ANNUAL REPORT 2016

CSC STEEL HOLDINGS BERHAD
(640357-X)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Group Managing Director
Chen, Huo-Kun

Executive Director
Tan Chin Teng

Non-Independent Non-Executive Directors
Lee, Shin-Min @ Samuel Lee
Lin, Yao-Kang @ Robert Lin
Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud

Independent Non-Executive Directors
Phong Hon Wai
Lim Lay Ching (f)

AUDIT COMMITTEE/NOMINATING COMMITTEE
Phong Hon Wai (Chairman)
Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud
Lim Lay Ching (f)

COMPANY SECRETARY
Ng Bee Lian (MAICSA 7041392)

REGISTRAR
Tricor Investor & Issuing House Services Sdn. Bhd. (11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3 Bangsar South
No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
Tel: (6) 03 – 2783 9299
Fax: (6) 03 – 2783 9222

BUSINESS ADDRESS
180 Kawasan Industri Ayer Keroh
Ayer Keroh, 75450 Melaka
Tel: (6) 06 – 231 0169
Fax: (6) 06 – 231 0167
E-mail: info@cscmalaysia.com

CORPORATE WEBSITE:
www.cscmalaysia.com

REGISTERED OFFICE
No. 49-B Jalan Melaka Raya 8
Taman Melaka Raya, 75000 Melaka
Tel: (6) 06 – 281 5300
Fax: (6) 06 – 281 5332

SOLICITORS
Messrs. Koh Kim Leng & Co.
No. 5-1 Lorong Hang Jebat
75200 Melaka

AUDITORS
Deloitte PLT (Formerly known as Deloitte)
(LLP0010145-LCA)
(Audit Firm No. 0080)
21 Jalan Tun Abdul Razak, Susur 1/1
80000 Johor Bahru, Johor

PRINCIPAL BANKERS
Malayan Banking Berhad
Hong Leong Bank Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING
Incorporated on 20 January 2004 as a public company limited by shares
Listed on Main Market of Bursa Malaysia Securities Berhad on 30 December 2004
Stock Name: CSCSTEL
Stock Code: 5094

WHISTLEBLOWER HOT LINES
Phong Hon Wai
Tel: (6) 03 – 4041 8606
Email: wbac1@cscmalaysia.com
Lim Lay Ching
Tel: (6) 06 – 283 2323
Email: wbac2@cscmalaysia.com
Pang Nam Ming
Tel: (6) 012 – 019 629 1128
Email: wbia@cscmalaysia.com

GROUP STRUCTURE

CSC STEEL HOLDINGS BERHAD (640357-X)

Date of Incorporation : 20 January 2004

Principal Activities : An investment holding company providing management services to its subsidiaries.

100%

CSC Steel Sdn. Bhd. (228899 - P)

Date of Incorporation : 14 November 1991

Principal Activities : Manufacturing and marketing of pickled and oiled steel, cold rolled steel, hot dipped galvanized steel commonly known as GI and prepainted galvanized steel commonly known as PPGI or colour coated steel.

100%

Constant Mode Sdn. Bhd. (922516 - W)

Date of Incorporation : 19 November 2010

Principal Activities : Investment Holding.

100%

Group Steel Corporation (M) Sdn. Bhd. (327738 - P)

Date of Incorporation : 19 December 1994

Principal Activities : Dormant.

20%

Tatt Giap Steel Centre Sdn. Bhd. (310962 – X)

Date of Incorporation : 9 August 1994

Principal Activities : A service center for steel products.

VISION AND OPERATING POLICY

Vision

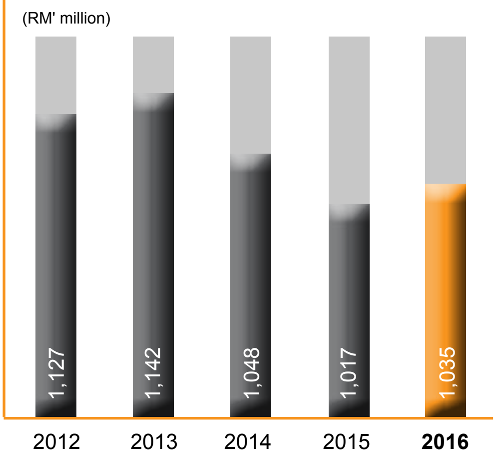
To be a trustworthy and excellent steel company in Malaysia as well as South East Asia.

Operating Policy

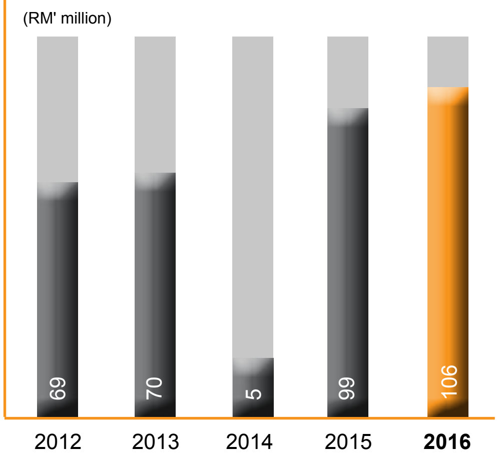
- Product upgrading for enhancing value chain and expanding the sales channel
- Emphasizing market share with excellent customer service and stable sales
- Costs optimization by improving productivity and efficiency
- Promoting green contribution through energy conservation and environmental protection

FINANCIAL HIGHLIGHTS OF THE PAST FIVE YEARS

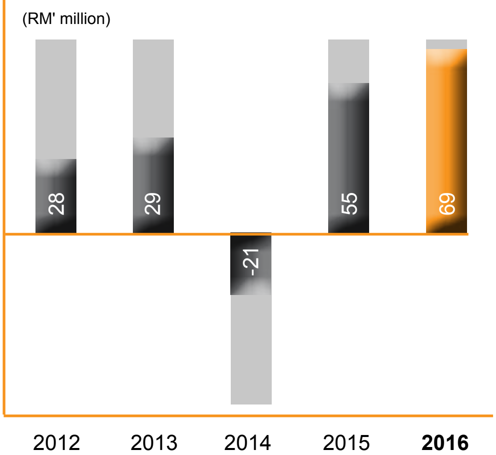
REVENUE



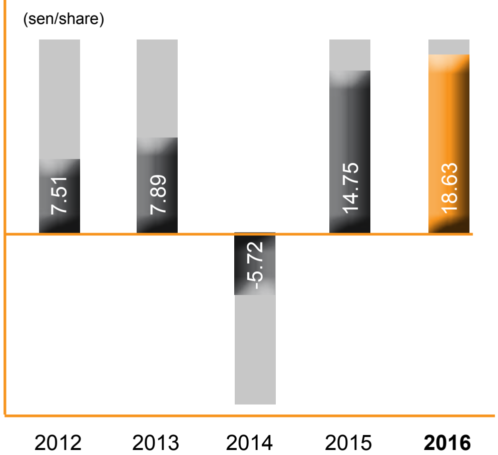
EBITDA



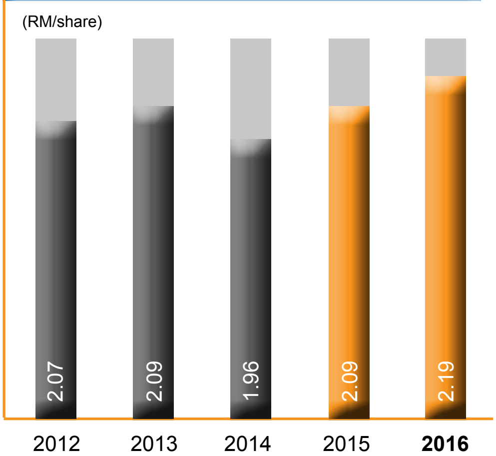
(LOSS)/PROFIT AFTER TAX



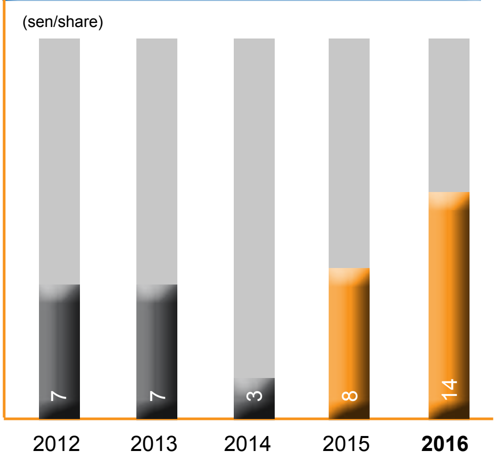
(LOSS)/EARNINGS PER SHARE



NET ASSETS PER SHARE



DIVIDEND



PROFILE OF DIRECTORS

CHEN, HUO-KUN
Group Managing Director
(Taiwanese, Male) Age 58

Chen, Huo-Kun, was appointed to the CHB Board on 4 August 2016 as the Group Managing Director. He graduated from the National Sun Yat-sen University of Taiwan with a Doctor in Business Management.

Mr. Chen has over thirty (30) years' experience in the steel manufacturing industry. He has been employed with China Steel Corporation, Taiwan ("CSC") since 1983 and his last position prior to his appointment to the Board of CHB was Production Vice President at CSC Steel Sdn. Bhd., a subsidiary of CHB.

Mr. Chen had attended the Mandatory Accreditation Programme conducted by Bursatra Sdn. Bhd. on 7 and 8 September 2016 pursuant to Practise Note 5 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR of Bursa Securities").

Mr. Chen, Huo-Kun had attended two (2) Board Meetings during the financial year ended 31 December 2016 that were held following his appointment to the Board during the financial year ended 31 December 2016.

LEE, SHIN-MIN @ SAMUEL LEE
Non-Independent Non-Executive Director
(Taiwanese, Male) Age 61

Lee, Shin-Min @ Samuel Lee was appointed to the CHB Board on 1 April 2014 as a Non-Independent Non-Executive Director. He graduated from The Anderson School of Management at University of California, Los Angeles in Master of Business Administration.

Mr. Samuel Lee has over thirty (30) years' experience in the steel manufacturing industry. He joined CSC since 1980 and his last position prior to his appointment to the Board of CHB was Assistant Vice President at the Commercial Division of CSC. He is presently the Vice President of Commercial Division at CSC.

Mr Samuel Lee attended four (4) out of five (5) of the Board meetings held during the financial year ended 31 December 2016.

Training attended by Mr. Samuel Lee during the financial year is as follows:-
- "Common Dispute in Mergers and Acquisitions" conducted by Taiwan Corporate Governance Association, Taiwan.

TAN CHIN TENG
Executive Director
(Malaysian, Male) Age 58

Tan Chin Teng was appointed to the CHB Board on 5 October 2004 as an Executive Director. He holds a Master of Business Administration from the Cambridge Management Institute, United Kingdom.

Mr. Tan has more than thirty (30) years of financial and accounting experience of which more than twenty-five (25) years were in a managerial capacity overseeing to financial matters.

Mr. Tan Chin Teng clocked full attendance at all five (5) of the Board and Audit Committee meetings held during the financial year ended 31 December 2016.

Trainings attended by Mr. Tan during the financial year are as follows:-
- "Transfer Pricing - Return Filing Compliance Latest Updates on Business for Audit Seminar" conducted by Deloitte Tax Services Sdn Bhd.
- "Deloitte Tax Max 2017" conducted by Deloitte Tax Services Sdn Bhd.
- "CG Breakfast Series – Cybersecurity Thread & How Board Should Mitigate the Risks" conducted by Minda Malaysia Directors Academy.

LIN, YAO-KANG @ ROBERT LIN

Non-Independent Non-Executive Director
(Taiwanese, Male) Age 63

Lin, Yao-Kang @ Robert Lin, was appointed to the CHB Board on 22 November 2016 as a Non-Independent Non-Executive Director. He graduated from the London Business School, United Kingdom with a Senior Executive Programme (SEP 87).

Mr. Robert Lin has over thirty (30) years' experience in the steel manufacturing industry. He has been employed with CSC since 1978 and his last position prior to his appointment to the Board of CHB was Vice President, Business Division I of China Steel Global Trading Corporation.

Mr. Robert Lin had attended the Mandatory Accreditation Programme conducted by the Iclif Leadership and Governance Centre on 30 & 31 March 2017 pursuant to Practice Note 5 of the MMLR of Bursa Securities.

Mr. Lin, Yao-Kang @ Robert Lin did not attend any Board meetings during the financial year ended 31 December 2016 as he was only appointed to the Board on 22 November 2016.

PHONG HON WAI

Senior Independent Non-Executive Director
Chairman of Audit Committee and Nominating Committee
(Malaysian, Male) Age 54

Phong Hon Wai was appointed to the CHB Board on 2 March 2015 as an Independent Non-Executive Director. He was re-designated from member to Chairman of the CHB's Audit Committee and the Nominating Committee on 2 June 2016.

Mr. Phong graduated from the University of Southern Queensland, Australia with a Bachelor of Business.

He has over twenty (20) years' experience in public accounting practise and is presently the principal partner of Messrs. HW Phong & Associates, Messrs. McDonald Carter (partnership) and Messrs. HW Phong Services, respectively audit firms and a taxation firm.

Mr. Phong Hon Wai clocked full attendance at all five (5) Board and Audit Committee meetings and a Nominating Committee meeting held during the financial year ended 31 December 2016.

Trainings attended by Mr. Phong during the financial year are as follows:-
- "Seminar Percukaian Kebangsaan 2016" conducted by Inland Revenue Board of Malaysia.
- "The 2017 Budget Seminar" conducted by Malaysian Institute of Accountants.
- "I Am Ready to Manage Risks" conducted by Bursa Malaysia Berhad.

BRIG. GEN. (R) DATO' MOHD ZAABA @ NIK ZAABA BIN NIK DAUD
Non-Independent Non-Executive Director
Member of Audit Committee and Nominating Committee
(Malaysian, Male) Age 68

Brig. Gen. (R) Dato' Nik Zaaba Bin Nik Daud was appointed to the CHB Board on 23 August 2006 as a Non-Independent Non-Executive Director. He is a member of the Audit Committee and the Nominating Committee of CHB.

Dato' Nik graduated from Universiti Kebangsaan Malaysia, with a degree in Strategic and Defence Security Studies.

Dato' Nik was with the Malaysian Armed Forces for thirty-seven (37) years and senior posts held by him prior to his retirement from the Armed Forces in May 2004 were the 1st Infantry Brigade Commander, Armed Forces Provost Marshall and Army Inspector General with the rank of Brigadier General.

Dato' Nik is presently a member of the Malaysian Armed Forces Veteran Trust Fund Committee which is under the purview of the Ministry of Defence with the objective of looking after the welfare of the country's veterans and their families.

Brig. Gen. (R) Dato' Nik Zaaba Bin Nik Daud clocked full attendance at all five (5) of the Board and Audit Committee meetings and a Nominating Committee meeting held during the financial year ended 31 December 2016.

Trainings attended by Dato' Nik during the financial year are as follows:-
- "Anti-Corruption & Integrity- Foundation of Corporate Sustainability" conducted by Bursa Malaysia Berhad.
- "Cybersecurity Threat and How Board Should Mitigate the Risks" conducted by Bursa Malaysia Berhad.
- "I Am Ready to Manage Risks" conducted by Bursa Malaysia Berhad.
- "Bell for Gender Equality" conducted by Bursa Malaysia Berhad.

LIM LAY CHING
Independent Non-Executive Director
Member of Audit Committee and Nominating Committee
(Malaysian, Female) Age 50

Lim Lay Ching was appointed to the CHB Board on 2 March 2015 as an Independent Non-Executive Director. She was also appointed as a member of the Audit Committee and the Nominating Committee of CHB on 7 May 2016.

Ms. Lim holds a Bachelor of Laws from the University of Malaya and was called to the Malaysian Bar in 1993.

She has over twenty (20) years' related working experience in the legal sector and since August 2008, has been practising as an advocate and solicitor at Messrs. Koh Kim Leng & Co., a legal firm in Melaka. Ms. Lim is presently a partner of Messrs. Koh Kim Leng & Co.

Ms. Lim Lay Ching attended all five (5) of the Board and Audit Committee meetings and a Nominating Committee meeting held during the financial year ended 31 December 2016.

Trainings attended by Ms. Lim during the financial year are as follows:-
- "The Company Law Seminar" conducted by Legal Plus Sdn. Bhd.
- "Seminar Pentadbiran dan Pengurusan Akta Pengurusan Strata 2013 (Akta 757)" conducted by Majlis Perbandaran Hang Tuah Jaya.
- "Impact of GST on Property Transaction & Conveyancing Seminar- Understanding the Law and Key Practices" conducted by Legal Logic Asia.
- "National Tax Conference 2016" conducted by Charted Tax Institute of Malaysia.

Notes:

1. ***Directorship in Public Companies***
   Save as disclosed above, none of the Directors hold any directorship in any other public companies incorporated in Malaysia.

2. ***Family Relationship***
   None of the Directors are related to each other nor has any family relationship with the major shareholders of the Company.

3. ***Directors' Shareholdings***
   Details of Directors' shareholdings in the Company can be found in the "Analysis of Shareholdings" section on page 106 of this Annual Report.

4. ***Non-Conviction of Offences***
   None of the Directors has been convicted of any offences (traffic offences not included) within the past five (5) years.

5. ***No Conflict of Interest***
   None of the Directors has any conflict of interest with the Company.

KEY SENIOR MANAGEMENT

The management team is headed by the Group Managing Director, Mr Chen, Huo-Kun and assisted by the Executive Director cum Vice President of Finance Division, Mr Tan Chin Teng and their profiles could be found under the Profile of Directors on page 6. The profiles of other key senior management are as follows:-

HSU, TSE-WEI Vice President, Production Division	**TEN LING PIEW** Vice President, Commercial Division
Nationality: Taiwanese Age / Gender: 59 / Male Date of appointment: 1 August 2016 Qualification(s): Executive MBA, National Sun Yat-sen University, Taiwan Experience: Has more than thirty (30) years' experience in steel manufacturing industry.	Nationality: Malaysian Age / Gender: 46 / Male Date of appointment: 1 July 2012 Qualification(s): Degree in Business Administration, National Chung Hsing University, Taiwan. Experience: Has more than twenty (20) years' experience in steel marketing activities.
KOH KANG GUAN Assistant Vice President, Production Division	**JUANG, DER-FENG** Assistant Vice President, Finance Division
Nationality: Malaysian Age / Gender: 49 / Male Date of appointment: 1 January 2007 Qualification(s): Degree in Mechanical Engineering, National Taiwan University, Taiwan. Experience: Has more than twenty (20) years' experience in steel manufacturing industry.	Nationality: Taiwanese Age / Gender: 60 / Male Date of appointment: 1 August 2016 Qualification(s): Executive MBA, National Sun Yat-sen University, Taiwan Experience: Has more than thirty (30) years of financial and accounting experience.

Notes:

Save as disclosed above, none of the key senior management has:

1. any directorship in other public or listed companies;
2. any family relationship with any directors and/or major shareholders of the Company;
3. any conflict of interest with the Company; or
4. any criminal conviction or offences (other than traffic offences) within the past five (5) years or under any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

On behalf of the Board of Directors (the "Board"), I as the Group Managing Director of the CHB Group of Companies, am pleased to present to you the Annual Report and the audited Financial Statements of the Group for the financial year ended 31 December 2016.

Being a responsible and trustworthy corporation, we welcome the new introduction of this mandatory disclosure of Management Discussion and Analysis ("MD&A"). We strongly believe it can help our stakeholders to have a better understanding towards the Group.

Managing Director's Statement

On behalf of the Board of Directors I would like to express my deep gratitude and appreciation to our immediate past Group Managing Director, Mr. Huang, Chun-Hui @ Hwang, Dring Fei for his invaluable contributions to the Group. Mr. Huang resigned from the Company on 4 August 2016 and returned to our parent company, China Steel Corporation in Taiwan ("CSC"). That was the same day I came on board CHB as its Group Managing Director to assume and take over the responsibilities of Mr. Huang.

As a responsible Group Managing Director, I will continue to pursue and implement the policies and strategies formulated by our parent company for the betterment of the Group. All the company's stakeholders can be rest assured that the frequent changes of the Group Managing Director will not adversely affect the organisational effectiveness of the CHB Group. CHB Group has a clearly defined organisational structure and managed by an experienced team of senior key management staff who are experts in their own fields.

- Overview of the Group's Business and Operations

  The Group consists of a holding company, CSC Steel Holdings Berhad, which is also the listed vehicle. Under the holding company, there are two subsidiary companies, one sub-subsidiary company and an associated company. Please refer to the page xx for the detailed group structure.

  The main bulk of the Group's revenue is generated by its wholly owned subsidiary, CSC Steel Sdn. Bhd. ("CSCM") which is involved in the manufacturing and marketing of pickled and oiled steel, cold rolled steel, hot dipped galvanised steel and pre-painted galvanised steel. The other subsidiary company is inactive and generates only interest income.

  CSCM operates in the mid-stream of the steel value chain. The company is situated in Ayer Keroh Industrial Estate in Melaka. The plant in Melaka has the capacity to produce 40,000 metric tons of pickled and oiled steel (P&O), 440,000 metric tons of cold rolled steel (CRC), 240,000 metric tons of galvanized steel (GI) and 120,000 metric tons of pre-painted galvanized (PPGI) steel annually. Its products are sold under the brand names of 'Realzinc' and 'Realzinc Enhance' for GI products and 'Realcolor" for PPGI products.

  CSCM's main raw material, hot rolled steel (HRC), is mainly supplied by its parent company and its related companies in Taiwan and Vietnam. They are in the upstream of the steel value chain and involve in iron making, steel making, casting and hot rolling. CSCM downstream customers are the steel pipe makers, steel drum makers, roll formers for roof sheet and cladding and steel service centres. In 2016, the capacity utilization rate of the plant is 90% and its main market is in Malaysia with less than 20% of its revenue derived from exports.

  As the Group's vision is to be a trustworthy and excellent steel company in Malaysia as well as in South East Asia, the Group continues to emphasize on producing products of suitable quality and providing excellent service to its customers.

- Review of Financial Results and Financial Condition

Generally, the steel market sentiment for the year 2016 has been a favourable one. For the financial year ended 31 December 2016, the Group's revenue was RM1.035 billion, a marginal increase of about 2% over that of financial year 2015. However, profit before tax improved by a significant 18% to RM82.123 million from RM69.450 million in the previous year. The improvement in revenue was due to higher sale volume achieved even though average selling price has shown a marginal decrease and the significant improvement on profit before tax was mainly due to lower cost of production as a result of lower raw material cost.

With no gearing, the Group's financial position as at 31st December 2016 improves further. Net tangible assets per share have risen to RM2.19 per share from RM2.10 at the end of year 2015. Total equity stood at RM808.552 million and current ratio was an enviable10.4 times. Cash and cash equivalent was RM269.529 million.

Total capital expenditure incurred in 2016 amounted to RM26 million. Amongst the more significant capital expenditure projects include the installation of a new Temper Mill, Auto Surface Inspection System for Recoiling Line and Uncoiler for Push Pickling Line which serve the purposes of improving product quality and production efficiency.

The Group's investment in associated company continues to suffer losses. In financial year 2016, the Group's share of losses of associated company was RM1.094 million. The management viewed the situation at the associated company with great concern and has seconded a finance manager to the associated company since July 2016.

Other detailed reference of the financial information could be made from the Group's audited financial statements with its explanatory notes from page 44 to 103.


- Review of Operating Activities

The unpredictable operating environment continues to pose great challenges to the Group. During the first quarter of 2016, we faced unreliable supply of HRC from the sole local supplier which caused interruption in our production. Fortunately we were able to obtain additional supply quickly from our parent company to make up for the short fall.

2016 also saw the increasing use of trade measures by countries all over the world to protect their own local steel industries. The use of trade measures both poses a threat and an opportunity to CSCM. Recently, we were able to sell some quantity of our steel products to US because they had imposed trade measures on their traditional suppliers – China, Japan, Korea and Taiwan. On the other hand, we have to be mindful of the amount of steel we export so as not to be caught by the imposition of trade measures on us.

In 2016 we had successfully commission a new temper mill replacing the old secondhand mill that was used since inception. This result in better quality of CRC produced and the problems associated with surface spot rust and flatness are resolved.

- Review of Operating Activities (Cont'd)

  As there will always be challenges ahead, the Board members and management team with faith and wisdom, are fully prepared to move forward.

- Anticipated or Known Risks

  China's overcapacity in steel production exacerbated by their economic slowdown continues to be a great problem to other countries' steel industries. China Government has cut a substantial amount of its spare capacity in the past few years and has also promised to further cut its excess capacity in 2017. Malaysian Government too has played its part by imposing anti-dumping duties ranging from 3.06% to 23.78% on CRC from China, Korea and Vietnam and 12.06% to 52.10% on PPGI from China and Vietnam. These measures taken by both the China and Malaysian Government has helped CSCM improving its sale margin.

  The increasing price of steel due to its higher raw materials cost and weak Ringgit will greatly increase our exposure to the risk of delay or non-payment by our customers as most of our local sales are done on open account basis with a credit term of 15 to 45 days. However this risk is being mitigated to a certain extent with Trade Credit Insurance Policy (TCIP) cover and personal or corporate guarantees from our customers. TCIP does not provide full coverage of the amount owe by our customers and some of the customers are not being covered at all due to their poor financial positions. High steel prices too may result in lower demand for our steel products.

- Prospects and Outlook for the Financial Year 2017

  In view of several uncertainties to be expected in 2017, i.e. the anti-globalisation policy of USA, the Government of China's effort in curbing excess steel production, the price fluctuation of coking coal and iron ore, the trade measures imposed by several countries and the performance of Malaysian Ringgit, it's a great challenge for the Group to overcome in 2017.

  Having said that, the Group has several on-going strategies being executed to further strengthen the Group's position in local steel industry as well as the presence in targeted overseas steel market. The strategies are increasing the sales of high grade steel products, diversifying the export market to expand the sales network and continual upgrading of our production facilities so as to ensure that the Group is able to maintain its competitiveness in the ever changing steel business. We believe with the strong support from our parent company, China Steel Corporation of Taiwan as well as the dedication and positive thinking of all levels of the Group's personnel, the Group is able to continue to deliver a strong set of results for 2017 barring any unforeseen circumstances.

- Forward-looking statement

  (i) Sustaining the Group's operation

  The adoption of international standards and local certification for several management systems and products are essential steps to sustain the Group's operation.

  As such, CSCM has adopted ISO 14001:2004, Environment Management System certification since year 2009 with the objective of minimizing the potential negative impact that could affect the environment by maintaining a good system which complies with laws and regulations. In addition, ISO 50001:2011, Energy Management System certification has been adopted since year 2013 with the objective of reducing greenhouse gas emissions, minimising adverse environmental impacts and improving our energy performance. As the Group concern a lot on the safety aspect, therefore OHSAS 18001:2007, the occupational health and safety management systems certification has also been adopted in the year 2016 with the objective to minimizing the potential hazards that could cause injury.

(i) Sustaining the Group's operation (Cont'd)

Apart from that, as an effort to further support and involve in "Go Green" campaign that the world embraces nowadays, CSCM had also obtained the SIRIM Eco-labelling certification (Green Coated Steel) in Year 2014 for realzinc and realcolor steel products. The SIRIM Eco-Labelling mark is a certification by SIRIM QAS International and is a means of communicating a product's environmental benefits to consumers and businesses, enabling them to make purchasing decisions based on environmental attributes. The SIRIM Eco-Labelling mark therefore enhances our product competitiveness in a consumer market that is becoming increasingly environmentally-conscious.

Besides that, CSCM has also successfully obtained the Malaysian Standard, MS 2384:2011, MS 2385:2011, MS 2383:2011 and Japanese Industrial Standard, JIS G3302:2010/Amendment 1:2012, JIS 3312:2012 for its certain coated products.

Save for the above, the CSR activities of the Group throughout year 2016 are listed on pages 29 to 30 of this Annual Report under four main categories such as CSR at the workplace, marketplace, environment and community and an independent report could be found from the Company's website at www.cscmalaysia.com.

(ii) Dividend

In line with the Group's policy of paying at least 50% of the Group's profit after tax as dividend to its shareholders, the Board of Directors has recommended a final single tier dividend of 10 sen per share and a special single tier dividend of 4 sen per share for the financial year ended 31 December 2016.

The recommended dividend had been announced on 22 February 2017 and will be tabled for the shareholders' approval at the Company's forthcoming Thirteenth Annual General Meeting on 25 May 2017 and if approved, will be paid on 12 July 2017.

Acknowledgement and appreciation

We credit the success of the Group to the hard work and support from the diligent management team and the inimitable and united team spirit of our workforce.

We also owe our success to the tenacity and unwavering support of our valued customers, suppliers and other stakeholders who have shown understanding and given us their undivided backing and commitment.

Our parent company, China Steel Corporation in Taiwan, continues to be our mainframe and backbone from which stems our competitive edge, advances in technology and innovative products to generate our revenue.

I together with my fellow Board members take this opportunity to extend our gratefulness, our heartfelt thanks and our sincere appreciation to all the above parties and we look forward to the continued strong working relationship in the years to come.

I in turn wish to thank my fellow Board of Directors for their cooperation and invaluable contribution to the Company and the Group and I look forward to facing the coming year with them.

Lastly, I wish to record the Group's appreciation to the Melaka State Government, the Government of Malaysia and the various regulatory authorities for their support and assistance.

Chen, Huo-Kun
Group Managing Director

The Board and Management of CHB adopt high standards of professionalism and integrity and practises good corporate governance principles in fulfilling their fiduciary duties and in the activities undertaken by the Group and the Board endeavours to comply with the best practices of the principles of good corporate governance as set out in the Malaysian Code on Corporate Governance 2012 (the "MCCG 2012") issued by the Securities Commission Malaysia and the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Mindful of the trust and expectations placed upon their shoulders by the shareholders and stakeholders, it is the intention that through this common value system, shareholder value will not just be safeguarded but the performance of the Group is always being enhanced and improved upon.

The Board is pleased to present this statement to provide its shareholders with an insight into the corporate governance practices of the Company under the leadership of the Board during the financial year just ended.

A. DIRECTORS

1.1 Board of Directors

The Board is entrusted with and is responsible for the Group's overall strategy, growth and direction including its business and financial performance. The Board provides direction and guidance to management and has effective control of the Group. It maintains control of the Group's activities through the matrix of authority filtered down to the various components of the Group and the Group Managing Director ("Group MD"), assisted by the management team, is responsible for ensuring the Board's effectiveness in conducting its business and in fulfilling its responsibilities to stakeholders.

The Group MD oversees to the day-to-day operations and implementation of the Board's corporate and operational policies and strategies.

Matters reserved for the Board as disclosed in the Board Charter of the Company, the text of which is found in the Company's website at www.cscmalaysia.com, include approval of the interim and annual results; reviewing the adequacy and integrity of the management information, risk management and internal controls system of the Group; evaluating and approving major capital expenditure including significant acquisitions and disposals and all major corporate transactions; long term planning and direction of the Group among others.

Certain responsibilities of the Board are delegated to the Audit Committee and Nominating Committee which operate within clearly defined parameters as spelt out in the respective Committees' Terms of Reference, more details are found on pages 36 and 21 of this Annual Report. Each of the Terms of Reference could also be found in the Company's website at www.cscmalaysia.com.

The setting up of the two (2) Board committees, which is a requirement for listed companies, is to enable a more effective management of the delegated tasks and for an added degree of independence and objectivity when discussing or debating matters falling within the ambit of the respective committees.

1.2 Board Composition

The Board of CHB comprises members with diverse expertise ranging from finance, accountancy, legal, management and engineering. All members of the Board hold senior management positions in their respective corporations and some of the Independent Directors are professionals and entrepreneurs while a majority of the Non-Independent Directors have vast and invaluable experience in the steel industry.

Together, they contribute a rich pot-pourri of experience and management skills by the coming together of their invaluable ideas, wisdom, knowledge and experience that contributes to and is essential for the effective running of the CHB Group.

There are seven (7) directors on the Board of CHB where two (2) members are Independent Directors. Of the five (5) Non-Independent Directors, two (2) members with executive roles are the Group MD and the Executive Director while the other three (3) are Non-Independent Non-Executive Directors. A list of the entire CHB Board and their profiles are respectively set out on pages 6 to 9 of this Annual Report.

A. DIRECTORS (CONT'D)

1.2 Board Composition (cont'd)

The composition of Independent Directors on the Board of CHB complies with the requirement of Bursa Securities' MMLR which stipulates that at least two (2) members or one-third (1/3) of the board of directors of a listed issuer, whichever is the higher, must be independent directors.

During the financial year ended 31 December 2016, the following directors were appointed to the Board of Directors of the Company,

(i) Mr. Chen, Huo-Kun
(Group MD) (Appointed on 4 August 2016)

(ii) Mr. Lin, Yao-Kang @ Robert Lin
(Non-Independent Non-Executive Director)
(Appointed on 22 November 2016)

As such, they will be subject to retirement by casual vacancy at this forthcoming Annual General Meeting ("AGM").

The Board does not have a Chairman and the Recommendations 3.4 and 3.5 of the MCCG 2012 on the independence of Chairman from the Board does not apply to the Company.

The Group MD together with the Executive Director are responsible for implementing policies and decisions of the Board and together, manages the day-to-day operations as well as oversee the overall development and implementation of the Group's business and corporate strategies. They ensure the strategic objectives and plans of the Group are met. They are assisted and supported by a capable management team comprising heads of various divisions and departments. The Board is kept abreast of the Group's latest operational and business developments through updates reported at its quarterly meetings.

The Board conducted quarterly review and evaluation of the Group's performance and the progress of the new projects as well as approving the quarterly results within the stipulated timeframe. Management staff was invited to attend Board meetings to brief the Board on the financial and non-financial information and the achievement of the business performance as well as the progress of the key initiatives. The Board ensures that the performance reporting process linked objectives, principles and practices to its needs.

All Board decisions are collectively arrived at, after due discussion and consultation, and no individual director or group of directors has undue influence or dominance on the Board's decision-making process.

The Board also play a critical role in ensuring the management identified, managed and monitored its principal risks and to focus more time and resources on how these principal risks are effectively managed. The Board shall ensure a sound system of risk management and internal control are in place and appropriate actions were taken to mitigate any risks.

1.3 Board Charter

The Board Charter of the Company adopted by the Board in early 2014, sets out the principal functions and ethical standards, authority and composition of the CHB Board and the roles and responsibilities of the Group MD, a copy of which is available on the Company's website at www.cscmalaysia.com.

The Board Charter will be reviewed on a periodic basis and may be amended by the Board from time to time to keep relevant and be abreast of the latest changes.

1.4 Board Meetings

The Board, chaired by the Group MD, meets at least once in three months upon finalisation of the results of each financial quarter to facilitate the review and approval of that quarter's financial results. The role of the Chairman is to ensure that each agenda item is adequately reviewed and deliberated upon within a reasonable timeframe.

A. DIRECTORS (CONT'D)

1.4 Board Meetings (cont'd)

Dates of each Board and Board committee meeting in 2016 were unanimously agreed upon by the Directors three (3) months in advance. However, dates of all Board and Board committee meetings for 2016 were unanimously decided prior to the start of the calendar year 2016. This is a measure to enable the Directors to achieve full attendance at all meetings of the Company and to comply with the MMLR of Bursa Securities which provides that the office of a director will become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a financial year.

Besides listing the meeting dates, information of the closed periods for dealing in the quoted securities of CHB by Directors based on the targeted dates of announcements of the Group's quarterly results are set out in the calendar. Notwithstanding the yearly pre-set meeting dates, additional ad-hoc meetings may be called should the need arise.

Board meetings are conducted in accordance with a structured formal agenda prepared by the Secretary in consultation with the management. The notice and agenda for a Board meeting is transmitted to each Board member at least seven (7) days in advance of the meeting followed by the hard copies of the relevant Board Papers, containing information pertinent to the matters to be deliberated at the forthcoming meeting and any other information the Directors may additionally require on the agenda items, to reach the Directors at least a week before the scheduled meeting.

Meeting agendas while not exhaustive, include review and updates of the Group's latest developments, quarterly financial performance, business plans, strategic decisions, major investments, findings from both the external and internal auditors and any other proposals or other significant matters that require the expeditious direction of the Board including deliberations on any principal risks that may have significant impact on the Group's business or its financial position and the mitigating factors when assessing the viability of business propositions and corporate proposals.

The Directors have a duty to immediately declare to the Board should they have any direct or indirect interest in transactions to be entered into by the Company or the Group. The interested Directors would serve notice to the Board and thereupon, abstain from deliberations and decisions of the Board on the transaction concerned. They would be encouraged to excuse themselves from the meeting to facilitate a more thorough discussion.

In the event a corporate proposal is required to be approved by shareholders, the interested Directors and person connected to them are also required to abstain from voting in respect of their shareholdings relating to that corporate proposal.

A. DIRECTORS (CONT'D)

1.4 Board Meetings (cont'd)

During the financial year ended 31 December 2016, a total of five (5) Board meetings were held and the attendance of each Director is set out hereinbelow:-

Directors	Attendance
Chen, Huo-Kun (Appointed on 4 August 2016)	2/2
Huang, Chun-Hui @ Hwang, Dring Fei (Resigned on 4 August 2016)	3/3
Liu, Jih-Gang (Resigned on 22 November 2016)	5/5
Lin, Yao-Kang @ Robert Lin (Appointed on 22 November 2016)	n/a
Lee, Shin-Min @ Samuel Lee	4/5
Tan Chin Teng	5/5
Datuk Pang Fee Yoon (Retired from 12th AGM on 2 June 2016)	3/3
Chong Khim Leong @ Chong Kim Leong (Retired from 12th AGM on 2 June 2016)	3/3
Phong Hon Wai	5/5
Lim Lay Ching	5/5
Brig. Gen. (R) Dato' Nik Mohd Zaaba Bin Nik Daud	5/5

Besides the Company Secretary, Heads of the Finance Division, Production Division, Commercial Division and Corporate Planning Department of the Company attends each Board meeting, as well as every Audit Committee meeting, on the standing invitation of the Group MD who is the de facto Chairman of Board meetings during the financial year ended 31 December 2016. Other senior staff may be invited to attend certain meetings if so required.

1.5 Access to and Supply of Information to the Board

The Directors have independent access to the advice and dedicated support of the Company Secretary to ensure effective functioning of the Board. The Directors may seek information from management on any issues pertaining to their respective jurisdictions.

The Directors may also interact directly with, or request further explanation, information or updates on any aspect of the Company's operations or business concerns from management.

The Board may seek independent professional advice at the Company's expense in the discharge of its various duties for the Company. Individual Directors may also obtain independent professional or other advice in fulfilling their duties. In regards to this, the individual Directors shall first brought to the attention of the Group MD the purpose for such request for external advisers and the management team shall assist the Director to source for the suitable advisors. When necessary, the proposal from the independent professional advisor shall be tabled for the Board's deliberation and approval. The Board shall ensure that the engagement of independent professional advisor is solely in the interest of the Group.

1.6 Qualified and Competent Company Secretary

The Company Secretary of CHB is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and is qualified to act as company secretary pursuant to Section 235(2) of the Companies Act, 2016.

The Company Secretary is responsible to provide support and guidance in advising the Board on all secretarial matters of the company, in particular the compliance of the Bursa Securities' MMLR and relevant rules and regulations, Company's Constitution, Board policies and procedures, boardroom effectiveness as well as the best practices on governance.

A. DIRECTORS (CONT'D)

1.6 Qualified and Competent Company Secretary (cont'd)

During the financial year under review and up to the date of this report, the Company Secretary had facilitated the Board on the following matters:-

- Organised and attended all Board and Board Committee meetings and ensured that meeting procedures were followed and deliberations at such meetings were well minuted;
- Prepared meeting agenda and documents required for the shareholders' meetings;
- Released announcements and submitted annual financial statements and annual reports to Bursa Securities on timely manner;
- Updated the Board on the amendments to the Listing Requirements and guidelines and brought to the attention of the Board all circulars from Bursa Securities;
- Highlighted the Board all compliance and governance issues and advised the Board on achieving highest standard of corporate governance in accordance to the recommendations in the MCCG 2012; and
- Recommended available training programme for the Directors to attend.

The Company Secretary constantly keeps herself abreast of the regulatory changes and developments in governance through the updates from Bursa Securities and MAICSA.

The Board has recorded their satisfaction with the performance and support rendered by the Company Secretary to the Board in discharging her functions for the financial year ended 31 December 2016.

1.7 Appointments and Re-Elections to the Board

Appointments of new directors to the Board, after being assessed and recommended by the Nominating Committee, would only take place if it has the approval of the Board. Members of the Nominating Committee and its activities during the year are found on pages 21 to 23 of this Annual Report.

The Constitution of the Company provides that all directors, including the Managing Director, shall retire from office at least once every three (3) years and all retiring directors shall be eligible for re-election at the Annual General Meeting ("AGM") in which they retire. A retiring director shall remain in office until the close of the meeting at which he retires.

The Constitution further provide that directors who are appointed by the Board during the financial period before an AGM are subject to retirement and shall be eligible for re-election by the shareholders at the AGM of the Company to be held following the new directors' appointment.

In addition, Recommendation 3.2 of the MCCG 2012 recommends that the tenure of an independent director should not exceed a cumulative term of nine (9) years.

Upon completion of the nine (9) years' term of service, an independent director may continue to serve on the board subject to that director's re-designation as a non-independent director. However, Recommendation 3.3 of the MCCG 2012 provides that the board may retain as an independent director, a person who has served in that capacity for more than (9) years provided the shareholders approve it.

The Directors who are due for retirement and are seeking for re-election to the Board in pursuance to the Company's Constitution at the Company's forthcoming Thirteenth AGM are listed in the "Statement Accompanying Notice of AGM" on page 112 of this Annual Report.

A. DIRECTORS (CONT'D)

1.8 Succession Planning

Succession planning for executive directors and key senior positions of the Group is closely planned and aligned to the policy of its major and biggest shareholder, China Steel Corporation of Taiwan ("CSC").

Candidates will be screened and assessed by CSC in accordance with its pre-set policy in Taiwan. The criteria assessed include experience, profession and familiarity with steel industry.

Candidates for Board positions will be subjected to assessment by the Nominating Committee of the Company before a recommendation is tabled to the Board for decision.

1.9 Directors' Training

Bursa Securities has placed the onus to identify trainings suitable to the Directors' needs on the Board and Recommendation 4.2 of the MCCG 2012 provides that the Board should ensure its members have access to appropriate continuing education programmes.

Each member of the Board of CHB is encouraged to regularly undergo suitable training programmes to keep themselves abreast of the latest changes and to update their knowledge and each of them is aware of the need to continuously undergo training appropriate to their needs in line with Paragraph 15.08(3) of Bursa Securities' MMLR.

With effect from the financial year ended 31 December 2015, the Nominating Committee has recommended that each Board member should attend adequate trainings as required by the Company.

While Board members are given the liberty to determine on their own the appropriate type of trainings needed for their personal development, they are highly encouraged to attend the talks and seminars organised by Bursa Securities which are highly relevant to directors and management of the Group.

The trainings attended by each Director during the financial year are set out in their respective profile on pages 6 to 8 of this Annual Report.

The Nominating Committee would assess the appropriateness of trainings attended by the Board members annually.

The Board will arrange for the induction programme to be conducted for any new appointment such as site visits and meetings with senior management personnel, as appropriate, to enable them to have a full understanding of the nature of the business, current issues within the Group and corporate strategies as well as the structure and management of the Group.

2.0 Directors' Remuneration

The two (2) Directors holding executive positions in the Company are the Group MD and the Executive Director (hereinafter collectively referred to as the "Executive Directors").

The Board has not set up a Remuneration Committee, and the remuneration packages of the Executive Directors of the Company generally follow the Executive Compensation Package of the Group and to a certain extent, is dictated by market competitiveness and is tailored to retain and motivate directors of the calibre needed by the Group to effectively manage and operate the business of the CHB Group and to align the interests of the Directors with those of the shareholders.

A. DIRECTORS (CONT'D)

2.0 Directors' Remuneration (cont'd)

The contribution, responsibilities and performance of each Executive Director are taken into account when determining their respective remuneration packages. As for the Non-Executive Director, periodical review will be conducted by the Board. All these are to attract, retain and motivate qualified Directors to serve on the Board. The remuneration packages of both the Executive and Non-Executive Directors of the Company for the financial year ended 31 December 2016 are as follows:-

Category	Fees (RM)	Salaries & Bonuses (RM)	Other Emoluments (RM)	Benefits-in-Kind (RM)	Total (RM)
Executive Directors	-	559,166	96,133	39,736	695,035
Non-Executive Directors	154,600	-	-	-	154,600
Total	**154,600**	**559,166**	**96,133**	**39,736**	**849,635**

Directors' remuneration for the year ended 31 December 2016 falls within the following bands:-

Range of Remuneration	Executive	Non-Executive
Nil	Nil	3
Below RM50,000	Nil	5
RM100,001-RM150,000	1	Nil
RM200,001-RM250,000	1	Nil
RM300,001-RM350,000	1	Nil

Note: Details of directors' remuneration above include Director who has resigned during the year ended 31 December 2016.

2.1 Committees of the Board

The two (2) Board Committees set up to assist the Board have specific powers and responsibilities. Chairman of the respective Committee reports the outcome of decisions and recommendations to the Board and minutes of Committee meetings are tabled for the Board's notation. Notwithstanding recommendations from the respective Committees, the ultimate decision on all matters lies with the entire Board.

(a) Audit Committee

The main purpose of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to the internal controls, accounting and reporting practices of the Group.

The report of the Audit Committee, its salient terms of reference, the list of committee members and its activities during the financial year are set out on pages 35 to 37 of this Annual Report.

(b) Nominating Committee

The Nominating Committee of the Company comprises two Independent Non-Executive Directors and one Non-Independent Non-Executive Director.

Mr. Phong Hon Wai was appointed as the Chairman of the Nominating Committee on 2 June 2016. The Board noted the MCCG 2012 recommended that the Chairman of Nominating Committee should be a Senior Independent Non-Executive Director identified by the Board. As such, the Board has appointed the aforesaid Mr. Phong Hon Wai as the Senior Independent Non-Executive Director.

A. DIRECTORS (CONT'D)

2.1 Committees of the Board (cont'd)

(b) Nominating Committee (cont'd)

The roles and responsibilities of the Nominating Committee are governed by its Terms of Reference and the Board Charter of the Company. The key role of the Nominating Committee is to ensure 1). A formal and transparent procedure for the selection and assessment of candidates for Board appointments; 2). Assessment of the effectiveness of Board and its sub-committees as a whole and the contribution of the individual directors on an annual basis; and 3). Contribute towards ensuring the board composition meets the needs of the Company.

In fulfilling its roles, the Nominating Committee reviews and assesses candidates proposed for appointment to the Board and Board Committees of the Company as well as the directors standing for re-election at the AGM of the Company after which their recommendations are forwarded for decision by the Board.

The Nominating Committee also assesses the effectiveness of the Board as a whole and the contribution of each Board Committee as well as each individual director on an annual basis and to ensure that the Board and its respective Board Committees has the appropriate balance of expertise and ability.

The Nominating Committee adopts the peer evaluation method to evaluate the performance of the directors of the Company. Annual review is conducted to assess the required mix of skills, experience and other qualities including core competencies which the executive and non-executive directors of the Company should bring to the Board, identify areas for improvement and review the succession plan for senior management in the Group.

Pursuant to its Terms of Reference, the Nominating Committee of the Company shall be appointed amongst the Board members and shall comprise no fewer than two (2) members who shall be exclusively non-executive directors of the Company where a majority of whom must be independent and the term of a Nominating Committee member shall automatically terminate when he ceases to be a director of the Company.

The Chairman of the Nominating Committee is also the Senior Independent Non-Executive Director identified by the Board and must be selected amongst the Nominating Committee members.

The Nominating Committee of CHB consists of three (3) members, two Independent Non-Executive Directors and one Non-Independent Non-Executive Directors. Full attendance of the members was recorded for a meeting held during the financial year ended 31 December 2016 as follows:-

Members	Attendance
Phong Hon Wai (Chairman/Independent Non-Executive Director)	1/1
Lim Lay Ching (Member/Independent Non-Executive Director)	1/1
Brig. Gen. (R) Dato' Nik Zaaba Bin Nik Daud (Member/Non-Independent Non-Executive Director)	1/1

The following were the activities undertaken by the Nominating Committee during the financial year ended 31 December 2016:-

i) reviewed the size, structure and composition of the Board of Directors of CHB and its board balance;
ii) reviewed the required mix of skills and experience and other qualities including core competencies the non-executive directors and executive director of the Company should have;
iii) reviewed the effectiveness of the Board and its sub-committees as a whole and the contribution of each individual director;
iv) reviewed the performance of the Vice President of Finance Division in discharging the role of the Chief Financial Officer;
v) discussed the Board's succession plan;
vi) assessed the training programmes of the Board members;
vii) assessed the independence of the Independent Directors of the Company; and
viii) assessed the Director who are retiring by rotation to put forward for re-election by the shareholders at the forthcoming AGM.

A. DIRECTORS (CONT'D)

2.1 Committees of the Board (cont'd)

(b) Nominating Committee (cont'd)

The annual appraisal of the contribution of the Board, Board Committees and individual directors were conducted via the Company's pre-set appraisal form and consideration was also given to that directors' ability to commit sufficient time and energy to perform his roles and responsibilities and his ability to satisfy the test of independence taking into account his character, integrity and professionalism.

At the annual assessment carried out on November 2016, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and it will continue to conduct independence assessment annually with the assistance of the Committee to ensure that the independent Directors are able to exercise independent judgement and act in the best interests of the Group.

During its meeting in November 2016, the Committee was overall satisfied with the size, composition and Board balance of the Company.

In regards to boardroom diversity, the Company is pleased to report that the Company had heeded the call from Bursa Securities and the nation for gender diversity in that it had appointed Ms. Lim Lay Ching, a legal practitioner, as its Independent Director to the Board in March 2015. However, the Company has not adopt any formal diversity policy in respect of age and ethnicity as the selection of Board candidate(s) is performance-based premised the candidates' competency, background, achievements and a proven track record.

Other factors which would be considered is the candidate's ability to commit sufficient time and energy to act as a director of the CHB Group and for appointment as independent director, passing the test of independence which takes into account the candidate's character, integrity and professionalism.

The Committee was unanimous that the Vice President of Finance Division has performed commendably and to their satisfaction in discharging the role of the chief financial officer, as defined by Bursa Securities, based on the quarterly reports received, feedback from both the internal auditors and external auditors and the comprehensive and timely reporting to the Board.

The Committee discussed and was satisfied that the Directors had attended adequate trainings as required by the Company during the financial year under review and that each Board member shall continue to identify suitable trainings appropriate to their respective needs.

The Committee discussed and had recommended the following directors who have given their intention to seek for re-election, be put forward for re-election by the shareholders at the coming Thirteenth AGM:-

(a) Lee, Shin-Min @ Samuel Lee
(b) Phong Hon Wai
(c) Chen, Huo-Kun
(d) Lin, Yao-Kang @ Robert Lin

The Board at its meeting on November 2016 was unanimous with and accepted each of the above recommendations from its Nominating Committee.

The Nominating Committee considers that it has discharged its duties as required under Paragraph 15.08A(3) of Bursa Securities' MMLR and has complied with Paragraph 2.20A of the MMLR.

A. DIRECTORS (CONT'D)

2.2 Employees Diversity

In CHB Group, all appointments and employment of staff are based on merits and not determined by gender and age bias. The current structure of gender, ethnicity and the age of the employees of the Group are as follows:-

	Number of Employees	Percentage (%)
Gender		
Male	606	89.38%
Female	72	10.62%
Total	**678**	**100.00%**
Age		
19-30 years	210	30.97%
31-40 years	220	32.45%
41-50 years	179	26.40%
Above 51 years	69	10.18%
Total	**678**	**100.00%**
Ethnicity		
Malaysian Bumiputra	364	53.69%
Malaysian Chinese	245	36.14%
Malaysian Indians	16	2.36%
Malaysian Other	1	0.15%
Foreigners	52	7.67%
Total	**678**	**100.00%**

B. SHAREHOLDERS

1. Shareholders' Communication and Investor Relation

The Company is committed to maintaining good communications with its shareholders and stakeholders alike. In this respect, information on the Group's financial performance and/or major developments are disseminated to the public as soon as practicable via appropriate channels of communication, chief of which is the Bursa LINK provided by Bursa Securities as well as the Company's website at www.cscmalaysia.com.

Another key source of information on the CHB Group is its Annual Reports and relevant circulars, press releases and press conferences, if so applicable, the quarterly financial results and the various disclosures and announcements to Bursa Securities issued in compliance with the MMLR.

The AGM of the Company is the principal forum for interaction between the management and its private and institutional investors. The Extraordinary General Meeting ("EGM") would also serve as such a forum but the Company has not convened any EGMs since its quotation on the local stock exchange thirteen years ago.

The Group MD together with other Board members and relevant management staff are personally present at each AGM of the Company to engage directly with the shareholders and to account for their stewardship of the Company. Also at hand at each AGM yearly to address questions from the shareholders are key management staff and the external auditors of the Company.

The AGM held on 2 June 2016 was well attended by the shareholders and proxies.

Status of all resolutions proposed at its AGM would be released to Bursa Securities on that day itself as had been the Company's practice the past thirteenth years.

B. SHAREHOLDERS (CONT'D)

2. Annual General Meeting ("AGM")

Bursa Securities had on 27 December 2013 directed that annual reports of listed issuers in respect of the financial years ending on 31 December 2015 be issued within four (4) months from the close of its financial year end.

In compliance with this requirement, CHB's Annual Report 2016 will be issued on 28 April 2017 which is also the date of despatch of the notice of its Thirteenth AGM. The coming Thirteenth AGM, scheduled on 25 May 2017 (Thursday) at its business premises in Melaka, would provide the Company's shareholders with an avenue to raise any queries that they may have on the Company and the Group.

The Notice provides information to the shareholders regarding details of the AGM such as their entitlement to attend the AGM, their right to appoint proxy(ies) and information as to who may count as a proxy. The Company allows a member to appoint a proxy who may but need not be a member of the Company.

If the proxy is not a member of the Company, he need not be an advocate, an approved company auditor or a person approved by the Companies Commission of Malaysia. In addition, the Constitution of the Company entitles a member to vote in person or by corporate representative, proxy or attorney. Essentially, a corporate representative, proxy or attorney shall be entitled to vote both on a show of hands and on a poll if they were a member of the Company.

Each item of special business set out in the notice of AGM is accompanied with an explanatory statement in respect of the resolutions proposed and the Circular to Shareholders setting out the relevant information, would be submitted to the shareholders at least twenty-one (21) days prior to the meeting.

3. Poll Voting

The latest amendments to the Listing Requirement require all resolutions set out in the notice of general meeting be voted by poll. As such, the Company will make the necessary arrangements to conduct poll voting at the forthcoming Thirteenth AGM for all the proposed resolutions. The poll voting will be conducted manually for the purpose of determining the outcome of resolutions more efficiently.

The Company will brief the shareholders the proper procedure for poll voting at the commencement of the AGM. A scrutineer, who must be independent of the person undertaking the polling process, will be appointed to validate the votes cast at the general meeting and announce the results of voting.

C. ACCOUNTABILITY AND AUDIT

1. Financial Reporting

The Board ensures that shareholders are provided with a balanced and meaningful evaluation of the Company's financial performance, including its position and future prospects through the issuance of the Annual Audited Financial Statements and quarterly financial reports, and through corporate announcements on significant developments affecting the Company in accordance with the MMLR.

Chairman of the Audit Committee, Mr. Phong Hon Wai, backed by over twenty (20) years of in public accounting practise and a principal partner of his own accounting practice in Messrs. HW Phong and Associates, Messrs. McDonald Carter in partnership and Messrs. HW Phong Services, a taxation firm together with his other two (2) fellow Audit Committee members, reviews the Company's financial statements in the presence of the Vice Presidents of Finance Division and Commercial Division at hand to clarify and address any queries the Audit Committee may have, prior to recommending the financials for approval and issuance to the stakeholders.

C. ACCOUNTABILITY AND AUDIT (CONT'D)

1. Financial Reporting (cont'd)

As part of the governance process in reviewing the quarterly and yearly financial statements by the Audit Committee, the Vice President of Finance Division provides assurance to the Audit Committee on a quarterly basis that appropriate accounting policies had been adopted and applied consistently; that the going concern basis applied in the Condensed Consolidated Financial Statements ("CCFS") and Annual Financial Statements ("AFS") was appropriate and that prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards ("MFRS"); that adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS, International Financial Reporting Standards and MMLR; and that the CCFS and AFS did not contain material misstatement and gave a true and fair view of the financial position of the Group and the respective companies within the Group in 2016.

In addition, the outsourced Internal Audit Function of the Company undertakes independent assessments of the internal control systems of the Group and reports its findings to the Audit Committee on a quarterly basis. Throughout the financial year ended 31 December 2016, the outsourced Internal Auditors had in their quarterly reports stated that no material issue or major deficiencies had been noted which would pose a high risk to the overall system of internal controls under review and that all recommendations made was accepted and acted upon by management.

Premised on the above, the Board considers that it has provided a fair, balanced and representative assessment of the Company's and the Group's business in its quarterly results and annual financial statements.

The financial statements of the Company and the Group for the financial year ended 31 December 2016 are set out on pages 44 to 103 of this Annual Report and a statement by the Board of its responsibilities in preparing the financial statements is on page 43.

2. Risk Management and Internal Control

The Board has overall responsibility for maintaining a sound system of risk management and internal controls, internal procedures and guidelines that together, serve to provide a reasonable assurance of an effective and efficient operation to safeguard shareholders' investments and protect the Company's assets and to comply with the relevant laws and regulations. A key component in carrying out this responsibility is to ensure that risks are appropriately and adequately managed within the Group.

It must however be noted that such a system is designed to manage the Group's risks within an acceptable risk profile rather than eliminate the risk of failure to achieve the policies and business objectives of the Group. Such controls by their nature can only serve to mitigate and provide a reasonable assurance against risks but are not an absolute assurance that risks will not occur or against any material misstatements, loss or fraud.

An overview of the risk management and state of internal controls within the Group is set out in the Statement on Risk Management and Internal Control on pages 38 to 42 of this Annual Report.

3. Internal Audit Function

The Company outsourced its internal audit function to an independent internal audit service provider who reports directly to the Audit Committee. The functions of the Internal Auditors are to assist in providing independent assessment and review of the adequacy, efficiency and effectiveness of the key controls and processes in the operating units as well as the governance aspect of the Group and to ensure compliance with the established policies and procedures of the Group. The Statement on Risk Management and Internal Control of the Company which provides the key elements of internal control and risk management of the Group is set out on pages 38 to 42 of the Annual Report.

During the financial year ended 31 December 2016, the Internal Auditors conducted two (2) audits which include the followings:-
(a) Human Resources Management;
(b) Strategy Management; and
(c) Credit Control Management.

The Internal Auditors reported to the AC the detailed findings and follow-up on the implementation status of the action plans previously adopted by the management team.

C. ACCOUNTABILITY AND AUDIT (CONT'D)

4. Relations with External Auditors

The Board maintains a formal, objective, professional and transparent relationship with its external auditors.

The Audit Committee meets with representatives of Messrs. Deloitte PLT ("Deloitte"), the external auditors of the Company, for a private discussion without the presence of executive board members and employees of the Company at least twice during each financial year.

The first meeting during the financial year just ended was held on February 2016 primarily to review the Audit Completion Memorandum from Deloitte following the completion of its audit of the CHB Group for the financial year ended 31 December 2015.

The second private discussion between the Audit Committee and the external auditors during the financial year just ended was held on November 2016 to review the Audit Planning Memorandum from Deloitte in respect of the financial year ended 31 December 2016.

The Audit Committee met on April 2016 to review the draft audited Financial Statements of the Company and the Group for the financial year ended 31 December 2015. It also undertook its annual assessment of the suitability and independence of the external auditors by considering the factors mentioned below to arrive at its recommendation on the re-appointment of Deloitte as the Group's auditors for the ensuing financial year.

Factors considered in its decision to recommend the re-appointment of Deloitte as external auditors of the Group included adequacy of Deloitte's experience and resources to effectively carry out the audit on the Group, the level of professionalism of its staff assigned to the CHB Group, assurance of the audit independence and objectivity of Deloitte and the level of non-audit services rendered by Deloitte to the Group during the financial year ended 31 December 2016; all of which Deloitte fared satisfactorily.

The Board had on April 2016 accepted the recommendation from the Audit Committee and approved the proposal to the shareholders at the Thirteenth AGM for the re-appointment of Deloitte as external auditors of the Company to audit the Group for the financial year ending 31 December 2016.

The role of the Audit Committee in relation to the external auditors is set out in the Report of the Audit Committee on pages 35 to 37 of this Annual Report.

C. ACCOUNTABILITY AND AUDIT (CONT'D)

4. Relations with External Auditors (cont'd)

The amount of non-audit fees paid / payable to the external auditors by the Company and the Group respectively for the financial year ended 31 December 2016 were as follows:-

	Company		Group	
	FYE 2016 RM	FYE 2015 RM	FYE 2016 RM	FYE 2015 RM
Statutory audit fees paid /payable to:				
Deloitte	24,000	24,000	109,620	109,500
O.L.Yeo	Nil	Nil	1,400	1,400
Affiliates of Deloitte	Nil	Nil	Nil	Nil
Total (a)	**24,000**	**24,000**	**111,020**	**110,900**
Non-audit fees paid/payable to:				
Deloitte	8,600	6,900	16,401	19,700
CPL Taxation	Nil	Nil	1,400	1,200
Affiliates of Deloitte				
Nil	Nil	Nil	Nil	
Total (b)	**8,600**	**6,900**	**17,801**	**20,900**
% of non-audit fees (b/a)	**36%**	**29%**	**16%**	**19%**

In considering the nature and scope of the non-audit fees, the Audit Committee was satisfied that they were not likely to create any conflict of impair the independence and objectivity of the external auditors. It is based on the above assessment that Audit Committee had made recommendation to the Board for re-appointment of the external auditors. The proposed appointment will be subject to shareholders' approval at the AGM.

D. WHISTLEBLOWER POLICY

While the Group does not have a formal whistleblower policy per se, avenues for staff and stakeholders to provide feedback or to report on any misconduct by the Company and its subsidiaries are available.

For the staff, a box has been placed at a private area and the list of email addresses of key management staff made available for staff to provide anonymous feedback or reports.

As for stakeholders, the key avenue for making any reports on the Group is to the email addresses of key contact persons listed under "Whistleblower Hot lines" appearing on page 2 of this Annual Report. The same information is also made available in the Company's website (www.cscmalaysia.com) and staff of the Group may also access the same to make their reports.

E. STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE MCCG 2012

Based on the above, the Board considers that as far as possible, it has taken steps to comply with the principles and recommendations of the MCCG 2012 for the financial year ended 31 December 2016.

F. CORPORATE SOCIAL RESPONSIBILITY

CHB Group understands the importance of Corporate Social Responsibility ("CSR") and is continued to put its effort to create better society in year 2016. A list of the Group's key CSR initiatives and commitments, though not exhaustive, are as follows:

Workforce and Workplace

- Having a "Safety and Health" Committee which sets targets, implements, monitors and maintains a sound and comfortable working environment for employees through periodic brainstorming sessions via meetings, department internal communications and site inspections.

- Emphasis on employee health and safety issues through continuous education, training, supervision and awareness campaigns.

- Implementing an "area responsibility system" whereby employees are appointed to take charge and be responsible for the safety aspect of allocated areas.

- Health care monitoring like CHRA (Chemical Health Risk Assessment), medical check-up for employees and noise monitoring to ensure within permissible levels within the plant.

- Promoting "injury free" campaigns.

- Assisting employees to achieve a balanced work life and to nurture harmonious team spirit by providing sport facilities as space for recreational activities.

- Encouraging employees to participate in inter-factory sports tournaments to give free rein to one's skill.

- Conducting bi-annual employee discussions/surveys to gauge and understand employee satisfaction levels in regards to their working environment and for feedback on employees' concerns.

- Having a well-run canteen that is clean and hygienically operated with Reverse Osmosis (RO) filtered drinking water to provide clean water. Employees are also provided with free meals to ensure employees' continued good health.

- Implementing the "5S" Concept (an in-house housekeeping methodology which widely encompassed the principles of sorting, setting-in-order, systematic cleaning, standardising and sustaining discipline) in the work place as a means to continuously improve and ensure an orderly and conducive working environment.

- Collecting recyclable items such as paper, carton boxes, etc., for sale to recycling companies and the income generated channelled towards employee welfare as well as non-profit organisations.

- The recruitment policy of the Group is to select and recruit candidates who are most suitable for the performance of the job vacancy and does not discriminate on the gender, ethnicity and age of the candidate being considered for recruitment.

- Achieving the standards of and obtaining the Occupational Health and Safety Assessment Series, OHSAS 18001 certification to further enhance workplace safety.

Marketplace

- Producing quality products at competitive prices to customers.

- Provision of technical services to customers as and when required.

- Organising product seminar and participating in product exhibition so as to share the information of our steel products with relevant parties such as architects, developers, customers, etc.

F. CORPORATE SOCIAL RESPONSIBILITY (CONT'D)

Marketplace (Cont'd)

- Always sourcing for competitively priced and better quality products and services from reliable sources and passing on the savings to customers where possible.
- Adhering to our Vision of being a trustworthy and excellent steel company in Malaysia as well as South East Asia.
- Obtaining product certification such as SIRIM Eco-Labelling for eco-friendly products.
- Upholding the Operating Policy to continuously improve productivity, constantly develop higher value-added products and environmental-friendly products, to continually pursue excellence in quality and service exceeding customers' expectation and fulfilling our commitment to corporate social responsibility.

Environment

- Achieving the standards of and obtaining the Energy Efficiency Management System ISO 50001:2011 certification. Having an "Energy Saving" Committee which meets regularly to come up with and implement ideas with an eye to preserve, conserve and improve the efficiency of energy utilisation.
- Maintaining the environmental management system in line with the standards of ISO 14001 certification.
- Having environmental monitoring of the quality of its treated effluent, chimney stack emissions, boundary noise and ambient air quality to ensure compliance with the regulatory requirements and all environmental monitoring reports are submitted to the Department of Environment on a quarterly basis.
- Improving the 3R (Reduce, Reuse and Recycle) of waste management, for instance, recycling, the use of its metal hydroxide sludge as cement additive rather than disposing by way of solidification.
- Enhancing plant landscaping and greening the factory premises.

Community

- Having a program where selected undergraduate students from local universities are given practical training to expose them to hands-on experience in this industry.
- Making charity contribution to schools and other needy community.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

1. UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2016.

2. SHARE BUY-BACK

At its Twelfth AGM held last year on 2 June 2016, the Company had sought and obtained approval from its shareholders to purchase its own shares. The said approval would expire at the conclusion of its coming Thirteenth AGM of the Company unless the Company seeks approval of its shareholders to renew this authority.

The Company has bought back a total of 45,900 ordinary shares for a total consideration of RM66,264.62 during the twelve (12) months period ended 31 December 2016, the monthly breakdown of which is as follows:-

Monthly Breakdown of Share Buy-Backs in financial year 2016	No. of CHB Shares bought-back and retained as Treasury Shares	Buy-Back Price per CHB Share (RM)		Average cost per CHB Share (including broker fees) (RM)	Total Cost (RM)
		Lowest	Highest		
January	-	-	-	-	-
February	10,000	1.280	1.280	1.280	12,864.56
March	-	-	-	-	-
April	-	-	-	-	-
May	-	-	-	-	-
June	-	-	-	-	-
July	-	-	-	-	-
August	35,900	1.480	1.480	1.480	53,400.02
September	-	-	-	-	-
October	-	-	-	-	-
November	-	-	-	-	-
December	-	-	-	-	-
Total	**45,900**				**66,264.58**

As at 6 April 2017, being the latest practicable date prior to the printing of this Annual Report, a total of 600,000 treasury shares were resold on the open market. Consequently, the Company has a total of 10,700,000 CHB shares, all of which are retained as treasury shares, bought at a cost of RM10,893,110.77, including broker fees.

3. OPTIONS OR CONVERTIBLE SECURITIES

The Company has not issued any options or convertible securities during the financial year ended 31 December 2016.

4. DEPOSITORY RECEIPT PROGRAMME

The Company has not sponsored any depository receipt programme during the financial year ended 31 December 2016.

5. SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company, its subsidiaries, the Directors and the Management by the relevant regulatory bodies during the financial year ended 31 December 2016.

6. NON-AUDIT FEES

Details of the amount of non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year by the Company's auditors or corporation affiliated to the auditors' firm is stated on page 28.

7. VARIATION IN RESULTS

The Company and its subsidiary companies did not issue any profit forecast during the financial year ended 31 December 2016.

8. PROFIT GUARANTEE

The Company and its subsidiary companies did not provide any profit guarantees during the financial year ended 31 December 2016.

9. MATERIAL CONTRACTS

Save as disclosed below, there were no material contracts entered into or subsisting between the Company and its subsidiary companies involving the interests of directors and substantial shareholders during the financial year ended 31 December 2016:-

- On 31 December 2015, CSC Steel Sdn. Bhd. ("CSCM"), a wholly-owned subsidiary of the Company, had entered into a Sale and Purchase Agreement ("SPA") with Tatt Giap Group Berhad and Tatt Giap Steel Centre Sdn. Bhd.("TGSC"), a subsidiary of TGGB, to purchase two (2) pieces of leasehold land together with a 3½ storey detached factory building erected thereon located at Mukim 11, Seberang Perai Tengah, Pulau Pinang for a purchase consideration of RM41,000,000.00.

  On 19 August 2016, both parties had fulfilled the conditions precedent of the said SPA and the said transaction was completed on 29 August 2016.

10. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

At the Twelfth AGM of the Company held on 2 June 2016, the shareholders had renewed the mandate for CSCM, a wholly-owned subsidiary of the Company, to enter into RRPT of a revenue or trading nature with the related parties (collectively the "Shareholders' Mandate").

Details of RRPT of a revenue or trading nature conducted during the financial year ended 31 December 2016 pursuant to the aforesaid Shareholders' Mandate are as follows:-

Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	Actual Value of Transactions conducted pursuant to the Shareholders' Mandate during FYE 2016 (RM'000)
China Steel Corporation ("CSC")	CSCM purchase of raw materials, spare parts, rollers and chemicals from CSC	Interested Major Shareholder CSAP[(a)(i)] Interested Directors CHK[(b)(c)], HCH[(b)(c)], LYK[(b)(c)], LJG[(b)(c)], LSM[(b)(c)], OJJ[(c)] and HTW[(c)]	440,366
China Steel Global Trading Corporation ("CSGT")	CSCM purchase of raw materials, machinery, spare parts, rollers and chemicals from CSGT	Interested Major Shareholder CSAP[(a)(ii)] Interested Directors CHK[(b)(c)], HCH[(b)(c)], LYK[(b)(c)(d)], LJG[(b)(c)], LSM[(b)(c)(e)], OJJ[(c)] and HTW[(c)]	30,036

10. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") (CONT'D)

Related Party	Nature of Transaction	Interested Directors, Major Shareholders and Persons Connected	Actual Value of Transactions conducted pursuant to the Shareholders' Mandate during FYE 2016 (RM'000)
China Steel Machinery Corporation ("CSMC")	CSCM purchase of machinery and spare parts from CSMC	Interested Major Shareholder CSAP[(a)(iii)] Interested Directors CHK[(b)(c)], HCH[(b)(c)], LYK[(b)(c)], LJG[(b)(c)], LSM[(b)(c)], OJJ[(c)] and HTW[(c)]	-
Chung Hung Steel Corporation ("CHSC")	CSCM purchase of raw materials from CHSC	Interested Major Shareholder CSAP[(a)(iv)] Interested Directors CHK[(b)(c)],HCH[(b)(c)], LYK[(b)(c)(d)], LJG[(b)(c)], LSM[(b)(c)], OJJ[(c)] and HTW[(c)]	188,176
Tatt Giap Steel Centre Sdn. Bhd. ("TGSC")	CSCM Sales of steel products to TGSC	Interested Major Shareholder CSAP[(a)(v)] Interested Directors CHK[(b)(c)], HCH[(b)(c)]), LYK[(b)(c)], LJG[(b)(c)], LSM[(b)(c)], OJJ[(c)] and HTW[(c)]	6,450
[(1)]Formosa Ha Tinh Steel Corporation ("FHS")	CSCM purchase of raw materials from FHS	Interested Major Shareholder CSAP[(a)(vi)] Interested Directors CHK[(b)(c)],HCH[(b)(c)], LYK[(b)(c)], LJG[(b)(c)],LSM[(b)(c)], OJJ[(c)] and HTW[(c)]	-
	Total		**665,028**

Notes:

*(1) The Company will not seeking for RRPT Transaction for purchase raw materials from FHS for the shareholders' mandate.

Interested Major Shareholder

(a) CSAP
- (i) CSAP being a wholly-owned subsidiary of CSC.
- (ii) CSC is the holding company of CSGT. CSAP has an effective interest of 99.99% in CSGT - deemed interested by virtue of CSC's substantial shareholdings in CSAP.
- (iii) CSC is the holding company of CSMC. CSAP has an effective interest of 73.97% in CSMC - deemed interested by virtue of CSC's substantial shareholdings in CSAP.
- (iv) CSC is a substantial shareholder of CHSC. CSAP has an effective interest of 40.59% in CHSC - deemed interested by virtue of CSC's substantial shareholdings in CSAP.
- (v) CSC is the holding company of CSGT. CSGT is the holding company of CIC. CIC has a 14% equity interest in TGSC while the Company has a 20% equity interest in TGSC.
- (vi) CSAP has a 25% equity interest in FHS.

10. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") (CONT'D)

Interested Directors

CHK	-	Chen, Huo-Kun (appointed on 4 August 2016)
HCH	-	Huang, Chun-Hui @ Hwang, Dring Fei (resigned on 4 August 2016)
LYK	-	Lin, Yao-Kang @ Robert Lin (appointed on 22 November 2016)
LJG	-	Liu, Jih-Gang (resigned on 22 November 2016)
LSM	-	Lee, Shin-Min @ Samuel Lee
OJJ	-	Ou, Jenq-Jang
HTW	-	Hsu, Tse-Wei

(b) CHK, LYK, and LSM are respectively employees and shareholders of CSC and Directors of CHB. HCH and LJG, are employees and shareholders of CSC, were the Directors of CHB until their resignation from CHB on 4 August 2016 and 22 November 2016 respectively.

(c) CHK, LYK, LSM, HTW and OJJ are Directors of CSCM and Group Steel. HCH was the Managing Director of CSCM and Group Steel until his resignation from CSCM and Group Steel on 4 August 2016. OJJ and HTW are also employees and shareholders of CSC.

(d) LSM is also a director of CSAP and CSGT.

(e) LYK is also a director of CSGT.

AUDIT COMMITTEE REPORT

The Board of Directors of CHB presents the Audit Committee ("AC") Report which provides insights into the manner in which the AC discharges its functions for the Group in the financial year ended 31 December 2016.

1. MEMBERS AND MEETING ATTENDANCE

Pursuant to its Terms of Reference, the AC of the Company shall be appointed amongst the Board members and shall comprise no fewer than three (3) members who shall be exclusively non-executive directors of the Company where a majority of whom, including the committee chairman, shall be independent directors and that the term of office of an AC member shall automatically terminate when he ceases to be a director of the Company.

At least one (1) member must be a member of the Malaysian Institute of Accountants ("MIA") or possesses such other qualifications and/or experience as approved and prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities"). The AC Chairman of the Company, Mr. Phong Hon Wai, fulfils this requirement.

The three (3) members of the AC of the Company and their attendances at the five (5) meetings held during the year ended 31 December 2016 are as follows:-

Committee Members	Attendance
Phong Hon Wai (Chairman/Independent Non-Executive Director)	5/5
Lim Lay Ching (Member/Independent Non-Executive Director)	5/5
Brig. Gen. (R) Dato' Nik Zaaba Bin Nik Daud (Member/Non-Independent Non-Executive Director)	5/5

The AC meetings of the Company were convened with proper notices and agenda and these were distributed to all members of the AC about seven (7) days before meeting. The minutes of each AC meeting were recorded and tabled for confirmation at the next AC meeting and tabled at the Board meeting for the Directors' notation.

Besides the Company Secretary, Heads of the Finance Division, Production Division, Commercial Division and Corporate Planning Department of the Company, the external auditors and the outsourced Internal Auditors attends each Committee meeting on the standing invitation of the Committee Chairman during the financial year ended 31 December 2016.

The external auditors attends at least two (2) AC meetings per year; the first attendance is at the beginning of the financial year in February where they present the outcome of audit of the financial year just ended and the second attendance is in November which is the last meeting prior to the end of the financial year where they present their scope and audit planning memorandum in respect of the financial year in which audit is to be conducted. At each of their attendance, there will be a private session where only the AC members and the Secretary are present and the executive Board members and employees of the Company shall excuse themselves.

Other senior staff may be invited to attend certain AC meetings if so required, requested or invited by the Chairman of the Committee. Conversely, the external auditors and internal auditors may also respectively request a meeting with the AC if they consider it necessary.

2. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

A brief summary to provide an overall view of the activities of the Audit Committee in discharging its duties and responsibilities during the financial year ended 31 December 2016 is as follows:-

i) reviewed and recommended each of the quarterly financial results of the Group for approval by the Board of Directors prior to its release to Bursa Securities;

ii) met with the external auditors, Messrs. Deloitte PLT ("Deloitte"), twice for a private session, without the presence of the executive Board members and employees of the Company.

The first private session with Deloitte was in February 2016 to discuss the outcome of the audit of the Group in respect of the financial year ended 31 December 2015 and the second time in November 2016, in respect of the scope of the statutory audit and to review the "Audit Planning Memorandum" prior to the commencement of Deloitte's audit of the Group's financial statements for the financial year ending 31 December 2016;

iii) reviewed and briefed the Board of Directors on a quarterly basis, the internal audit reports pursuant to the agreed internal audit cycles and the internal audit follow up progress reports from the internal auditors;
(During such reviews, the members considered the findings during the internal audit and management's responses thereon and where relevant, recommended appropriate actions or further follow-up actions are acted upon by either the internal auditors or the management.)

iv) reviewed recurrent related party transactions for compliance with both in-house procedures and policy and the Main Market Listing Requirements ("MMLR") of Bursa Securities;

v) reviewed on a quarterly basis the actual transacted value of recurrent related party transactions ("RRPT") matching them against the mandate from shareholders to ensure compliance with the Listing Requirements and to monitor for the required action, such as an immediate announcement, in the event the actual value of a mandated RRPT exceeds the estimated value of the RRPT disclosed in the previous year's RRPT Circular to Shareholders, which shareholder has approved, by 10% or more;

vi) reviewed the Circular to Shareholders in relation to the proposed renewal of shareholders' mandate for RRPT of a revenue or trading nature (by the shareholders at the 12th AGM on 2 June 2016) prior to its approval by the Board of Directors;

vii) reviewed the "Statement on Risk Management and Internal Control", "Audit Committee Report" and "Internal Audit Function" prior to their inclusion into the Annual Report 2015 if approved by the Board of Directors;

viii) reviewed the formal "Internal Audit Procedure for the CHB Group";

ix) Assessed and recommended to the Board to seek shareholder's approval for the re-appointment of Deloitte as external auditors of the Group for the financial year ending 31 December 2016; and

x) Reviewed amendments to the existing procedure on related party transactions as well as to align the procedure to the changes to Bursa's MMLR.

3. INTERNAL AUDIT FUNCTION

Having an independent and adequately resourced internal audit function is essential in assisting the Audit Committee to obtain the assurance it needs regarding the maintenance of a sound system of internal controls.

During the financial year ended 31 December 2016, representatives from Needsbridge Advisory Sdn. Bhd., the outsourced Internal Auditors, led the role of the internal audit functions of the Group (referred to as the "IA Team") with the primary function to assist the Audit Committee in discharging their duties and responsibilities more effectively. The Audit Committee has full access to the outsourced Internal Auditors and reviews reports from them on all internal audits performed.

The main role of the internal audit function is to carry out independent assessments of the adequacy and effectiveness of the Group's internal control systems in anticipation of any potential risk areas within key business processes of the Group.

During the financial year ended 31 December 2016, internal audit activities have been carried out in accordance with the pre-approved internal audit plan.

The IA Team conducts its internal audit visits based on the approved Internal Audit Plan ("IA Plan") for two (2) financial years which will be reviewed on an annual basis and revised subsequent to the completion of the first year audit, if necessary, to reflect the changes in the Group's operating environment. Any significant changes to the IA Plan will be referred to the Audit Committee for approval prior to the commencement of the internal audit.

In developing the IA Plan, the IA team will:

- perform a "High Level Risk Assessment" through review of documents, interviews with key management personnel and representatives from the Audit Committee to identify and highlight risks and concerns of management and members of Audit Committee
- identify auditable areas and risk significance of such auditable areas.
- develop an audit plan focusing on compliance, efficiency and effectiveness.

For each internal audit visit, the IA Team will perform the following and provide management with periodic progress updates as and when requested, and meet with management at the conclusion of each visit to review the results:-

- understand the process, key performance indicators, risks involved and controls in place through interviews with various personnel, observations and review of management reports and other documents such as corporate policies, procedures and guidelines before summarising key process risks and control design.
- evaluate control design effectiveness and discuss observations with the management.
- develop control testing programs.
- conduct testing programs, analyse root causes of findings and identify improvement opportunities.
- discuss issues and improvement opportunities with process owners.
- summarise issues and recommend action plans.

The Internal Audit Report for each internal audit visit will outline procedures performed during audit fieldworks and carries recommendations for improvements in systems, processes and procedures along with the preliminary management response and will be forwarded to management for their attention and response for the necessary remedial actions as recommended therein. The IA Team will then be responsible to monitor the status of remedial actions formulated and implemented by management.

4. STATEMENT PERTAINING TO THE ALLOCATION OF SHARES UNDER EMPLOYEES SHARE SCHEME

To date, the Company has not established any employees share schemes ("ESS"). In the event the Company establishes such ESS, the Audit Committee would shoulder the responsibility of reviewing all allocations granted to eligible employees to ensure compliance with the criteria as would have been spelt out in the by-laws of the Company's proposed ESS.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors ("the Board") of CSC Steel Holdings Berhad ("the Company") acknowledges the importance of maintaining a sound risk management and internal control system in the Company and its subsidiaries ("the Group") and is pleased to provide the following Statement Risk Management and Internal Control which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 31 December 2016. This statement was prepared by taking into account of the Statement on Risk Management and Internal Control: Guidelines for Director and Listed Issuers ("The Guidelines") pursuant to Paragraph 15.26(b) and Practice Note 9 Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR of Bursa Securities").

BOARD RESPONSIBILITIES

The Board is committed and acknowledges its overall responsibility for maintaining a sound risk management and internal control systems and for reviewing their adequacy and effectiveness continually so as to safeguard all its stakeholders' interests and protect the Group's assets. The Board has delegated the review of adequacy and effectiveness of the internal control system to the Audit Committee ("the AC"). Through the AC, the Board is kept informed of all significant control issues brought to the attention of the Audit Committee by the management, the internal audit function and also the external auditors. The Board is working closely with the AC in reviewing and improving the internal controls as well as addressing the potential risks of the Group from time to time.

In view of the limitations that are inherent in any system of internal controls, the system of internal controls is designed to manage and to minimise, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal controls can only provide reasonable and not absolute assurance against material misstatement of losses and fraud. However, in order to strengthen the internal controls within the Group, the AC is communicating with the internal and external auditors regularly, looking for areas that could be further improved to ensure the sustainability of the Group in this challenging steel business.

RISK MANAGEMENT

The Board recognises that an important element of a sound system of internal controls is to have in place a risk management practice for identifying, evaluating and managing significant risks faced by the Group systematically during the financial year under review. The duties for the identification, evaluation and management of the key business risk are delegated by the Board to the Senior Management and the Managing Director. On strategic level, strategic business strategies are formulated by Managing Director and the Senior Management and presented to the Board for review to ensure proposed strategies are in line with the Group's risk appetite with update of the implementation progress of the strategies approved being presented by the Senior Management to the Board.

The respective Head of Departments are responsible for managing the risk of their department. Changes in the key business risks faced by the Group or emergence of new key business risks and the corresponding internal controls are discussed during management meetings that hold every week and reported to the Board, if material and applicable.

The Board continually reviews the key risk profile of the Group and internal risk management practice in order to ensure that adequate and effective systematic mechanism is put in place for managing the significant business risks.

INTERNAL AUDIT FUNCTION

On top of maintaining a good corporate governance practises, the Group has set up a reliable internal audit mechanisms to provide the required level of assurance that its systems of internal control are operating adequately and effectively in order to provide reasonable assurance that the business objectives of the Group are achievable. The internal audit function of the Group is outsourced to a professional service firm, namely NeedsBridge Advisory Sdn Bhd ("Needsbridge"). Besides that, the ultimate holding company, China Steel Corporation ("CSC"), also performs internal audit throughout its Group of Companies, including the Group, once a year in accordance to its internal audit plan and in relation to its compliance with relevant listing rules of Taiwan Stock Exchange Corporation that it is subjected to.

NeedsBridge is reporting to the AC directly and the engagement director is a Certified Internal Auditor accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are carried out by NeedsBridge, in material aspects, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

INTERNAL AUDIT FUNCTION (CONT'D)

The oversight of NeedsBridge by the AC is through review of the internal audit engagement of Needsbridge governed by the engagement letter with key terms include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the management's responsibilities, the authority accorded to NeedsBridge, limitation of scope of works, confidentiality, proposed fees and engagement team. During the scheduled AC meetings, NeedsBridge reports its staff strength, qualification and experience as well as continuous professional education for the AC's review.

The risk-based internal audit plan is designed and proposed by Needsbridge based on the key risk profile of the Group and their professional judgement on those areas with potential risks existence after considering the previous internal audits carried out and obtaining inputs from the management. Such internal audit plan is reviewed bi-annually to reflect significant changes in the Group's operating environment and/or key risks and as and when deemed necessary by NeedsBridge and propose to the AC for approval. Any significant change to the plan will be referred to the AC for approval prior to the commencement of the internal audit. During the financial year under review, internal audit reviews on human resources, strategy planning and credit control management were performed based on the internal audit plan approved and, upon the completion of the internal audit works, which are conducted twice a year, internal audit reports were submitted to the AC for review and deliberation, in the presence of the internal audit functions. Update on the status of management action plans as identified in the previous internal audit reports were also presented to the Audit Committee during the financial year under review and the action plans were satisfactorily executed.

As for internal audit conducted by CSC, internal audit plan is designed according to CSC's policy which cover significant risk areas identified which required attention. The management of the Group formulates action plan(s) for each audit finding and reports to CSC on its progress of implementation from time to time, all improvement required to further enhance the Group's internal controls and risk management are implemented in timely manner.

As third-line-of-defence, the internal control review procedures performed by NeedsBridge are designed to understand, to document and to evaluate risks and related controls to determine the adequacy and effectiveness of governance, risk and control structures and processes and to formulate recommendations for improvement thereon. The internal audit procedures applied principally consisted of process evaluations through interviews with relevant personnel involved in the process under review, review of the Standard Operating Procedures and/or process flows provided and observations of the functioning of processes in compliance with results of interviews and/or documented Standard Operating Procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

The total cost incurred in maintaining the outsourced internal audit function performed by Needsbridge for the financial year ended 31 December 2016 amounted to RM49,796.54. There was no professional fee imposed on the Group for the internal audit works performed by CSC.

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control systems are described below:

- **Board of Directors/Board Committees**

  Audit Committee and Nominating Committee being established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference. The terms of reference will be reviewed and revised whenever it is deemed necessary by the Board and/or once every three years pursuant to Paragraph 15.20 of MMLR of Bursa Securities. The last review of the terms of reference was performed on 18 August 2016 for Audit Committee and 15 November 2016 for Nominating Committee by Board of Directors.

  Meetings of Board of Directors and the Committees are carried out on scheduled basis to review the performance of the Group, from financial to operational perspective. Business strategies are proposed by the management for the Board's review and approval, after taking into risk consideration and responses.

INTERNAL CONTROL SYSTEM (CONT'D)

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in Board Charter established and adopted by the Board in early 2014. This formal code forms the foundation of integrity and ethical value for the Group.

  Integrity and ethical value expected from the employees are incorporated in the Human Resources Policy whereby the ethical behaviours expected with the customers, suppliers, employees, society and environment are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and formalised in the Human Resources Policy.

- **Organisation Structure and Authorisation Procedures**

  The Group has a formal organisation structure in place for planning, organising and executing the business operations of the Group to ensure its objectives are met. The authorisation procedures for key processes are stated in the Group's policies and procedures, which includes areas covering procurement, sales and related party transactions.

- **Policies and Procedures**

  The Group has documented policies and procedures that are regularly reviewed and updated to ensure its relevance to support the Group's business activities in achieving the Group's business objectives.

- **Annual Budget**

  Financial budget for the operating subsidiary is prepared and is presented to the Board of such operating subsidiary on an annual basis for approval. Such budget is applied to every key division of such operating subsidiary for financial performance measurement. The actual performance are monitored against budget to identify significant variances for prompt actions to be taken. Capital expenditure budget is compiled and approved annually prior to its execution in the following financial year.

- **Human Resource Policy**

  Comprehensive guidelines on the human resource management are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience in order to carry out their duties and responsibilities assigned effectively and efficiently. Training needs of employees are identified annually so that relevant trainings are provided to such employees to upgrade their knowledge and skill sets.

- **Information and Communication**

  At operational level, clear reporting lines are established across the Group and operation and management reports are prepared for dissemination to relevant personnel for effective communication of critical Information throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and Senior Management's attention are highlighted for review, deliberation and decision on a timely basis.

  The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerised enterprise resource planning system, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders for execution and information collection. Apart from that, relevant financial and management reports are generated for different level of the organisation structure for review and decision making. Management and board meetings are held for effective two-way communication of information at different level of management and the Board.

INTERNAL CONTROL SYSTEM (CONT'D)

- **External Bodies Certification**

  The operating subsidiary is certified and in compliance with the ISO 9001:2008 (Quality Management System), ISO 14001:2004 (Environmental Management System), ISO 50001:2011 (Energy Management System) and OHSAS 18001 (Occupational Health and Safety Management System) for management systems. Besides that, products relating certification such as SIRIM Eco-label, Malaysian Standard (MS 2384, MS 2385 and MS 2383) and Japanese Industrial Standard (JIS G3302 and JIS 3312) are also obtained by the operating subsidiary to further improve its operation and product quality.

- **Monitoring and Review Activities**

  - Key performance indicators are formulated to monitor the performance of key divisions/departments against targets established with information on actual performance against Key performance indicators established being compiled on quarterly basis. Formal half-yearly management review meeting is held to discuss and review the performance of key divisions/departments of the Group based on the key performance indicators established.

  - Weekly management meetings of Head of Departments are held to review operational and financial performance of key divisions/departments within the Group.

  - Monthly review of the management accounts of the Company and its subsidiaries by the Senior Management team.

  - Quarterly unaudited group financial reports reviewed by Audit Committee together with senior management, and subsequently reported to the Board.

  - Conducting internal audit on key risk areas identified during high level risk assessment by the internal audit functions that reports directly to the Audit Committee. The internal audit functions assesses the adequacy and effectiveness of internal controls in relation to specific critical control processes and highlights significant risks impacting the Group to the Audit Committee as well as recommending improvements to various processes to minimise the risks.

The monitoring of compliance with relevant laws and regulations are further enhanced by independent review of specific areas of safety, health and environment by independent consultants engaged by the Group.

ASSURANCE PROVIDED BY MANAGING DIRECTOR AND EXECUTIVE DIRECTOR PRIMARILY RESPONSIBLE FOR THE MANAGEMENT OF THE FINANCIAL AFFAIRS

In line with the Guidelines, the Board has received assurance from Managing Director and Executive Director primarily responsible for the management of the financial affairs on the adequacy and effectiveness of risk management and internal control system of the Group, in all material aspects, during the financial year under review based on the risk management and internal control system of the Group.

Board’s Opinion and Conclusion

In the meetings of Board of Directors during the financial year under review, the performance of the Group were reviewed and deliberated by the Board, including, but not limited to, the adequacy and effectiveness of specific risk management and internal control system of the Group put in place to address potential business risks identified by the Board during such reviews and deliberation. Through such reviews by the Board with Managing Director and Senior Management of the Group coupled with the assurance provided by the Managing Director and Executive Director primarily responsible for the management of the financial affairs, continuous reviews of the key risk profile of the Group and internal risk management practice by the Board and independent internal control reviews conducted and reported to the Board, the Board is of the opinion that the risk management and internal control systems are satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group’s annual report.

The Board is committed towards maintaining an effective risk management and internal control systems throughout the Group and where necessary put in place appropriate plans to further enhance the Group’s systems of internal control. Notwithstanding this, the Board will continue to evaluate and to manage the significant business risks faced by the Group in order to meet its business objectives in the current and challenging business environment.

ASSURANCE PROVIDED BY MANAGING DIRECTOR AND EXECUTIVE DIRECTOR PRIMARILY RESPONSIBLE FOR THE MANAGEMENT OF THE FINANCIAL AFFAIRS (CONT'D)

Assurance Provided by External Auditors

Pursuant to paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with Recommended Practice Guide (RPG) 5 (revised): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies to be set out, nor is factually incorrect.

This Statement was approved by the Board on 6 April 2017.

STATEMENT OF THE DIRECTORS' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

It is a requirement for the Directors to prepare financial statements which give a true and fair view of the state of affairs of the Company and of the Group at the end of each financial year and of their results and their cash flows for the year then ended.

In preparing the financial statements, the Directors have taken steps to ensure that:-

- the Company and the Group have used appropriate accounting policies which have been consistently applied.
- the judgements and estimates made are reasonable and prudent; and
- all approved accounting standards which are applicable in Malaysia have been complied with.

The Directors are responsible for ensuring that proper accounting records, which disclose with a reasonable degree of accuracy the financial position of the Company and the Group, are maintained in compliance with the provisions of the Companies Act, 1965.

The Directors also have general responsibilities for taking steps as are reasonable towards safeguarding the assets of the Group and to prevent and detect fraud and other irregularities.

REPORT OF THE DIRECTORS

The directors of **CSC STEEL HOLDINGS BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended December 31, 2016.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of management services. The principal activities of its subsidiary companies are as disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and of the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit for the year	68,688,692	17,688,722

In the opinion of the directors, the results of operations 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.

DIVIDENDS

Since the date of the last report, a final single tier dividend of 8 sen per share in respect of the previous financial year amounting to RM29,498,872 was paid by the Company during the financial year.

The directors have proposed a final single tier dividend and special single tier dividend of 10 sen per share and 4 sen per share respectively, in respect of the current financial year. The proposed dividends, which are subject to the approval of the shareholders at the forthcoming Annual General Meeting, have not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the statements of profit or loss and other comprehensive income and the statements of financial position of the Group and of the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would require the writing off of bad debts or render the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

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

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

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent 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, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the directors, 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 affect substantially the results of operations of the Group and of the Company in which this report is made.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Chen, Huo-Kun (appointed on August 4, 2016)
Tan Chin Teng
Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba bin Nik Daud
Lee, Shin-Min @ Samuel Lee
Phong Hon Wai
Lim Lay Ching
Lin, Yao-Kang @ Robert Lin (appointed on November 22, 2016)
Datuk Pang Fee Yoon (retired on June 2, 2016)
Chong Khim Leong @ Chong Kim Leong (retired on June 2, 2016)
Huang, Chun-Hui @ Hwang, Dring Fei (resigned on August 4, 2016)
Liu, Jih-Gang (resigned on November 22, 2016)

In accordance with Article 128 of the Company's Articles of Association, Mr. Lee, Shin-Min @ Samuel Lee and Mr. Phong Hon Wai retire by rotation and offer themselves for re-election at the forthcoming Annual General Meeting.

Mr. Chen, Huo-Kun and Mr. Lin, Yao-Kang @ Robert Lin, who were appointed to the Board since the date of last Annual General Meeting, retire under Article 133 of the Company's Articles of Association and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

The shareholdings in the ultimate holding company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the (Companies Act, 1965) in Malaysia, are as follows:

	No. of ordinary shares of *NTD10 each			
	Balance at 1.1.2016/ date of appointment	**Bought**	**Sold**	**Balance at 31.12.2016**
Shares in ultimate holding company, China Steel Corporation				
Registered in the name of directors				
Lee, Shin-Min @ Samuel Lee	287,308	-	-	287,308
Lin, Yao-Kang @ Robert Lin	20,470	-	-	20,470
(Deemed interests)				
Lee, Shin-Min @ Samuel Lee	105,885	-	(35,512)	70,373**

* New Taiwan Dollar

** Indirect interests by virtue of shares held by members of the director's family and by companies in which the directors have interests.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefit which may be deemed to have arisen by virtue of the transactions between the Company and certain companies in which certain directors of the Company are also directors and/or shareholders as disclosed in Note 20 to the financial statements.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING COMPANIES

The Company is a subsidiary of China Steel Asia Pacific Holdings Pte. Ltd., a company incorporated in the Republic of Singapore. The directors regard China Steel Corporation, a company incorporated in Taiwan, as the ultimate holding company.

AUDITORS

The auditors, Deloitte PLT, have indicated their willingness to continue in office.

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

CHEN, HUO-KUN

TAN CHIN TENG

Melaka
March 2, 2017

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CSC STEEL HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **CSC STEEL HOLDINGS BERHAD,** which comprise the statements of financial position as of December 31, 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 82.

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 of December 31, 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

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 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 Matters	Our audit performed and responses thereon
Inventory valuation and provisions As of December 31, 2016, the inventories balances of the Group stood at RM230,908,600, which represents approximately 39% of the total current assets of the Group. As described in Note 3 to the financial statements, inventories are valued at the lower of cost and net realisable value. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the best estimation of the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period.	We have performed the following audit procedures in relation to inventory valuations and provisions: • We performed testing on relevant controls surrounding inventory valuation and identification of inventories obsolescence; • We obtained an understanding on inventories valuation policy adopted by the Group which is at lower of cost and net realisable value. We have evaluated the valuation made by management based on the said policy; • We challenged the key assumptions used by management, in determining the net realisable values of the inventories such as mechanism adopted by the Group in determining selling price subsequent to reporting period end by considering the availability of binding sales contracts and any contradicting evidence observed from the market;

Key Audit Matters (Cont'd)

Inventory valuation and provisions (cont'd)

The abovementioned is also disclosed in Note 4(c) to the financial statements as one of the key assumptions used by management under the section of *Key Sources of Estimation Uncertainty.*

As of the end of the reporting period, an amount of RM3,999,035 has been recognised in profit or loss of the Group, which represents a write down of inventories to their net realisable values.

In addition, management's judgement is required in determining the adequacy of obsolescence provision, considering the age of the inventories by using inventory aging report as reference and volumes relative to expected usage.

Impairment of investment in associated company

As of December 31, 2016, the carrying amount of the Group's and Company's investment in associated company amounted to RM3,191,918 and RM4,971,000, respectively.

As described in Note 3 to the financial statements, the Group is required to recognise any additional impairment loss after the application of the equity method with respect of the Group's investment in an associated company under the requirements of MFRS 139. Similarly, from the context of the Company's separate financial statements, the Company is also required to recognise any impairment loss in respect of the Company's investment in associated company.

The associated company has been in loss position since the date of acquisition. Hence, the impairment indicator existed. As mentioned in Note 4(a) to the financial statements under the section of *Key Sources of Estimation Uncertainty,* in assessing the adequacy of impairment loss, there are significant assumptions applied by management in determining the recoverable amount of investment in associated company.

As of the end of the reporting period, a reversal of impairment loss amounting to RM666,000 have been recognised to profit or loss of the Company. Management assessed that no additional nor reversal of impairment loss required at Group level.

Our audit performed and responses thereon (cont'd)

- We have performed testing on inventory aging report as of December 31, 2016 to ascertain the accuracy and completeness of the inventory aging report;

- We challenged inventory excess and obsolescence provision made by management to the Group's policy and challenged the adequacy of the provision made by understanding the level of demand; and

- We have performed retrospective review on the historical accuracy of inventory provisioning, and the level of inventory write offs during the year in relation to inventory loss.

We have discussed with management on the basis of impairment assessment used for the current year. We challenged the computation prepared by management in assessing the adequacy of the impairment loss by assessing the reasonableness of the recoverable amount determined by management and its relevant assumptions used.

The Group's share of the associated company's results is calculated based on the management account of the associated company as of the end of the reporting period, on which the component auditors have performed audit procedures for specific material account balances and transactions, based on our referral instruction.

We have also requested the component auditors to perform certain audit procedures to address risk of management override of controls due to fraud.

Based on the specific audit procedures report issued by the component auditors, we reviewed the conclusion reached by management on the adequacy of impairment losses as of the end of the reporting period.

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 Report of the Directors and the information included in the annual report, except for Statement from the Group Managing Director, Management Discussion & Analysis, and Corporate Governance Statements (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 auditors' report, and the Statement from the Group Managing Director, Management Discussion Analysis and Corporate Governance Statements, 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 and will 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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, 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 those other information which were made available to us after the date of our auditors' 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 action.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine are necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Report on the Audit of the Financial Statements (Cont'd)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- 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 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 and 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 auditor's report to the related disclosures in the financial statements of the Group and 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 auditor's 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 and the Company to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of 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 our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

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

b) We have considered the accounts and auditors' report of the subsidiary company of which we have not acted as auditors, which are indicated in Note 14 to the financial statements, being accounts that have been include in the consolidated accounts.

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

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

Report on the Audit of the Financial Statements (Cont'd)

Other Reporting Responsibilities

The supplementary information set out in Note 31 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)

CHAN CHONG WEY
Partner - 2884/07/17(J)
Chartered Accountant

March 2, 2017
Melaka

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	The Group 2016 RM	The Group 2015 RM	The Company 2016 RM	The Company 2015 RM
Continuing operations					
Revenue	5	1,035,167,280	1,017,137,494	22,611,542	15,352,829
Cost of sales		(932,100,145)	(939,501,588)	-	-
Gross profit		103,067,135	77,635,906	22,611,542	15,352,829
Investment revenue	7	9,474,559	7,082,027	402,847	615,828
Other income		17,398,794	26,354,996	666,000	54,959
Sales and marketing expenses		(26,632,225)	(23,052,387)	-	-
General and administrative expenses		(18,368,920)	(16,279,069)	(6,012,374)	(5,016,350)
Other expenses		(1,722,330)	(3,154,245)	-	(1,564,000)
Share of losses of associated company		(1,094,082)	(1,747,000)	-	-
Profit before tax	8	82,122,931	66,840,228	17,668,015	9,443,266
Tax (expense)/income	9	(13,434,239)	(14,847,638)	20,707	(119,488)
Profit for the year from continuing operations		68,688,692	51,992,590	17,688,722	9,323,778
Discontinued Operation					
Profit for the year from discontinued operation	10	-	2,609,864	-	-
Profit for the year attributable to owners of the Company		68,688,692	54,602,454	17,688,722	9,323,778
Other comprehensive income					
Item that may be reclassified subsequently to profit or loss:					
Net fair value gain/(loss) on available-for-sale financial assets		177,693	(196,138)	177,693	(196,138)
Total comprehensive income for the year attributable to owners of the Company		68,866,385	54,406,316	17,866,415	9,127,640
Basic and diluted earnings per ordinary share (sen)	11				
From continuing and discontinued operation		18.63	14.75		
From continuing operations		18.63	14.05		

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	12	220,675,732	227,054,232	2,480,260	2,561,185
Prepaid lease payments	13	17,791,989	18,029,115	-	-
Investment in subsidiary companies	14	-	-	386,032,531	386,032,531
Investment in associated company	15	3,191,918	4,286,000	4,971,000	4,305,000
Other investments	16	5,239,958	5,062,265	5,239,958	5,062,265
Investment properties	17	42,544,211	-	-	-
Deferred tax assets	25	153,111	80,547	153,111	80,547
Total non-current assets		289,596,919	254,512,159	398,876,860	398,041,528
Current assets					
Inventories	18	230,908,600	213,318,592	-	-
Trade receivables	19	78,505,378	77,002,052	-	-
Other receivables and prepaid expenses	19	10,902,356	14,088,213	319,086	156,333
Amount due from ultimate holding company	20	-	17,310,983	-	-
Amount due from related companies	20	84,557	285,411	-	-
Amount due from associated company	20	1,267,015	21,745,037	-	-
Tax recoverable		4,849,345	378,655	386,264	178,375
Cash and cash equivalents	21	269,529,218	231,379,407	4,180,401	16,737,501
Total current assets		596,046,469	575,508,350	4,885,751	17,072,209
Total Assets		**885,643,388**	**830,020,509**	**403,762,611**	**415,113,737**

The accompanying Notes form an integral part of the Financial Statements.

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	22	380,000,000	380,000,000	380,000,000	380,000,000
Treasury shares	23	(12,265,690)	(12,199,440)	(12,265,690)	(12,199,440)
Retained earnings	24	407,319,143	368,129,323	1,546,884	13,357,034
Reserves	24	33,498,549	33,320,856	33,498,549	33,320,856
Total equity		808,552,002	769,250,739	402,779,743	414,478,450
Non-current liability					
Deferred tax liabilities	25	20,044,689	20,380,866	-	-
Current liabilities					
Trade payables	26	2,723,702	6,666,191	-	-
Other payables and accrued expenses	26	32,717,158	32,772,385	982,868	635,287
Amount due to ultimate holding company	20	12,295,839	-	-	-
Amount due to related companies	20	9,309,998	950,328	-	-
Total current liabilities		57,046,697	40,388,904	982,868	635,287
Total liabilities		77,091,386	60,769,770	982,868	635,287
Total Equity and Liabilities		885,643,388	830,020,509	403,762,611	415,113,737

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Issued capital RM	Treasury shares RM	Non-distributable reserves Share premium RM	Non-distributable reserves Investment revaluation reserve RM	Distributable reserve- Retained earnings RM	Total equity RM
The Group							
Balance as of January 1, 2015		380,000,000	(9,633,139)	32,441,139	1,075,855	324,639,301	728,523,156
Profit for the year		-	-	-	-	54,602,454	54,602,454
Other comprehensive loss for the year		-	-	-	(196,138)	-	(196,138)
Total comprehensive (loss)/income for the year		-	-	-	(196,138)	54,602,454	54,406,316
Dividends	27	-	-	-	-	(11,112,432)	(11,112,432)
Shares buy-back	23	-	(2,566,301)	-	-	-	(2,566,301)
Balance as of December 31, 2015		380,000,000	(12,199,440)	32,441,139	879,717	368,129,323	769,250,739
Balance as of January 1, 2016		380,000,000	(12,199,440)	32,441,139	879,717	368,129,323	769,250,739
Profit for the year		-	-	-	-	68,688,692	68,688,692
Other comprehensive income for the year		-	-	-	177,693	-	177,693
Total comprehensive income for the year		-	-	-	177,693	68,688,692	68,866,385
Dividends	27	-	-	-	-	(29,498,872)	(29,498,872)
Shares buy-back	23	-	(66,250)	-	-	-	(66,250)
Balance as of December 31, 2016		380,000,000	(12,265,690)	32,441,139	1,057,410	407,319,143	808,552,002
The Company							
Balance as of January 1, 2015		380,000,000	(9,633,139)	32,441,139	1,075,855	15,145,688	419,029,543
Profit for the year		-	-	-	-	9,323,778	9,323,778
Other comprehensive loss for the year		-	-	-	(196,138)	-	(196,138)
Total comprehensive (loss)/income for the year		-	-	-	(196,138)	9,323,778	9,127,640
Dividends	27	-	-	-	-	(11,112,432)	(11,112,432)
Shares buy-back	23	-	(2,566,301)	-	-	-	(2,566,301)
Balance as of December 31, 2015/ January 1, 2016		380,000,000	(12,199,440)	32,441,139	879,717	13,357,034	414,478,450
Profit for the year		-	-	-	-	17,688,722	17,688,722
Other comprehensive income for the year		-	-	-	177,693	-	177,693
Total comprehensive income for the year		-	-	-	177,693	17,688,722	17,866,415
Dividends	27	-	-	-	-	(29,498,872)	(29,498,872)
Shares buy-back	23	-	(66,250)	-	-	-	(66,250)
Balance as of December 31, 2016		380,000,000	(12,265,690)	32,441,139	1,057,410	1,546,884	402,779,743

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

		The Group		The Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES					
Profit before tax:					
Continuing operations		82,122,931	66,840,228	17,668,015	9,443,266
Discontinued operation		-	2,609,864	-	-
		82,122,931	69,450,092	17,668,015	9,443,266
Adjustments for:					
Depreciation of property, plant and equipment	12	32,385,419	34,534,373	80,925	138,013
Provision for onerous contracts	26	6,512,321	1,437,088	-	-
Write-down of inventories	18	3,999,035	9,733,049	-	-
Allowance for doubtful debts	19	781,399	-	-	-
Property, plant and equipment written off	8	373,691	1,439,258	-	-
Amortisation of prepaid lease payments	13	237,126	237,126	-	-
Gain on disposal of:					
Property, plant and equipment	8	(13,100)	(169,100)	-	-
A subsidiary company	10	-	(3,246,295)	-	-
Unrealised (gain)/loss on foreign exchange	8	(142,126)	366,200	-	-
(Reversal of impairment)/ Impairment on investment in associated company	15	-	(166,000)	(666,000)	1,564,000
Investment income	7	(3,806,157)	(3,989,013)	(302,614)	(580,001)
Interest income	7	(5,668,402)	(3,093,014)	(100,233)	(35,827)
Dividend income:					
Subsidiary company	5	-	-	(17,000,000)	(10,000,000)
Other investment	5	(69,702)	(216,989)	(69,702)	(216,989)
Reversal of impairment on amount due from associated company	20	-	(12,920,094)	-	-
Share of losses of associated company		1,094,082	1,747,000	-	-
Operating profit/(loss) before working capital changes		117,806,517	95,143,681	(389,609)	312,462
Movements in working capital:					
(Increase)/Decrease in:					
Inventories		(21,589,043)	2,757,286	-	-
Trade receivables		(1,807,462)	(1,945,121)	-	-
Other receivables and prepaid expenses		6,800,637	(10,783,697)	(146,528)	(5,459)
Amount due from ultimate holding company		29,807,572	(17,873,222)	-	-
Amount due from associated company		(521,978)	(880,332)	-	-
Amount due from related company		200,854	(166,178)	-	-
Increase/(Decrease) in:					
Trade payables		(5,318,499)	38,222	-	-
Other payables and accrued expenses		(6,556,548)	3,490,018	347,581	309,004
Amount due to ultimate holding company		-	(5,397,541)	-	-
Amount due to related companies		8,359,670	774,371	-	-
Cash generated from/ (used in) operations		127,181,720	65,157,487	(188,556)	616,007
Income tax (paid)/ refunded - net		(18,313,670)	(9,237,896)	(259,746)	799
Net cash from/(used in) operating activities		108,868,050	55,919,591	(448,302)	616,806

(Forward)

The accompanying Notes form an integral part of the Financial Statements.

STATEMENTS OF CASH FLOWS (CONT'D)
AS OF DECEMBER 31, 2016

		The Group		The Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Interests received		5,705,458	2,918,217	84,008	35,827
Investment income received		3,806,157	3,989,013	302,614	580,001
Dividend received	5	69,702	216,989	17,069,702	10,216,989
Proceeds from disposal of property, plant and equipment		13,100	169,100	-	-
Acquisition of investment properties	17	(21,544,211)	-	-	-
Purchase of property, plant and equipment	12	(26,380,610)	(40,343,630)	-	-
Advance payment for the purchase of property, plant and equipment		(3,662,836)	-	-	-
Proceeds from redemption of redeemable non-cumulative preference share by a subsidiary company		-	11,500,000	-	-
Proceeds from disposal of subsidiary company	10	-	525,626	-	1,000,000
Payment to acquire other investments	16	-	(458,834)	-	(458,834)
Repayment from subsidiary company		-	-	-	3,000,000
Loan to subsidiary company	20	-	-	-	(2,000,000)
Net cash (used in)/from investing activities		(41,993,240)	(21,483,519)	17,456,324	12,373,983
CASH FLOWS USED IN FINANCING ACTIVITIES					
Shares buy-back	23	(66,250)	(2,566,301)	(66,250)	(2,566,301)
Dividends paid	27	(29,498,872)	(11,112,432)	(29,498,872)	(11,112,432)
Net cash used in financing activities		(29,565,122)	(13,678,733)	(29,565,122)	(13,678,733)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		37,309,688	20,757,339	(12,557,100)	(687,944)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		231,379,407	210,395,411	16,737,501	17,425,445
Effects of exchange rate difference		840,123	226,657	-	-
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	21	269,529,218	231,379,407	4,180,401	16,737,501

The accompanying Notes form an integral part of the Financial Statements.

1. GENERAL INFORMATION

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

The Company is principally involved in investment holding and provision of management services. The principal activities of its subsidiary companies are as disclosed in Note 14.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiary companies during the financial year.

The registered office of the Company is located at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka. The principal place of business of the Company is located at 180, Kawasan Perindustrian Ayer Keroh, Ayer Keroh, 75450 Melaka.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on March 2, 2017.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Adoption of Amendments to MFRSs

In the current financial year, the Group and the Company adopted the following amendments to MFRSs issued by Malaysian Accounting Standards Board that are relevant to its operations and mandatory for financial periods beginning on or after January 1, 2016:

Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRSs	Annual Improvements to MFRSs 2012-2014 Cycle

The adoption of the above amendments to MFRSs did not have any material effect on the financial statements of the Group and of the Company.

Standards and Interpretations in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and Interpretation ("IC Int.") relevant to the Group and to the Company which were in issue but not yet effective and not early adopted by the Group and by the Company are as listed below.

MFRS 9	Financial Instruments[2]
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications)[2]
MFRS 16	Leases[3]
Amendments to MFRS 107	Disclosure Initiative[1]
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to MFRS 140	Transfers of Investment Property[2]
Amendments to MFRSs	Annual Improvements to MFRSs 2014-2016 Cycle[1 or 2]
IC Int. 22	Foreign Currency Transactions and Advance Consideration[2]

1 Effective for annual periods beginning on or after January 1, 2017, with earlier application permitted
2 Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted
3 Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

Standards and Interpretations in issue but not yet effective (cont'd)

The directors anticipate that the abovementioned new and revised Standards and IC Int. will be adopted in the annual financial statements of the Group and of the Company when they become effective and that the adoption of these new and revised Standards and IC Int. will have no material impact on the financial statements of the Group and of the Company in the period of initial application except as discussed below:

MFRS 9 *Financial Instruments*

MFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. MFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of MFRS 9 was issued in July 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("FVTOCI") measurement category for certain simple debt instruments.

Key requirements of MFRS 9:

- All recognised financial assets that are within the scope MFRS 139 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or at fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at the fair value at the end of subsequent accounting periods. In addition, under MFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139. Under MFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about and entity's risk management activities have also been introduced.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

MFRS 9 *Financial Instruments (cont'd)*

The directors anticipate that the application of MFRS 9 in the future may have a material impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Group and the Company complete a detailed review.

MFRS 15 *Revenue from Contract with Customers*

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 *Revenue,* MFRS 111 *Construction Contracts* and the related interpretation when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligations is satisfied, i.e. when 'control' of the good or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in MFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by MFRS 15.

The directors anticipate that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 15 until the Group and the Company complete a detailed review.

MFRS 16 *Leases*

MFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. MFRS 16 will supersede the current lease guidance including MFRS 117 *Leases* and the related interpretations when it becomes effective.

MFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows; whereas under the MFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

The directors anticipate that the application of MFRS 16 in the future may have a material impact on the amount reported and disclosures made in these financial statements. However, it is not practicable to provide a reasonable estimate of the effect of MFRS 16 until the Group and the Company complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The significant accounting policies are set out below.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Revenue Recognition

Revenue from sale of goods is measured at the fair value of the consideration received or receivable and is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group and the Company have transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group and the Company retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group and to the Company; and
- the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Sales represents amounts receivable for goods delivered in the normal course of business, net of returns and trade discounts.

Dividend income represents gross dividend from quoted and unquoted investments and is recognised when the shareholder's right to receive payment is established.

Rental income is recognised on a time proportion basis, by reference to the agreements entered.

Management fee is recognised on a time basis, in respect of services rendered and by reference to the agreements entered into.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interest Income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign Currencies

The financial statements of the Group and of the Company are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Group and the Company operate (its functional currency).

In preparing the financial statements of the Group and of the Company, transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the date of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Employee Benefits

(a) Short term benefits

Wages, salaries, paid leave and bonuses are recognised in the year in which the associated services are rendered by employees of the Group and of the Company.

(b) Defined contribution plan

The Group and the Company are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees based on certain prescribed rates of the employees' salaries. Once the contributions have been paid, the Group and the Company have no further payment obligations. The Group's and the Company's contribution to EPF are disclosed separately. The employees' contributions to EPF are included in staff costs.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee. All other leases are classified as operating leases.

(a) The Group as lessor

Amount due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

(b) The Group as lessee

Asset held under finance leases are initially recognised as assets of the Group at their value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed. Contingent rental arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Tax effects of unutilised reinvestment allowances are only recognised upon actual realisation.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or to settle the carrying amount of their assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes (cont'd)

(b) Deferred tax (cont'd)

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment properties are depreciable and are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

(c) Current and deferred tax for the period

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary companies). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary company begins when the Company obtains control over the subsidiary company and ceases when the Company loses control of the subsidiary company. Specifically, income and expenses of a subsidiary company acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary company.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (cont'd)

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business Combinations

Acquisition of subsidiary companies and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, when such treatment would be appropriate if that interests were disposed off.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment, except for freehold land and plant and machinery under installation which are not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets. The annual depreciation rates are as follows:

	Rates
Buildings under long leases	2% - 4%
Plant and machinery	5% - 66.67%
Motor vehicles	10% - 20%
Equipment, furniture, fixture and fittings	6.67% - 50%

The residual value, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of future economic benefits embodied in the property, plant and equipment.

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Investment Properties

Investment properties, comprising leasehold land and buildings, are properties held for long-term rental yields or for capital appreciation or both and are not occupied by the Group and by the Company.

Investment properties are stated at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss in the year in which they arise.

An investment properties are derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

Prepaid Lease Payments

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The upfront payments made on entering into a lease or acquiring a leasehold land that is accounted for as an operating lease are accounted for as prepaid lease payments that are amortised over the lease term on a straight-line basis and charged to profit or loss for the period.

Investments

Investment in unquoted shares of subsidiary companies and other investments in unquoted shares are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amounts of the investments are assessed and written down immediately to these recoverable amounts.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of raw materials and consumables comprise the original purchase price plus the cost of bringing the inventories to their present location and condition. The costs of work-in-progress and finished goods include the cost of raw materials, direct labour and a proportion of the manufacturing overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Investment in Associated Company

An associated company is an entity over which the Group has significant influence and that is neither a subsidiary company nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associated company are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* Under the equity method, investment in associated company are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of profit or loss and other comprehensive income of the associated company, less any impairment in the value of individual investments. When the Group's share of losses of an associated company exceeds the Group's interests in that associated company (which includes any long-term interests that, in substance, form part of the Group's net investment in the associated company), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of MFRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associated company. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associated company that results in the Group losing significant influence over that associated company, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with MFRS 139. The difference between the previous carrying amount of the associated company attributable to the retained interests and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as that would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in the other comprehensive income by that associated company would be reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associated company.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in Associated Company (Cont'd)

Where a group entity transacts with its associated company, profits and losses resulting from the transactions with the associated company are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associated company that are not related to the Group.

Investment in associated company is stated in the Company's separate financial statements at cost less any accumulated impairment losses.

Financial Instruments

(a) Initial recognition and measurement

A financial instrument is recognised in the financial statements when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value though profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(b) Financial instrument categories and subsequent measurement

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Financial assets

(i) **Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(ii) **Held-to-maturity investments**

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group and the Company have the positive intention and ability to hold to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial assets (cont'd)

(iii) **Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(iv) **Available-for-sale financial assets**

Available-for-sale category comprises non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of unquoted equity instruments are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and interest calculated using the effective interest method which are recognised in profit or loss.

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity to profit or loss.

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(c) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or it expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Financial Assets

All financial assets (except for financial assets categorised as fair value through profit or loss, and fixed and call deposits) are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

For an equity investment classified as available for sale, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the assets is reduced by the impairment loss directly except for trade receivables where the carrying amount is reduced through the use of an allowance account.

Impairment losses recognised in other comprehensive income for an investment in an equity instrument is not reversed through profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company review the carrying amounts of the non-financial assets (except for inventories and investment properties) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Treasury Shares

Shares bought back held as treasury shares are accounted for on the cost method and presented as a deduction from equity. Should such shares be cancelled, their nominal amounts will be eliminated, and the differences between their cost and nominal amounts will be taken to reserves as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Statements of Cash Flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments that are readily convertible to cash with insignificant risks of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) Impairment of investment in associated company

The Group and the Company assess whether there are any indicators of impairment on its investment in associated company at the end of each reporting period, and the investment is tested for impairment when there are indicators that the carrying amounts may not be recoverable. Management's assessed the impairment on investment in associated company by using fair value less cost to sell which involved significant assumptions, and compared to its carrying value to ascertain whether the carrying value was impaired. The main assumption used in determining fair value less cost to sell of the associated company is the market value of land and buildings and plant and machineries of the associated company. The market values are derived based on latest valuation reports by independent external valuers using comparison method for land, replacement cost method for building and both depreciated replacement cost method and market comparison method for plant and machineries, with no significant changes on the market values expected by the directors. Inappropriate assumptions used in impairment assessment would result in significant impact on the carrying amount of investment in associated company.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty (cont'd)

(b) Useful lives and residual value of property, plant and equipment

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of property, plant and equipment are reviewed at the end of each reporting period and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives and residual values of property, plant and equipment are based on the internal technical evaluation, maintenance programmes and experience with similar assets in the same industry. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of depreciation expense for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual values of the property, plant and equipment would increase the depreciation expense and decrease the carrying amounts of property, plant and equipment.

(c) Inventories

In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the best estimation of the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period.

(d) Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables and doubtful debts expenses in the reporting period in which such estimate has been changed.

5. REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Sale of steel products	1,035,097,578	1,016,920,505	-	-
Dividend income from:				
Subsidiary company (Note 20)	-	-	17,000,000	10,000,000
Other investment	69,702	216,989	69,702	216,989
Management fee from:				
Subsidiary company (Note 20)	-	-	5,460,000	5,040,000
Associated company (Note 20)	-	-	30,000	44,000
Rental income from subsidiary company (Note 20)	-	-	51,840	51,840
	1,035,167,280	1,017,137,494	22,611,542	15,352,829

6. SEGMENT REPORTING

Business segments

For management purposes, the Group organised into the following operating divisions:

- Cold rolled and coated steel products
- Investment holding
- Others

Inter-segment sales are charged at cost plus a certain percentage of profit mark-up.

Unallocated items comprise tax assets and tax liabilities.

The production and sale of bio-coal, which was considered as an Operating Division - Others, was discontinued in prior financial year.

Unallocated assets refer to deferred tax assets and tax recoverable while unallocated liabilities refer to deferred tax liabilities.

.

6. SEGMENT REPORTING (CONT'D)

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	The Group			
	Segment revenue		Segment profit	
	2016 RM	2015 RM	2016 RM	2015 RM
Cold rolled and coated steel products	1,035,097,578	1,016,920,505	72,314,432	60,926,684
Investment holding	22,647,542	15,374,829	17,292,940	8,848,517
	1,057,745,120	1,032,295,334	89,607,372	69,775,201
Less: Eliminations	(22,577,840)	(15,157,840)	(15,864,918)	(8,270,000)
Total for continuing operations	1,035,167,280	1,017,137,494	73,742,454	61,505,201
Investment revenue			9,474,559	7,082,027
Share of losses of associated company			(1,094,082)	(1,747,000)
Profit before tax			82,122,931	66,840,228
Tax expense			(13,434,239)	(14,847,638)
Profit for the year (continuing operations)			68,688,692	51,992,590

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

	Segment assets		Segment liabilities	
	2016 RM	2015 RM	2016 RM	2015 RM
The Group				
Cold rolled and coated steel products	719,047,227	656,288,801	56,055,829	39,747,214
Investment holding	161,593,705	173,272,506	990,868	641,690
	880,640,932	829,561,307	57,046,697	40,388,904
Unallocated	5,002,456	459,202	20,044,689	20,380,866
Total	885,643,388	830,020,509	77,091,386	60,769,770

6. SEGMENT REPORTING (CONT'D)

Other segment information

	Capital additions		Depreciation of property, plant and equipment	
	2016 RM	2015 RM	2016 RM	2015 RM
The Group				
Cold rolled and coated steel products	26,380,610	40,219,686	32,289,278	34,037,383
Investment holding	-	5,300	96,141	153,162
Others (now discontinued)	-	118,644	-	343,828
	26,380,610	40,343,630	32,385,419	34,534,373

Geographical segments

The Group's revenue from external customers by geographical location is detailed below:

	Asia Pacific RM	Malaysia RM	Consolidated RM
The Group			
Year ended December 31, 2016			
Revenue from external customers by location of customers	182,091,960	853,075,320	1,035,167,280
Segment asset by location of assets	-	885,642,388	885,643,388
Capital expenditure by location of assets	-	26,380,610	26,380,610
Year ended December 31, 2015			
Revenue from external customers by location of customers	167,736,520	849,400,974	1,017,137,494
Segment asset by location of assets	-	830,020,509	830,020,509
Capital expenditure by location of assets	-	40,343,630	40,343,630

7. INVESTMENT REVENUE

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Interest income from:				
Fixed deposits with licensed banks	5,652,312	3,085,405	100,233	35,827
Others	16,090	7,609	-	-
	5,668,402	3,093,014	100,233	35,827
Investment income	3,806,157	3,989,013	302,614	580,001
	9,474,559	7,082,027	402,847	615,828

8. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax from continuing operations:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Changes in inventories of finished goods and work-in-progress	22,713,740	(25,091,917)	-	-
Raw materials and consumables used	(826,215,258)	(799,432,602)	-	-
Gain/(Loss) on foreign exchange:				
Realised	11,244,712	10,838,396	-	-
Unrealised	142,146	(366,200)	-	-
Rental income from investment properties (Note 17)	1,384,850	-	-	-
Interest income on late payments charged to associated company (Note 20)	1,137,008	1,443,926	-	-
Reversal of impairment/ (Impairment) on investment in associated company (Note 15)	-	166,000	666,000	(1,564,000)
Gain on disposal of property, plant and equipment	13,100	169,100	-	-
Staff costs	(49,032,570)	(40,013,407)	(4,749,386)	(3,727,042)
Depreciation of property, plant and equipment	(32,385,419)	(34,190,545)	(80,925)	(138,013)
Provision for onerous contracts (Note 26)	(6,512,321)	(1,437,088)	-	-
Write-down of inventories (Note 18)	(3,999,035)	(9,733,049)	-	-
Allowance for doubtful debts (Note 19)	(781,399)	-	-	-
Directors' remuneration excluding monetary value of benefits-in -kind:				
Directors of the Company	(501,612)	(453,328)	(501,612)	(449,933)
Directors of the subsidiary companies	(364,653)	(349,166)	-	-
Property, plant and equipment written off	(373,691)	(1,439,258)	-	-
Amortisation of prepaid lease payment (Note 13)	(237,126)	(237,126)	-	-
Audit fee:				
Statutory	(111,020)	(110,900)	(24,000)	(24,000)
Others:				
Current year	(3,500)	-	(3,500)	-
Prior year	(3,500)	-	(3,500)	-
Rental of building	(98,850)	(100,600)	-	-
Reversal of impairment on amount due from associated company (Note 20)	-	12,920,094	-	-

Staff costs include salaries, contributions to EPF, bonuses and all other related expenses. EPF contributions made during the financial year by the Group and by the Company amounted to RM4,474,126 (2015: RM3,662,956) and RM485,498 (2015: RM376,232) respectively.

Directors' remuneration consists of the following:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Executive directors:				
Salaries and other emoluments	711,665	630,849	347,012	281,683
Non-executive directors:				
Fees	154,600	160,800	154,600	160,800
Professional services rendered	-	10,845	-	7,450
Directors' remuneration excluding monetary value of benefits-in-kind	866,265	802,494	501,612	449,933
Estimated monetary value of benefits-in-kind in respect of executive directors	48,194	66,827	-	-
	914,459	869,321	501,612	449,933

9. TAX EXPENSE/(INCOME)

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Estimated tax payable:				
Current year	13,432,176	14,704,604	54,952	204,206
Under/(Over) provision in prior years	410,804	292,060	(3,095)	(4,171)
	13,842,980	14,996,664	51,857	200,035
Deferred tax (Note 25):				
Current year	(654,348)	747,791	(69,208)	(59,213)
Under/(Over) provision in prior year	245,607	(896,817)	(3,356)	(21,334)
	(408,741)	(149,026)	(72,564)	(80,547)
	13,434,239	14,847,638	(20,707)	119,488

Malaysian corporate income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profit for the year.

The reconciliation of tax expense applicable to profit before tax at the applicable statutory income tax rate to tax expense at the effective income tax rate of the Group and of the Company are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax:				
Continuing operations	82,122,931	66,840,228	17,668,015	9,443,266
Tax calculated using the statutory income tax rate of 24% (2015:25%)	19,709,503	16,710,057	4,240,324	2,360,816
Tax effects of:				
Expenses not deductible in determining taxable profit	293,358	191,440	74,617	484,274
Income not taxable in determining taxable profit	(1,099,886)	(611,350)	(4,329,197)	(2,700,097)
Double deduction on import insurance	(71,497)	(54,818)	-	-
Effect of change in tax rate	-	(782,934)	-	-
Utilisation of reinvestment allowances	(6,053,650)	-	-	-
Under/(Over)provision in prior years:				
Current tax	410,804	292,060	(3,095)	(4,171)
Deferred tax	245,607	(896,817)	(3,356)	(21,334)
Tax expense/(income) for the year	13,434,239	14,847,638	(20,707)	119,488

9. TAX EXPENSE/(INCOME) (CONT'D)

The Budget 2017 announced on October 21, 2016 proposed that the incremental portion of chargeable income compared to the immediate preceding year of assessment enjoys reduced income tax rate as follows with effect from year of assessment 2017 and 2018. Following these, the applicable tax rate to be used for the measurement of any applicable deferred tax will be the below expected rates:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point reduction in tax rate (%)	Tax rate after reduction (%)
Less than 5%	Nil	24
5% to 9%	1	23
10% to 14.99%	2	22
15% to 19.99%	3	21
20% and above	4	20

10. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARY COMPANY

In prior financial year, the Company disposed of 100% of equity interest in its subsidiary company, CSC Bio-Coal Sdn. Bhd., to its immediate holding company, China Steel Asia Pacific Holdings Pte. Ltd., for a cash consideration of RM1,000,000. The disposal was completed on August 3, 2015.

The disposal of the subsidiary company has the following effects on the financial position and results of the Group in prior financial year.

10. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARY COMPANY (CONT'D)

Assets and liabilities of CSC Bio-Coal Sdn. Bhd.

	As at the date of disposal RM
Current assets	
Cash and cash equivalents	474,374
Trade receivables	351,547
Inventories	90,294
	916,215
Non-current asset	
Property, plant and equipment	11,315,537
Current liability	
Payables	(14,478,047)
Net liabilities	(2,246,295)
Total disposal proceeds	1,000,000
Less: Net liabilities of subsidiary company disposed	(2,246,295)
Gain on disposal to the Group	3,246,295
Disposal proceeds settled by cash	1,000,000

Effects to cash flows of the Group was as follows:

	The Group 2015 RM
Cash inflow arising from disposal	
Cash consideration	1,000,000
Cash and cash equivalents of subsidiary company disposed	(474,374)
Net cash inflow on disposal	525,626

Gain on disposal of the subsidiary company to the Company was as follows:

	The Group 2015 RM
Cash consideration	1,000,000
Cost of investment	(1,000,000)
Gain on disposal	-

10. DISCONTINUED OPERATION AND DISPOSAL OF SUBSIDIARY COMPANY (CONT'D)

The profit for the year from the discontinued operation in prior financial year was analysed as follows:

	The Group 2015 RM
Loss for the year from discontinued operation	(636,431)
Gain on disposal of discontinued operation	3,246,295
Profit for the year from discontinued operation	2,609,864

The results of discontinued operation for the period from January 1, 2015 to July 31, 2015 were as follows:

	The Group 2015 RM
Revenue	800,386
Cost of sales	(1,275,008)
Gross loss	(474,622)
Investment revenue	1,956
Other income	2,038
Sales and marketing expenses	(72,076)
General and administrative expenses	(59,886)
Other expenses	(33,841)
Loss before tax	(636,431)
Tax expense	-
Loss for the year from discontinued operation	(636,431)

The loss before tax from discontinued operation was stated after charging the following amounts:

	The Group 2015 RM
Depreciation of property, plant and equipment	343,828
Rental of building	281,344

11. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the Group's profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2016 RM	2015 RM
From continuing and discontinued operations:		
Profit for the year attributable to owners of the company	68,688,692	54,602,454
Weighted average number of ordinary shares of RM1 in issue	368,724,373	370,103,639
Basic and diluted earnings per ordinary share (sen)	18.63	14.75

	The Group	
	2016 RM	2015 RM
From continuing operations:		
Profit for the year attributable to owners of the company	68,688,692	54,602,454
Less: Profit for the year from discontinued operation	-	2,609,864
Profit for the year from continuing operations	68,688,692	51,992,590
Weighted average number of ordinary shares of RM1 in issue	368,724,373	370,103,639
Basic and diluted earnings per ordinary share (sen)	18.63	14.05

12. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land RM	Buildings under long leases RM	Plant and machinery RM	Motor vehicles RM	Equipment, furniture, fixture and fittings RM	Plant and machinery under installation RM	Total RM
Cost							
Balance at January 1, 2015	4,170,809	80,051,017	482,834,209	5,428,055	26,616,031	36,692,565	635,792,686
Additions	-	15,250	65,454	-	43,240	40,219,686	40,343,630
Disposals/Written offs	-	-	(9,000,596)	(708,739)	(475,342)	-	(10,184,677)
Reclassifications	-	790,921	35,038,507	495,475	1,804,340	(38,129,243)	-
Derecognised on disposal of subsidiary company	-	(43,486)	(11,399,325)	-	(259,205)	(21,420)	(11,723,436)
Balance at December 31, 2015/January 1, 2016	4,170,809	80,813,702	497,538,249	5,214,791	27,729,064	38,761,588	654,228,203
Additions	-	-	-	-	-	26,380,610	26,380,610
Disposals/Written offs	-	-	(24,458,060)	(165,967)	(640,963)	-	(25,264,990)
Reclassifications	-	83,100	52,323,603	45,558	985,473	(53,437,734)	-
Balance at December 31, 2016	4,170,809	80,896,802	525,403,792	5,094,382	28,073,574	11,704,464	655,343,823
Accumulated depreciation							
Balance at January 1, 2015	-	45,864,146	329,444,506	4,057,467	21,236,135	-	400,602,254
Charge for the year	-	4,103,714	28,452,744	334,714	1,643,201	-	34,534,373
Disposals/Written offs	-	-	(7,571,518)	(708,738)	(461,363)	-	(8,741,619)
Derecognised on disposal of a subsidiary company	-	(6,267)	(322,773)	-	(78,859)	-	(407,899)
Balance at December 31, 2015/January 1, 2016	-	49,961,593	350,002,959	3,683,443	22,339,114	-	425,987,109
Charge for the year	-	4,129,555	25,909,361	389,116	1,957,387	-	32,385,419
Disposals/Written offs	-	-	(24,138,875)	(165,967)	(586,457)	-	(24,891,299)
Balance at December 31, 2016	-	54,091,148	351,773,445	3,906,592	23,710,044	-	433,481,229

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

The Group

	Freehold land RM	Buildings under long leases RM	Plant and machinery RM	Motor vehicles RM	Equipment, furniture, fixture and fittings RM	Plant and machinery under installation RM	Total RM
Accumulated impairment loss							
Balance at January 1, 2015	-	-	1,157,408	-	33,254	-	1,190,662
Written off	-	-	-	-	(3,800)	-	(3,800)
Balance at December 31, 2015/January 1, 2016/ December 31, 2016	-	-	1,157,408	-	29,454	-	1,186,862
Carrying amounts							
Balance at December 31, 2016	4,170,809	26,805,654	172,472,939	1,187,790	4,334,076	11,704,464	220,675,732
Balance at December 31, 2015	4,170,809	30,852,109	146,377,882	1,531,348	5,360,496	38,761,588	227,054,232

The Company

	Furniture and fittings RM	Buildings RM	Total RM
Cost			
Balance at January 1, 2015/ December 31, 2015/ January 1, 2016/ December 31, 2016	468,167	2,631,653	3,099,820
Accumulated depreciation			
Balance at January 1, 2015	289,451	111,171	400,622
Charge for the year	85,297	52,716	138,013
Balance at December 31, 2015/ January 1, 2016	374,748	163,887	538,635
Charge for the year	28,209	52,716	80,925
Balance at December 31, 2016	402,957	216,603	619,560
Carrying amounts			
Balance at December 31, 2016	65,210	2,415,050	2,480,260
Balance at December 31, 2015	93,419	2,467,766	2,561,185

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use with an aggregate cost of approximately RM222,095,915 (2015: RM234,633,135).

13. PREPAID LEASE PAYMENTS

	Long-term Leasehold Land The Group	
	2016 RM	2015 RM
Long-term Leasehold Land		
Cost:		
At beginning of year/At end of the year	22,910,201	22,910,201
Cumulative amortisation:		
At beginning of year	(4,881,086)	(4,643,960)
Amortisation for the year (Note 8)	(237,126)	(237,126)
At end of year	(5,118,212)	(4,881,086)
Net	17,791,989	18,029,115

Prepaid lease payments relate to the lease of land for the Group's factory and office buildings located in Ayer Keroh. The lease will expire in year 2092 and the Group does not have an option to purchase the leased land at the expiry of the lease period.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2016 RM	2015 RM
Unquoted shares - at cost	414,445,306	414,445,306
Less: Accumulated impairment losses	(28,412,775)	(28,412,775)
	386,032,531	386,032,531

Details of the subsidiary companies, all incorporated in Malaysia, are as follows:

	Proportion of ownership interest and voting rights held by the Group		
Direct subsidiary company	**2016**	**2015**	**Principal Activity**
CSC Steel Sdn. Bhd.	100%	100%	Manufacturing and marketing of steel products.
Group Steel Corporation (M) Sdn. Bhd.	100%	100%	Ceased operations.
CSC Bio-Coal Sdn. Bhd. **	-	-	Production of bio-coal.
Indirect subsidiary company			
Constant Mode Sdn. Bhd. * (held through CSC Steel Sdn. Bhd.)	100%	100%	Investment holding in real property.

* The financial statements of this subsidiary company are audited by auditors other than the auditors of the Company.

** CSC Bio-Coal Sdn. Bhd. was disposed in year 2015.

15. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Unquoted shares, at cost	8,264,368	8,264,368	8,264,368	8,264,368
Share of post acquisition losses	(4,257,082)	(3,163,000)	-	-
	4,007,286	5,101,368	8,264,368	8,264,368
Less : Accumulated impairment losses				
At beginning of year	(815,368)	(981,368)	(3,959,368)	(2,395,368)
Reversal of impairment/ (Impairment loss) recognised in the year (Note 8)	-	166,000	666,000	(1,564,000)
At end of year	(815,368)	(815,368)	(3,293,368)	(3,959,368)
	3,191,918	4,286,000	4,971,000	4,305,000

Details of the associated company, which is incorporated in Malaysia, are as follows:

Name of company	Proportion of ownership interest and voting rights held by the Group 2016 %	2015 %	Principal Activity
Tatt Giap Steel Centre Sdn. Bhd.*	20	20	Manufacturing and sales of stainless steel tubes and pipes and other ferrous and non-ferrous metal products.

* Audited by auditors other than the auditors of the Company.

A summary of financial information of the associated company, not adjusted for the percentage ownership held by the Group, is as follows:

	Unaudited 2016 RM	2015 RM
As of December 31		
Total assets	69,060,969	118,796,742
Total liabilities	(53,006,414)	(97,271,779)
Net assets	16,054,555	21,524,963
Results for the year ended December 31		
Revenue	46,426,516	79,851,774
Loss for the year	(5,470,408)	(8,655,371)

16. OTHER INVESTMENTS

	The Group and The Company	
	2016 RM	2015 RM
Available-for sale investment carried at fair value		
In Malaysia:		
Quoted shares (including fair value adjustment of RM1,057,410 (2015: RM879,717)	2,469,924	2,292,231
Other investment carried at amortised cost		
Outside Malaysia:		
Unquoted shares (net)	2,770,034	2,770,034
	5,239,958	5,062,265
Market value of quoted shares	2,469,924	2,292,231

In prior financial year, the Group acquired an additional 173,340 ordinary shares representing approximately 0.78% of the issued share capital of CSGT Metals Vietnam Joint Stock Company, which is classified under unquoted shares investment above, for a total purchase consideration of RM458,834.

17. INVESTMENT PROPERTIES

	The Group	
	2016 RM	2015 RM
At beginning of year	-	-
Additions during the year	42,544,211	-
At end of year	42,544,211	-

On December 31, 2015, the Group entered into a Sale and Purchase Agreement to purchase from Tatt Giap Group Berhad, a related party, two pieces of leasehold land together with a factory building for a total consideration of RM41,000,000.

The transaction was completed during the financial year. The total consideration together with other directly related costs incurred of RM1,544,211 was paid via the following:

	RM
Utilisation of trade debts owed by a related party	21,000,000
Cash payment	21,544,211
	42,544,211

17. INVESTMENT PROPERTIES (CONT'D)

Investment properties comprise two pieces of factory land and a factory building that are leased to third parties. The leases are renewed every year and the rental rates are based on prevailing market rates.

The following are recognised in profit or loss in respect of investment properties:

	The Group	
	2016 RM	2015 RM
Rental income (Note 8)	1,384,850	-
Direct operating expenses:		
- Income generating investment properties	40,630	-

Fair value information

The fair values of investment properties are categorised as "Level 3" fair value. The Group engaged an independent professional valuation firm to perform the valuation of the investment properties. The last valuation was performed on November 30, 2016 for the investment properties using the open market value method, and an assessment of the prevailing property market rate. The directors are of the opinion that there were no significant changes in fair values to that as appraised by the independent professional valuer since the last valuation.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	2016 Level 3 RM
Long-term leasehold land and building located in Seberang Perai, Penang	42,544,211

For investment properties categorised into Level 3 of the fair value hierarchy, the following information is relevant:

Description	Fair Value as at 31 December 2016 RM	Valuation techniques	Significant unobservable inputs	Range (weighted average)
The Subject Entitlement – long-term leasehold land located in Seberang Perai, Penang	42,544,211	Sales comparison - comparable developments - sales comparison	Estimated transaction price per sq ft	RM76 – RM178 per sq ft

18. INVENTORIES

	The Group	
	2016 RM	2015 RM
Raw materials	89,756,944	95,978,326
Work-in-progress	41,623,072	22,560,130
Finished goods	68,004,780	64,353,982
Consumables	31,523,804	30,426,154
	230,908,600	213,318,592

The cost of inventories recognised as an expense of the Group includes RM3,999,035 (2015: RM9,733,049) in respect of write-down of inventories to net realisable value.

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods ranges from cash terms to 60 days (2015: cash terms to 60 days).

	The Group	
	2016 RM	2015 RM
Trade receivables	79,286,777	77,002,052
Less: Allowance for doubtful debts	(781,399)	-
	78,505,378	77,002,052

The currency profile of trade receivables of the Group is as follows:

	The Group	
	2016 RM	2015 RM
Ringgit Malaysia	70,774,090	67,310,361
United States Dollar	8,512,687	9,691,691
	79,286,777	77,002,052

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (CONT'D)

To reduce potential losses related to settlement risk, the Group requires certain customers that do not meet its credit standards to post collateral in order to ensure their performance of settlement obligations arising from sales. The Group holds collateral in the form of various guarantees and letters of credit. Guarantees and letter of credit are excluded from the statements of financial position. The Group maintained collateral as follows:

	The Group	
	2016	**2015**
	RM	**RM**
Personal guarantees	37,462,444	46,593,456
Corporate guarantees	13,200,277	6,516,773
Bank guarantees	2,376,205	2,980,328
Letters of credit	8,512,687	9,874,149
Total	61,551,613	65,964,706

Ageing of past due but not impaired:

	The Group	
	2016	**2015**
	RM	**RM**
1 - 60 days	22,834,942	25,810,746
61 - 90 days	1,146,316	1,958,581
More than 90 days	488,421	13,605
Total	24,469,679	27,782,932
Average age (days)	30	30

Movement in allowance for doubtful debts are as follows:

	The Group	
	2016	**2015**
	RM	**RM**
At beginning of the year	-	-
Additional allowance for doubtful debts (Note 8)	781,399	-
At end of the year	781,399	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES (CONT'D)

Other receivables and prepaid expenses consist of the following:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other receivables	5,110,894	4,320,103	251,044	143,616
Prepaid expenses	692,587	185,650	35,400	-
Refundable deposits	218,297	216,797	16,417	12,717
Advance payments to suppliers	4,397,707	8,845,736	-	-
Interests receivable	482,871	519,927	16,225	-
	10,902,356	14,088,213	319,086	156,333

Advance payments to suppliers of the Group are made for purchase of raw materials and property, plant and equipment by a subsidiary company in the normal course of business.

The currency profile of other receivables of the Group is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	4,959,839	4,320,103	251,044	143,616
United States Dollar	151,055	-	-	-
	5,110,894	4,320,103	251,044	143,616

20. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary company of China Steel Asia Pacific Holdings Pte. Ltd., a company incorporated in the Republic of Singapore. The directors regard China Steel Corporation, a company incorporated in Taiwan, as the ultimate holding company.

Amount due from/(to) ultimate holding company, which is denominated in United States Dollar and arose mainly from trade transactions and payments on behalf, is unsecured, interest-free and is repayable on demand.

Amount due from related companies, which arose mainly from non-trade transactions and payments on behalf, is unsecured, interest-free and is repayable on demand.

The currency profile of amount due from related companies is as follows:

	The Group	
	2016 RM	2015 RM
Ringgit Malaysia	-	124,419
United States Dollar	84,557	160,992
	84,557	285,411

20. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

Amount due from associated company, Tatt Giap Steel Centre Sdn. Bhd., which is denominated in Ringgit Malaysia, arose mainly from trade transactions. It is repayable within the normal trade terms of 60 days (2015: 60 days), and it bears interest at 8% (2015: 8%) per annum for late payments.

Movements in allowance for doubtful debts in relation to amount due from associated company is as follows:

	The Group	
	2016 RM	2015 RM
At beginning of year	-	12,920,094
Reversal of impairment (Note 8)	-	(12,920,094)
At end of year	-	-

As disclosed in Note 17, on December 31, 2015, the Group entered into a Sale and Purchase Agreement to purchase from Tatt Giap Group Berhad, two pieces of leasehold land together with a factory building for a total consideration of RM41,000,000. The transaction was completed during the financial year.

Amount due to related companies, which is denominated in United States Dollar, arose mainly from purchase of equipment, spare parts and consumables, is interest-free, unsecured and is repayable on demand.

During the financial year, significant related party transactions between the Group and its related parties are as follows:

The Group	2016 RM	2015 RM
Ultimate holding company		
Purchase of raw materials	440,009,762	428,107,687
Purchase of property, plant and equipment	338,580	-
Purchase of spare parts	17,346	21,531
Technical fee income	-	(450,000)
Sales of bio-coal samples	-	(350,386)
Related companies		
Purchase of raw materials	215,376,843	35,328,783
Purchase of spare parts and consumables	3,006,085	4,011,170
Technical fees paid and payable	81,398	205,965
Purchase of property, plant and equipment	-	1,619,678
Management fee received	(599,997)	(498,796)
Sales commission received	-	(76,308)
Interest on loan received	-	(54,959)
Associated company		
Sale of goods	(6,450,254)	(12,275,158)
Interest charges on late payments (Note 8)	(1,137,008)	(1,443,926)
Management fee received	(160,000)	(252,000)
Product quality claim	17,156	42,313

20. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS (CONT'D)

	2016 RM	2015 RM
The Company		
Subsidiary companies		
Dividend received (Note 5)	(17,000,000)	(10,000,000)
Management fee receivable (Note 5)	(5,460,000)	(5,040,000)
Rental received (Note 5)	(51,840)	(51,840)
Loan to subsidiary company	-	2,000,000
Associated company		
Management fee receivable (Note 5)	(30,000)	(44,000)

Compensation of key management personnel

Key management personnel are 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 of the Group and of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Group and of the Company.

Remuneration of directors are disclosed in Note 8. The remuneration of other key management personnel during the year are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short-term benefits	1,445,445	1,366,855	451,466	411,677
Post-employment benefits	180,797	164,587	47,392	38,256

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed deposits and short-term placements with licensed banks	179,467,047	122,404,514	4,050,000	700,000
Cash and bank balances	11,711,011	8,585,583	130,401	190,301
Bank balances and deposits	191,178,058	130,990,097	4,180,401	890,301
Money market instruments	78,351,160	100,389,310	-	15,847,200
	269,529,218	231,379,407	4,180,401	16,737,501

21. CASH AND CASH EQUIVALENTS (CONT'D)

Money market instruments, fixed deposits and short-term placements of the Group and of the Company are denominated in Ringgit Malaysia. The currency exposure profile of cash and bank balances of the Group and of the Company are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances				
Ringgit Malaysia	5,448,849	5,620,800	130,401	190,301
United States Dollar	6,262,162	2,964,783	-	-
	11,711,011	8,585,583	130,401	190,301

Investment in money market instruments comprises money market deposits. The money market instruments do not have maturity period and a notice of 1 to 7 days is required for withdrawals. The maturity period for fixed deposits and short-term placements of the Group ranges from overnight to 6 months (2015: overnight to 6 months).

The interest rates for fixed deposits and short-term placement with licensed banks of the Group and of the Company are as follows:

	The Group and The Company	
	2016 RM	2015 RM
Fixed deposits and short-term placements with licensed banks	2.60 - 4.30	3.02 - 4.30

22. SHARE CAPITAL

	The Group and The Company	
	2016 RM	2015 RM
Authorised		
1,000,000,000 ordinary shares of RM1 each	1,000,000,000	1,000,000,000
Issued and fully paid		
380,000,000 ordinary shares of RM1 each	380,000,000	380,000,000

23. TREASURY SHARES

	The Group and The Company	
	2016 RM	2015 RM
At cost:		
At beginning of year	12,199,440	9,633,139
Repurchased during the year	66,250	2,566,301
At end of year	12,265,690	12,199,440
Number of treasury shares	11,300,000	11,254,100
Total number of outstanding shares in issue after set off (excluding treasure shares held)	368,700,000	368,745,900
Total number of issued and fully paid ordinary shares (Note 22)	380,000,000	380,000,000

24. RESERVES

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Distributable reserve:				
Retained earnings	407,319,143	368,129,323	1,546,884	13,357,034
Non-distributable reserves:				
Share premium	32,441,139	32,441,139	32,441,139	32,441,139
Investment revaluation reserve	1,057,410	879,717	1,057,410	879,717
	33,498,549	33,320,856	33,498,549	33,320,856
	440,817,692	401,450,179	35,045,433	46,677,890

Retained earnings

The retained earnings of the Company as of the end of reporting period are available for distribution as single tier dividends. Under the single-tier dividend system, tax on a company's profits is a final tax, and dividends paid are exempted from tax in the hands of the shareholders.

Share premium

Share premium arose from the issuance of 379,999,998 ordinary shares of RM1 each for the acquisitions of CSC Steel Sdn. Bhd. and Group Steel Corporation (M) Sdn. Bhd. at an issue price of approximately RM1.09 per ordinary share in prior years.

Investment revaluation reserve

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sales financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

25. DEFERRED TAX ASSETS/(LIABILITIES)

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Property, plant and equipment	(24,389,263)	(23,999,705)	-	-
Inventories	2,356,754	2,633,784	-	-
Other payables and accrued expenses	2,140,931	1,065,602	153,111	80,547
	(19,891,578)	(20,300,319)	153,111	80,547

Deferred tax balances are presented in the statements of financial position as follows:

	The Group		The Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deferred tax assets	153,111	80,547	153,111	80,547
Deferred tax liabilities	(20,044,689)	(20,380,866)	-	-
	(19,891,578)	(20,300,319)	153,111	80,547

Movements of tax effects on temporary differences during the year are as follows:

	Property, plant and equipment RM	Inventories RM	Amount due from associated company RM	Other payables and accrued expenses RM	Total RM
The Group					
Balance at January 1, 2015	(27,414,718)	2,678,647	3,230,024	1,056,702	(20,449,345)
Recognised in profit or loss (Note 9)	3,415,013	(44,863)	(3,230,024)	8,900	149,026
Balance at December 31, 2015/ January 1, 2016	(23,999,705)	2,633,784	-	1,065,602	(20,300,319)
Recognised in profit or loss (Note 9)	(389,558)	(277,030)	-	1,075,329	408,741
Balance at December 31, 2016	(24,389,263)	2,356,754	-	2,140,931	(19,891,578)
The Company					
Balance at January 1, 2015	-	-	-	-	-
Recognised in profit or loss (Note 9)	-	-	-	80,547	80,547
Balance at December 31, 2015/ January 1, 2016	-	-	-	80,547	80,547
Recognised in profit or loss (Note 9)	-	-	-	72,564	72,564
Balance at December 31, 2016	-	-	-	153,111	153,111

26. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables, which is denominated in Ringgit Malaysia, comprise amounts outstanding for trade purchases and ongoing costs. The credit period granted to the Group for trade purchases is 60 days (2015: 60 days).

Other payables and accrued expenses consist of the following:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Other payables	7,776,845	11,300,419	311,834	276,087
Accrued expenses	16,195,016	15,302,401	671,034	359,200
Provision for onerous contracts	6,512,321	1,437,088	-	-
Advances received from customers	518,438	932,721	-	-
Retention sum payable to contractors for installation of plant and machinery	1,714,538	3,799,756	-	-
	32,717,158	32,772,385	982,868	635,287

Movement of provision for onerous contracts is as follow:

	The Group	
	2016 RM	2015 RM
At beginning of year	1,437,088	2,283,946
Reduction arising from payments	(1,437,088)	(2,283,946)
Provision for the year (Note 8)	6,512,321	1,437,088
At end of year	6,512,321	1,437,088

The provision for onerous contracts represents losses that the Group is expected to incur under non-cancellable raw materials purchase contracts after considering the economic benefits expected to be received.

27. DIVIDENDS

	The Group and The Company	
	2016 RM	2015 RM
Dividends paid:		
Final single tier dividend of 3 sen per ordinary share of RM1 each	-	11,112,432
Final single tier dividend of 8 sen per ordinary share of RM1 each	29,498,872	-
	29,498,872	11,112,432
Net dividend per share	0.08	0.03

The directors have proposed a final single tier dividend and special single tier dividend of 10 sen per share and 4 sen per share respectively, in respect of the current financial year. The proposed dividends, which are subject to the approval of the shareholders at the forthcoming Annual General Meeting, have not been included as a liability in the financial statements.

28. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group and the Company manage their capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remain unchanged from 2015.

The capital structure of the Group consists of equity of the Company (comprising issued capital and retained earnings as disclosed in Notes 22 and 24).

Categories of Financial Instruments

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial Assets				
Trade receivables	78,505,378	77,002,052	-	-
Amount due from ultimate holding company	-	17,310,983	-	-
Amount due from related companies	84,557	285,411	-	-
Amount due from associated company	1,267,015	21,745,037	-	-
Other receivables	1,694,571	1,989,619	251,044	143,616
Refundable deposits	218,297	216,797	16,417	12,717
Interests receivable	482,871	519,927	16,225	-
Cash and cash equivalents	269,529,218	231,379,407	4,180,401	16,737,501
Total loans and receivables, at amortised cost	351,781,907	350,449,233	4,464,087	16,893,834
Available-for sales investments	5,239,958	5,062,265	5,239,958	5,062,265

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial Liabilities				
Trade payables	2,723,702	6,666,191	-	-
Amount due to ultimate holding company	12,295,839	-	-	-
Amount due to related companies	9,309,998	950,328	-	-
Other payables	7,749,736	10,674,231	284,725	276,087
Accrued expenses	16,195,016	15,302,401	671,034	359,200
Retention sum payable to contractors for installation of plant and machinery	1,714,538	3,799,756	-	-
Total other financial liabilities, at amortised cost	49,988,829	37,392,907	955,759	635,287

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, such as market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

(a) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The key features of the Group's market risk management practices and policies is a group-wide market risk policy setting out the evaluation and determination of what constitutes market risk for the Group.

(b) **Foreign currency risk**

The Group undertakes certain transactions in foreign currencies where the amounts outstanding are exposed to foreign currency risk. The Group monitors its foreign exchange exposure closely.

The Group did not engage in any transactions involving financial derivative instruments during the financial year.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	The Group	
	2016 RM	2015 RM
Assets		
United States Dollar (Notes 19, 20 and 21)	15,010,461	30,128,449
Liabilities		
United States Dollar (Note 20)	21,605,837	950,328

Foreign currency sensitivity

The Group is mainly exposed to the currency of United States of America (USD).

The following table details the Group's sensitivity to a 10% (2015: 10%) increase and decrease in the RM against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 10% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit after tax where the RM (weakens)/strengthens 10% against the relevant currency.

	Impact of USD	
	2016 RM	2015 RM
Profit after tax	(659,538)	2,917,812

28. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

(c) **Interest rate risk**

The interest rate profile of the Group's and the Company's significant interest-earning financial assets based on their carrying amounts as at the end of the reporting period are as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Fixed rate instruments				
Financial assets	257,818,207	222,793,824	4,050,000	16,547,200

The Group and the Company do not account for any fixed rate financial assets at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedged accounting model. Therefore a change in interest rate at the end of the reporting period would not affect profit or loss.

The Group and the Company do not have any interest-bearing financial liabilities as at the end of the reporting period.

(d) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of customers.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Concentration of credit risk related to few major customers did not exceed 10% of gross monetary assets at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

(e) **Liquidity risk**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and financial liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

All financial assets and financial liabilities of the Group and of the Company are collectible/repayable within 1 year or on demand.

(f) **Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

28. FINANCIAL INSTRUMENTS (CONT'D)

Fair values

	The Group and The Company			
	2016 Carrying Amount RM	2016 Fair Value RM	2015 Carrying Amount RM	2015 Fair Value RM
Other investment (Note 16):				
Quoted shares	2,469,924	2,469,924	2,292,231	2,292,231
Unquoted shares	2,770,034	*	2,770,034	*

The fair values of the quoted equity investments are determined based on the quoted market bid prices available on the relevant stock exchange. The measurement of the quoted equity investment is categorised within Level 1 of the fair value measurement hierarchy.

* Unquoted equity investment is measured at cost less impairment losses at each reporting period because the fair value cannot be obtained directly from quoted market price or indirectly using valuation techniques supported by observable market data.

Cash and cash equivalents, inter-company indebtedness, receivables and payables

The carrying amounts of these financial instruments approximate their fair values because of the short-term maturity of these instruments.

29. CAPITAL COMMITMENTS

As of December 31, 2016, the Group has the following capital commitments:

	The Group	
	2016 RM	2015 RM
Purchase of property, plant and equipment		
Approved and contracted for	7,872,405	11,951,084
Approved but not contracted for	10,630,726	36,139,430
	18,503,131	48,090,514
Purchase of two pieces of leasehold land together with factory building approved and contracted for	-	41,000,000
	18,503,131	89,090,514

30. CORPORATE GUARANTEES

As of December 31, 2016, the Company has issued corporate guarantees totalling RM106,150,000 (2015: RM125,150,000) in respect of credit facilities granted by certain local licensed banks to its subsidiary company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary company as of December 31, 2016. As of December 31, 2016 and 2015, there are no credit facilities being utilised by the said subsidiary company.

31. SUPPLEMENTARY INFORMATION - DISCLOSURE ON REALISED AND UNREALISED PROFITS/LOSSES

On March 25, 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period into realised and unrealised profits or losses.

On December 20, 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of December 31, 2016 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	The Group		The Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings of the Company and its subsidiary companies				
Realised	459,591,447	407,247,612	1,393,773	13,276,487
Unrealised	(26,261,773)	(22,103,608)	153,111	80,547
	433,329,674	385,144,004	1,546,884	13,357,034
Less: Consolidation adjustments	(26,010,531)	(17,014,681)	-	-
Total retained earnings as per statements financial position	407,319,143	368,129,323	1,546,884	13,357,034

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements" as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information has been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

STATEMENT BY DIRECTORS

The directors of **CSC STEEL HOLDINGS BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2016 and of their financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 31, which is not part of the financial statements, is prepared in all material respects, in accordance with Guidance on Special Matter No. 1 "Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements" as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

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

CHEN, HUO-KUN

TAN CHIN TENG

Melaka
March 2, 2017

DECLARATION

BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **TAN CHIN TENG**, the director primarily responsible for the financial management of **CSC STEEL HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, 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.

TAN CHIN TENG

Subscribed and solemnly declared by the abovenamed **TAN CHIN TENG** at **MELAKA** this March 2, 2017.

Before me,

COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

Class of Shares	:	Ordinary shares
No. of Shareholders	:	6,693
Voting Rights	:	Every member of the Company present in person or by proxy shall have one (1) vote on a show of hand and in the case of a poll, shall have one (1) vote for every ordinary share held. A proxy need not be a member.

DISTRIBUTIONS OF SHAREHOLDINGS

Holdings	No. of Holders	%	No. of Shares	%
Less than 100	10	0.149	241	0.000
100 – 1,000	956	14.283	850,448	0.230
1,001 – 10,000	4,154	62.064	20,598,433	5.577
10,001 – 100,000	1,343	20.065	42,535,834	11.517
100, 001 – 18,464,999*	228	3.406	115,843,844	31.368
18,465,000 and above**	2	0.029	189,471,200	51.305
Total:	6,693	100.00	369,300,000	100.00

*Remark : * - Less than 5% of Issued Shares*
*: ** - 5% and above of Issued Shares*

SUBSTANTIAL SHAREHOLDERS

Shareholders	Direct No. of Shares Held	%[1]	Indirect No. of Shares Held	%[1]
China Steel Asia Pacific Holdings Pte. Ltd. (“CSAP”)	171,000,000	46.303	-	-
Lembaga Tabung Haji	18,471,200	5.001	-	-

Notes :

[1] *Excludes 10,700,000 CHB shares bought back as at 31 March 2017 and retained as treasury shares.*

LIST OF TOP 30 SHAREHOLDERS

No.	Name	Shareholdings	%
1.	China Steel Asia Pacific Holdings Pte. Ltd.	171,000,000	46.303
2.	Lembaga Tabung Haji	18,471,200	5.001
3.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan Kit Pheng	8,800,000	2.382
4.	Gan Thian Chin	5,134,500	1.390
5.	Enterlight Investments Pte. Ltd.	4,649,600	1.259
6.	Maybank Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Koon Yew Yin	4,548,900	1.231
7.	TA Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Tan Kit Pheng	3,200,000	0.866
8.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Koon Yew Yin (6000051)	3,048,100	0.825
9.	Amanahraya Trustees Berhad PMB Shariah Aggressive Fund	2,437,300	0.659
10.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY For Dimensional Emerging Markets Value Fund	2,012,556	0.544
11.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)	2,000,000	0.541
12.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for AJO Emerging Markets Small-Cap Fund, Ltd.	1,891,439	0.512
13.	UOBM Nominees (Asing) Sdn. Bhd. Banque De Luxembourg for RAM (Lux) Systematic Funds – Emerging Markets Equities	1,891,396	0.512
14.	Neoh Choo Ee & Company, Sdn. Berhad	1,700,000	0.460
15.	Nar Swee Kim @ Nam Thah Tsai	1,372,900	0.371
16.	Teo Guan Lee Holdings Sendirian Berhad	1,308,400	0.354
17.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. SSBT Fund I8AB for TIFF Multi-Asset Fund	1,134,170	0.307
18.	Phua Sin Mo	1,100,000	0.297
19.	Maybank Securities Nominees (Tempatan) Sdn. Bhd. - Pledged Securities Account for Yap Sung Pang (Margin)	1,049,000	0.284
20.	Syed Sirajuddin Putra Jamalullail	1,000,000	0.270
21.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers SECS (S) Pte. Ltd. for Lim Mee Hwa	950,000	0.257
22.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Chevron Master Pension Trust	926,500	0.250
23.	Yong Chai Lee	925,100	0.250
24.	HSBC Nominees (Asing) Sdn. Bhd. Exempt an for Credit Suisse Securities (USA) LLC (PB Client)	867,100	0.234
25.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for Missouri Local Government Employees Retirement System	822,891	0.222
26.	HSBC Nominees (Asing) Sdn. Bhd. Exempt an for Credit Suisse (SG BR-TST-ASING)	810,000	0.219
27.	Len Nyok Chong	810,000	0.219
28.	Low Mei Lan	800,000	0.216
29.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for National Railroad Retirement Investment Trust	792,100	0.214
30.	HSBC Nominees (Asing) Sdn. Bhd. Morgan Stanley & Co. International PLC (Firm A/C)	776,200	0.210
	Total	**246,229,352**	**66.671**

SHAREHOLDINGS OF DIRECTORS

Names	Direct No. of Shares Held	%[1]	Indirect No. of Shares Held	%[1]
1. Chen, Huo-Kun	-	-	-	-
2. Lin, Yao-Kang @ Robert Lin	-	-	-	-
3. Lee, Shin-Min @ Samuel Lee	-	-	-	-
4. Tan Chin Teng	-	-	-	-
5. Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud	-	-	-	-
6. Phong Hon Wai	-	-	-	-
7. Lim Lay Ching	-	-	-	-

Note:
[1] *Excludes 10,700,000 CHB shares bought back as at 31 March 2017 and retained as treasury shares.*

LIST OF PROPERTIES

AS AT 31 DECEMBER 2016

Description & Location	Existing Use	Tenure	Land/ Built-up area (square metres)	Age of Building Year(s)	Audited Net Book Value/ Prepaid Operating Lease as at 31-12-2016 (RM'000)	Year of Acquisition
Lot PT Nos. 3698 and 3699, HS (M) 346 and 347 respectively, both of Mukim Bukit Katil, Daerah Melaka Tengah	Industrial land built upon with a factory block	99-year lease expiring on 20.01.2092	74,805/ 23,704	19	31,141	1995
Lot No. 5214, PN 7009, Mukim Bukit Katil, Daerah Melaka Tengah	Industrial land built upon with a factory block and an administration block	99-year lease expiring on 20.01.2092	73,750/ 36,334	23	8,724	1992
Lot 6634, Mukim Bukit Katil, Daerah Melaka Tengah	Building land built with tennis court, basketball court and car park	Freehold	11,333	Not applicable	4,424	1997
Lot PT No. 3701, HS (M) 348, Mukim Bukit Katil, Daerah Melaka Tengah	Vacant industrial land	99-year lease expiring on 20.01.2092	30,522/ Not applicable	Not applicable	1,386	1992
Nos. 8-3,10-5 & 10-12 Hock Mansion, Harmony Condominium, Jalan Ujong Pasir, 75000 Melaka (3 units of condominium)	Residential	Freehold	Not applicable/ 447	20	690	2009
Block B Pangsapuri Taman Pelangi, Ayer Keroh, Bukit Katil, 75450 Melaka (10 units of apartments)	Residential	Freehold	Not applicable/ 1,145	18	678	2011
Nos.C-6-7 & C-5-5 Subang Parkhomes, Jalan SS19/1, Off Jalan Kemajuan Subang. (2 units of condominium)	Residential	Freehold	Not applicable/ 256	4	1,725	2014
HSD 14941 & 14942 Identified PT 2961 & 2960 respectively both of Mukim 11, Seberang Perai Tengah, Pulau Pinang	Industrial land built upon with a factory block and an administration block rented to Nippon Egalv Steel Sdn Bhd	60 years lease expiring on 6.12.2052	42,376/ 30,306	20	42,544	2016

NOTICE OF THIRTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of CSC Steel Holdings Berhad ("CHB" or the "Company") will be held at Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia on Thursday, 25 May 2017, at 10:00 a.m., for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2016. **(Please refer to Explanatory Notes 1)**

2. To approve a final single tier dividend of 10 sen per share and a special single tier dividend of 4 sen per share in respect of the financial year ended 31 December 2016. **(Resolution 1)**

3. To approve the payment of Directors' fees amounting to RM154,600 for the financial year ended 31 December 2016. **(Resolution 2)**

4. To re-elect the following Directors who retire in accordance with Article 128 and Article 133 of the Company's Constitution and being eligible, have offered themselves for re-election:-
   i. Lee, Shin-Min @ Samuel Lee (Article 128) **(Resolution 3)**
   ii. Phong Hon Wai (Article 128) **(Resolution 4)**
   iii. Chen, Huo-Kun (Article 133) **(Resolution 5)**
   iv. Lin, Yao-Kang @ Robert Lin (Articles 133) **(Resolution 6)**

5. To re-appoint Messrs. Deloitte PLT (converted from conventional partnership, Deloitte, on 3 January 2017) as Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Board of Directors to determine their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Ordinary/Special Resolutions with or without modifications: -

6. **Ordinary Resolution**

   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature **(Resolution 8)**

   "THAT, subject always to the provisions of the Companies Act, 2016 (the "Act"), the Constitution of Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the regulations, guidelines and guidance noted issued from time to time by Bursa Securities or any other regulatory authorities, approval be and is hereby given to the Company and its subsidiaries (collectively the "Group") to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4 (the "Proposed Renewal of Shareholders' Mandate") of the Circular to Shareholders dated 28 April 2017 provided that such transactions and/or arrangements are:-

   (a) necessary for the day-to-day operations of the Group;

   (b) undertaken in the ordinary course of business and at arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and

   (c) are not prejudicial to the minority shareholders of the Company,

   THAT the authority conferred by this resolution shall take effect immediately upon the passing of this resolution and the Proposed Renewal of Shareholders' Mandate shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company (following the AGM at which the Proposed Renewal of Shareholders' Mandate was passed) at which time it shall lapse unless by a resolution passed at such AGM, the authority is renewed; or

(ii) the expiration of the period within which the next AGM after the date is required to be held the Company is required to be held pursuant to Section 340(2) of Act [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or

(iii) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby authorised to 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 Shareholders' Mandate.

AND THAT the estimates given in respect of the recurrent related party transactions specified in Section 2.4 of the Circular being provisional in nature, the Directors and/or any of them be and are hereby authorised to agree to the actual amount(s) thereof provided that such amount or amounts comply with the procedures set out in Section 2.5 of the Circular."

7. To transact any other business of which due notice shall have been given in accordance with the Act.

FURTHER NOTICE IS HEREBY GIVEN THAT for the purpose of determining a member who shall be entitled to attend this Thirteenth AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 78 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT
NOTICE IS ALSO HEREBY GIVEN that a final single tier dividend of 10 sen per share and a special single tier dividend of 4 sen per share in respect of the financial year ended 31 December 2016, if approved by the shareholders at the Thirteenth Annual General Meeting of the Company, will be paid on 12 July 2017 to the shareholders whose names appear on the Record of Depositors of the Company at the close of business on 30 June 2017.

A Depositor shall qualify for entitlement to the dividend only in respect of :-
(a) shares transferred into the Depositor's Securities Account before 4:00 p.m. on 30 June 2017 in respect of ordinary transfers; and
(b) shares bought on the Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board
CSC STEEL HOLDINGS BERHAD

NG BEE LIAN (MAICSA 7041392)
Company Secretary
Melaka

28 April 2017

NOTES:

i. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies.

ii. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power attorney.

iii. A member shall not, subject to Paragraphs (iv) and (v) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

iv. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

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

vi. Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the registered office of the Company at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia, not less than 48 hours before the time appointed for holding the meeting.

Explanatory Notes: -
Shareholders are advised to refer to the Circular to Shareholders dated 28 April 2017 which was circulated together with the Annual Report 2016 when considering Resolution 8.

1. Item 1 of the Agenda

This Agenda item is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 ("CA 2016") does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

2. Ordinary Resolution 1

With reference to Section 131 of the CA 2016, a company may only made a distribution to the shareholders out of profits of the company available if the company is solvent. On 10 February 2017, the Board had considered the amount of dividend and decided to recommend the same for the shareholders' approval.

The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within twelve (12) months immediately after the distribution is made on 12 July 2017 in accordance with the requirements under Section 132(2) and (3) of the CA 2016.

3. Ordinary Resolution 8

*The proposed Ordinary Resolution 8, if passed, will **renew** the authority given to the Company and its subsidiaries (the "CHB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the CHB Group's day-to-day operations with the respective related parties, subject that the transactions are transacted in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.*

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

A. DIRECTORS STANDING FOR RE-ELECTION AND THEIR DETAILS

Directors standing for re-election pursuant to the Company's Constitution are:-

i. Lee, Shin-Min @ Samuel Lee (Article 128)
ii. Phong Hon Wai (Article 128)
iii. Chen, Huo-Kun (Article 133)
iv. Lin, Yao-Kang @ Robert Lin (Article 133)

Details of the above Directors who are standing for re-election are set out in the Directors' profile appearing on pages 6 and 7 of this Annual Report while their securities holdings are listed in the Analysis of Shareholdings – Shareholdings of Directors on pages 106 of this Annual Report.

B. DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

A total of five (5) Board meetings were held during the financial year ended 31 December 2016 and details of the attendance of Directors holding office at the end of the financial year ended 31 December 2016 are found on page 18 of this Annual Report.

C. DATE, TIME AND PLACE OF THE ANNUAL GENERAL MEETING

Date	:	Thursday, 25 May 2017
Time	:	10:00 a.m.
Place	:	Level 1 of the Company's Office Block 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia

D. DETAILS OF SECURITIES HOLDINGS IN THE COMPANY AND SUBSIDIARIES

Details of the Directors' securities holdings in the Company are set out in the Shareholdings of Directors appearing on page 106 of this Annual Report.

FORM OF PROXY

CSC STEEL HOLDINGS BERHAD (640357-X)
(Incorporated in Malaysia)

CDS Number	
Number of shares held	

I/We .... (NRIC/Company No: ....)
(full name in capital letters)

of ....
(full address)

being a member(s) of **CSC STEEL HOLDINGS BERHAD (640357-X)**, hereby appoint ....

.... (NRIC No: ....)
(full name in capital letters)

of ....
(full address)

or failing him/her, ... (NRIC No: ....)
(full name in capital letters)

of ....
(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the Thirteenth Annual General Meeting of the Company to be held on Thursday, 25 May 2017, at 10:00 a.m. at Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia and any adjournment thereof.

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

Proxy A	%	Proxy B	%	Total	100%

Mark either box with "X" if you wish to direct the proxy how to vote. If no mark is made, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two (2) proxies and wish them to vote differently, this should be specified.

My/our proxy/proxies is/are to vote as indicated below:

ITEM	AGENDA	RESOLUTION	FOR	AGAINST
1.	To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2016.			
2.	To approve a final single tier dividend of 10 sen per share and a special single tier dividend of 4 sen per share in respect of the financial year ended 31 December 2016.	1		
3.	To approve the payment of Directors' fees.	2		
4.	To re-elect Lee, Shin-Min @ Samuel Lee (Article 128).	3		
5.	To re-elect Phong Hon Wai (Article 128).	4		
6.	To re-elect Chen, Huo-Kun (Article 133).	5		
7.	To re-elect Lin, Yao-Kang @ Robert Lin (Article 133).	6		
8.	To re-appoint Messrs. Deloitte PLT as auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to determine their remuneration.	7		
9.	To approve the Proposed Renewal of Shareholders' Mandate for existing Recurrent Related Party Transactions of a Revenue or Trading Nature.	8		

Signed this ______________ day of ______________ 2017

____
Signature

____
Common Seal

Notes:-

i. Applicable to shares held through a nominee account.

ii. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies.

iii. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power attorney.

iv. A member shall not, subject to Paragraphs (v) and (vi) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

v. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.

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

vii. Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the registered office of the Company at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia, not less than 48 hours before the time appointed for holding the meeting.

viii. For the purpose of determining a member who shall be entitled to attend this 13th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 78 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 19 May 2017. Only a depositor whose name appears on the Record of Depositors as at 19 May 2017 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Fold along this line (1)

Stamp

To: The Company Secretary
CSC Steel Holdings Berhad **(640357-X)**
49-B Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka
Malaysia

Fold along this line (2)

CSC STEEL HOLDING BERHAD (640357-X)

180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia
Tel: 606-231 0169 Fax: 606-231 0167 E-mail: info@cscmalaysia.com