated to Board members at least seven (7) days before the meeting and the core Board papers are circulated to the Directors at least five (5) business days prior to the meeting to ensure the meetings are run in a smooth and seamless manner. All pertinent issues discussed at the Board and Board Committee meetings in arriving at the decisions and conclusions are properly minuted by the Company Secretaries. The minutes of Board and Board Committee meetings are prepared within a reasonable period following the conclusion of the meetings. The draft minutes are circulated together with the Board papers at the following meetings of the Company and approved at the subsequent Board and Board Committee meetings. Items yet to be resolved would remain as matters arising until the matters have been resolved. The minutes of meetings records the decisions, including the key deliberations, rationale for each decision made and any concerns or dissenting issues. In addition, the Directors, either as a group or individually, may upon obtaining prior Board's approval seek independent advice, where necessary, at the Company's expenses on any matters in relation to the discharge of their duties.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		

Measure :		
Timeframe :		

Intended Outcome
There is demarcation of responsibilities between the board, board committees and management.

There is clarity in the authority of the board, its committees and individual directors.

Practice 2.1
The board has a board charter which is periodically reviewed and published on the company's website. The board charter clearly identifies–
- the respective roles and responsibilities of the board, board committees, individual directors and management; and
- issues and decisions reserved for the board.

Application	:	Applied
Explanation on application of the practice	:	The Board has put in place a Board Charter, which serves the Board as a primary reference on governance matters for the Board as well as a guideline and induction literature for newly appointed Directors. The Board Charter covers amongst others, the following matters: • Objectives of the Board; • Role of the Board; • Board Balance and Composition; • Role of the Chairman; • Role of the MD/CEO; • Role of Individual Directors; • Role of Independent Directors; • Role of Senior Independent Director; • Tenure of Directors; • Company Secretary; • Board Committees; • Investor Relations and Shareholders' Communication; • Board Processes; • Anti-Bribery and Anti-Corruption Programme; • Code of Ethics and Code of Conduct; and • Whistleblowing Policy. In developing and reviewing the Board Charter, the Board has taken into account the applicable rules, laws and regulations as well as internal policies. The Board has reserved a formal schedule of matters for its decision to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, formulation of policies, material acquisition and disposal of assets, implementing an appropriate system of risk management, approval of the financial statements, financing and borrowing activities, ensuring regulatory compliance, reviewing the adequacy and integrity of internal controls,

	overseeing the investment and business of the Group, limits of authority and conflict of interest issues relating to a substantial shareholder or a Director including approving related party transactions. The Board Charter shall be periodically reviewed by the Board and amended/or revised as and when deems appropriate to ensure it is always updated based on the prevailing regulatory promulgations. The Board Charter is accessible for reference on the Company's website at www.masteel.com.my.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.1
The board establishes a Code of Conduct and Ethics for the company, and together with management implements its policies and procedures, which include managing conflicts of interest, preventing the abuse of power, corruption, insider trading and money laundering.

The Code of Conduct and Ethics is published on the company's website.

Application	:	Applied
Explanation on application of the practice	:	The Company has in place a Code of Conduct for the Directors, Management and employees of the Group. This Code is established to promote the corporate culture which engenders ethical conduct that permeates throughout the Company. The Code of Conduct covers the following overarching areas: • Equal treatment of all employees; • Ensure a safe and secure working environment; • Environmental protection; • Avoidance of accepting gifts and business courtesies; • Maintain complete and accurate business records; • Manage and safeguard the Company's properties and assets; • Ensure high integrity and professionalism; • Ensure protection of confidential information; • Managing conflict of interest; and • Complying with laws including abuse of power, corruption, insider trading and money laundering. The Company has also adopted the Code of Ethics, consisting of commitments formulated as statements of personal responsibilities, identifies the elements of such a commitment. The Code of Ethics covers the following overarching areas: • Corporate Governance; • Conflict of interest; and • Social responsibilities and the environment. The Board reviews the Code of Conduct and Code of Ethics periodically or as and when the need arises to ensure it is kept contemporaneous.

	Subsequent to the introduction of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("**MACC Act**"), the Group adopted the Anti-Bribery and Anti-Corruption ("**ABAC**") Policy and taken proactive actions to strengthen the Group's internal processes and practices to ensure that adequate procedures are in place to prevent persons associated with the Group undertakes any corrupt conduct. Consequent thereto, the Board Charter, Code of Conduct, Code of Ethics and Whistleblowing Policy were revised so that to align with the ABAC Policy and the same are made available for reference on the Company's website, at www.masteel.com.my.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome
The board is committed to promoting good business conduct and maintaining a healthy corporate culture that engenders integrity, transparency and fairness.

The board, management, employees and other stakeholders are clear on what is considered acceptable behaviour and practice in the company.

Practice 3.2
The board establishes, reviews and together with management implements policies and procedures on whistleblowing.

Application	:	Applied
Explanation on application of the practice	:	As part of the Company's continuous effort to ensure that good corporate governance practices are being adopted, the Company has established a Whistleblowing Policy to provide a clear line of communication and reporting of concerns for employees at all levels, and provides alternative lines of communication depending on the person(s) who is/are the subject of such concerns. The Company's Whistleblowing Policy fosters an environment in which integrity and ethical behaviour are maintained through protocols and aid in minimising the exposure to any violations or improper conduct or wrongdoing within the Group. Managers, officers and employees in supervisory roles shall report directly to the Head of Internal Auditors or AC Chairman on any allegations of suspected improper activities - whether received as a protected disclosure, including those relating to financial reporting, unethical or illegal conduct whilst any employment-related concerns can be reported to the Head of Human Resources or the MD/CEO. The disclosure can be verbal or in writing and forwarded in a sealed envelope, reported by their subordinates in the ordinary course of performing their duties, or discovered in the course of performing their own duties. The AC is committed to investigate and address all cases of reported misconduct and determine the channel for investigation and follow-up action. In year 2022, there was no whistleblowing case received by the Company and/or the AC Chairman. The Whistleblowing Policy is reviewed once in every two (2) years to assess its effectiveness. The Board had approved and adopted the revised Whistleblowing Policy subsequent to the introduction of the MACC Act and adoption of ABAC Policy by the Company. The details on the policy and procedures can be found on the Company's website at www.masteel.com.my.

<table>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
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<tr><td>Measure :</td><td colspan="2"></td></tr>
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Intended Outcome
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.1
The board together with management takes responsibility for the governance of sustainability in the company including setting the company's sustainability strategies, priorities and targets.

The board takes into account sustainability considerations when exercising its duties including among others the development and implementation of company strategies, business plans, major plans of action and risk management.

Strategic management of material sustainability matters should be driven by senior management.

Application :	Applied	
Explanation on application of the practice :	The Board of Masteel is responsible to ensure that the strategic plan supports long-term value creation and includes strategies on environmental, social and governance consideration underpinning sustainability. The Board is committed to determine the general course for Masteel sustainable development, whilst the Executive Directors supervise and monitor activities related to sustainability. The Senior Management of Masteel are accountable to the Board and their duties include goal-setting and performing specific tasks corresponding to their functions. The manager of each business segment of Masteel will then implement sustainability initiatives in accordance with their responsibilities.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.2
The board ensures that the company's sustainability strategies, priorities and targets as well as performance against these targets are communicated to its internal and external stakeholders.

<table>
<tr><td>Application :</td><td colspan="2">Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td colspan="2">Sustainability strategies, priorities and targets have been integrated into the mission and strategic plan of the Company and communicated to the employees. The employees are made aware that sustainability will be the value driver of the Company and forms part of the Company's business model going forward.

The Company has an established stakeholder engagement practice for respective stakeholder groups and regularly engage with the stakeholders via various communication channels ensuring that the Company's sustainability strategies, priorities and targets are effectively communicated.

A stand-alone Sustainability and Task Force on Climate-Related Financial Disclosure Report 2022 which serves as a main communication tool of the Group's sustainability to both internal and external stakeholders is available on the Company's website at www.masteel.com.my.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td colspan="2"></td></tr>
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<tr><td>Measure :</td><td colspan="2"></td></tr>
<tr><td>Timeframe :</td><td></td><td></td></tr>
</table>

Intended Outcome
The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.3
The board takes appropriate action to ensure they stay abreast with and understand the sustainability issues relevant to the company and its business, including climate-related risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	The Board recognises the importance of Environmental, Social and Governance ("**ESG**") issues and will continue keeping themselves abreast with and understand to the sustainability issues which are relevant to the Company. The Board had been constantly searching the sustainability related trainings or professional development programmes in order to equip themselves towards ESG competency.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.4

Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities.

Application	:	Applied	
Explanation on application of the practice	:	The Company taking cognisance of the fast changing environment in the industry and had in place processes and procedures to measure against the achievement of sustainability targets. The NC undertook an evaluation of the performance of the Board and senior management in addressing the Company's material sustainability risks and opportunities. Key criteria used in the assessment of individual Directors during the year were: • Presence of a business strategy underpinned by ESG; • Robustness of ESG agendas, deliberations and discussions; • Frequency of discussions on ESG risks and opportunities; and • Monitoring sustainability targets and goals.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

The company addresses sustainability risks and opportunities in an integrated and strategic manner to support its long-term strategy and success.

Practice 4.5- Step Up

The board identifies a designated person within management, to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the company.

Note: The explanation on adoption of this practice should include a brief description of the responsibilities of the designated person and actions or measures undertaken pursuant to the role in the financial year.		
Application	:	Adopted
Explanation on adoption of the practice	:	A designated person within management has been appointed as the Sustainability Officer to provide dedicated focus to manage sustainability strategically, including the integration of sustainability considerations in the operations of the Company. Sustainability Committee which comprised of key representatives from various business divisions has been formed to support the Board on sustainability governance.

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.1
The Nomination Committee should ensure that the composition of the board is refreshed periodically. The tenure of each director should be reviewed by the Nomination Committee and annual re-election of a director should be contingent on satisfactory evaluation of the director's performance and contribution to the board.

Application	:	Applied
Explanation on application of the practice	:	The Terms of Reference of the NC stipulates that the NC shall ensure the composition of the Board is refreshed periodically by reviewing the tenure of each Director and the re-election of a Director should be contingent on satisfactory evaluation of the Director's performance and contribution to the Board. During the year under review, the NC had reviewed and evaluated the effectiveness of the Board as a whole and was of the view that all the Directors' performance and contribution to the Board are satisfactory. The NC was also of the view that the Directors have discharged their responsibilities in a commendable manner. The Board had on 26 May 2022 adopted the Directors' Fit and Proper Policy to ensure a transparent and rigorous process for the appointment and re-election of Directors of the Group. A copy of the Directors' Fit and Proper Policy is available on the Company's website at http://www.masteel.com.my. The NC had conducted the fit and proper assessments on the Directors who are due for retirement at the forthcoming Fifty-First ("**51st**") Annual General Meeting ("**AGM**") and satisfied that the retiring Directors have met the criteria of character, experience, integrity, competency and time commitment to effectively discharge their roles as Directors of the Company. Subsequently, the NC proposed the re-election of Directors to the Board for the shareholders' approval at the forthcoming 51st AGM.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	

Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.2
At least half of the board comprises independent directors. For Large Companies, the board comprises a majority independent directors.

Application	:	Applied
Explanation on application of the practice	:	The Board acknowledges that having at least half of the Board to consist of Independent Directors would undeniably elevate objectivity whilst preventing dominance and complacency within the boardroom. During the financial year under review, the Board consists of five (5) Independent Directors and four (4) Executive Directors, representing at least half of the Board comprises independent directors. The details of the directors are set out in Directors' profile of the Annual Report 2022. Independent Directors are expected to challenge the Management's proposals constructively and to examine and review the Management's performance in meeting agreed objectives and targets. In addition, they are expected to draw on their experience and knowledge in relation to the development of proposals on strategies. The current size and composition of the Board are within an appropriate range. The Board believes that the current size of the Board is sufficient to enable Board Committees to operate and be dynamic and responsive to the needs of the Group. An annual assessment on the independence of the Independent Directors had been conducted. Based on the evaluation results, the Board was satisfied that each Independent Director has fulfilled the independence criteria set out in the Main Market Listing Requirements ("**MMLR**") of Bursa Securities and they continue to demonstrate their independence through their engagement in all meetings, providing objective challenges to the Management and bringing an independent judgment to decisions taken by the Board.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:	

Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.3
The tenure of an independent director does not exceed a cumulative term limit of nine years. Upon completion of the nine years, an independent director may continue to serve on the board as a non-independent director.

If the board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

Application	:	Departure
Explanation on application of the practice	:	
Explanation for departure	:	During the year 2022, Dato' Ikhwan Salim Bin Dato' Haji Sujak has served as Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years; whilst both Mr. Ng Wah Lok and Encik Muhammad Hanizam Bin Hj. Borhan have served as Senior Independent Non-Executive Director and Independent Non-Executive Director of the Company respectively for a cumulative term of more than twelve (12) years. Shareholders' approval was sought for Dato' Ikhwan Salim Bin Dato' Haji Sujak, Mr. Ng Wah Lok and Encik Muhammad Hanizam Bin Hj. Borhan for their continuance to serve as Independent Directors on the Board at the Fiftieth ("**50th**") AGM held on 16 June 2022 via a single-tier voting process. Notwithstanding Dato' Ikhwan Salim Bin Dato' Haji Sujak, Mr. Ng Wah Lok and Encik Muhammad Hanizam Bin Hj. Borhan extended tenure, the Board has determined that they are able to carry out their duties in a fair, impartial and conscientious manner based on the following justifications:- (a) They fulfilled the criteria under the definition on Independent Director as stated in the MMLR, and therefore are able to bring independent and objective judgment to the Board. (b) They have contributed sufficient time and effort and attended all the Board meetings. (c) The length of their service on the Board does not in any way interfere with their exercise of independent judgement and ability to act in the best interests of the Company.

	(d) They understand the Company's business operations which enable them to participate actively and contribute during deliberations or discussions at the Board meetings without compromising their independence and objective judgement. (e) They have exercised their due care during their tenure as Independent Non-Executive Directors of the Company and carried out their professional duties in the interest of the Company and shareholders. The Board further recognised that the tenure of directorship is not an absolute indicator of a Directors' independence and objectivity wherein the spirit, intention, purpose and attitude should also be considered. The Board noted that pursuant to the mandatory 12 years tenue limit for independent directors introduced via the enhanced MMLR of Bursa Securities, all long serving Independent Directors of more than 12 years must resign or be re-designated as a Non-Independent Directors on or before 1 June 2023.
	Encik Muhammad Hanizam Bin Hj. Borhan, having served as an Independent Non-Executive Director of the Company for a cumulative term of more than 12 years will retire by rotation pursuant to Clause 96 of the Constitution of the Company. As he is not seeking for re-election, he will retire at the conclusion of this forthcoming 51st AGM; whilst Mr. Ng Wah Lok, having served as a Senior Independent Non-Executive Director of the Company for a cumulative term of more than 12 years has expressed his intention to resign as a director at the conclusion of this forthcoming 51st AGM.

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.

Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.4 - Step Up
The board has a policy which limits the tenure of its independent directors to nine years without further extension.

Note: To qualify for adoption of this Step Up practice, a listed issuer must have a formal policy which limits the tenure of an independent director to nine years without further extension i.e. shareholders' approval to retain the director as an independent director beyond nine years.		
Application	:	Not Adopted
Explanation on adoption of the practice	:	

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.5
Appointment of board and senior management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

Directors appointed should be able to devote the required time to serve the board effectively. The board should consider the existing board positions held by a director, including on boards of non-listed companies. Any appointment that may cast doubt on the integrity and governance of the company should be avoided.

Application	:	Applied
Explanation on application of the practice	:	The Board has adopted a Diversity Policy to set out the approach to diversity on the Board and workforce within the Group. The Board conducts regular reviews of its composition with the aim to ensure it achieves a diverse Board which is able to unearth a breadth of perspectives. In sourcing for suitable candidates, the Company takes into account the benefits of having different facets of diversity including gender, age, ethnicity, nationality, professional background, skills and experience. The NC is responsible to lead the process for the nomination of new Board appointments and making the necessary recommendations based on the following objective criteria:- • skills, knowledge, expertise and experience; • professionalism; • character, integrity, commitment (including time commitment) and competency; • merit and against objective criteria with due regard for the benefits of boardroom diversity including gender, age, ethnicity, experience, cultural background, skill, character, integrity and competence; • any business interests that may result in a conflict of interest that may arise within the Company or the Group; • in the case of candidates for the position of Independent Directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Directors; and • in considering independence, it is necessary to focus not only on a Director's background and current activities which qualify him or her as independent but also whether the Director can act independently of management. The role of the NC is detailed in its Terms of Reference, which is accessible for reference on the Company's website at www.masteel.com.my.

	The Board is currently made up of members with a mix of skill sets, knowledge and experience (e.g. accounting, finance, manufacturing, civil, marketing, economics and business management), and age (44-66). As the Board is mindful on the importance of devoting sufficient time and effort by each director to carry out his/her responsibilities and enhance the professional skills, the Board will ensure that none of the Directors hold more than five (5) directorships in listed companies. The appointment of senior management is also based on a predetermined criteria of skill sets and leadership qualities, driven by their respective job descriptions. Masteel has also put in human resource programmes which seek to address the need for capable individuals at the Senior Management level, taking into account the different dimensions of diversity.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.6
In identifying candidates for appointment of directors, the board does not solely rely on recommendations from existing board members, management or major shareholders. The board utilises independent sources to identify suitably qualified candidates.

If the selection of candidates was based on recommendations made by existing directors, management or major shareholders, the Nominating Committee should explain why these source(s) suffice and other sources were not used.

Application	:	Applied	
Explanation on application of the practice	:	The current process with regards to the appointment of new directors to the Board is based on the recommendation of the NC. In searching for suitable candidates, the NC may receive suggestions from existing Board Members, Management and major shareholders. The Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms. Detailed information on the process undertaken by the NC including its process of identifying and appointing a candidate can be found in the Terms of Reference of the NC on the Company's website at www.masteel.com.my. During the year, the Company has appointed Puan Zueraini Binti Ahmad Basri based on the recommendation of the existing board members.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.7
The board should ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director. This includes details of any interest, position or relationship that might influence, or reasonably be perceived to influence, in a material respect their capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the listed company as a whole. The board should also provide a statement as to whether it supports the appointment or reappointment of the candidate and the reasons why.

Application :	Applied	
Explanation on application of the practice :	In respect of the Board's decision on appointment of director, the shareholders are kept informed via announcements to Bursa Securities, which are also updated in the Company's website. The details of the directors standing for re-election is set out in the Directors' profile of the Annual Report 2022. A statement as to whether the Board is supportive to the re-election of Directors together with the justifications is also disclosed in the statement accompanying in the Notice of AGM.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.8
The Nominating Committee is chaired by an Independent Director or the Senior Independent Director.

Application :	Applied		
Explanation on application of the practice :	The NC is chaired by Encik Muhammad Hanizam Bin Hj. Borhan, an Independent Non-Executive Director of the Company. The Board acknowledges that an effective recruitment and evaluation process of directors is the bedrock of a high-performing Board. The Board therefore believes that Encik Muhammad Hanizam Bin Hj. Borhan, as an Independent Non-Executive Director, is the most suitable and qualified person to lead the conduct of the process in an objective manner. In discharging his duties as the Chairman of the NC, he undertakes to lead an annual assessment of the effectiveness of the Board and Board Committees; ensuring that the performance of the Board, Board Committees and each Director is assessed objectively and holistically; and leads the succession planning and appointment of the Board members.		
Explanation for departure :			
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure :			
Timeframe :			

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.9
The board comprises at least 30% women directors.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	As at the date of report, the Board composition comprises two (2) women directors, namely Ms. Ng Siew Peng and Puan Zueraini Binti Ahmad Basri who accounts for 22.2% of the total Board members. The aforesaid female Board members provide the Board with gender diversity that bring value to the Board's deliberations from the different perspectives and insights of the female Board members.	
		The Board will actively seek out avenues to appoint more high calibre women directors to enhance the Board's skills set.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
Board decisions are made objectively in the best interests of the company taking into account diverse perspectives and insights.

Practice 5.10
The board discloses in its annual report the company's policy on gender diversity for the board and senior management.

Application :	Applied	
Explanation on application of the practice :	The Board is of the view that diversity on the Board enhances the decision-making capability of the Company and it improves the process of Board discussions by allowing different perspectives to be included in the decision making. The Board also recognises and embraces the benefits of having 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. Appointment of additional female candidates to the Board will be made when a suitable candidate who can add value to the Board is identified. The ultimate decision to appoint female candidates will be based on merit and contribution that the chosen candidate will bring to the Board. The Company also ensures diversity in the Management by having strong female representations at the Management which could potentially be a pipeline for future appointment as Directors or Senior Management.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Stakeholders are able to form an opinion on the overall effectiveness of the board and individual directors.

Practice 6.1
The board should undertake a formal and objective annual evaluation to determine the effectiveness of the board, its committees and each individual director. The board should disclose how the assessment was carried out its outcome, actions taken and how it has or will influence board composition.

For Large Companies, the board engages an independent expert at least every three years, to facilitate objective and candid board evaluation.

Note: For a Large Company to qualify for adoption of this practice, it must undertake annual board evaluation and engage an independent expert at least every three years to facilitate the evaluation.		
Application	:	Applied
Explanation on application of the practice	:	The Board has adopted a formal and objective annual evaluation of the Board, conducted in-house under the purview of the NC and facilitated by the external corporate secretarial service provider, Boardroom Corporate Services Sdn Bhd. The preparation of the evaluation forms and collation of the results were facilitated by the Company Secretaries and tabled to the NC for review and discussion. After discussion by the NC, the results were then presented to the Board. The deliberation of the NC and the Board were minuted in the respective meetings. The scope of the assessment comprises of the following:- • The effectiveness of the Board and Board Committees in terms of composition, character, experience, integrity, competence and time commitment; • Self-assessment on mix of skills and experience; • Level of Independence of Directors; and • Review the terms of office and performance of the AC and each of its members. Based on the results of the assessment for the financial year ended 2022, the NC and the Board were satisfied with the outcome of the results as follow:- • The Board and the Board Committees were considered to be fully effective. The Board recognised that the AC, RC, NC and RMC have the right composition and sufficient knowledge of relevant areas. The Board also recognised that the AC, RC, NC and RMC have been effective in discharging their duties.

	• The qualities of individual Directors were considered strong and all Directors were found to possess the relevant qualifications, knowledge, experience and ability to understand the technical requirements, risk and management of the Company's business. All the Directors have demonstrated willingness to devote time and effort to the affairs of the Company while acting in good faith and with integrity at all times. • There is a balance in the composition and size of the Board with the Directors having a good mix of skills and experience in various fields from their diverse backgrounds and specialisation to enable the Board to lead and manage the operations of the Company effectively. • Each Independent Director has fulfilled the independence criteria set out in the MMLR of Bursa Securities and they continue to demonstrate their independence through their engagement in meetings, providing objective challenges to the Management and bringing independent judgement to decisions taken by the Board. The Terms of Reference of the NC is available on the Company's website at www.masteel.com.my.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :	

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.1
The board has remuneration policies and procedures to determine the remuneration of directors and senior management, which takes into account the demands, complexities and performance of the company as well as skills and experience required. The remuneration policies and practices should appropriately reflect the different roles and responsibilities of non-executive directors, executive directors and senior management. The policies and procedures are periodically reviewed and made available on the company's website.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>The Board has established a remuneration policy and procedures which cover the Directors and the Senior Management.

The remuneration policy and procedures are premised on the need to have an adequate level of remuneration to attract, retain and motivate the Directors and the Senior Management of high calibre and talent. The Board aims to ensure that the remuneration for the Directors and the Senior Management are competitive, fair and relevant, taking into consideration all relevant factors including the nature of the job, skills, experience and scope of responsibilities, KPIs in the job, contributions and performance of the incumbents.

The RC will assist the Board in fulfilling the corporate governance responsibilities with respect to remuneration by reviewing and making appropriate recommendations to the Board on the Company's remuneration framework for the Directors and the Senior Management.

The remuneration policy and procedures will be reviewed periodically and is available on the Company's website at www.masteel.com.my.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td></td></tr>
<tr><td></td></tr>
<tr><td colspan="2">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td></td></tr>
</table>

Timeframe :		

Intended Outcome
The level and composition of remuneration of directors and senior management take into account the company's desire to attract and retain the right talent in the board and senior management to drive the company's long-term objectives.

Remuneration policies and decisions are made through a transparent and independent process.

Practice 7.2
The board has a Remuneration Committee to implement its policies and procedures on remuneration including reviewing and recommending matters relating to the remuneration of board and senior management.

The Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

<table>
<tr><td>Application :</td><td>Applied</td></tr>
<tr><td>Explanation on application of the practice :</td><td>The RC comprises exclusively the following Independent Non-Executive Directors:

1. Encik Muhammad Hanizam Bin Hj. Borhan - Chairman
2. Mr Ng Wah Lok - Member
3. Mr Roy Thean Chong Yew - Member

The RC is responsible to review and recommend the remuneration of the MD/CEO, Executive Directors and Non-Executive Directors in all its forms. The RC ensures the remuneration packages are designed to attract, retain and motivate the Directors. The remuneration packages are tailored based on the criteria set out in the Directors' Remuneration Policy. The Executive Directors and Non-Executive Directors are prohibited from participating or in deciding their own remuneration packages.

The RC's Terms of Reference which defines the duties, authority and composition of the Committee is periodically reviewed by the Board and is available on the Company's website at www.masteel.com.my.</td></tr>
<tr><td rowspan="2">Explanation for departure :</td><td></td></tr>
<tr><td></td></tr>
<tr><td colspan="2">Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.</td></tr>
<tr><td>Measure :</td><td></td></tr>
</table>

Timeframe :		

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.1
There is detailed disclosure on named basis for the remuneration of individual directors. The remuneration breakdown of individual directors includes fees, salary, bonus, benefits in-kind and other emoluments.

Application :	Applied
Explanation on application of the practice :	The details of the remuneration received by the Directors for the financial year ended 31 December 2022 are set out in the Audited Financial Statements and the table at the following page. At the 50th AGM of the Company held on 16 June 2022, the shareholders have approved the Directors' fees up to an aggregate amount of RM180,000.00 for the financial year ended 31 December 2022 and benefit payable to the Directors up to an aggregate amount of RM496,000.00 from 16 June 2022 until the 51st AGM of the Company.

No	Name	Directorate	Company ('000)							Group ('000)						
			Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total	Fee	Allowance	Salary	Bonus	Benefits-in-kind	Other emoluments	Total
1	Dato' Sri Tai Hean Leng @ Tek Hean Leng	Executive Director	20	30	1,243.5	-	-	-	1,293.5	20	30	1,243.5	-	-	-	1,293.5
2	Lau Yoke Leong	Executive Director	20	7.8	478.5	-	-	-	506.3	20	7.8	478.5	-	-	-	506.3
3	Ong Teng Chun	Executive Director	20	-	335.6	-	-	-	355.6	20	-	335.6	-	-	-	355.6
4	Ng Siew Peng	Executive Director	20	-	184.2	-	-	-	204.2	20	-	184.2	-	-	-	204.2
5	Dato' Ikhwan Salim Bin Dato' Haji Sujak	Independent Director	20	152.5	-	-	-	-	172.5	20	152.5	-	-	-	-	172.5
6	Ng Wah Lok	Independent Director	20	60.3	-	-	-	-	80.3	20	60.3	-	-	-	-	80.3
7	Roy Thean Chong Yew	Independent Director	20	78.5	-	-	-	-	98.5	20	78.5	-	-	-	-	98.5
8	Muhammad Hanizam Bin Hj. Borhan	Independent Director	20	55.3	-	-	-	-	75.3	20	55.3	-	-	-	-	75.3
9	Zueraini Binti Ahmad Basri (Appointed on 1 July 2022)	Independent Director	-	24	-	-	-	-	24	-	24	-	-	-	-	24

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.2
The board discloses on a named basis the top five senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000.

Application	:	Departure	
Explanation on application of the practice	:		
Explanation for departure	:	The Board is of the opinion that the disclosure of the Senior Management's remuneration components (salary, bonus, benefits in-kind, other emoluments) would not be in the best interest of the Group due to highly competitive nature of the human resource market and to support the Company's effort in attracting and retaining highly talented personnel.	
		The Board ensures that the remuneration of the Senior Management is commensurate with the performance of the Company, with due consideration to attracting, retaining and motivating the Senior Management to lead and run the Company successfully. Excessive remuneration payouts are not made to the senior management personnel in any instance.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

No	Name	Position	Company					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
2	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
3	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
4	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.
5	Input info here	Input info here	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.	Choose an item.

Intended Outcome
Stakeholders are able to assess whether the remuneration of directors and senior management is commensurate with their individual performance, taking into consideration the company's performance.

Practice 8.3 - Step Up
Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

Application	:	Not Adopted
Explanation on adoption of the practice	:	

No	Name	Position	Company ('000)					
			Salary	Allowance	Bonus	Benefits	Other emoluments	Total
1	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
2	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
3	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
4	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here
5	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here	Input info here

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.1
The Chairman of the Audit Committee is not the Chairman of the board.

Application	:	Applied
Explanation on application of the practice	:	The Board recognises the important role of the AC as part of the corporate governance process. In this regard, the Board has established an AC which comprises solely Independent Non-Executive Directors to oversee the Company's financial reporting on behalf of the Board. The AC is chaired by Mr. Roy Thean Chong Yew, whilst the Chairman of the Board is Dato' Ikhwan Salim Bin Dato' Haji Sujak. As such, the Chairman of the AC is distinct from the Chairman of the Board and having the two (2) chairman's position assumed by different individuals allows the Board to objectively review the AC's findings and recommendations. Mr. Roy Thean Chong Yew possesses more than 25 years of working experience in local and international professional services firms. He holds the following qualifications:- • Member of the Malaysian Institute of Certified Public Accountants ("**MICPA**"); • Member of the Malaysian Institute of Accountants ("**MIA**"); and • Chartered Member of Institute of Internal Auditors of Malaysia ("**CMIIA**"). His full profile is available on the Company's website at www.masteel.com.my and Directors' Profile of the Annual Report 2022. The duties and responsibilities of the Chairman of the AC are outlined in the Terms of Reference of the AC, which is also available on the Company's website at www.masteel.com.my.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		

Measure :		
Timeframe :		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.2
The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee.

Application	:	Applied	
Explanation on application of the practice	:	The Terms of Reference of the AC requires a former key audit partner to observe a cooling-off period of at least three (3) years before being appointed as a member of the AC. This is to ensure that the independence of the audit process is safeguarded from the potential threats and conflicts which may arise when a former key audit partner joins the Company. To date, the Company has not appointed any former key audit partner as Director of the Company. The Terms of Reference of the AC is available on the Company's website at www.masteel.com.my.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.3
The Audit Committee has policies and procedures to assess the suitability, objectivity and independence of the external auditor to safeguard the quality and reliability of audited financial statements.

Application	:	Applied
Explanation on application of the practice	:	The AC is responsible for assessing the capabilities and independence of the external auditors and to make subsequent recommendations to the Board on the appointment, re-appointment or termination of the external auditors. In safeguarding and supporting external auditors' independence and objectivity, the Company has established an External Auditors Assessment Policy to spell out the selection process of new external auditors, criteria for the annual assessment on the performance of external auditors, basic principles on the prohibition of non-audit services and the approval processes for the provision of non-audit services. The Board has determined that the provision of non-audit service contracts which cannot be entered into with the external auditors include management consulting, strategic decision, internal audit and policy and standard operating procedures documentation. The external auditors can be engaged to perform non-audit services, provided with the approval of the AC, that such services do not impair, or appear to impair the auditors' independence and objectivity. The AC had undertaken an annual assessment on the performance, suitability and independence of the external auditors based on the following areas:- • Calibre of the External Audit Firm; • Quality Processes and Performance; • Audit Team; • Independence, Objectivity and Professionalism; • Audit Scope and Planning; • Audit Fees; and • Audit Communications Based on the assessment results, the AC was satisfied with the suitability of the external auditors, namely RSM Malaysia PLT ("**RSM**") and recognised that the provision of non-audit services by RSM for the financial year ended 31 December 2022 did not in any way impair their

	objectivity and independences as the external auditors of the Company. After the review, the AC recommended the re-appointment of RSM as external auditors of the Company for the financial year 2023 to the Board for approval and subsequent approval from the shareholders at the forthcoming 51st AGM. During the financial year, the AC has also met with the external auditors twice in the absence of the Management. RSM also provided assurance that they have been independent throughout their audit engagement in accordance with all relevant professional and regulatory requirements in respect of the Audited Financial Statements for financial year ended 31 December 2022.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.4 - Step Up
The Audit Committee should comprise solely of Independent Directors.

Application	:	Adopted
Explanation on adoption of the practice	:	The AC comprises solely of Independent Non-Executive Directors, namely Mr. Roy Thean Chong Yew (Chairman), Mr. Ng Wah Lok and Encik Muhammad Hanizam Bin Hj. Borhan. The Board firmly believes the AC would be able to provide impartial and unbiased views along with the relevant check and balances on matters relating to audit of the Company with its current composition.

Intended Outcome
There is an effective and independent Audit Committee.

The board is able to objectively review the Audit Committee's findings and recommendations. The company's financial statement is a reliable source of information.

Practice 9.5
Collectively, the Audit Committee should possess a wide range of necessary skills to discharge its duties. All members should be financially literate, competent and are able to understand matters under the purview of the Audit Committee including the financial reporting process.

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

Application :	Applied
Explanation on application of the practice :	The AC assists the Board in the effective discharge of its responsibilities in the area of financial reporting of the Group, possess a wide range of skills and the requisite financial literacy to discharge its duties effectively. Mr. Roy Thean Chong Yew, Chairman of the AC, is an accountant by profession and a member of MIA, MICPA and CMIIA, and thus, fulfilling the requirement of Paragraph 15.09(1)(c) of the MMLR of Bursa Securities which calls for one (1) member of the AC to be a member of a professional accountancy body. Through the NC, the Board reviews the terms of office of the AC and assesses the performance of the AC annually. All members of the AC have undertaken continuous professional development to keep themselves abreast of the relevant developments in accounting and auditing standards, practices and rules. During the reporting year, the AC members had attended numerous training courses. Details of their trainings can be found in Corporate Governance Overview Statement of the Annual Report 2022. During the meetings of the AC, the members were briefed by the external auditors on the Financial Reporting developments, adoption of Malaysian Financial Reporting Standards and other changes in regulatory environment.
Explanation for departure :	

Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.1

The board should establish an effective risk management and internal control framework.

Application	:	Applied
Explanation on application of the practice	:	The Board affirms the overall responsibilities in the risk governance and overseeing of the Company's strategic risk management and internal control framework. The Board has set in place the necessary process to identify, evaluate and manage the significant risks that may impact the business objectives of the Company. The RMC through the external risk consultant, RCA Corporate Services Sdn Bhd, reviewed the Enterprise Risk Management ("**ERM**") Framework. The ERM Framework served as a guidance to the Management of the Company to facilitate a structure framework approach to risk management and to achieve a level of adequate and standard risk reporting. The Board is assisted by the AC and RMC in overseeing the adequacy and effectiveness of the Company's risk management and internal control processes. The Board receives regular reports from the Chairman of the RMC in relation to the potential risks identified, impact of the risks and mitigation of the key risks. Any major changes to risks together with the appropriate actions and/or strategies to be taken, will be brought to the attention of the Board by the Chairman of the RMC. An overview of the Group's risk management and internal controls is set out in the Statement on Risk Management and Internal Control of the Annual Report 2022.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	

Timeframe :		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.2
The board should disclose the features of its risk management and internal control framework, and the adequacy and effectiveness of this framework.

Application	:	Applied
Explanation on application of the practice	:	The RMC assists the Board in establishing a sound risk management and internal control framework. The RMC also assists the Board to assume the overall responsibility for overseeing the risk management of the Group and approving the appropriate risk management procedures and measurement methodologies across the Group. With the assistance of an external consultant, an ERM Approach based on an internal recognised risk management framework has been adopted by the Company in year 2016 to develop an effective and sound Risk Management Framework. The Risk Management Plan has been implemented and is followed by bi-annual reviews and updates by the Internal Risk Officer. The RMC reviews the Group's risk profile, risk appetite and risk tolerance, to safeguard the shareholders' investments and the Group's assets. The findings on the risks, impact and mitigation method were then presented to the Board on 25 May 2022 and 28 November 2022 respectively. The Board has further received assurance from the MD/CEO and the Chief Financial Officer of the Company that the Group's risk management and internal control system are operating adequately and effectively. Further details are contained in the Statement of Risk Management and Internal Control of the Annual Report 2022.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		

Measure :		
Timeframe :		

Intended Outcome
Companies make informed decisions about the level of risk they want to take and implement necessary controls to pursue their objectives.

The board is provided with reasonable assurance that adverse impact arising from a foreseeable future event or situation on the company's objectives is mitigated and managed.

Practice 10.3 - Step Up
The board establishes a Risk Management Committee, which comprises a majority of independent directors, to oversee the company's risk management framework and policies.

<table>
<tr><td>Application</td><td>:</td><td>Adopted</td></tr>
<tr><td>Explanation on adoption of the practice</td><td>:</td><td>The RMC comprises of the following three (3) members, a majority of whom are Independent Non-Executive Directors:-
<table>
<tr><td>No.</td><td>Name</td><td>Membership</td></tr>
<tr><td>1.</td><td>Mr Ng Wah Lok
(Senior Independent Non-Executive Director)</td><td>Chairman</td></tr>
<tr><td>2.</td><td>Encik Muhammad Hanizam Bin Hj. Borhan
(Independent Non-Executive Director)</td><td>Member</td></tr>
<tr><td>3.</td><td>Mr Ong Teng Chun
(Executive Director)</td><td>Member</td></tr>
</table></td></tr>
</table>

Intended Outcome
Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.1
The Audit Committee should ensure that the internal audit function is effective and able to function independently.

Application	:	Applied	
Explanation on application of the practice	:	The Company has established an Internal Audit Department ("**IAD**") which is independent from the operations of the respective operating units. The Head of the IAD reports directly to the AC and their performance is reviewed by the AC on an annual basis. The IAD provides independent and reasonable assurance, as well as advisory services to add value and improve the operations of the Group. The internal audit reports are presented together with the Management's response and proposed action plans to the AC quarterly. The Head of the IAD follows up on the status of internal findings and ensures that all necessary actions are taken within the required timeframe. The IAD of the Company is responsible for the following tasks:- • Independent review of key business processes to identify and evaluate the significant operational, financial and compliance risks; • Monitor and review the action plans taken by the Management based on the recommendation of the IAD; and • Highlight the weaknesses of the internal control processes and ensure prompt action is taken by the Management to address the weaknesses. A summary of the activities undertaken by the IAD for the financial year ended 31 December 2022 is set out in the AC Report of the Annual Report 2022.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome

Companies have an effective governance, risk management and internal control framework and stakeholders are able to assess the effectiveness of such a framework.

Practice 11.2

The board should disclose–

- whether internal audit personnel are free from any relationships or conflicts of interest, which could impair their objectivity and independence;
- the number of resources in the internal audit department;
- name and qualification of the person responsible for internal audit; and
- whether the internal audit function is carried out in accordance with a recognised framework.

Application	:	Applied	
Explanation on application of the practice	:	The Company has established an IAD which is presently headed by Mr. Fung Kar Lok. Mr. Fung is an associate member of the Institute of Internal Auditors Malaysia ("**IIAM**"), and is currently pursuing to qualify as a Certified Internal Auditor under IIAM. The IAD has three (3) personnels comprising of the Head of Internal Audit and two (2) audit assistants. All personnels are free from any relationships or conflicts of interest, which could impair their objectivity and independence during their work. All internal audit work carried out is guided by the IIA's International Professional Practices Framework. The AC had in February 2022 conducted an annual assessment on the performance of the IAD. The AC was satisfied that the IAD has discharged their responsibilities in a commendable manner, performed competently, functioning effectively and have received sufficient resources and adequate authority to carry out their work.	
Explanation for departure	:		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.			
Measure	:		
Timeframe	:		

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 12.1
The board ensures there is effective, transparent and regular communication with its stakeholders.

Application	:	Applied
Explanation on application of the practice	:	The Board recognises the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders, stakeholders and the public in general through timely disclosure to Bursa Securities and the press. The Board has put in place a Corporate Disclosure Policy and Procedure to ensure compliance with the disclosure requirements as stipulated in the MMLR of Bursa Securities and also to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders. Masteel has developed the Investor Relations ("**IR**") channel for the shareholders and other stakeholders to provide their comments and feedback in relation to the Company's operational, performance, governance and strategic matters. The IR channel and the contact of IR can be found at the Company's website at www.masteel.com.my. The Group leverages on a number of formal channels for effective dissemination of information to shareholders and other stakeholders, particularly through the Annual Report, announcements to Bursa Securities, media releases, quarterly results analysts' briefing, AGM, and the Company's website at www.masteel.com.my. Apart from the mandatory public announcements through Bursa Securities, 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, operational activities and financial performance. The MD/CEO and the Senior Management will meet with analysts, institutional shareholders and investors on an ad-hoc basis. Masteel is also of the view that the AGM is an important opportunity to meet shareholders and address their concerns. During the AGM, the Chairman will provide a brief overview of the Group's annual operating and financial performance, followed by a Questions and Answers

	session during which the Chairman encourages shareholders' active participation, including clarifying and questioning the Group's strategic direction, business operations, performance and proposed resolutions. 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.
Explanation for departure :	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.	
Measure :	
Timeframe :		

Intended Outcome
There is continuous communication between the company and stakeholders to facilitate mutual understanding of each other's objectives and expectations.

Stakeholders are able to make informed decisions with respect to the business of the company, its policies on governance, the environment and social responsibility.

Practice 12.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

Application :	Not applicable – Not a Large Company	
Explanation on application of the practice :		
Explanation for departure :	As at the reporting date, the Company does not fall under the category of "Large Companies" as defined in the Malaysian Code on Corporate Governance. Hence, such requirement is not applicable at this juncture.	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.1

Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting.

Application	:	Applied
Explanation on application of the practice	:	The Board recognises the AGM as a platform for direct and meaningful communication between the Board and the Company's shareholders. The notice of the 50th AGM which was scheduled to be held on 16 June 2022 was sent to the shareholders on 29 April 2022, which is at least twenty-eight (28) days before the AGM date. This goes above and beyond Section 316(2) of the CA and paragraph 7.15 of MMLR of Bursa Securities which calls for a 21-days' notice period for public companies or listed issuers respectively. Additional time given to shareholders allows them to make the necessary arrangements to attend and participate in person, through corporate representatives, proxies or attorneys. In addition, the shareholders are accorded with sufficient time to consider the resolutions that will be discussed and decided upon at the AGM. The notice for the AGM outlines the resolutions to be tabled during the meeting and is accompanied with explanatory notes and background information where applicable to shed clarity on the matters that will be decided at the AGM. In order to achieve the widest possible dissemination, the notice of AGM is also circulated in a nationally circulated newspaper alongside with an announcement on the website of Bursa Securities and further uploaded on the Company's website at www.masteel.com.my.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	
Timeframe	:		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.2
All directors attend General Meetings. The Chair of the Audit, Nominating, Risk Management and other committees provide meaningful response to questions addressed to them.

Application :	Applied	
Explanation on application of the practice :	The 50th AGM was conducted through live streaming from the broadcast venue. The Board including the Chair of all the respective Board Committees attended the 50th AGM. The Chairman, MD/CEO, CFO and the AC Chairman were physically presented at the broadcast venue, whilst the rest of the Directors attended the 50th AGM remotely. During the 50th AGM, the Chairman of the Board encouraged shareholders' active participation by submitting their questions in realtime via Text Box. All questions raised by shareholders and proxies were attended accordingly. The outcome of all resolutions of the 50th AGM was announced to Bursa Securities at the end of the meeting day while the minutes of the AGM was published on the Company's website as soon as practicable after the conclusion of the AGM.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.3
Listed companies should leverage technology to facilitate–
- voting including voting in absentia; and
- remote shareholders' participation at general meetings.

Listed companies should also take the necessary steps to ensure good cyber hygiene practices are in place including data privacy and security to prevent cyber threats.

Application	:	Applied
Explanation on application of the practice	:	In light of the Covid-19 pandemic and as part of the safety measures to curb the spread, the 50th AGM held on 16 June 2022 was conducted as fully virtual meeting through live streaming and online remote voting facility by using Remote Participation Voting ("**RPV**") facilities, which complies with Section 327 of the Companies Act 2016 and Clause 64 of the Constitution of the Company. The Company had issued an Administrative Guide which sets out the details of the usage of RPV facilities together with the notice of the 50th AGM. Securities Services (Holdings) Sdn Bhd had been appointed as the Polling Agent to facilitate the poll process and Commercial Quest Sdn Bhd had been appointed as the Independent Scrutineer to administer the whole voting process and validate the polling results. With the RPV facilities, the shareholders are able to exercise their rights as members of the Company to participate (by voting, posting questions during the 50th AGM) via the Securities Services e-Portal. Member who was unable to attend the 50th AGM would appoint proxy or Chairman of the meeting as his/her proxy to participate at the 50th AGM via RPV facilities. Upon verification of the results, the Independent Scrutineer announced the results of each resolution by displaying on-screen. Subsequently, the poll results were announced to Bursa Securities on the same day.
Explanation for departure	:	
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure	:	

Timeframe :		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.4

The Chairman of the board should ensure that general meetings support meaningful engagement between the board, senior management and shareholders. The engagement should be interactive and include robust discussion on among others the company's financial and non-financial performance as well as the company's long-term strategies. Shareholders should also be provided with sufficient opportunity to pose questions during the general meeting and all the questions should receive a meaningful response.

Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to.		
Application :	Applied	
Explanation on application of the practice :	For the 50th AGM held in year 2022, shareholders' participation is encouraged by submitting their questions via email or real-time submission of typed text box. All the questions raised by shareholders and proxies were attended accordingly. During the 50th AGM, the Chairman of the Board, Dato' Ikhwan Salim Bin Dato' Haji Sujak provided shareholders with a brief review on the financial performance, operations, and future prospect of the Company. The questions raised by shareholders and responses by the Company are then minuted and uploaded to the Company's website at https://www.masteel.com.my/investor-relations/annual-general-meeting/.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome
Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.5
The board must ensure that the conduct of a virtual general meeting (fully virtual or hybrid) support meaningful engagement between the board, senior management and shareholders. This includes having in place the required infrastructure and tools to support among others, a smooth broadcast of the general meeting and interactive participation by shareholders. Questions posed by shareholders should be made visible to all meeting participants during the meeting itself.

Note: The explanation of adoption of this practice should include a discussion on measures undertaken to ensure the general meeting is interactive, shareholders are provided with sufficient opportunity to pose questions and the questions are responded to. Further, a listed issuer should also provide brief reasons on the choice of the meeting platform.		
Application :	Applied	
Explanation on application of the practice :	The shareholders may submit questions to the Board of Directors by email prior to the 50th AGM or via submission of real-time submission of typed text box during the general meetings. The Chairman will read out the question posed by shareholders before the MD/CEO provides his responses to the questions raised. The Company had opted for Securities Services e-Portal online platform provided by Securities Services (Holdings) Sdn Bhd as the service provider has vast amount of experience in conducting the virtual meeting and a secured online platform which allows shareholders to participate online using smartphone, tablet or computer is in place. Meanwhile, the platform's real-time submission of typed text function encouraged interactive participation between the shareholders and the Company.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

Intended Outcome

Shareholders are able to participate, engage the board and senior management effectively and make informed voting decisions at General Meetings.

Practice 13.6

Minutes of the general meeting should be circulated to shareholders no later than 30 business days after the general meeting.

Note: The publication of Key Matters Discussed is not a substitute for the circulation of minutes of general meeting.		
Application :	Applied	
Explanation on application of the practice :	The minutes of the 50th AGM is available on the Company's website at http://www.masteel.com.my/investor-relations/annual-general-meeting/ no later than 30 business days after the 50th AGM.	
Explanation for departure :		
Large companies are required to complete the columns below. Non-large companies are encouraged to complete the columns below.		
Measure :		
Timeframe :		

SECTION B – DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES PERSUANT CORPORATE GOVERNANCE GUIDELINES ISSUED BY BANK NEGARA MALAYSIA

Disclosures in this section are pursuant to Appendix 4 (Corporate Governance Disclosures) of the Corporate Governance Guidelines issued by Bank Negara Malaysia. This section is only applicable for financial institutions or any other institutions that are listed on the Exchange that are required to comply with the above Guidelines.

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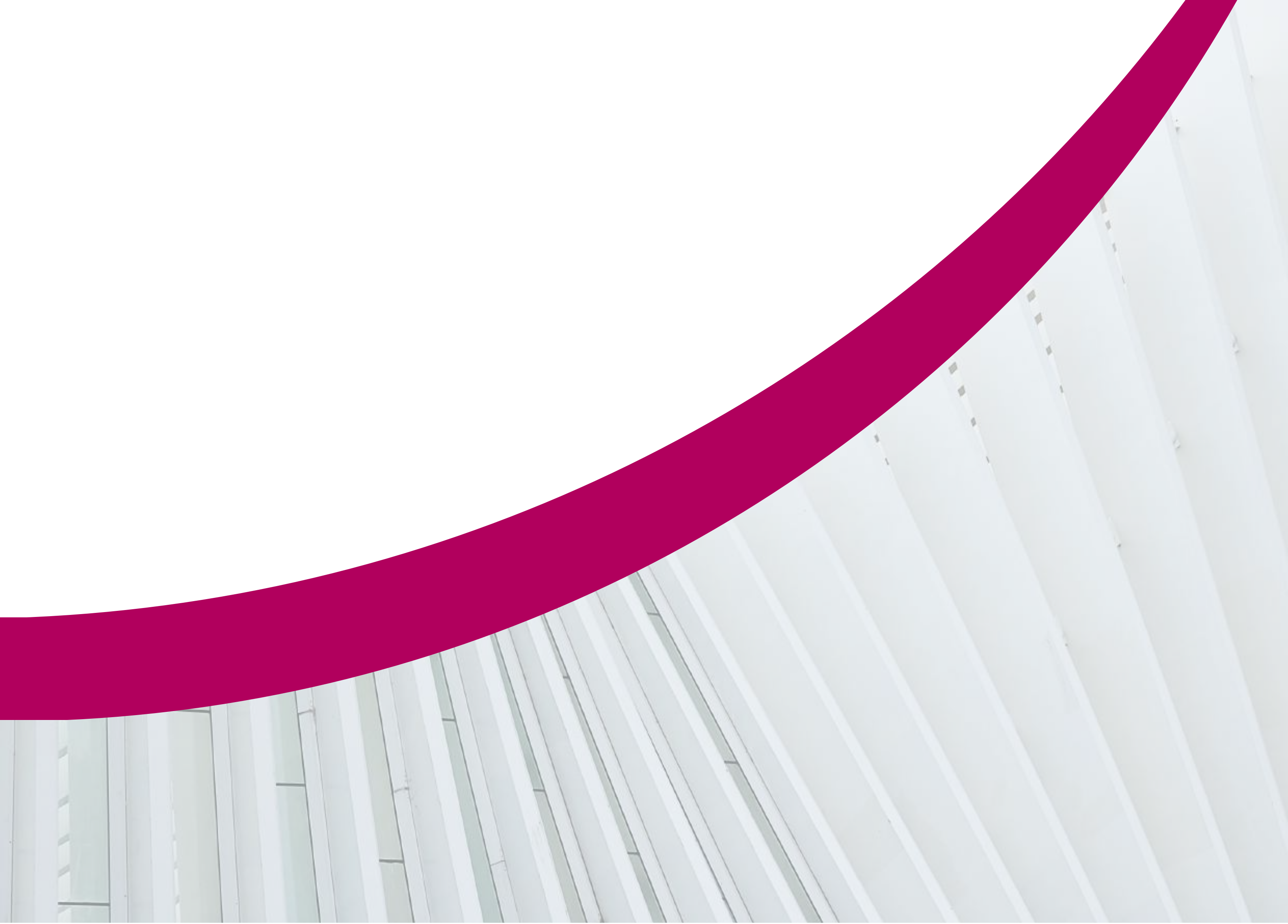
Masteel

MALAYSIA STEEL WORKS (KL) BHD

(7878-V)

2022 SUSTAINABILITY REPORT



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About Malaysia Steelworks (KL) Berhad

Malaysia Steel Works (KL) Berhad (“Masteel”) is one of Malaysia’s leading steel manufacturers specialising in the production of high tensile steel bars, mild steel bars, and prime steel billets most commonly used for construction and infrastructure development works.

Masteel factories are located strategically at Petaling Jaya and Bukit Raja, Klang, in Selangor Darul Ehsan, Malaysia. The Bukit Raja complex is our primary steel production facility. The billets produced are used as feedstock for its rolling mills in Petaling Jaya and Bukit Raja plants. Both manufacturing plants are equipped with modern equipment and are fully computerised to produce precision quality products from both mills. Masteel has a wide network of domestic and international customers from the Philippines, China, Australia, and Singapore.

The finished products manufactured by Masteel conform to those required by SIRIM (MS 146:2014), the ISO 9001:2015 (Quality Management System); ISO 14001:2015 (Environmental Management Systems) & 45001:2018 (Occupational Health and Safety Management Systems), TÜV NORD (Germany) as well as Australasian Certification Authority for Reinforcing and Structural Steels [(“ACRS”) (Australia)] accreditation for the construction and infrastructure sectors.

In addition to our steel manufacturing plants, Masteel has a wholly-owned subsidiary, MS Express Sdn Bhd ("MSX") mainly deals with logistics and transportation activities of Masteel's steel products.

Memberships and Associations

Masteel is affiliated with the following associations, organisations and networks. Our CEO, Dato' Sri Tai Hean Leng is actively engaging with and contributing to these associations as committee members. In addition, Dato' Sri is passionate and committed to assisting his counterpart, especially in embarking on a sustainability journey.

Malaysia Steel Association ("MSA")
Masteel CEO is the Vice President of MSA

Malaysia Steel Institute ("MSI")*
Masteel CEO is the Malaysian Goverment appointed Executive Director of MSI

Federation of Malaysian Manufacturers ("FMM")
Masteel CEO is the Vice Chairman of FMM Sustainable Development and Climate Change Committee

Malaysia Iron and Steel Industry Federation ("MISIF")

**MSI is an agency under the Ministry of International Trade & Industry ("MITI")*

About This Report

We, at Masteel, are content to present our Financial Year 2022 ("FY2022") Sustainability Report. We continue to improve our management approach and business performance, which focuses on the three main pillars of sustainability: Environment, Social, and Governance ("ESG"). In FY2022, we have continued our efforts to strengthen our sustainability culture throughout the organization.

Masteel takes a step ahead by disclosing Scopes 1, 2, and 3 together with the Task Force on Climate-Related Financial Disclosures ("TCFD") in FY2022.

This FY2022 Sustainability Report and TCFD highlight our efforts and success across the three ESG pillars. In addition, Masteel outlined our future plans, and forging a sustainable path for our business will always remain the top priority of the Group.

This report should be read in conjunction with the 2022 TCFD Report.

About This Report

SCOPE OF REPORTING

This report encompasses the financial year from 1st January 2022 to 31st December 2022 (FY2022). All the disclosures in this report focus on our two steel production facilities located in Bukit Raja, Klang and Petaling Jaya

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REPORT FRAMEWORK

Masteel Sustainability and TCFD report for FY2022 has been prepared in line with the following reporting guidelines and frameworks.

1. Global Reporting Initiative (GRI) 2020
2. Bursa Malaysia Sustainability Reporting Guide (3rd Edition)
3. FTSE4GOOD Bursa Malaysia Index's Criteria
4. United Nations Sustainable Development Goals
5. Responsible Steel Standards

FEEDBACK

We strongly encourage and welcome any feedback from our valued stakeholders or request further clarification, kindly contact

Ms Julie Pong (Investor Relations)
Email: masteel@investor.net.my

FTSE4Good

"FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Malaysia Steel Works (KL) Bhd has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products."

TOP 26-50 %

PLCs assessed by FTSE Russell

Sustainability Highlights 2022

THE GLOBAL GOALS

42.9 %
Reduction of CO_2 emission with full IF implementation

26.5 %
Reduction in paper consumption

50.5 %
Saving in water consumption

10,640 hrs
Training hours delivered to employees

RM 85,000
Donated to various CSR projects

92.5 %
Customer satisfaction score

Zero
Incidence of corruption

100 %
Compliance to Human Rights Policy, Prevention of Child Labour and Forced Labour Policies

Zero
Incidence of environmental issue

Message from our CEO

Dato' Sri Tai Hean Leng @ Tek Hean Leng

Dear Stakeholders,

It is my privilege to present to you our Sustainability Report for the financial year 2022. This report is part of the integral step by our Board and management to achieve our goal of fully integrated sustainability reporting and to be ahead of Bursa's timelines for Task Force on Climate-Related Financial Disclosure ("TCFD") and Scope 3 reporting.

In recognition of our relentless efforts to improve key pillars under Environment, Sustainability and Governance, in December of 2022, Bursa awarded to Masteel 3 Stars (out of a maximum of 4 Stars) ratings in FBM EMAS and is recognised as the Top 26-50% of all public listed companies in Bursa assessed by FTSE Russell.
Masteel has also set a new industry standard for being the 1st ultra-low emitter of greenhouse gases amongst its peers in the steel sector in Malaysia.

The impetus for ESG implementation at Masteel is set from the top, with the Board of Directors having primary oversight and responsibility for our sustainability strategy, risk and opportunities, and initiatives. The Board is also ultimately responsible for our management and response to climate-related risks and opportunities.

Message from our CEO

Dato' Sri Tai Hean Leng @ Tek Hean Leng

This year, we also conducted an extensive materiality assessment process, to identify, prioritise, and validate the key sustainability matters that are material to our business and our stakeholders. The Sustainability Committee and the Board were both involved in this process, with the Board endorsing the materiality matrix produced from the assessment. In the continuation of our thrust to achieve our goal of fully integrated sustainability reporting, in 2022, we have voluntarily expanded our reporting to include the following areas:

TCFD

TCFD is a framework that Masteel uses to assess and publicly disclose the climate-related risks and opportunities for our steel manufacturing industry. This includes the consistency of Masteel in reporting and engaging with our stakeholders on the climate action plan and enhancing market transparency. There are four pillars under the TCFD which are Governance, Strategy, Risk Management and Metrics & Targets. Masteel is able to closely assess and manage our climate-related risks and opportunities, as well as identify various strategies and financial planning, thanks to TCFD. Thus, it allows Masteel to grow positively despite the climate change issue.

Scope 3 Disclosures

As of 2022, Masteel took the lead in the steel industry by disclosing 5 categories out of the total 15 categories under Scope 3. This includes the categories 6 – Business travel, 7 – Employee Commuting, 8 – Upstream Leased Assets, 11 – Use of sold products and 13 – Downstream Leased Assets.

Message from our CEO

Dato' Sri Tai Hean Leng @ Tek Hean Leng

Pursuant to the latest amendments to the Main Market Listing Requirements on 26 September 2022, Public Listed Company is only required to disclose 2 categories of Scope 3 for the financial year ending on or after 31 December 2024. And in the coming year, Masteel plans to disclose category 5 – Waste generated in operations.

In 2022, Masteel disclosed a total of 3649.02 metric tonnes of GHG emissions covering five categories under Scope 3. This underscores Masteel's commitment to achieving net-zero carbon by 2050 and ensuring Masteel is on track to achieving this goal.

The Significant difference/achievement between 2021 and 2022

Masteel continues to reduce our GHG emissions despite the fact that operations in 2022 will be at full capacity as compared to 2021 due to the Movement Control Order (MCO). In 2021, Masteel fully switched from conventional EAF to IF which saw a huge reduction in GHG emissions under scope 1 by 13.9% as compared to year 2020. In 2022, the total GHG emissions will be 376,780.73 metric tonnes covering Scope 1 and 2 as compared to 368,081.57 metric tonnes in 2021. There has been a marginal increase of 2.36% due to Masteel operating at full capacity in 2022 as opposed to 2020 and 2021 due to the Covid-19 pandemic business restriction.

Our target for future CO_2 emissions reduction

Masteel is fully committed to achieving its set targets of a further 10% reduction by 2026 and another 15% by 2031 with various green and sustainable initiatives.

Message from our CEO

Dato' Sri Tai Hean Leng @ Tek Hean Leng

The working environment

This year, we introduced a series of new policies designed to protect our workforce and all individuals employed throughout our supply chain. The policies: Human Rights Policy, Prevention of Child Labour Policy, and Prevention of Forced Labour Policy, are comprehensive and focused, and apply both to Masteel's staff as well as third parties we engage with. The policies address a myriad of issues such as non-discrimination, equal opportunity, employee's rights; which include freedom of association and prevention of excessive working hours, and overall worker's wellbeing, including the provision of a safe, clean, and conducive working environment. The policies will be made available in a range of languages, for easy comprehension by all members of our diverse workforce.

To sum up, FY2022 has been the watershed moment in the corporate history of Masteel where previous years of intensive capital investments coupled with the Board and management's reprioritisation had resulted in outstanding ESG practices and a reduction in greenhouse gases.

Masteel is striving not only to meet all regulatory requirements on sustainability practices but to exceed them and aims to be the industry leader to achieve net zero carbon well before 2050.

"1st ultra-low emitter of greenhouse gases amongst its peers in the steel sector in Malaysia"

Internal Assurance

In FY2022, Masteel verified our Greenhouse Gas (GHG) emissions internally and had them approved by the Masteel Audit Committee.

The scope of verification included:

a. Scope 1: Steel manufacturing and Mobile Combustion (Company Vehicle)
b. Scope 2: Purchased electricity
c. Scope 3: Categories 6 - Business Travel
: Categories 7 - Employee Commuting
: Categories 8 - Upstream Leased Assets
: Categories 11 - Use of Sold Products
: Categories 13 - Downstream Leased Assets

The internal certification assures all our stakeholders that Masteel upholds the target set of being responsible, sustainable, and ethical, with necessary measures to mitigate climate-related risks. We comply with ISO 14001: 2015 (Environmental Management Systems, EMS), ISO 45001: 2018 (Occupational Health and Safety Management Systems).

The remaining information outlined in this report has execute a detailed review to ensure data accuracy.

Masteel's Approach to Sustainability

Sustainability Governance

At Masteel, our commitment to sustainability governance is helmed by the Board of Directors (Board), and the Sustainability Committee, and the Risk Management Committee. The detailed outline for this section is presented on TCFD pages 77-78.

Stakeholder Engagement

Masteel practices an active and transparent engagement with our stakeholders, as we believe the strong stakeholder engagement will boost and uphold our reputation as a trusted and responsible entity. This remarkably helps position us as a leading steel manufacturer in this region.

We identify the key stakeholders that will significantly influence our business and those who are also impacted by our business. Regular communication with our stakeholders via various channels enables us to continuously develop and implement measures to constructively manage their concerns and interests in our business strategy decisions.

Moreover, Masteel always keeps our stakeholders updated and aware of our activities, progress and future plans and ambitions.

Key Stakeholder Group	Area of Interest	How Masteel Engages
Shareholders & Investors	• Future growth prospect • Return on investments • Corporate sustainability • Corporate exercises • Share performance • Dividends	• Annually during Annual General Meeting • As and when necessary through Bursa announcements, Investor Relations ("IR") and virtual briefing
Employees	• Safe and healthy work environment • Work-life balance • Equality and diversity at workplace • Career advancement and progression • Empowerment and learning opportunities	• Ad-hoc meeting through face to face discussion • Conducting regular training and development programmes and job enrichment and coaching • Weekly department meetings • Annually townhall sessions and annual performance review
Customers	• Timely product delivery • Product quality • Alignment to market needs	• Daily engagement session
Local Communities	• Pollution and waste • Supporting development of communities • Creation of employment opportunities	• Conducting Corporate Social Responsibility ("CSR") programme annually • As and when necessary through press release • Collaboration with local educational institution/government agencies regularly

Key Stakeholder Group	Area of Interest	How Masteel Engages
Government & Regulators	• To date and comprehensive policies and legislation • Analysis of regulatory impact on the company • Engagement/representation for alternatives • Compliance	• Annually through direct meetings • As and when necessary through representatives from industry associations and stakeholders' engagements
Industry Associations	• Compliance with all applicable laws and regulations • Active membership to remain abreast of matters related to the industry • Collective consensus of opinion from Associations' members point of view	• Conducting regular meeting and consultation on a monthly basis or at least quarterly
Media	• Transparency • Easy access to top management and key personnel for up-to-date information • Speedy dissemination of information • Early engagement • Interview opportunities	• Press release throughout the year if necessary • Media queries and requests are responded to promptly as they are received through Public Relation Officer's contact and email address (via company website) • Regular updates on corporate develoment throguh the company website • As and when necessary through media interviews
Suppliers & Contractors	• Support for local suppliers • Fair procurement practices • Product compliance	• Ad-hoc face to face meetings and product quality feedback • Annual supplier performance assessments

The United Nations Sustainable Development Goals

THE GLOBAL GOALS

At Masteel, we are committed to and support Malaysia's commitment to the 17 Sustainable Development Goals ("UN SDGs"). Of the 17 UN SDGs, Masteel adopted 11 UN SDGs related to our business and outlined each of our contributions below.

3 GOOD HEALTH AND WELL-BEING

We implement a strict health and safety management system in our operation to promote the proactive identification of potential hazards and risks in the workplace.

4 QUALITY EDUCATION

We encourage employees to upskill and develop by attending a range of technical and non-technical training provided and conducted by the company.

6 CLEAN WATER AND SANITATION

We implemented a good practice of recycling the water in our processes system, resulting in zero wastewater discharge from our daily operations.

7 AFFORDABLE AND CLEAN ENERGY

We invested in the feasibility study on new technology to reduce and improve energy consumption and efficiency, including solar panel installation.

8 DECENT WORK AND ECONOMIC GROWTH

We practice good governance policies to ensure our employees are covered by our human rights and labour policies, which ensure fair and equal treatment of the entire workforce.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

We continue to utilise new and innovative technology wherever possible to improve our process efficiency.

The United Nations Sustainable Development Goals

THE GLOBAL GOALS

We continue to invest in our communities through various engagement initiatives with local staff and contractors and by supporting local charity events.

We are responsible for our waste management using our scrap steel as most of our raw material inputs.

We committed to disclosing our GHG emissions, including Scope 1, 2, and 3, and continue investing in materials and technology to reduce our GHG emissions.

We maintain good governance in ensuring our Anti-Bribery and Anti-Corruption Policy is practiced and applicable to all staff and third parties associated with Masteel.

We continue to associate with like-minded organisations who value ESG issues, such as MSA and FMM; and our bankers, HSBC Bank Malaysia Berhad, OCBC Bank (Malaysia) Berhad, Hong Leong Bank Berhad, and Standard Chartered Bank Malaysia Berhad.

Risk Management

TCFD

The Risk Management Committee continuously monitors and manages our risk effectively according to Masteel Risk Management Framework ("RMF"). In addition, RMF is guided by our Risk Management Policy based on the Enterprise Risk Management approach. In FY2022, Masteel expanded the RMF better to encompass the Environment, Social, and Governance risk and their mitigation measures.

The details of risk management are outlined on the TCFD pages 87-90 and our Annual Report.

Material Sustainability Matters

Masteel conducted the materiality assessment in FY2020. As a result, we revised the material sustainability matters ("MSM") from 21 MSM in FY2020 to 15 MSM in FY2021 to reflect our focus areas in achieving our sustainable goals. As for FY2022, we conducted a reassessment via an online survey and concluded that the 15 MSM for FY2021 is still a critical matter for FY2022.

The reassessment results were analysed and disclosed in this section to portray the importance of each material matter from the stakeholder's perspective toward our business growth. This will enable us to better analysed and manage our sustainability risks and opportunities in the years to come. The illustration below represents the four assessment steps: identification, assessment, prioritisation and validation.

01

Identification

The 15 MSM identified in FY2021 were reviewed and reassessed for FY2022 together with the identified stakeholder groups.

02

Assessment

Online survey forms were distributed to the Sustainability Committee members and selected external stakeholders to assess the MSM.

03

Prioritisation

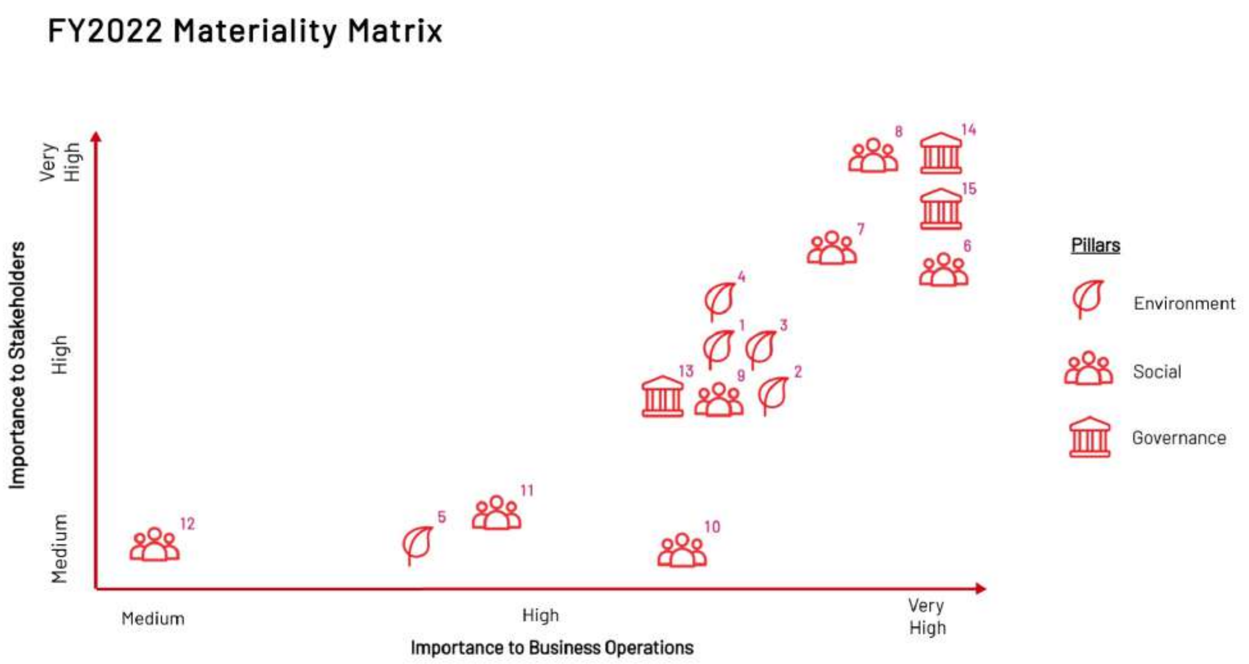
Each matter is ranked and mapped based on its importance to the business and stakeholder decision-making.

04

Validation

Upon the completion of the assessment and mapping of MSM matrix, it will be reviewed and approved by the Board of Director and Sustainability Committee.

FY2022 Materiality Matrix



Environment

1.Waste and Effluents
2. Air and GHG Emissions
3. Energy Consumption
4. Water Consumption
5. Materials Used in Production and Packaging

Social

6. Occupational Health and Safety
7. Customer Satisfaction
8. Product Quality
9. Employment Practices
10. Training and Development
11. Responsible Supply Chain
12. Community Investments

Governance

13. Privacy and Data Protection
14. Legal Compliance
15. Anti-Bribery & Anti-Corruption Policy and Whistleblowing Policy

Mapping our Material Matters

The following table shows Masteel's efforts to disclose a comprehensive report on managing each material matter. It is mapped to the corresponding SDGs and stakeholders as well as the relevant GRI indicators to enhance our disclosure in each area.

Material Matters	GRI Indicators	Key Stakeholder	United Nations SDGs
ENVIRONMENT			
• Waste and Effluents • Air and GHG Emissions • Energy Consumption • Water Consumption • Materials Used in Production and Packaging	• 301-Materials • 302-Energy • 303-Water and Effluents • 305-Emissions • 306-Waste	• Government & Regulators • Industry Associations • Media	
SOCIAL			
• Occupational Health and Safety • Customer Satisfaction • Product Quality • Employment Practices • Training and Development • Responsible Supply Chain • Community Investments	• 203-Indirect Economic Impacts • 204-Procurement Practices • 401-Employment • 403-Occupational Heath and Safety • 404-Training and Education • 405-Diversity and Equal Opportunity • 406-Non-Discrimination • 413-Local Communities	• Employees • Customers • Local Communities • Suppliers & Contractors	

Material Matters	GRI Indicators	Key Stakeholder	United Nations SDGs

GOVERNANCE

• Privacy and Data Protection • Legal Compliance • Anti-Bribery & Anti-Corruption Policy and Whistleblowing Policy	• 205-Anti-Corruption • 418-Customer Privacy • 2-27-Compliance	• Shareholders & Investors • Government & Regulators	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS

Environment

Key Highlights

42.9% reduction in CO_2 emission with full IF implementation
50.48% water saving
26.5% reduction in paper consumption
Life Cycle Perspective for PJ Rolling Mill

TCFD

Masteel fully embraces the sustainable journey by setting environmental targets, tracking our manufacturing processes, and assessing our progress toward improving the Group's overall environmental footprint. We are committed and responsible for managing our waste and effluents, monitoring our air and GHG emissions, reducing energy and water consumption, and assessing the life cycle perspective analysis.

Masteel's Petaling Jaya plant is certified under ISO14001:2015 (Environmental Management System), and therefore, we are subjected to an annual third-party audit and certifying all our environmental data. We continue to invest and upgrade the existing system, which allows us to reduce our carbon footprint further.

In FY2022, we take a step further by disclosing Scope 1, 2, and 3 together with TCFD. As of Scope 3, we are disclosing 5 categories out of the total 15 categories, including 6 - Business Travel, 7 - Employee Commuting, 8- Upstream Leased Assets, 11 - Use of Sold Products and 13 - Downstream Leased Assets.

Waste and Effluents

We are committed and responsible for our waste commitment to continuously reducing waste generation from our operation and are accountable for handling any waste we generate. This is clearly outlined in our Environmental Policy. Our long-term goal is to have zero waste in landfill, and we try to adopt this goal by implementing recycling waste within our Group. We adopted the 3R concepts (Reduce, Reuse, and Recycle) as part of the waste mitigation that focuses on recycling our skull steel and cultivating a recycling habit within the Masteel community. Various recycling campaigns were conducted to provide recycling awareness and encourage employees to adopt the 3R concepts in the workplace.

In FY2022, we established the Printing Policy intending to reduce 5% of paper consumption every year. The policy outlined the guidelines for using printer paper, toner, and envelopes. This green initiative resulted in a massive reduction in paper consumption, recording a further decrease of 26.5% from FY2021. The total paper consumption for the three reporting financial years is shown below.

Paper Consumption (unit ordered)
FY2020-FY2022

As a responsible industry, we only engaged with certified and licensed scheduled waste collectors endorsed by the Department of Environment ("DOE") to ensure safe collection and disposal. According to the regulations, all scheduled waste must be disposed of within six months, and the total volume cannot exceed 25 metric tonnes. With good practices, Masteel continues to reduce our scheduled waste every year, especially in spent hydraulic and engine oil. Similarly, we also engaged with certified contractors to collect and manage our non-scheduled waste to be disposed of at legal landfill sites.

Masteel set an internal target of at most two compounds related to waste management within each financial year. During this reporting period, we are proud to disclose that we received zero compounds related to waste management resulting from the stringent and good practices adopted by the Group.

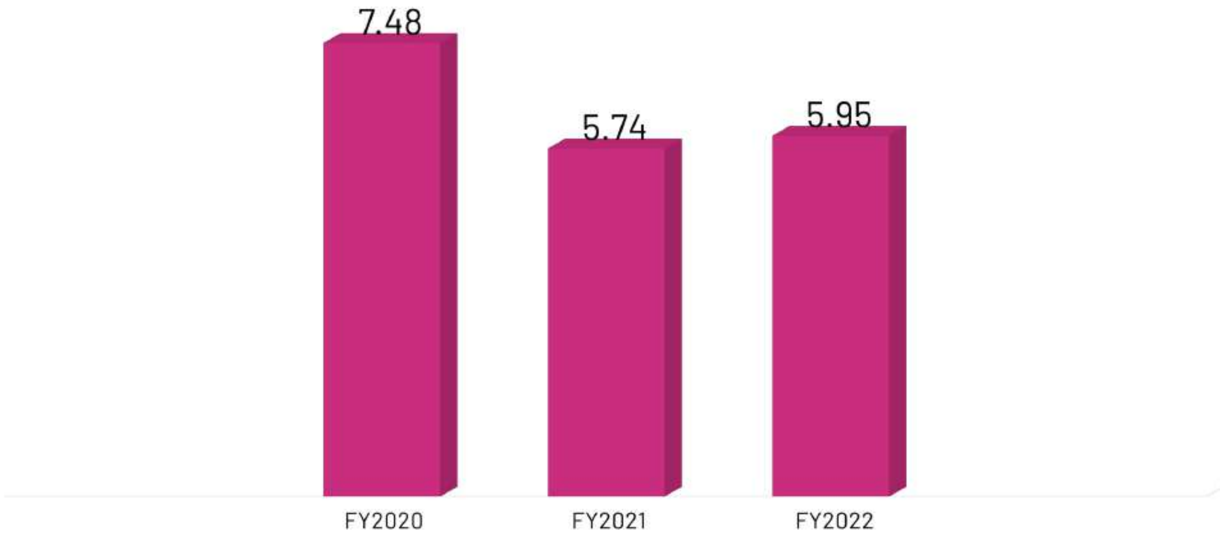
The total general waste generated by Masteel for three conservative years is presented in the graph below, followed by the total recycled waste of skull steel and scheduled waste. In FY2022, there is a 10% increase in general waste due to the full operation of Masteel compared to the partial lockdown in FY2021. We continue to work towards the zero waste goal in the coming years.

General Waste (units*)
FY2020-FY2022

*Generic units are using in place of tonne for confidentiality.

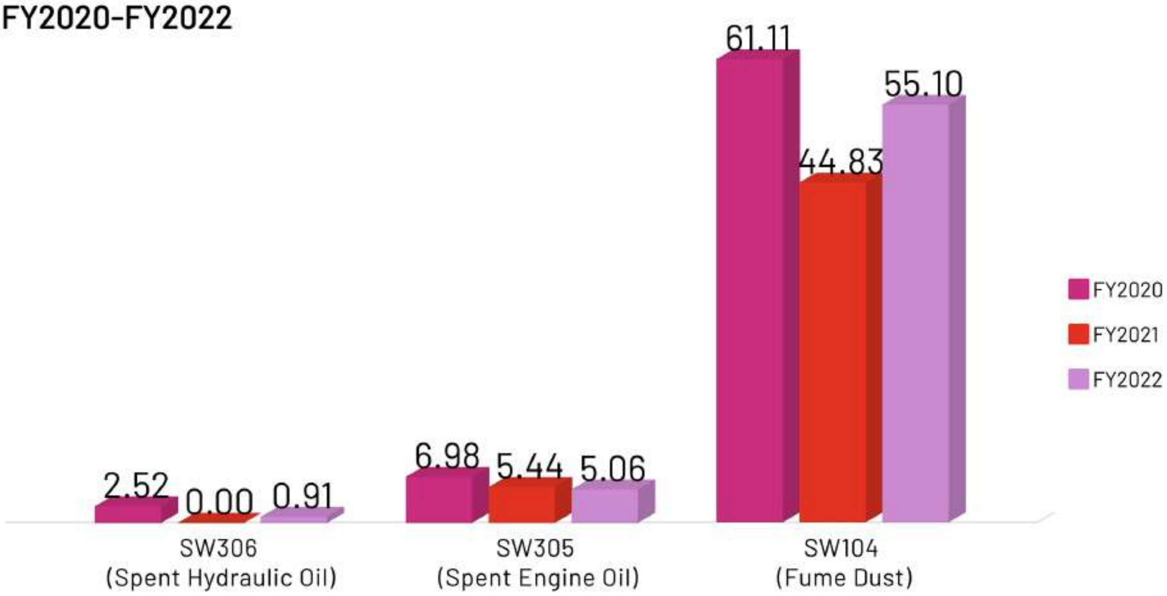
SUSTAINABILITY REPORT 2022

Recycled Waste- Skull Steel (units*)
FY2020-FY2022



*Generic units are using in place of tonne for confidentiality.

Recycled Waste- Scheduled Waste (units*)
FY2020-FY2022



*Generic units are using in place of tonne for confidentiality.

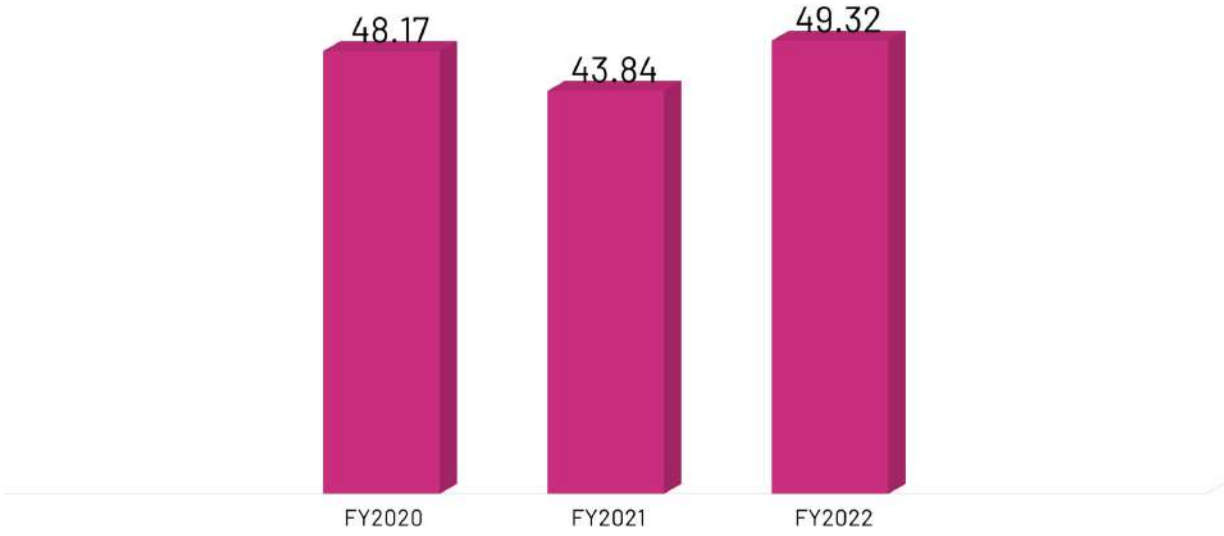
Air Emissions

As a steel manufacturing company, it is vital to closely monitor air emissions because they are a primary pollutant resulting from the operations. Since 2021, we have installed an internal Continous Emissions Monitoring System ("CEMS") at the Bukit Raja plant to track our ambient air emissions by installing analysers. This CEMS enable us to track and record our emission to ensure that we comply with the emissions limit that is allowable by DOE in accordance with the Malaysian Environmental Quality (Clean Air) Regulation 2014. Moreover, this system is more accurate in data collection, provides robust assurance, and permits early detection of any technical failure.

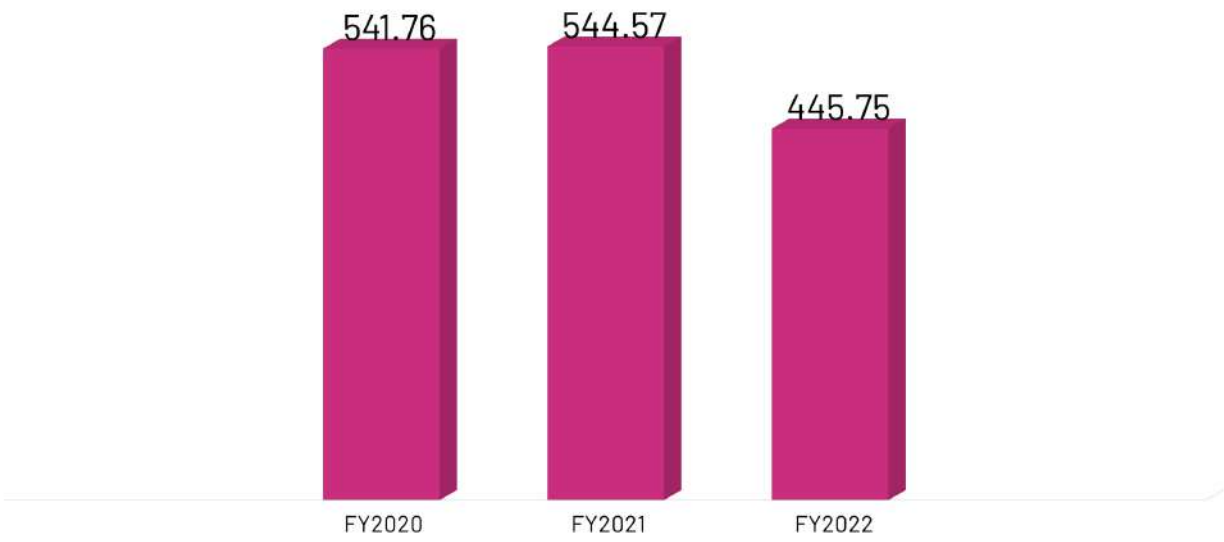
The different types of air emissions generated across three (3) reporting years are shown below, with all complying to the regulation limits.

Key Air Emissions- Isokinetic Dust Particulate (mg/m^3)
FY2020-FY2022

Key Air Emissions- Nitrogen Dioxide, NO_2 (mg/m^3)
FY2020-FY2022



Key Air Emissions- Sulfur Dioxide, SO_2 (mg/m^3)
FY2020-FY2022



GHG Emissions

TCFD

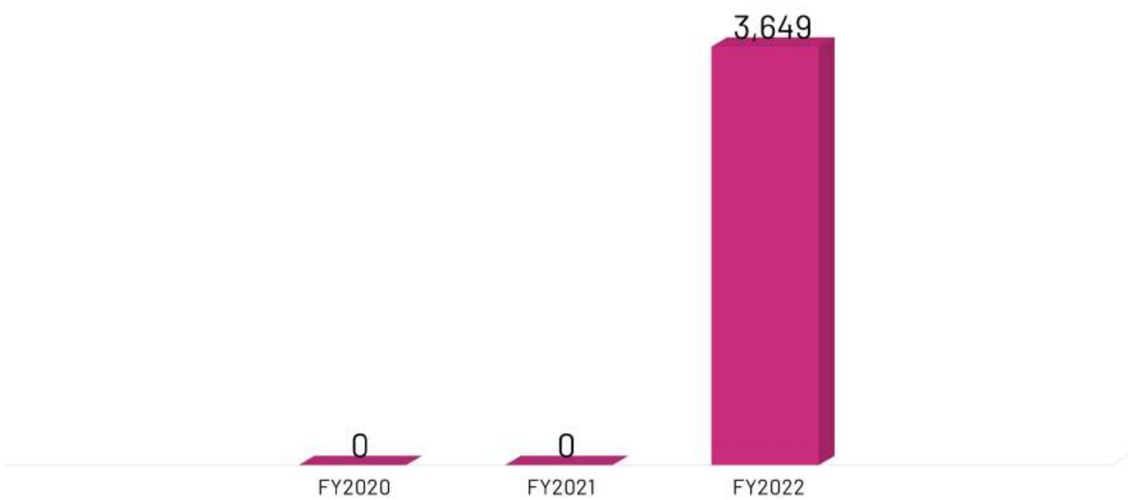
In FY2022, Masteel took the lead in disclosing our GHG emissions for Scope 1, 2, and 3, covering 5 of the 15 categories stated under Scope 3. This shows our strong commitment to addressing climate change, which aligns with the Paris Climate Agreement 2015 and the United Nations initiatives. Our Scope 1 emissions include the emissions generated from our combustion of carbon fuel sources such as natural gas from our operations. In contrast, Scope 2 emissions include indirect emissions from purchased grid electricity. As for Scope 3 emissions, we include categories 6 - Business Travel, 7 - Employee Commuting, 8- Upstream Leased Assets, 11 - Use of Sold Products, and 13 - Downstream Leased Assets. Our total GHG emissions from our Bukit Raja plant are illustrated below. The details breakdown and explanation of each Scope GHG emission are included in our TCFD report on pages 91-92.

GHG Emissions (tCO_2e) - Scope 1, 2 & 3
FY2020-FY2022

GHG Emissions (tCO_2e) - Scope 1
FY2020-FY2022

GHG Emissions (tCO_2e) - Scope 2
FY2020-FY2022

GHG Emissions (tCO_2e) - Scope 3
FY2020-FY2022



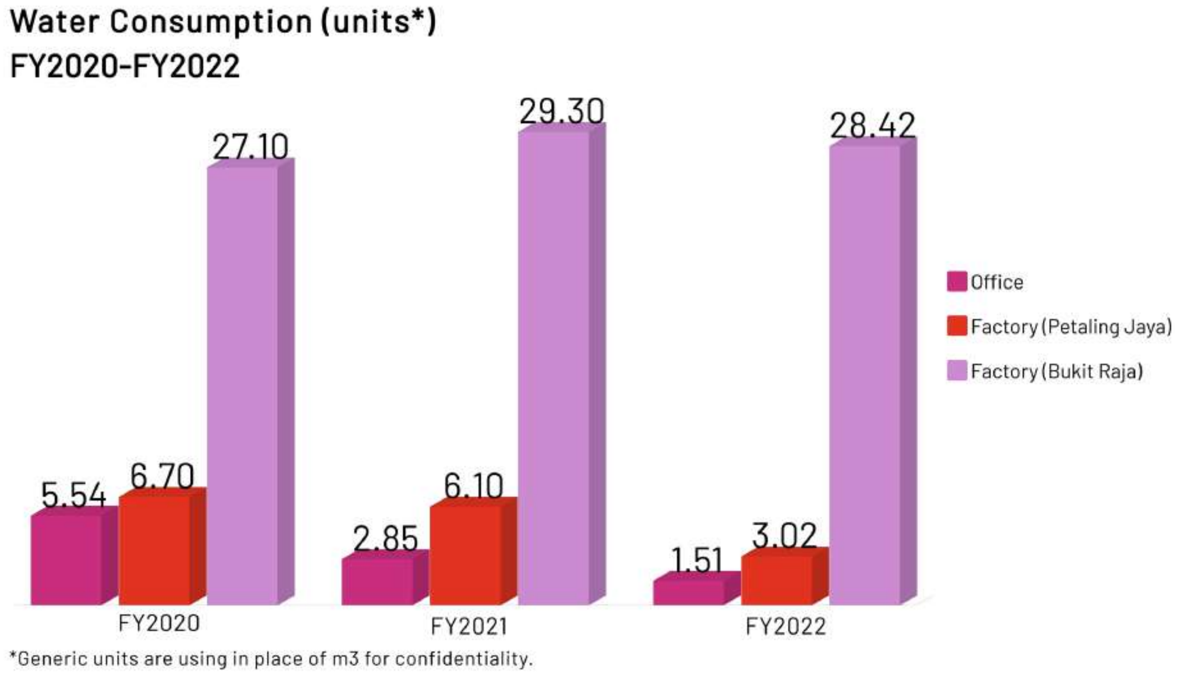
Energy Consumption

Electricity Consumption (units*)
FY2020-FY2022

*Generic units are using in place of kWh for confidentiality.

We continue to improve our technology to increase the energy-saving efficiency of our operations with the aim of further reducing the impact on the environment. In FY2022, we are fully operating with induction furnaces ("IF") replacing the conventional electric arc furnaces ("EAF"), and this resulted in a substantial reduction in raw material consumption of natural gas and oxygen. The conventional EAF needed oxygen in the production process, whereas with the implementation of IF, it does not require any oxygen in the production process. This yielded positive results with reduced natural gas usage of >9 Sm^3 /mt and >7 Nm^3/mt^2 for oxygen. This aids in the preservation of raw materials as the primary resource. The full implementation of IF enables Masteel to reduce approximately 42.9% of CO_2 emissions.

Water Consumption



At Masteel, we have a clear objective of water management to balance the water demands of the production process with environmental protection and sustainability. This involves efficiently using water resources for various processes, minimising water waste and loss, treating and disposing wastewater in an environmentally responsible manner, reducing the risk of water-related impacts and emergencies, and continuously monitoring and improving water management practices to meet changing regulations and standards.

In FY2022, we invested approximately RM200,000.00 to install a rainwater harvesting system ("RHS") at the Petaling Jaya plant, which recorded a water saving of 50.5% in FY2022 compared to FY2021. RHS can reduce the demand for freshwater, a finite resource, particularly in regions with water scarcity. This helps in preserving this precious resource. As a result, we can save approximately 45.8% of our total water bill in FY2022. In addition, Masteel's Water Conservation Policy, enforced in 2022, clearly outlined the mitigation steps for conserving water. This initiative also contributed to the positive and promising water-saving recorded during this reporting period.

Life Cycle Perspective

RAW/ SECONDARY MATERIAL ACQUISITION

Our influence over our suppliers is controlled bby purchasing from approved vendors

PRODUCTION

- Machine Operation
- Water
- Gas
- Electricity
- Oil & Grease
- Billet
- Energy
- Air Emission
- Contaminated Clothes,Glove, Filters
- Product Scrap

TRANSPORT & DELIVERY

We schedule shipment to our customer optimising the efficiency of delivery & thereby minimising the environmental impacts from our logistics processes

We have limited influence over how our products are delivered to customers as they often prescribe the required delivery quantity & date

CUSTOMER

We have limited influence on how our customers use our finished products.

We encourage them to use the product in responsible manner and sell as recycle scrap during the product's end life

END USER

Social

Key Highlights

Approximately 10,640 training hours for employees
Zero incidences of any discrimination or violations of child labour, forced labour, and human rights
RM85000.00 for Corporate Social Responsibility

We at Masteel consistently aim to deliver our very best performance value to our customers while valuing each of our employees and the local community. We continuously strive to be a socially responsible business by practising responsible employment practices and productive community engagement. We want our people to be proud of being part of the Masteel family.

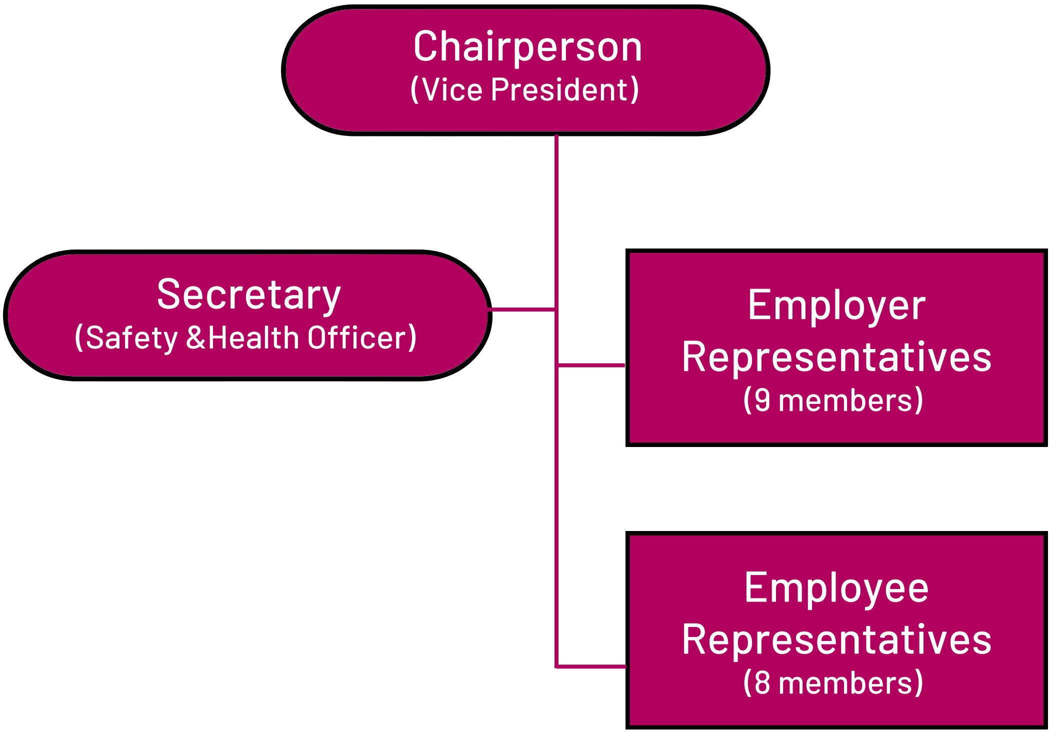
Occupational Health and Safety

We always implement stringent occupational health and safety measures to protect our employees, which is always the absolute top priority at Masteel. We are committed to continuously improving and providing our employees with a conducive and safe workplace. Thus, we have developed an Occupational Safety and Health ("OH&S") Policy as part of the Group enforcement initiative to assist the management and employee in providing a safe working environment at all times. To strengthen the implementation, we set an annual safety-related key performance indicator ("KPI") of fewer than three accidents per year.

We are guided by our OH&S Policy together with the OH&S management system. The comprehensive policy and management system enables us to be certified under ISO45001 (Occupational Health and Safety Management). To ensure it continuously aligns with the certification criteria, each division is subject to internal and external audits.

The Safety and Health Committee is responsible for overseeing the good implementation of the OH&S management system. This committee consists of both employer and employee with a dedicated safety and health officer and lead by a senior manager as the chairperson. The committee meets quarterly to review and report the update to the management on OH&S matters.

The OH&S Policy also applies to Masteel third-party contractors and any service providers via a safety briefing prior to any commencement of work at our plants.



Safety and Health Committee

Masteel is aware of the various inherent safety risks and hazards in the steel manufacturing industry, especially in the presence of extreme heat and heavy machinery. Therefore, we implemented Hazard Identification, Risk Management, Risk Control ("HIRARC") system with the aim to minimise any potential risk and accident to occur. HIRARC is a system for safe observation reporting that includes stopping work orders, unsafe acts, and unsafe condition reporting. We ensure that all of our employees are covered by our OH&S management system, the social security fund ("SOCSO"), and the group personal accident ("GPA").

In FY2022, we recorded a total of 8760 working hours, and unfortunately, it recorded four injuries with one fatality despite the stringent safety enforcement being implemented within the Group. Masteel takes this safety incident seriously by conducting a detailed investigation into the root cause and taking immediate mitigation steps to prevent similar incidents. To the investigation, the fatality incident happened when the billet accidentally hit the worker while transporting it to the rejected billet area. This incident was reported to the Department of Safety and Health ("DOSH"), and the five officers were investigated. Masteel immediately reviewed our Safe Working Procedures and updated the HIRARC by extending the reject billet cutting area to 12m in length. In addition, we revamped the orientation of servicing the tundish to ensure the worker is away from the billet transfer area. The Safety Department and External Trainer conducted additional internal and external Crane Safety Training.

Description	FY2020	FY2021	FY2022
Work related injuries	3	1	4
Work related fatalities (Employees)	0	0	1
Work related fatalities (Contractors)	0	0	0
Incident rate	3.77	1.33	5.08

Thus, Masteel takes the immediate mitigation step to provide additional safety training and stringent the safety operating procedure at the workplace. In addition, we have established an emergency response team together with several emergency plans as below.

During this reporting period, we actively conducted safety-related training and workshop for 451 of our employees in both the Bukit Raja and Petaling Jaya plants to cultivate a responsible and safe working environment for all. The key health and safety training and workshop conducted in FY2022 are listed in the following table.

Internal	External
Petaling Jaya Plant	
• Environmental Impact due to Production Waste • Fire Alarm Control Panel Testing and Training • Fire Extinguisher Training • General Briefing & Covid Briefing • Machine Shop SOP Briefing • Manual Handling Lifting Training • Safety Orientation • Personal Protective Equipment (PPE) • Safe Lifting Training / Crane Lifting Training • Spillage Control Training • Toolbox Talk • Training on Proper Lifting of Heavy Materials • Water Pollution	• Certified Environment Professional in Scheduled Waste Management • Coronavirus (Covid-19) Compliance Saety • Environmental Awareness Training • First Aid Training • Forum on Environment Quality Act • Hearing Conservation Program • ISO14001:2015 Environmental Management System Awareness & Understanding • Internal Auditor Training for ISO14001:2015 Environmental Management System • Internal Auditor Training for ISO45001:2018 Occupational Health and Safety Management System • LOTO Safety Awareness Program • Operation Safety in Iron and Steel Industry • Overhead Crane Safety
Bukit Raja Plant	
• Aluminized Suit for Production Use • Fire Fighting Training • First Aid Box Inspection & Checklist • Safety Orientation • Permit to Work - Hot Work • Personal Protective Equipment (PPE)	• Chemical Handling Training • Confined Space Training • Coronavirus (Covid-19) Compliance Saety • First Aid Training • Forklift Training • Forum on Environment Quality Act • Hazard Identification, Risk Assessment & Risk Control (HIRARC) Training • Hearing Conservation Program • Operation Safety in Iron and Steel Industry • Overhead Crane Safety • Understanding ISO45001:2018 Requirements Training

Occupational Health and Safety

Occupational Health and Safety

Customer Satisfaction

At Masteel, we value our customer's feedback by conducting customer satisfaction surveys annually in accordance with ISO 9001:2015 (Quality Management) to ensure we deliver the best possible products and services. This survey will enable Masteel to gauge and understand our customers' impressions and feedback on our products and services. We are proud to disclose that overall, our customers are very satisfied with our products and services, where we scored a 92.5% for customer satisfaction in FY2022. We continuously improve our manufacturing operations and services to deliver the best products.

In addition, we provide our customers a platform to lodge a complaint and feedback for our continual quality improvement. Our customers can submit a formal complaint to us via email or through messaging application to our sales representatives. As we have in our policy, we will be sure to respond to the complaint within at least one working day. During this reporting period, we have not received any complaints.

Description	FY2020	FY2021	FY2022
Customer Satisfaction Score	95.7%	89.9%	92.5%

Product Quality

Masteel always ensures we manufacture top-quality products to meet our customer's expectations. We have implemented a strict and comprehensive internal quality management system ("QMS") guided by our Quality Manual and Standard Operation Procedure. In addition, our manufacturing operation is certified by ISO 9001:2015 and SIRIM, specifically under MS 146:2014. This certified that our products meet the local industrial standard for high-tensile steel bars. Hence, we assure our customers' confidence in using our steel bars for the infrastructure and construction industry.

Employment Practices

MASTEEL'S LABOUR FIVE BEST PRACTICES

Employee grievance mechanisms to report cases of discrimination or harassment	Effective communication of any changes to terms of employment	Priority given to employment of under-privileged groups, and unemployed youths	Compliance to legal minimum wage, overtime pay, and other remuneration	Equal opportunity to all in our hiring procedures

At Masteel, we are committed to cultivating a healthy work environment by emphasising a sustainable workforce firmly upholding the Group's principles. Furthermore, we continue to employ our five (5) best practices within the Group. This is to ensure that each of our employees will receive fair treatment and that their welfare is well taken care of by the Group.

In addition, we continue to ensure full compliance with the Prevention of Child Labour Policy, Prevention of Forced Labour Policy, and Human Rights Policy which was first introduced in 2021. These policies are well communicated with our employees and available in different languages such as English, Bahasa Melayu, Nepali, and Thai.

We are proud to disclose that we recorded no discrimination or violations of child labour, forced labour or human rights for FY2022.

Prevention of Child Labour Policy

The prevention of child labour always remains the top priority across Masteel in ensuring strict compliance with relevant local labour laws and ordinances. We continue to be committed to zero children and young persons' employment by enforcing stringent procedures in our hiring process.

This policy outlined the fundamental practices to prevent any form of child labour. It is clearly stated, together with our employment terms and conditions that are elucidated in the Employee Handbook. These practices include the following.

- We do not provide employment to children and young persons' before they are of legally employable age;
- We expect our business partners and associates to have and hold similar standards regarding the prevention of child labour;
- We will take serious action, such as discontinuation of business if any of our business partners and associates have violated these principles and have not rectified their actions;
- We are responsible for implementing and ensuring compliance with the policy at all of our operations and facilities.

The HR department will conduct internal audits and inspections regularly to ensure zero violations of this policy. In any circumstances, any child labour violations can be reported directly to our Sustainability Officer, Group Human Resource Manager, or Head of Internal Audit through the whistleblowing platform that is clearly stated in our Whistleblowing Policy.

Prevention of Forced Labour Policy

AT Masteel, we do not tolerate any form of forced or compulsory labour as part of our commitment to protecting our employees and associated workers. Therefore, our prevention of forced labour policy distinctly states the four guiding principles below to prevent us from any forced labour issue.

Prevention of Forced Labour Principles

1 PREVENTION

- To respect, promote and realise the fundamental principles and rights at work.
- To promote freedom of association and collective bargaining for at-risk workers to join worker organisations.
- To conduct programmes to combat discrimination and lessen the risk of forced labour.
- To conduct training programmes for at-risk groups to increase employability.

2 PROTECTION

- To increase the efforts to identify and release victims of forced or compulsory labour.
- To ensure unconditional protective measures are provided to victims of forced labour
- To eliminate abuses and fraudulent practices by labour recruiters and employment agencies.
- To meet the need for immediate assistance, long-term recovery, and rehabilitation for all victims.

3 REMEDIES

- To ensure victims can access the court, tribunals, and other mechanisms to pursue remedies.
- To provide victims access to pursue compensations and damages from perpetrators.
- To provide legal information, advice, and assistance to victims.
- To allow victims to pursue appropriate administrative, civil, and criminal remedies.

4 ENFORCEMENT

- To impose penalties and penal sanctions accordingly.
- To ensure legal persons can be held liable for violating the prohibition of forced labour.

Human Rights Policy

Masteel strictly emphasises full compliance with the Group Human Rights policy in respecting and protecting the rights of each of our workers, regardless of their position and rank, and the wider communities. We have outlined four main human rights guiding principles to ensure we comply with the policy and respect international human rights standards.

Principles

1 WORKPLACE DIVERSITY AND EQUAL OPPORTUNITY

- To ensure zero tolerance towards any form of discrimination.
- To ensure a safe and inclusive workplace.
- To embrace the diversity of our employees.

2 UPHOLDING WORKERS' WELFARE AND WELL BEING

- To uphold employees' rights to sick, annual, and parental leave.
- To work with contractors to ensure worker's living and working conditions are safe, clean, healthy, dignified and equipped with basic amenities.

3 PROHIBITING CHILD LABOUR

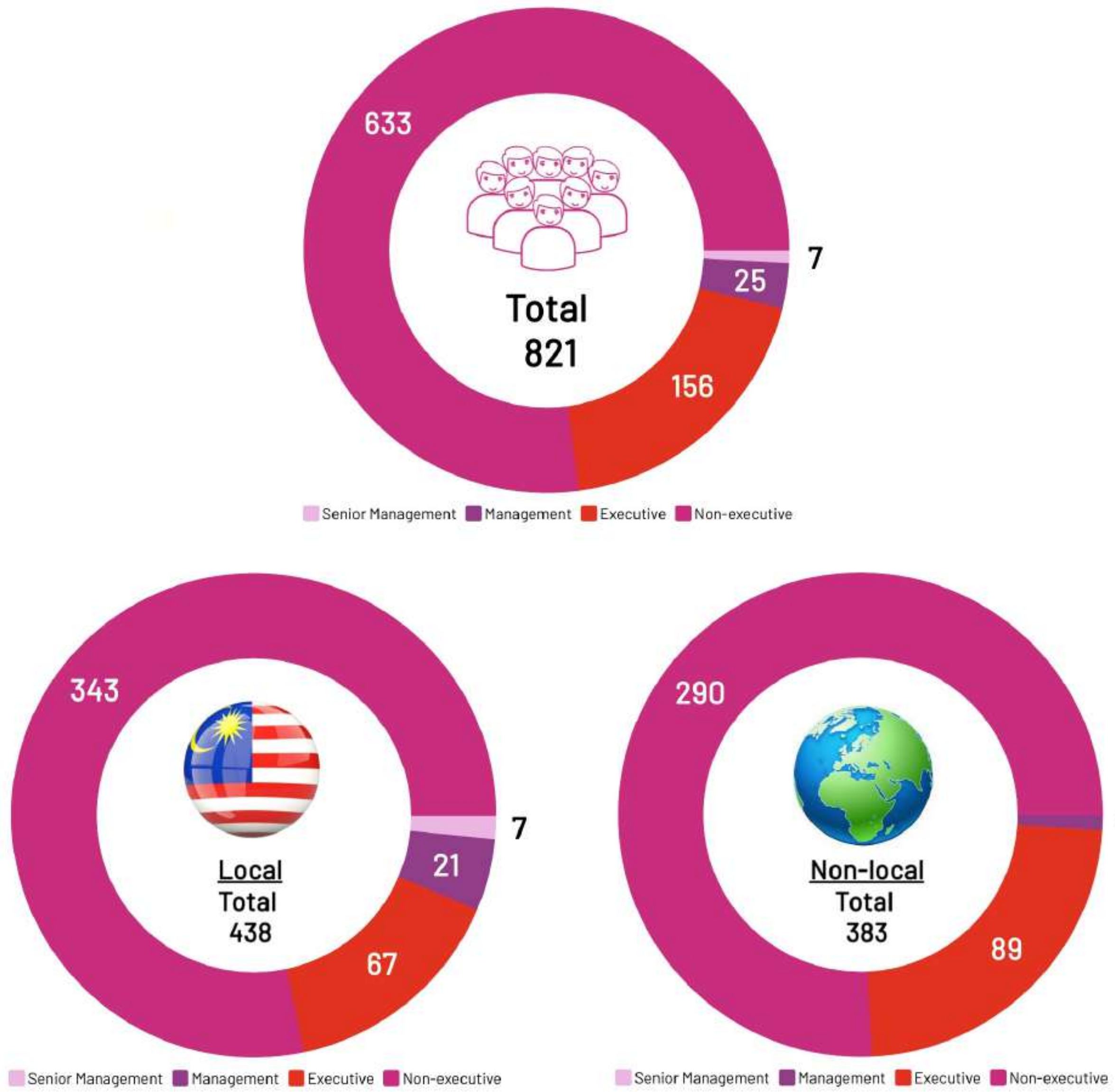
- To ensure no young children are employed directly by Masteel or our contractors.

4 EMPLOYEE RIGHTS

- To prohibit forced or bonded labour, sleve labour, and human trafficking.
- To provide a safe and healthy workplace.
- To ensure all employees are fairly compensated relative to industrial and labour markets.
- To discourage excessive working hours.
- To protect workers from any form of harassment, bullying or abuse in the workplace.
- To respect employees' right to freedom of association and collective bargaining.

Employee Diversity

FY2022 Employment Category Distribution



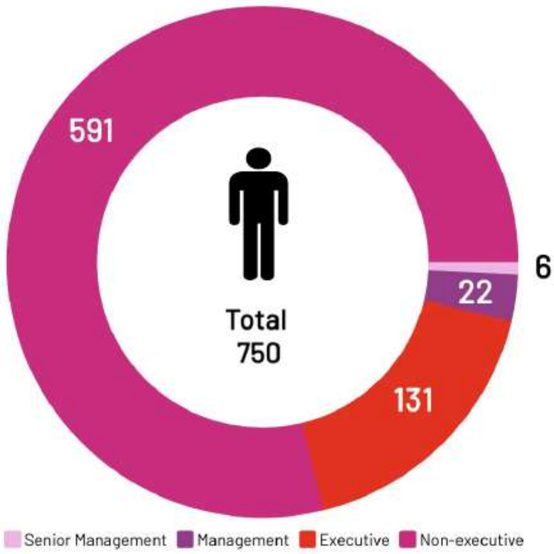
Masteel constantly focuses on our employee diversity to strive to be a competent and responsible employer to ensure the team performs to their best ability to provide the business with the utmost quality. In FY2022, we have 821 employees across all of our subsidiaries, accounting for 438 local employees (53%) and 383 non-local employees (47%). We continue to support local talents, especially in hiring underprivileged groups and unemployed youths to boost the local economy and communities. We continuously embrace and support the professional growth of all our employees regardless of their nationality, gender, religion, and race.

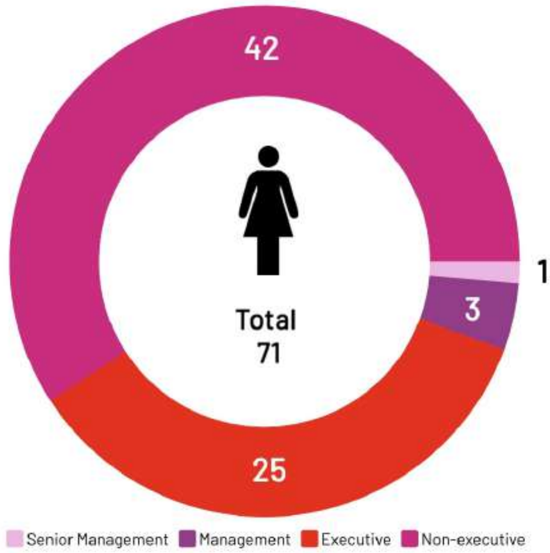
New Employee Hires
FY2020-FY2022

Employee Resignations
FY2020-FY2022

We continue to attract new talents to the Group, which saw 172 new employees comprising 161 males and 11 females. However, the turnover rate was 137 employees left Masteel, comprising 122 males and 15 females. Compared to the previous financial year, Masteel sees an increase in new hires and a reduction in resignations for FY2022. This proves that Masteel is upholding its commitment to ensuring a healthy work environment that gives equal opportunity to all employees and, at the same time, protects and respects their rights which outlines in Masteel's policies.

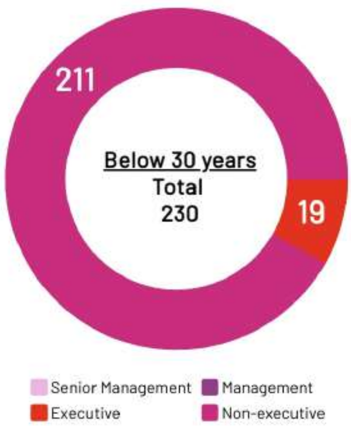
FY2022 Gender Distribution

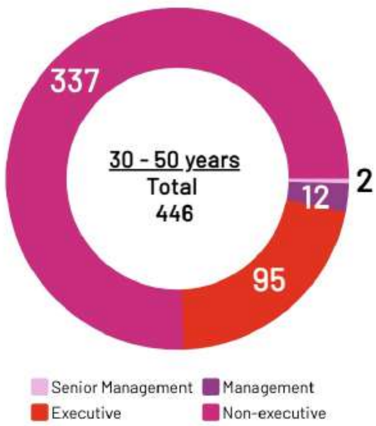


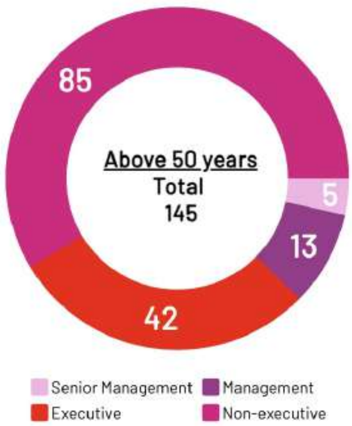


Generally, the Group is dominated by males (91%) compared to females (9%). This is mainly due to the business nature of Masteel, a steel manufacturing industry requiring intense physical work and a factory environment. However, we do not discriminate against any individual who is willing to join the Group based on their gender, as this is clearly stated in our Human Rights policy.

FY2022 Age Distribution







At Masteel, generally, our employees' age group is between 30-50 years old, accounting for 54%, followed by 28% for the age group below 30 years old. Approximately 18% of our employees are above 50 years old. Meanwhile, the Group recorded a majority of 77% of non-executives due to the labour-intensive nature of the Masteel business.

In FY2022, in total, 16 employees have taken parental leave, and all 16 employees returned to work after the parental leave ended. In addition, a total of 10 employees took parental leave in FY2021, and we saw that all of the 10 employees retained their employment with Masteel for the 12 months after their return to work. This shows the strong support and benefits provided by Masteel to all their employees. This positive outlook enables Masteel to continue to grow in its business by retaining its talents.

Training and Development

In order to retain our talents, we continue to nurture their personal growth and talent by continuously providing our employees with various technical, non-technical, and compliance training and workshop. The list of training and workshop conducted in FY2022 is shown in the table below.

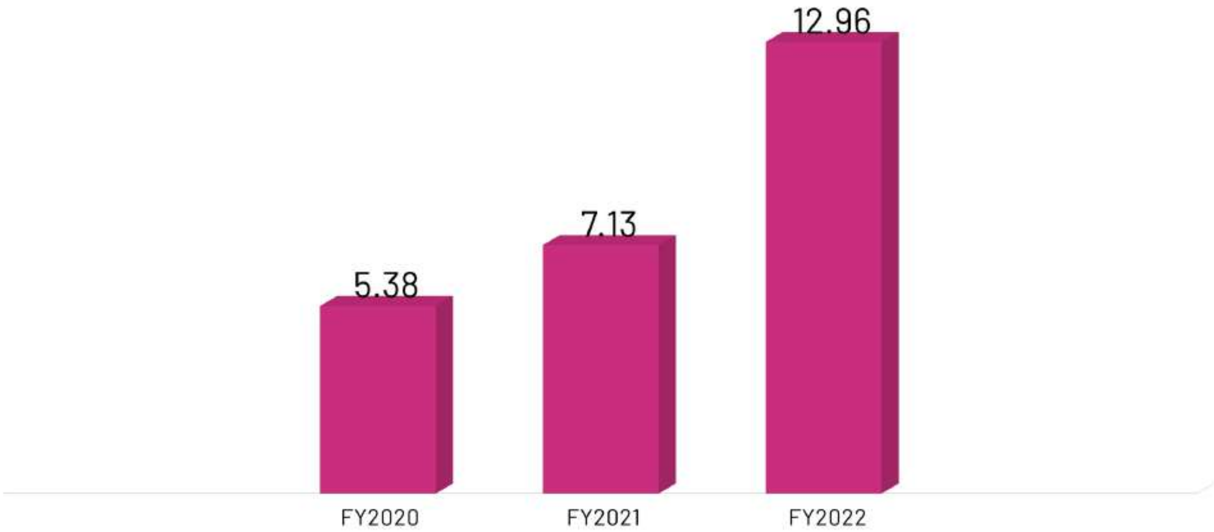
Internal	External
Petaling Jaya Plant	
• Briefing on Anti-Bribery and Corruption • HR Orientation	• Amendments to Employment Act 1955 passed by Dewan Rakyat & proposed Amendments to Trade Unions Act 1959. • Communication Skills • Continual Improvement • Covid creates unique governance issues • Extended iron making • Fundamental of steel making technology & process • Introduction of steel product • Introduction to steel making industry • Iron making • Mechanical testing of rubber/composite/metal in compliance with national & international method of test • MEF-ILO workshop on violence and harrassement in the world of work • Raw material for steel making • Rolling process • Steel making maintenance • Steel making operation • Sustainability management and reporting • The fundamental of the steel product quality system • The updated Malaysian Code on corporate governance • Webinar series: Board Succession, Evaluation and Recruitment • Webinar series: ESG and Sustainability Reporting

Training and Development

Internal	External
Petaling Jaya Plant	
	• Webinar series: Fundamentals of Board Governance • Webinar series: MBRS Revision for Preparers, Makers, and Lodgers of Financial Statement • Webinar series: Practical Secretarial Issues and Challenges 1 - Case Studies on AML/CTF, Directors and Conflicts of Interes
Bukit Raja Plant	
• Ergonomics • HR Orientation	• Communication Skills • Continual Improvement • Continuous Casting of Steel Billet • Electric Furnace Steelmaking (EAF) • Extended Iron Making • Fundamentals of Steel Making Technology & Process • Introduction of Steel Product • Introduction to Steelmaking Industry • Iron Making • Ladle Refining • Oxygen Steelmaking Processes (BOF) • Raw Material for Steel Making • Refining of Stainless Steel • Rolling Process • Solidification of Steel • Steel Making Maintenance • Steel Making Operation • Steel Making Refractories • Steel Plant Refractories • The Fundamental of the Steel Product Quality System • Tundish Operation • Vacuum Degassing

**This list excludes Occupational Health and Safety Training*

Average Training Hours per Employee
FY2020-FY2022



We recorded almost double the training hours conducted to our employees from 5627 hours in FY2021 to 10640 hours in FY2022. Similarly, it recorded an increase of approximately 82% in average training hours per employee in FY2022 compared to FY2021. This is in line with our commitment to provide training and development programmes that will enable our employees to be equipped with the latest technology and skills. Through the enhanced training programmes, our employees can gain sufficient knowledge to strengthen the company's growth.

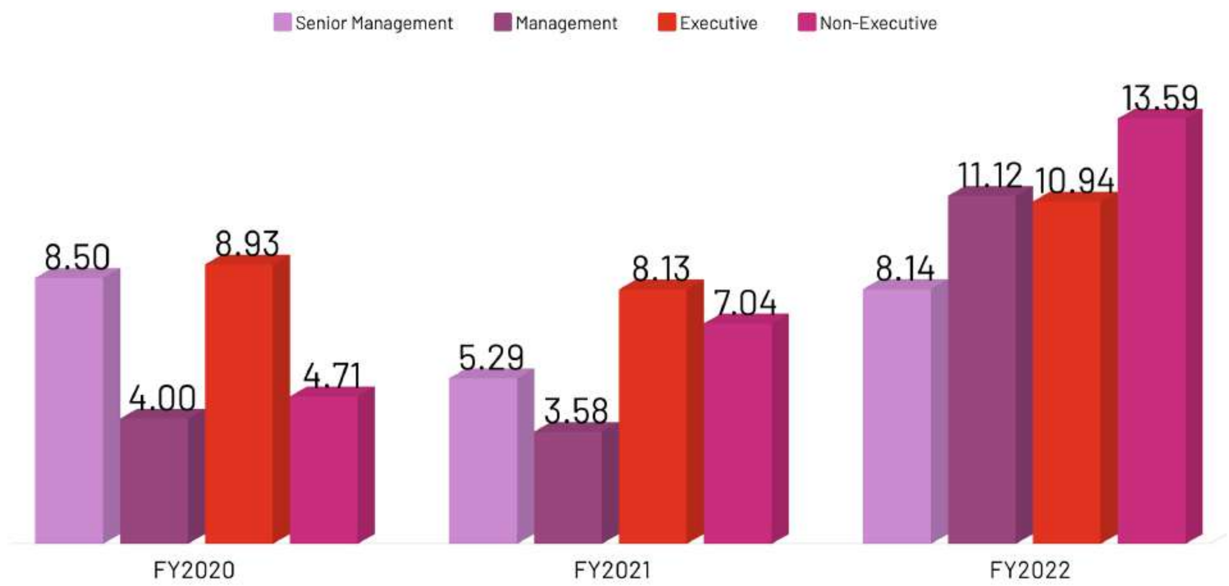
With the rapid development of the industry, we further support the development of our employees through the appraisal assessment, which is conducted yearly. The primary purpose of this assessment is to identify areas for improvement to better equip our employees with the latest knowledge and skills. In addition, through this assessment, we are able to better understand the employees' performance for potential promotions. We conducted the performance review successfully for all our 821 employees for FY2022.

In FY2022, we newly adopted two principles for developing our employees' competencies and awareness through

- Malaysia Steel Institute (MSI) training - Technical and safety awareness training was conducted for all new hires.
- Yearly Training Plan - A Training Needs Analysis ("TNA") was conducted to identify existing employees' skill gaps and training needs. The outcome of this analysis will then be used to develop the Yearly Training Plan.

Average Training Hours by Gender FY2020-FY2022

Average Training Hours by Employment Category FY2020-FY2022



Employees Satisfaction

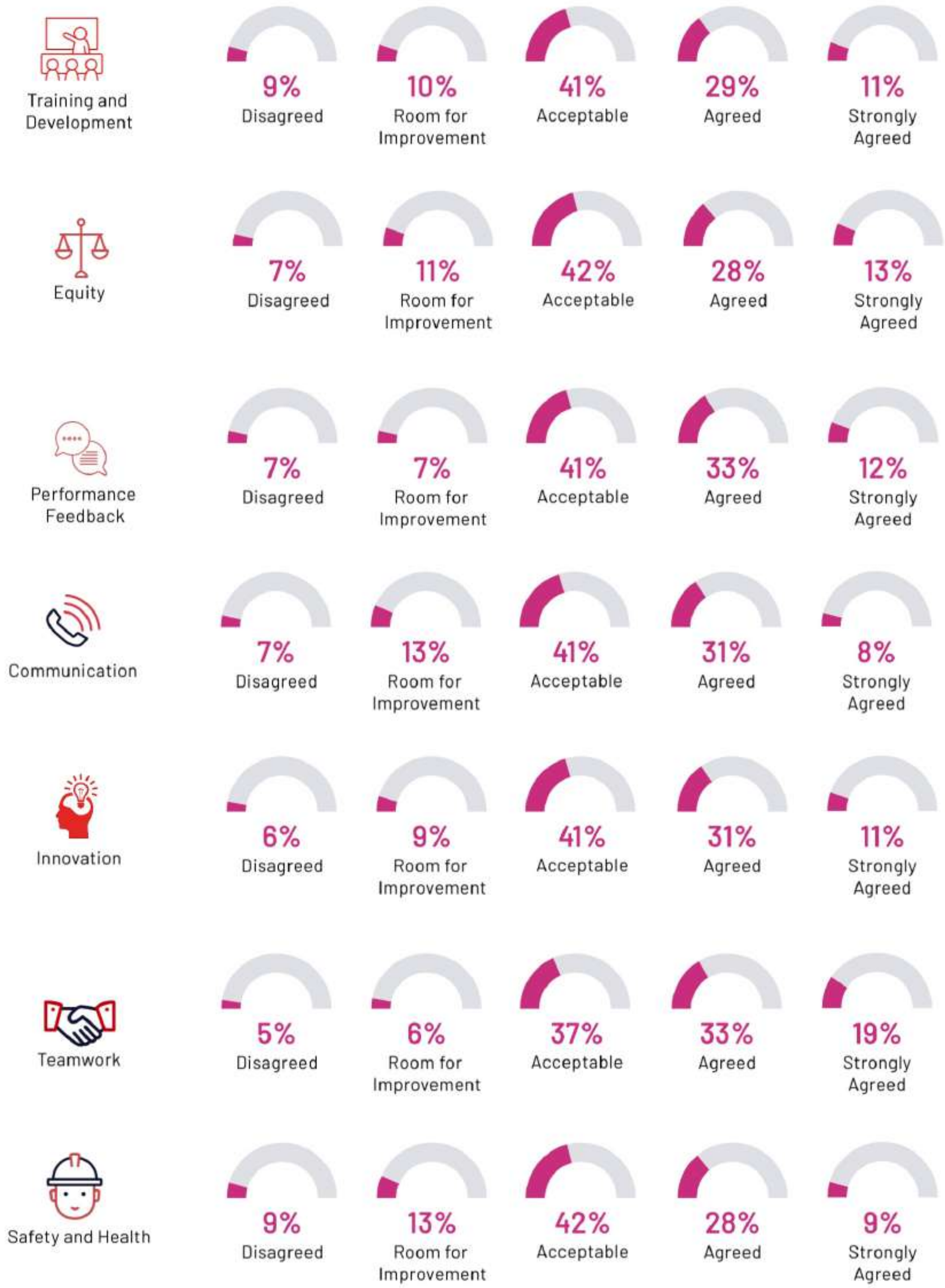
FY2022 Employee Satisfaction Survey

272 Respondents

8%	10%	41%	29%	12%
Disagreed	Room for Improvement	Acceptable	Agreed	Strongly Agreed

FY2022 Employee Satisfaction Survey (by Indicators)

Corporate Culture	10% Disagreed	10% Room for Improvement	40% Acceptable	27% Agreed	13% Strongly Agreed
Job Satisfaction	10% Disagreed	10% Room for Improvement	42% Acceptable	27% Agreed	11% Strongly Agreed
Work/ Life Balance	10% Disagreed	12% Room for Improvement	45% Acceptable	24% Agreed	9% Strongly Agreed

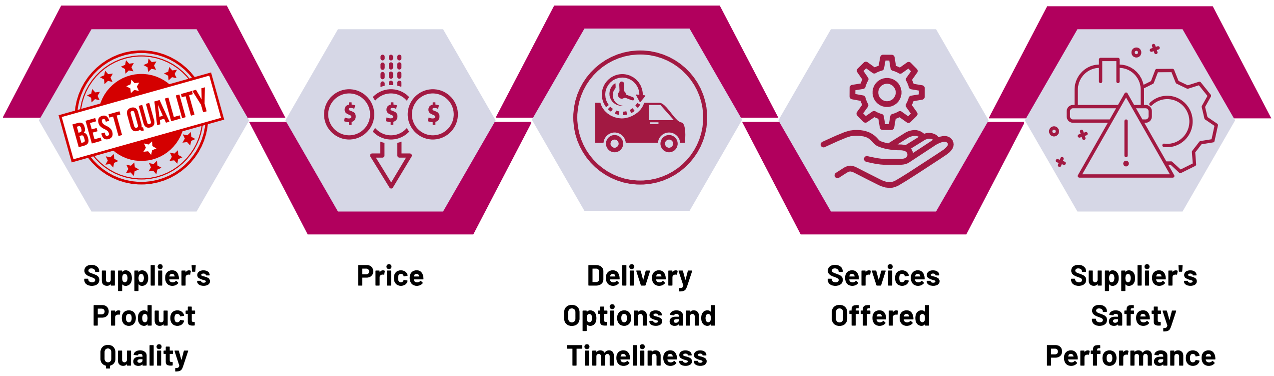


Training and Development
9% Disagreed
10% Room for Improvement
41% Acceptable
29% Agreed
11% Strongly Agreed
Equity
7% Disagreed
11% Room for Improvement
42% Acceptable
28% Agreed
13% Strongly Agreed
Performance Feedback
7% Disagreed
7% Room for Improvement
41% Acceptable
33% Agreed
12% Strongly Agreed
Communication
7% Disagreed
13% Room for Improvement
41% Acceptable
31% Agreed
8% Strongly Agreed
Innovation
6% Disagreed
9% Room for Improvement
41% Acceptable
31% Agreed
11% Strongly Agreed
Teamwork
5% Disagreed
6% Room for Improvement
37% Acceptable
33% Agreed
19% Strongly Agreed
Safety and Health
9% Disagreed
13% Room for Improvement
42% Acceptable
28% Agreed
9% Strongly Agreed

Responsible Supply Chain Management

As a significant player in the local steel industry, we believe in building a sustainable and ethical supply chain that ensures the continuous supply of goods without interruption while upholding our Environment, Social, and Governance aspects. We have encouraged our supply chain to implement a responsible and sustainable approach to conducting their business. Moreover, we continue to support the local market, where most of our suppliers are local, with 84.0% and only 16.0% being overseas suppliers.

In FY2022, we implemented the ESG assessment for all our suppliers and contractors as part of our supplier due diligence process. In addition, we are committed to reducing the environmental footprint in our steel manufacturing. Thus, we require all our suppliers and contractors to undergo a screening assessment before signing a contract with Masteel. This is to ensure that all our suppliers and contractors comply with Masteel's requirements. The screening assessment involves five (5) criteria, as stated below.



A score of 0-4 is allocated for each criterion which is then totaled to obtain the overall score or rating. If a supplier scores lower than 12 points, we will notify the supplier of the rating outcome and request immediate corrective action. In the event of five consecutive scores of lower than 12 points, we will deregister the supplier from our Approved Supplier List unless a specific concession is given. We strictly ensure our Approved Supplier List consistently demonstrates a high quality of service and products. Moreover, when we are selecting new suppliers, those who had been deregistering from our list will be given lower priority.

Corporate Social Responsibility

At Masteel, we actively engaged and contributed back to society through our Corporate Social Responsibility ("CSR") programme. In this reporting period, we have invested RM85,000.00 in social programmes. We continuously focus on our CSR programme to improve the quality of life for the communities close to our area of operations. One of our key support is the Ti-Ratana Foundation where this organisation focuses on child and women support, senior citizens, and healthcare programs.

In addition, we contributed to the Malaysian Nature Society in support of the society's vision and mission of protecting, managing, and conserving natural heritage and rich biological diversity as part of environmental education. Masteel also emphasises the importance of quality education as part of the SDGs goals by contributing to the Royal Malaysia Police College Kuala Lumpur. We supported the college's construction of a green landscape to support a green environment.

In FY2022, we have made an additional effort by achieving approximately 800 hours of CSR programmes that involve our employees. This is to cultivate a sense of responsibility among our employees toward the local communities.

Corporate Social Responsibility

Masteel Green Initiative

Masteel, committed to ESG implementation, had introduced a green initiative by starting the hydroponic vertical farming system at the Bukit Raja plant. This green initiative is one of the many good ESG concepts being practised in the company. Hydroponic vertical farming is a soilless medium that only uses water to provide a rich and balanced vegetable-growing diet. Masteel utilises this green initiative to promote a sustainable and environmentally friendly approach to growing vegetables to reduce global greenhouse gases. In addition, this vertical farming helps to improve biodiversity because it does not cause any land surface disturbance.

Moreover, the crops from such farming methods will be able to eliminate the need for pesticides and produce healthier vegetables. Furthermore, this hydroponic concept can use far less water and be recycled. Thus, it is virtually no water wasted in this system.

Such a farming system aligns with the company's commitment to promoting and implementing ESG within the Masteel community. Furthermore, through this initiative, Masteel is continuously promoting healthy eating habits among our staff as part of the company's commitment to taking good care of the staff's welfare. Therefore, all the vegetables harvested from this farming system are then distributed to all Masteel staff for free as part of Masteel's corporate social responsibility initiatives.

Hydroponic Vertical Farming

Governance

Key Highlights

Align to Masteel's policies
Zero incidence of corruption
Zero incidence of environmental issues

Masteel's management and employees acknowledge their key role in building a sustainable and reputable business through strong corporate governance. All employees at Masteel must abide by our Code of Conduct and Code of Ethics in upholding the company's reputation. The Codes outlined the principles, standards, and norms of behaviour expected by all employees, including the Board of Directors and Management. Masteel stressed transparency and accountability as the key to establishing stakeholder trust and strengthening the Masteel community to work with integrity. All the information is supplied to all staff during onboarding and publically available on our corporate website.

Privacy and Data Protection

Masteel's practices and fully committed to safeguarding and protecting the personal data of both employees and customers. Our Personal Data Protection Policy clearly outlined the range of personal data that can be obtained from our staff, how the Group can use this data, and who is the contact point should any employees have any concerns about their personal data and its use. This policy is part of the Employee Handbook, spelled out in two languages (Bahasa Inggeris and Bahasa Melayu).

In addition, Information Technology Policy is also clearly outlined in the Employee Handbook, which covers the handling of the Group's IT systems that protect the personal data of our employees, customers, and partners. This policy includes the procedure to safeguard the security of computer workstations and portable devices that encompass lock screens, strong passwords, and antivirus software. All employees are reminded to abide by the restrictions outlined in the Policy to safeguard the cybersecurity of the Group's systems.

Anti-Bribery & Anti-Corruption Policy and Whistleblowing Policy

Since 2020, Masteel already formalised our Anti-Bribery & Anti-Corruption Policy ("ABAC Policy") and updated our Whistleblowing Policy, proving our strong commitment to cultivating a high standard of ethics and behaviour that enables our business to operate transparently and responsibly. These policies outline our responsibility to be honest and to create a system of accountability and anonymous reporting. Our good governance principles and accountability apply to all employees across the Group, including any third parties we engage with. All these policies are well communicated with all employees via internal memorandums, briefings,s and training sessions.

As of 2022, we have conducted 20 training related to ABAC Policy which were attended by 207 (25.2%) employees from all levels. Meanwhile, these policies are also available publicly on our corporate website. We are proud to disclose that we recorded zero corruption cases in FY2022. This is our third consecutive year recording zero cases of corruption.

Our employed third parties will be required to sign an anti-bribery and anti-corruption declaration prior to any engagement with Masteel. This declaration is important to ensure Masteel prevents any potential bribery risks relating to third parties from occurring, which we identify during our risk assessment process. According to our risk assessment outcome, the risk of bribery was deemed high in the division of import and export of goods and engagement with an outsourced activity or association of a third party.
In addition, Masteel took an additional precaution step prior to any third-party engagement; Masteel will undergo a due diligence process to search for the third party company on The Corruption Offenders Database, which is publicly available on the Malaysian Anti-Corruption Commission's website.

The ABAC Policy details the types of bribery and corruption, including other potential risk areas such as giving gifts, entertainment, travel, hospitality, donation, and sponsorship. Furthermore, the policy also highlights the prevention ways in the event of a potential or perceived conflict of interest.

Meanwhile, the Whistleblowing Policy clearly outlines the standard procedure for a whistleblower to lodge a report, including the personnel roles and responsibilities assigned to investigate the whistleblower's claim. Masteel always ensures that the whistleblower's identity remains confidential and anonymous. Furthermore, we take full responsibility for protecting whistleblowers from retaliation when lodging a report in good faith.

Legal Compliance

We at Masteel always uphold business compliance with all related laws and regulations set by the authorities. We execute continuous effective monitoring and mitigation steps to identify potential compliance risks through our risk register. We also keep up-to-date on any new or revised compliance regulations directly related to our business. Therefore, we conduct regular checks via a risk reporting checklist to ensure we are always complying with the latest laws and regulations. The stringent and close monitoring helped us to record zero non-compliance cases for FY2022.

Legislation	Relevant Compliance Obligation	Affected Activities	Compliance Evaluation Method
Waste and Chemical Related			
Solid Waste and Public Cleansing Management Act 2007	• Disposal via licensed contractor	• Disposal of domestic wastes	• Contractor's Service Report/Invoice
Occupational Safety and Health Act 1994 Section 20, 21, 22, 23, 27; Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations 2000	• 5-Chemical register • 9 & 10-Chemical health risk assessment • 16-PPE • 20 & 21-Labelling & re-labelling • 25-Safety Data Sheet	• All chemicals used	• CHRA Reports • Chemical Registry • Stock Cards

Legislation	Relevant Compliance Obligation	Affected Activities	Compliance Evaluation Method
Noise and Statutory Nuisance			
Occupational Safety and Health Act 1994 Section 15, 17, 18, 24, 28; Occupational Safety and Health (Noise Exposure) Regulations 2019	• 3 & 6-Noise exposure monitoring & limits • 4-Noise risk assessment by certified assessor • 5-Training & supervision • 7 & 8-Hearing protection • 9 & 10-Audiometric testing • 11-Record keeping	• Noise from all process areas	• Yearly Noise Monitoring Report • Audiometric test report for employees with high noise exposure • Hearing conservation training records
Health and Safety Related			
Occupational Health and Safety Act, 1994	• Section 15(1) & 17-OHS risk assessment • Section 16-Establishment of Safety Policy	• All activities	• HIRARC & Review of Environmental, Occupational Health & Safety Policy during yearly management review or when required
Occupational Safety and Health Act 1994 Section 29 OSH (Safety & Health Officer) Regulation 1997	• 4,5,6,7,8,9,10,11,12,13-Registration of Safety & Health Officer • 14-Notification of Safety & Health Officer • 18,19,20-Duties of Safety & Health Officer	• All activities	• Safety Officer's green book

Legislation	Relevant Compliance Obligation	Affected Activities	Compliance Evaluation Method
Health and Safety Related			
Occupational Safety and Health Act 1994 Section 30, 31 OSH (Safety & Health Committee) Regulation 1996	• 4, 28-Duties of employers • 5,6,7,8,9,10-Membership & appointment of committee • 11,12,13,14,15,16,17, 18,19,20-Functions & responsibilities • 21,22,23,24,25,26, 27-Committee Meeting • 29-Duties to provide training • 30-Documentation & Information	• All activities	• Safety & Health Committee Chart • Quarterly meeting minutes
Occupational Health and Safety Act, 1994 Section 32 OSH (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004	• 4,5,6,7,8-Notification and reporting of accident and dangerous occurrence • 9-No interference at accident scene or dangerous occurrence scene • 10 & 11-Record submission & record keeping	• All activities	• MyKKP portal's data & report

Legislation	Relevant Compliance Obligation	Affected Activities	Compliance Evaluation Method
Factory and Machinery Related			
FMA (Safety & Health Welfare) Regulations 1970 amended 1983	• 6-Maintenance of floor • 7-Access of place of work • 9-Stairway • 12-Working at height • 13-Confined spaces • 16-Precaution against ignition • 20-Stacking of material • 21 & 22-Fire precaution & firefighting • 32-Working cloths, PPE & appliance • 38-First Aid	• All activities	• SHE Monitoring & Measurement Table in procedure MSW-8-P05
FMA (Notification, Certificate of Fitness & Inspection) Regulation, 1970 amended 2009	• 3-Operation of factory and use of machinery • 5-Factory general register • 10,12,28-Machinery requiring certificate of fitness to have current & valid certificate for operation • 14 & 22-Regular inspection	• Use of Lifthing Hoist (Overhead Crane) Compressors	• JKKP Logbook • License Register

Legislation	Relevant Compliance Obligation	Affected Activities	Compliance Evaluation Method
Others			
Fire Service Act 1988	• 22-Storage of water & fire hydrant for fire-fighting in premise • 23-Notice of work affecting fire hydrants • 28,29,30,32,33-Fire certificate	• All activities	• Fire Certificate renewal record
Companies Act 2016	• To comply all sections of Companies Act, 2016 and submit necessary returns to Companies Commission of Malaysia	• Corporate Compliance	• Risk reporting checklist
Bursa Malaysia Listing Requirements	• To comply all Chapters, Practice Notes, and Directives of Main Market Listing Requirement as well as amendments on Listing Requirements from time to time	• Listing status on Bursa Malaysia	• Risk reporting checklist

Our Future Plans

Masteel is fully committed to embarking on the ESG journey with continuous support from all stakeholders and plans to enhance our sustainability initiatives further and report in the coming years. Below are the target initiatives.

01

VERRA Registry

Masteel is planning to open a Registry account with VERRA and get our steel-making project listed with VERRA for the issuance of carbon credits to be traded in the carbon market.

02

Bursa Carbon Exchange

Masteel will participate in Bursa Carbon Exchange auction for Voluntary Carbon Market ("VCM") Exchange.

03

Green Award

Masteel will launch its first "Green Awards" programme in 2023 to internalise ESG by inviting all stakeholders to start their Sustainability Statement and Carbon Emissions calculation.

04

GHG Emissions

Masteel is fully committed to achieving a minimum 10% overall GHG reduction by 2026 and a further 15% reduction by 2031.

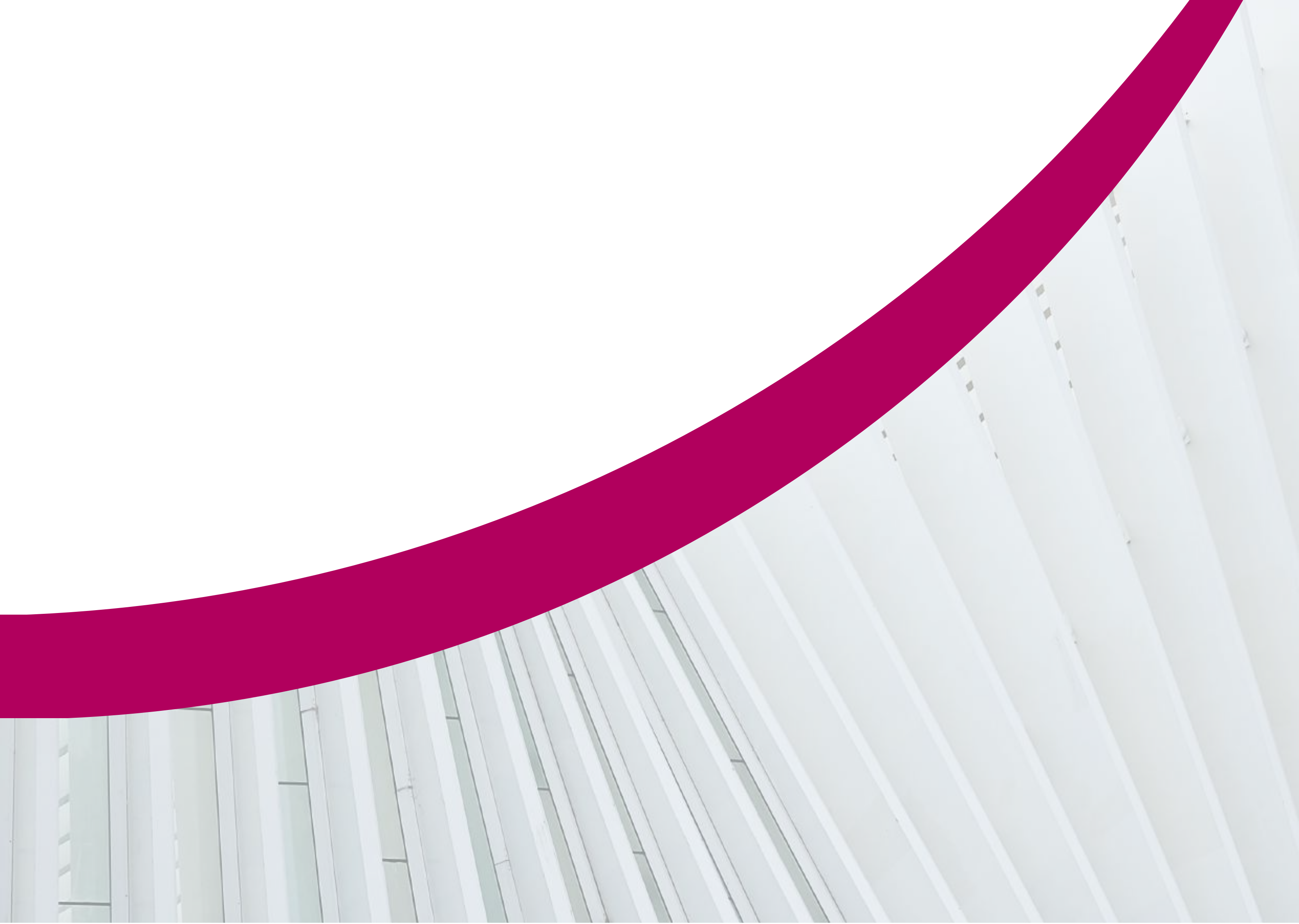
Masteel

MALAYSIA STEEL WORKS (KL) BHD

(7878-V)

2022

TCFD REPORT



Introduction

The Masteel 2022 Task Force on Climate-Related Financial Disclosures ("TCFD") report provides all stakeholders with information about what Masteel is doing to mitigate the risks of climate change and be transparent and responsible about the way in which the company are governed.

01 What is the TCFD ?

It is a framework that Masteel uses to publicly disclose climate-related risks and opportunities to their businesses.

To increase consistency in reporting climate-related financial information, an important guide for Masteel on how to inform stakeholders on their climate action plans and enhance market transparency.

Masteel's TCFD framework was designed to remedy the shortcomings and thereby promote investors' and Masteel's understanding of the financial impacts of climate change.

02 The four pillars of TCFD framework

- Governance
- Strategy
- Risk Management
- Metrics & Targets

Company Overview

The Masteel's committed and support of the TCFD

Masteel supports the adaptation of TCFD reporting in their 2022 annual report which includes all the four pillars which is the governance, strategy, risk management and metrics and targets. The thorough assessment and implementation of climate-related risks and opportunities will enable Masteel to accelerate transformation efforts by businesses and drive Masteel towards net-zero emission by 2050.

The disclosure under this TCFD report 2022 will help to incentivise positive behaviours and enable stakeholders to make informed decisions. The required analysis will continuously drive the increase of awareness and knowledge levels among stakeholders throughout and across Masteel businesses.

Masteel is taking the lead in the steel industry by actively supporting and promoting the TCFD implementation and reporting among its peers. We have committed to continue to invest and improve our existing steel production technology with the aim of reducing the climate change risk. We are also supporting the 3Rs concept with the implementation of the paperless concept within the operation.

We have based our report on the four main pillars as defined in the TCFD framework. This report contains transparent disclosures against the recommendations of the TCFD for Masteel stakeholders.

The following photos show part of the RM 67 million investment in new technology towards net zero emissions.

Ultra low GHG emissions steel making process

Governance

Disclose the Masteel's governance in assessing and managing climate - related risks and opportunities

The Board of Directors currently has two standing committees: the Sustainability Committee and Risk Management Committees which are comprised of key representatives from various business divisions. Each of these has an important role to play in governing Masteel's response to the risks and opportunities posed by climate change.

Board of Directors

Oversee the progress towards the Company's sustainability-related objectives, as well as managing various climate-related risks and opportunities.

Develops sustainability and climate-related strategy, collects and reports GHG emissions data, and develops climate-related disclosures.

Governing the Company's response to the risk and opportunities posed by climate change.

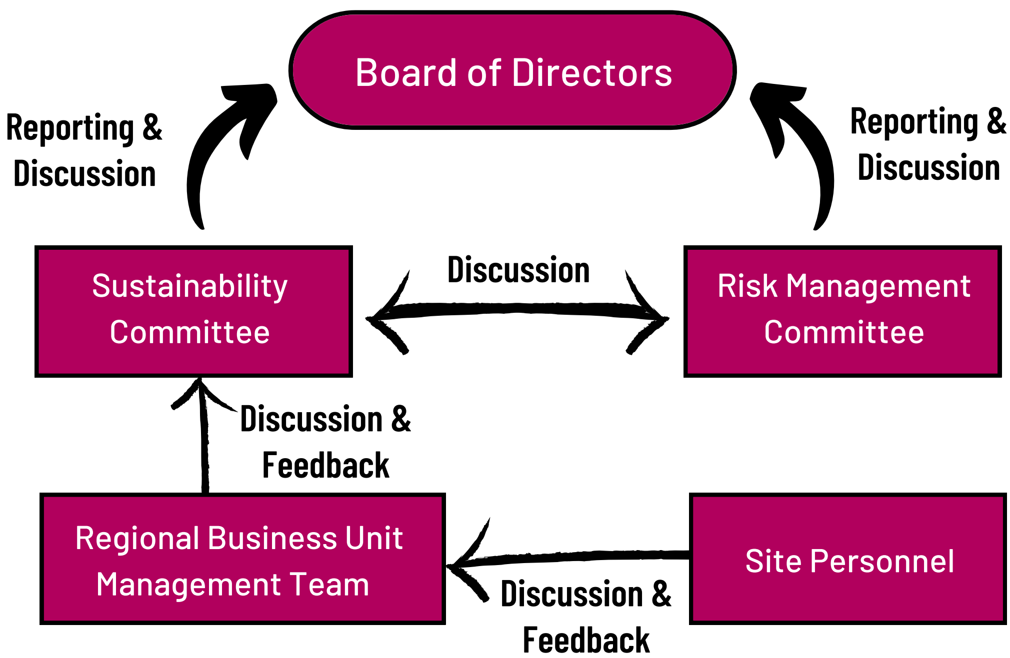
Developed Risk Management Framework which included ESG risk and recommend mitigation measures for the potential risk.

Sustainability Committee

The Sustainability Committee will meet at least three times a year to discuss and review the aspects of the Company's sustainability and climate-related strategy. The updates from the Sustainability Committee's meeting will be brought to the Board of Directors for further discussion and approval. The reviews and discussions covered Masteel's commitment to supporting Malaysia's participation in the Paris Climate Agreement and the Twelfth Malaysia Plan's commitment to reduce GHG emissions by up to 46% of GDP by 2030.

Risk Management Committee

The Risk Management Committee is one of the standing committees of the Board and has an important role in governing Masteel's response to the risk and opportunities posed by climate change. The risk management framework has been expanded to better encompass the Environment, Social and Governance (ESG) risks and their mitigation measures.



Integration of ESG

The integration of ESG factors into Masteel's overall business strategy has been the focus and the main objective of the Board of Directors to ensure long-term value creation for Masteel.

Masteel has integrated the following ESG factors into its overall business strategy since (2017). The good practices by Masteel are the reduction of paper usage and promoting paperless practices within the company community. Besides that, Masteel recycled back the skull steel as part of the raw material in manufacturing new steel and estimated a cost saving of RM5 million per annum.

Environment

- Waste and Effluents
- Air and GHG Emissions
- Energy Consumption
- Water Consumption
- Materials Used in Production and Packaging

Social

- Occupational Health and Safety
- Product Quality
- Customer Satisfaction
- Training and Development
- Employment Practices
- Responsible Supply Chain
- Employees Satisfaction
- Corporate Social Responsibility

Governance

- Legal Compliance
- Anti-Bribery & Anti-Corruption Policy
- Whistleblowing Policy
- Privacy and Data Protection

STRATEGY

Disclose the actual and potential consequence of climate-related risks and opportunities for the Masteel's business, strategy and financial planning.

The Masteel considers both the short (1-5 years) and long-term (5-10 years) time horizon when assessing the climate-related risks and opportunities in their financial planning.

The Paris Climate Agreement 2015 focuses on reducing the emission of GHG in transitioning into a low-carbon economy and has unfolded new markets and growth opportunities for Masteel. Masteel is continuously committed to combating climate change.

The regulatory changes that develop are guiding our strategy and confidence in addressing the climate change issues. We have invested in various strategic efforts into reducing the damage to the climate especially in reducing the emission of GHG from our businesses. A dedicated team had been formed to pursue this strategic priority.

Detailed assessments and analysis have led to the detection of among others the climate-related risks and opportunities addressed, and our key findings are detailed in this section.

Climate-related risks

Physical

Acute and Chronic

Risk Type	Potential Finanicial Impact	Time Horizon	Description of Risk	Mitigation Strategy
Weather: Heavy precipitation and flooding	Company revenue will be affected as production and delivery of steel products will be delayed.	Short-term and Long-term	Masteel owns two production plants in Malaysia and the surrounding locality is prone to heavy precipitation and flooding. These types of heavy and high precipitation resulted in the disruption of the logistic and distribution channels that impacted the supply chain. Flooding will not cause damage to the machinery due to location of high ground of Masteel's plants at Bukit Raja, Klang.	A short term mitigation strategy is to keep sufficient liquidity in a sinking fund account for operational and fixed financial commitment to repair plants and machinery. Masteel also ensures adequate insurance coverage on our plants and machinery. Masteel will identify a more suitable plant site for relocation and ensure to obtain suitable financing via debt or equity instrument for relocation related expenditure.

Climate-related opportunities

Transition

Technology

Opportunity Type	Potential Finanicial Impact	Time Horizon	Description of Opportunity	Strategy to Realise Opportunity
Invest in low emission technology - Induction Furnace (IF)	It enables us to save on the billet production cost approximately 10.6% per metric tonne.	Short-term and Long-term	We are changing from Electric Arc Furnace (EAF) to Induction Furnace (IF) enables us to increase our resilience to market volatility due to the substantial cost saving from this technology. The implementation of IF permits us to reduce the CO_2 emission by 42.87% per metric tonne that opened up an opportunity to assess customers and investors who place a high priority on ESG good practices. This opportunity can lead to returns on our investment in low-emission technology by the implementation of IF.	Our strategy to realise this opportunity includes the ability in raising the financing requirement and implement the appropriate IF technology. The operational team that will be responsible for leading this implementation will ensure the consistent and good operations of this IF equipment.

Climate-related opportunities

Transition

Technology

Opportunity Type	Potential Finanicial Impact	Time Horizon	Description of Opportunity	Strategy to Realise Opportunity
Invest in revamping technology	We will invest an estimated cost of RM67 million for this revamping technology. It is estimated to save the bar production cost approximately 5.7% per metric tonne. This will increase the steel bar production capacity by 48 thousand metric tonnes per annum and increase the overall company revenue.	Short-term and Long-term	The releasing of this opportunity will enable us to increase our profit margins due to the potential cost saving from the bar production cost. The use of revamping technology will permit us to reduce the CO_2 emission which will open up an opportunity to assess customers and investors who place high priority on ESG good practices.	Our strategy to realise this opportunity includes the ability in raising the financing requirement and implement the appropriate revamping technology.

Climate-related opportunities

Transition

Technology

Opportunity Type	Potential Finanicial Impact	Time Horizon	Description of Opportunity	Strategy to Realise Opportunity
Increased in water usage saving - Rainwater harvesting system	We will invest an estimated cost of RM200,000 for this good initiative. This good initiative enables us to reduce water usage of approximately 50.47% of total water bill per year.	Short-term	We have identified this opportunity that inline with the company commitment in integrating ESG in the overall business strategy. This good initiative will enable the company to save water usage and reduce the operational cost.	Our strategy in realising this opportunity is the collection of rainwater will be recycled for plant usage. The system will enable the rainwater to be collected through the factory roof gutter. The collected rainwater will then channel to the holding tanks (20,000 gallons) before the discharge to the respective operation plant within the factory.

Climate-related opportunities

Transition

Market

Opportunity Type	Potential Finanicial Impact	Time Horizon	Description of Opportunity	Strategy to Realise Opportunity
Access to new and emerging markets	The continuous commitment to ESG will enable the company to achieve an estimated increase in sales volume of at least 15% in the near future. This will greatly enhance the company's performance and revenue.	Long-term	The releasing of this opportunity will put our company on the world map who is serious and committed to ESG implementation. This will allow the company to access new customers and investors that placed a high priority on supplier that has a high standard of ESG practices such as Singapore.	Our strategy in realising this opportunity is to continue to invest and commit to ESG practices to continue to be listed in FTSE4GOOD Bursa Malaysia Index.

Climate-related opportunities

Transition

Reputation

Opportunity Type	Potential Finanicial Impact	Time Horizon	Description of Opportunity	Strategy to Realise Opportunity
Achieving a net-zero strategy by 2050	The company will enable to experience a positive financial impact with the estimated company financial improvements of RM6. 5 million per year.	Long-term	The commitment to reducing GHG emissions will enhance the company's reputation in the global market through the implementation of good ESG practices. This will result to attract new customers and investors in long term.	Our strategy in realising this opportunity is continuously working on reducing the GHG emission by 10% within the next five years (2022-2026) and a further reduction of 15% by 2031 through various ESG initiatives and investment in new technology.

Risk Management

Disclose how Masteel's identifies, assesses and manages climate-related risks.

Masteel is committed to managing the risk associated with its diverse operations by having extensive policies and procedures. Masteel has formed a TCFD task force committee, which is led by the Executive Directors together with the Independent Non-Executive Director, Senior Vice President, Vice President, and Sustainability Officers.

Masteel implemented the following risk management process with the incorporation of the Enterprise Risk Management (ERM) Model.

01	**Identify potential risk in all sector and division**
02	**Assessing the potential impact of each identified risk**
03	**Discussion of each risk through quaterly reporting processes and meetings**
04	**Continuous monitoring and reporting of each risk**
05	**Annual review of company risk landscape and management system to the Board of Directors**

Risk Types

Transition

Risk types in Climate-related Risk Assessment

Risk Type	Relevance in risk assessment	Description
Emerging and current regulations	Relevant, always included	Emerging and current regulations are always included as a necessary component in our risk assessment process due to the potential financial impact and the urgency of immediate compliance. • Masteel implemented a computerised emission monitoring system to ensure the emission of air from the furnace complies with the Department of Environmental (DOE) regulations. • Masteel allocated proper storage areas for all its scheduled wastes and practised safe disposal of such wastes according to the standards and regulations set by the authorities. • Masteel executed a good plan by setting out time-specific targets beyond regulatory requirements to reduce or avoid any pollution / waste management / resource use.
Legal	Relevant, always included	Masteel's daily operations at both the Petaling Jaya and Bukit Raja plants are subject to environmental permits and adaptation to legislation, which is why legal risks are always relevant and included in our climate risk assessments. The possible future stringency of permit implementation introduced by the authorities or the possibility of policy revision require our immediate attention to execute a rapid mitigation strategy. Masteel always operates within the defined permits in order to keep its operating licence and avoid any production restrictions that could negatively impact financial performance.

Risk types

Transition

Risk types in Climate-related Risk Assessment

Risk Type	Relevance in risk assessment	Description
Technology	Relevant, always included	The advancement of technology is an essential driver for how Masteel can achieve its net zero strategy by lowering its carbon emissions and reducing the environmental impact of its production processes. The risk in this area needs continuous monitoring as the development of technology is very rapid. • Masteel intends to lead the way in implementing new technology to reduce GHG emissions. Therefore, an assessment of technology risk is very relevant to the strategic planning process. This technology includes revamping technology in the production plants.
Market	Relevant, always included	Masteel realises that climate change will result in new markets, new opportunities, and new preferences, which is why market risk assessment is a key component in our risk assessment. • The demand for Masteel's products may be impacted by the change in consumer preferences for ESG friendly production materials.
Reputation	Relevant, always included	Each of Masteel's business decisions is taken after a thorough reputational risk assessment. This is in line with the current market perspective shift, where society are more focused on environmental and climate-friendly production. Examples of reputational risks are • Amount of air travel • Handling of waste material • Employee welfare • Negative impact on local communities associated with the production plants.

Risk types

Physical

Risk types in Climate-related Risk Assessment

Risk Type	Relevance in risk assessment	Description
Acute	Relevant, sometimes included	There is a potential risk of extreme weather that will have a physical impact on both people and assets. For examples, • Extreme weather could impact the logistics of both raw materials and finished products. • Customers' ability to receive steel.
Chronic	Relevant, sometimes included	The current production and operation of Masteel are unaffected by chronic climate change, such as the risk of sea level rise, temperature rise, or wind. However, this could become a potential risk in the future. For examples, • Will affect the access to water, which have potential to affect production.

Metrics and Targets

Disclose Masteel's metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Masteel has been reporting its total carbon footprint in accordance with the Greenhouse Gas (GHG) protocol, and our GHG emissions have been disclosed since 2020. This year, in 2022, Masteel again took the lead in disclosing Scope 3, which covered five categories together with Scope 1 and 2. This proves our commitment to achieving net-zero carbon by 2050 and ensuring Masteel is on the right track to achieving this goal.

The total GHG emissions from our activities in 2022 amounted to 376,780.73 metric tonnes covering Scope 1 and 2, showing a slight increase of 2.36% from 2021. This increase is due to Masteel operating at full capacity in 2022 as opposed to 2020 and 2021. However, the full implementation of IF enabled Masteel to reduce CO_2 emissions by 42.9% per metric tonne.

In 2022, Masteel marked another milestone by disclosing Scope 3 which includes categories 6 - Business Travel, 7 - Employee Commuting, 8, Upstream Leased Assets, 11 - Use of Sold Products and 13 - Downstream Leased Assets. Scope 3 total GHG emissions are 3649.02 metric tonnes.

GHG Emissions (tCO_2e)			
Metric	2020	2021	2022
Scope 1 (Process)	183,763.66	158,264.89	152,306.57
Scope 1 (Company Vehicle)	855.02	1,033.19	1,128.64
Scope 2 (Energy Consumption)	192,882.72	208,783.49	223,345.52
Scope 3 (C6-Business Travel)	-	-	0.47
Scope 3 (C7-Employee Commuting)	-	-	580.29
Scope 3 (C8-Upstream leased assets)	-	-	142.07
Scope 3 (C11-Use of sold products)	-	-	2,178.48
Scope 3 (C13-Downstream leased assets)	-	-	747.71
Total	377,501.40	368,081.57	380,429.75

**Scope 1 GHG emissions are calculated according to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories for Stationary and Mobile Combustion.*
**Scope 2 GHG emission is calculated according to Malaysia's 2017 CDM Electrcity Baseline.*
**Scope 3 GHG emissions are calculated according to the United States Environmental Protection Agency Emission Factor, 2006 IPCC Guidelines for National Greenhouse Gas Inventories for Mobile Combustion and Malaysia's 2017 CDM Electrcity Baseline.*

Masteel is always committed to ensuring its reduction of GHG emissions with various green initiatives to mitigate our climate impacts. This aligns with the global initiatives by the United Nations, the World Health Organization (WHO), and the Organization for Economic Co-operation and Development (OECD). Furthermore, as a leading steel industry in Malaysia, our commitment to this initiative does support the Twelfth Malaysia Plan in reducing GHG emissions by up to 46% of GDP by 2030.

We have set a reduction target for Scope 1, 2 and 3 to reduce our GHG emissions by 10% by 2026 and a further 15% by 2031. Masteel consistently measures our progress, including conducting a climate scenario analysis for three different temperature scenarios (1.5^0, 2.0^0, and 4.5^0 C) by 2100. This climate scenario evaluates two Representative Concentration Pathways (RCP) used by the Intergovernmental Panel on Climate Change (IPCC). The two RCP climate models that we refer to are listed in the table below.

RCP Scenario	
RCP 2.6	RCP 2.6 requires that CO_2 emissions begin declining in 2020 and are reduced to zero by 2100. It also requires a reduction in CH_4 and SO_2 emissions. This scenario also relies on the overall absorption of CO_2 by the environment (such as trees), amounting to 2 gigatons per year. Under this scenario, the global temperature rise will likely remain below 2^0C by 2100.
RCP 4.5	RCP 4.5 is described by the IPCC as an intermediate scenario. Under RCP 4.5, CO_2 emissions peak in 2040 before beginning to decline. CH_4 and SO_2 emissions also decline, but not as rapidly as under RCP 2.6. RCP 4.5 is likely to result in global temperature rise between 2^0C and 3^0C by 2100, with mean sea level rise 35% higher than that of RCP 2.6. Additionally, it is predicted that many plant and animal species will be unable to adapt to the effects of RCP 4.5.

Conclusion

In summary, Masteel will continue to work to understand, disclose and address climate-related risks and opportunities with the strong commitment of the Board of Directors and the teams. Masteel is actively engaging with its stakeholders to ensure that Masteel will achieve the target set by reaching net-zero carbon emissions by 2050. Masteel targeted to reduce 10% of GHG emissions by 2026 and a further reduction of 15% by 2031.

Integrating ESG good practices in the overall business strategy will remain the main focus of Masteel as a responsible steel industry player to mitigate the risks of climate change. Masteel will not comprise any form of activities within our businesses that will negatively affect the climate. With the strong commitment of the Masteel community, we will be the leading steel industry to adapt to the full implementation of ESG good practices in the near future.

Hence, this good implementation and commitment from all stakeholders surely strengthen Masteel's overall financial performance, and estimated the company would be able to improve our financial improvements by RM6.5 million a year.

↓ **42.9%**

CO2 Emission with full IF implementation

↓ **10%**

GHG EMISSION BY 2026

↓ **15%**

GHG EMISSION BY 2031

6.5 RM MILLION ↑

Financial Improvements in a year

GRI Content Index

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GRI 2 - General Disclosures 2021		
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2-3	Reporting period, frequency and contact point	08
2-6	Activities, value chain and other business relationships	06,59
2-7	Employees	49-52
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2-22	Statement on sustainable development strategy	11
2-23	Policy commitments	64-67
2-26	Mechanisms for seeking advice and raising concerns	65-66
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GRI 3 - Material Topics 2021		
3-1	Process to determine material topics	22-24
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GRI 201 - Economic Performance 2016		
201-2	Financial implications and other risks and opportunities due to climate change	73-92
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GRI 204 - Procurement Practices 2016		
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GRI 205 - Anti-corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures	65-66

GRI Content Index

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GRI 302 - Energy 2016		
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GRI 303 - Water and Effluents 2018		
303-5	Water consumption	35
GRI 305 - Emissions 2016		
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GRI 306 - Waste 2020		
306-3	Waste generated	27-29
306-4	Waste diverted from disposal	27-29
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GRI 308 - Supplier Environmental Assessment 2016		
308-1	New suppliers that were screened using environmental criteria	59
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GRI Content Index

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GRI 404 - Training and Education 2016		
404-1	Average hours of training per year per employee	**53-56**
404-2	Programs for upgrading employee skills and transition assistance programs	**53-56**
404-3	Percentage of employees receiving regular performance and career development reviews	**53-56**
GRI 405 - Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	**49-52**
GRI 406 - Non-discrimination 2016		
406-1	Incidents of discrimination and corrective actions taken	**45**
GRI 413 - Local Communities 2016		
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Masteel

MALAYSIA STEEL WORKS (KL) BHD

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