CSC STEEL HOLDINGS BERHAD
200401001854 (640357-X)



ANNUAL REPORT

2020


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ANNUAL
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2020

CORPORATE INFORMATION

BOARD OF DIRECTORS

Group Managing Director
Yin, Shou-Kang

Executive Directors
Chen, Yi-Chien
(Appointed on 1 January 2021)
Chen, Chien-Tu
(Resigned on 31 December 2020)

Non-Independent Non-Executive Directors
Kuo, Yi-Jen
Liu, Min-Hsiung
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 SECRETARIES
Ng Bee Lian *(MAICSA 7041392)*
(SSM PC: 201908003459)
Teh Soo Yee *(LS0010368)*
(SSM PC:201908003457)

REGISTRAR
Tricor Investor & Issuing House Services Sdn. Bhd. [197101000970 (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

CORPORATE WEBSITE:
www.cscmalaysia.com

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

REGISTERED OFFICE
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.106 Bangunan Bintang 51
Jalan Bendahara, 75100 Melaka

AUDITORS
Deloitte PLT
(LLP0010145-LCA)
(Audit Firm No. 0080)
Level 16, Menara LGB
1 Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur

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) 019 – 629 1128
Email: wbia@cscmalaysia.com

CSC STEEL HOLDINGS BERHAD [200401001854 (640357 – X)]
Date of Incorporation : 20 January 2004
Principal Activities : Investment holding.

100%

CSC Steel Sdn. Bhd. [199101018588 (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. [201001038592 (922516 - W)]
Date of Incorporation : 19 November 2010
Principal Activities : Investment holding.

100%

Group Steel Corporation (M) Sdn. Bhd. (in Member's Voluntary Winding Up)
[199401042050 (327738 - P)]
Date of Incorporation : 19 December 1994
Principal Activities : Manufacturing of other basic iron and steel products
Current Status : Dormant

Notes:

Group Steel Corporation (M) Sdn. Bhd., a wholly-owned subsidiary of the Company, had on 1 December 2020 commenced Member's Voluntary Winding Up pursuant to Section 441 of the Companies Act, 2016.

The Company had disposed of its entire 8,000,000 ordinary shares representing 20% equity interest in Hanwa Steel Centre (M) Sdn. Bhd. [199401025283 (310962 – X)] to Hanwa Co. Ltd. of No. 3-9, Fushimimachi 4-Chome, Chuo-ku, Osaka 541-8585, Japan on 15 March 2021.

VISION

Pursuing value innovation, energy efficiency, environmentally friendly and commitment on social responsibility to become a trustworthy and excellent steel company in Malaysia as well as Southeast Asia.

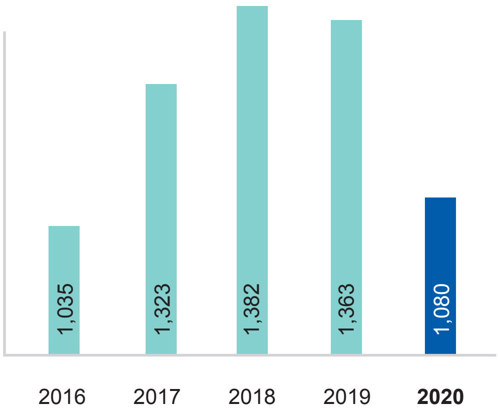
OPERATING POLICY

- *Refinement by reinforcing sales, production and delivery.*
- *Advancement by enhancing product grades and technical sophistication.*
- *Prosperity by consolidating customer services and sales network.*
- *People-oriented by emphasizing on work safety, environment and learning.*

FINANCIAL HIGHLIGHTS OF THE PAST FIVE YEARS

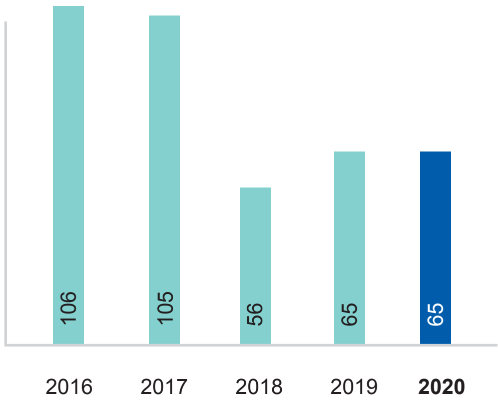
REVENUE

(RM' million)



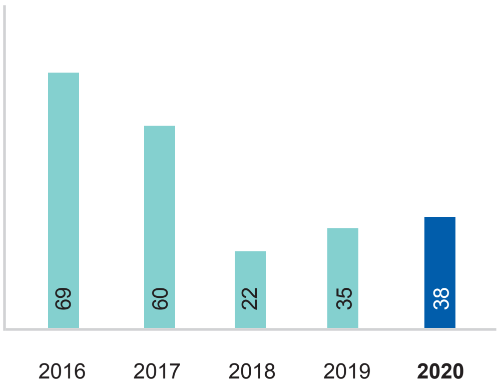
EBITDA

(RM' million)



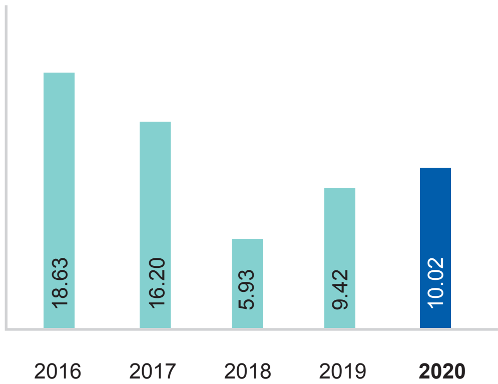
(LOSS)/PROFIT AFTER TAX

(RM' million)



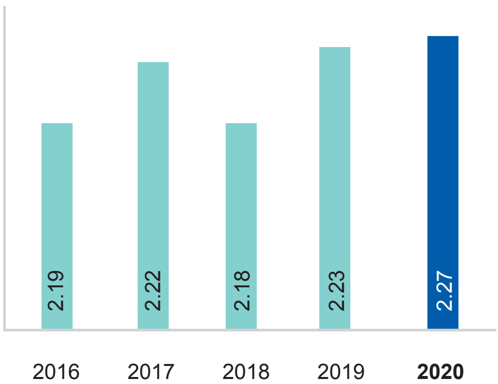
(LOSS)/EARNINGS PER SHARE

(sen/share)



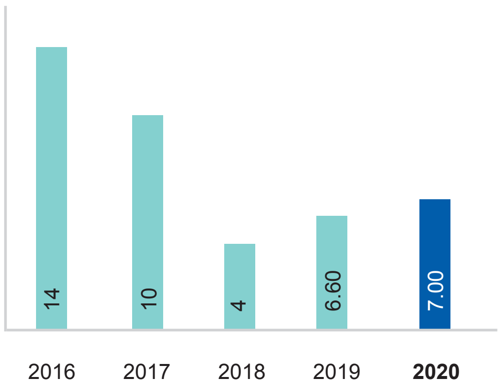
NET ASSETS PER SHARE

(RM/share)



DIVIDEND

(sen/share)



PROFILE OF DIRECTORS

YIN, SHOU-KANG
Group Managing Director
(Taiwanese, Male) Age 60

Yin, Shou-Kang was appointed to the CHB Board on 30 April 2019 as the Group Managing Director. He graduated from the National Chiao Tung University of Taiwan with Mechanical Engineering.

Mr. Yin has over thirty-six (36) years working experience in the steel manufacturing industries. He joined China Steel Corporation, Taiwan, since 1984 and his last position prior to his appointment to the Board of CSC Steel Holdings Berhad was Assistant General Superintendent.

Mr. Yin had clocked full attendance at all four (4) Board Meetings held during the financial year ended 31 December 2020.

Trainings attended by Mr. Yin during the financial year are as follows:-
- "2020 SEAISI e-Conference" by South East Asia Iron & Steel Institute;
- "Anti-Dumping Intermediate Level and Anti-Circumvention-US Practice", in-house training by CSC Steel Sdn. Bhd.

KUO, YI-JEN
Non-Independent Non-Executive Director
(Taiwanese, Male) Age 64

Kuo, Yi-Jen was appointed to the CHB Board on 27 June 2018 as a Non-Independent Non-Executive Director. He graduated from Bachelor of Marine Engineering at National Chiao Tung University, Taiwan.

Mr. Kuo has over thirty-eight (38) years' experience in the steel manufacturing industry. He joined China Steel Corporation Group ("CSC Group") since 1982 and his current position prior to his appointment to the Board of CSC Steel Holdings Berhad is President of China Steel Global Trading Corporation.

Mr. Kuo clocked full attendance at all four (4) Board Meetings held during the financial year ended 31 December 2020.

Trainings attended by Mr. Kuo during the financial year are as follows:-
- "Big Data: Data Integration of Enterprise" in-house training by China Steel Corporation; and
- "Insider Trading Practices and its Legal Responsibility" in-house training by China Steel Corporation.

LIU, MIN-HSIUNG
Non-Independent Non-Executive Director
(Taiwanese, Male) Age 61

Liu, Min-Hsiung was appointed to the CHB Board on 1 November 2019 as a Non-Independent Non-Executive Director. He graduated from Bachelor of Business Administration at Cheng Kung University, Taiwan.

Mr. Liu has over thirty-five (35) years' experience in the steel manufacturing industries. He joined CSC Group since 1985 and his current position prior to his appointment to the Board of CSC Steel Holdings Berhad is Vice President of Commercial Division, China Steel Corporation.

Mr. Liu clocked full attendance at all four (4) Board Meetings held during the financial year ended 31 December 2020.

Trainings attended by Mr. Liu during the financial year are as follows:-
- "Big Data: Data Integration of Enterprise" in-house training by China Steel Corporation; and
- "Insider Trading Practices and its Legal Responsibility" in-house training by China Steel Corporation.
- "Seminar on Transformation of Steel Industry " by China Steel Corporation;
- "Seminar on Climate Change and TCFD" by China Steel Corporation; and
- "Seminar on Becoming a High-Quality Talent in the Workplace" by China Steel Corporation.

CHEN, YI-CHIEN
Executive Director
(Taiwanese, Male) Age 39

Chen, Yi-Chien was appointed to the CHB Board on 1 January 2021 as an Executive Director. He graduated from the Masters in Accountancy at National Cheng Kung University, Taiwan.

Mr. Chen has over ten (10) years' experience in the steel manufacturing industries. He joined CSC Group since 2010. He was seconded in China Steel Corporation India Pvt. Ltd. for 3 years as the General Manager of Management Division, Finance and Information Department.

Prior to his appointment to the Board of CSC Steel Holdings Berhad, he worked in Product Cost Analysis Section, Cost Department of China Steel Corporation.

Mr. Chen had attended the Mandatory Accreditation Programme conducted by The Iclif Leadership and Governance Centre on 24 to 26 February 2021 pursuant to Practice Note 5 of the Main Market Listing Requirements of Bursa Securities Malaysia Berhad.

Mr. Chen had attended the Board of Directors' Meeting held on 19 November 2020 as invitee that was held before his appointment to the Board on 1 January 2021.

PHONG HON WAI
Senior Independent Non-Executive Director
Chairman of Audit Committee and Nominating Committee
(Malaysian, Male) Age 58

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 Nominating Committee on 2 June 2016.

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

Mr. Phong has over twenty (20) years' experience in public accounting practices and is presently the principal partner of Messrs. MW. Phong, Messrs. MW (partnership) and Messrs. Mcdonald Carter (partnership) and Messrs. HWTP Tax Sdn. Bhd., Messrs. HP Tax Services Sdn. Bhd., respectively audit firms and taxation firms.

Mr. Phong clocked full attendance at all four (4) Board and Audit Committee Meetings and a Nominating Committee Meeting held during the financial year ended 31 December 2020.

Trainings attended by Mr. Phong during the financial year are as follows:-
- "MIA Webinar Series: COVID-19 Financial Reporting Checklists – Addressing the Financial Reporting Challenges During and After the Pandemic" by Malaysian Institute of Accountants;
- "MIA Webinar Series: Tax Issues for SMEs" by Malaysian Institute of Accountants;
- "MIA Webinar Series: COVID-19 Financial Reporting on Going Concern, Risk and Viability" by Malaysian Institute of Accountants; and
- "MIA Webinar Series: A Comparison and Identification of Reporting GAPs between MPSAS vs MFRS" by Malaysian Institute of Accountants.

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 72

Brig. Gen. (R) Dato' Mohd Zaaba @ 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 University 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.

Dato' Nik clocked full attendance at all four (4) Board and Audit Committee Meetings and a Nominating Committee Meeting held during the financial year ended 31 December 2020.

Trainings attended by Dato' Nik during the financial year are as follows:-
- "FIDE Programme: Corruption Risk Management" by Iclif Executive Education Center; and
- "Corporate & Personal Liability for Corruption: Ready or Not?" by KL Business & Legal Institute.

LIM LAY CHING
Independent Non-Executive Director
Member of Audit Committee and Nominating Committee
(Malaysian, Female) Age 54

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 four (4) of the Board and Audit Committee Meetings and a Nominating Committee Meeting held during the financial year ended 31 December 2020.

Trainings attended by Ms. Lim during the financial year are as follows:-
- "Webinar Series 1: National AML/CFT Compliance Programme for Lawyers, The Changes in the Revised Anti-Money Laundering, Countering Financing of Terrorism and Target Financial Sanctions (AML/CFL and TFS) for DNFBPs and NBFIs Policy Documents" by Bank Negara Malaysia;
- "PDC Webinar on Companies Act and Latest Development" by Kuala Lumpur Bar Committee; and
- The Corporate Rescue Mechanism of Judicial Management in Malaysia" by The Malaysian Bar.

Notes:

1. ***Directorship in Public Companies***
   Save for Mr Phong Hon Wai sits on the board of Redplanet Berhad, 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 113 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. Yin, Shou-Kang and assisted by the Executive Director cum Vice President of Finance Division, Mr. Chen, Yi-Chien and their profiles could be found under the Profile of Directors on pages 6 and 7. The profiles of other key senior management are as follows:-

KOH KANG GUAN
Vice President, Production Division

Nationality: Malaysian
Age / Gender: 53 / Male
Date of appointment: 1 December 2020
Qualification(s):
Degree in Mechanical Engineering,
National Taiwan University, Taiwan.
Experience:
Has more than twenty (20) years' experience in steel manufacturing industry.

TEN LING PIEW
Vice President, Commercial Division

Nationality: Malaysian
Age / Gender: 50 / 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.

KOK LIANG HUA
Assistant Vice President, Production Division

Nationality: Malaysian
Age / Gender: 50 / Male
Date of appointment: 1 December 2020
Qualification(s):
Degree in Mechanical Engineering,
Universiti Sains Malaysia.
Experience:
Has more than twenty (20) years' experience in steel manufacturing industry.

CHIU, PING-TUNG
Special Assistant to Managing Director

Nationality: Taiwanese
Age / Gender: 60 / Male
Date of appointment: 1 December 2020
Qualification(s):
Master of Science,
Pohang University of Science and Technology, Korea.
Experience:
Has more than thirty (30) years' experience in steel manufacturing industry.

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, I am pleased to present the Annual Report of CSC Steel Holdings Berhad and its group of companies for the financial year ended 31 December 2020.

Managing Director's Statement

Malaysian steel industry has been exposed to the uncertainties in the current global issues, such as Novel CoronaVirus (COVID-19) and trade wars in the year 2020. The outbreak of COVID-19 has caused the profit margins of steel mills to remain under pressure and some of the steel mills had achieved unfavourable results from last year.

Despite of the challenging business environment that we encountered along the way, we still managed to achieve positive results in such a difficult time, mainly due to the well-executed strategic plan by all levels of employees.

- **Overview of the Group's Business and Operations**

  The Group's core business is primarily engaged in the manufacturing and marketing of steel coils, namely pickled and oiled steel ("PO"), cold rolled steel ("CR"), hot-dipped galvanised steel ("GI") and pre-painted galvanised steel ("PPGI"). On top of that, the coated steel related products are marketed under the brand names of 'Realzinc' (GI products) and 'Realcolor" (PPGI products). The details of the Group's business and other information, such as company overview, manufacturing process, product specification and application could be obtained from the Group's website at *www.cscmalaysia.com*.

  The Group's main sources of income are from one of its subsidiaries, CSC Steel Sdn. Bhd. ("CSCM") and its raw material, hot rolled steel coil ("HRC") is mainly supplied by integrated steel mills, i.e. China Steel Corporation ("CSC"). The Group's main focus market is domestic market, approximately 95% and the rest is mainly exporting to Southeast Asia region. As for domestic business, the customer bases of the Group are well spread throughout Malaysia, and majority of the sales are in West Malaysia.

  To further strengthen the Group's competitiveness, the Management continues identifying the areas that could be improved such as quality and productivity, operation efficiency and cost reduction. The Group will continue to consolidate the domestic market as well as to promote the development of high-grade and high-value steel products. The Group always continues to work closely with our customers to supply value added products and provide solutions to further enhance the strengths of Malaysia's manufacturing industries.

- **Review of Financial Results and Financial Condition**

  For Financial Year 2020, there has been ups and downs for the Group where the Group achieved lower (-20.8%) revenue of RM1.080 billion compared to Financial Year 2019 (RM1.363 billion) due to the implementation of Movement Control Order (MCO) in March 2020 where the Group had to shut down for more than a month as required by the government. However, the Group had registered a higher profit before tax of RM46.6 million compared to RM43.4 million achieved in Financial Year 2019, due to the recovery in margin as a result of better sales in the second half of year 2020 and improved operational efficiency. Also, the higher profit before tax was partially contributed by the increase of material prices in the global steel market.

- **The Group's Financial Position as at 31 December 2020**

  The Group's financial position as at 31 December 2020 had improved slightly. The net tangible assets for Financial Year 2020 were RM2.27 per share compared to Financial Year 2019, which was RM2.23 per share. The total equity stood at RM839 million while the current ratio stood at 10.71 times. Cash and cash equivalent were RM312 million.

  In order to ensure the Group's production capability is in good shape, we always evaluate the performance of the machineries and equipment periodically as to identify the needs for revamping of machineries. Likewise, during Financial Year 2020, CSCM had spent about RM8 million in capital expenditure and the revamping of Tension Leveling Line was one of the most significant projects.

  The associated company (HSCM) continued to suffer losses during the year under review. In consideration with the realignment of the investment strategy of the Group, the Management had decided to withdraw as one of the shareholders of HSCM and the share disposal exercise was completed on 15 March 2021.

  Other details of the financial information could be obtained from the Group's audited financial statements with its explanatory notes from pages 43 to 110.

- **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 7 sen per share for the financial year ended 31 December 2020.

  The recommendation of final dividend was announced on 22 February 2021 and it will be tabled for the shareholders' approval at the Company's forthcoming 17th Annual General Meeting scheduled on 24 May 2021 and if approved, will be paid on 9 July 2021.

- **Anticipated or Known Risks or Events Which Have Significant Impact on Operation**

  The Novel Coronavirus (COVID-19), which was first reported in Wuhan, China in the end of year 2019 has killed more than two million people and infected more than a hundred million people across the globe. The COVID-19 pandemic has been getting more serious around the world since the first quarter of 2020 and the economic toll of the outbreak also has potentially disastrous implications worldwide.

  For the steel industry, due to lockdown or other emergency countermeasures adopted by many countries, the steelmakers from Europe, Brazil, Japan, India and United States had temporarily shut down their blast furnaces in order to cope with the weak demand of steel products in mid of year 2020. As this crisis plays out, the global steel mills have been forced to suspend their production and this move has led to severe disruption of the whole demand and supply chain.

  The steel market in China resumed activity with strong domestic demand after a long national holiday in early October 2020 and similar domestic demand has also seen in India, who has reclaimed domestic demand with the revival in the economy after the easing of pandemic lockdown. Due to the steel mills' production cut and tight domestic supply, India steelmakers have lowered exports on a large-scale. The steel price in Asia was supported by the decrease in export from China and India besides the high level of iron ore price.

As for the steel market in Malaysia, with the gradual resumption of operation by local steel players since May 2020, the demand for construction projects were slowly recovered at the end of the second quarter of year 2020. The Group actively responded to the demand of customers and successfully turned into black since June 2020.

Coupled with the COVID-19 outbreak and the uncertainty of political power in Malaysia, the fluctuation of Ringgit Malaysia ("RM") may also affect the Group's overall performance as our raw materials are imported.

- **Prospects and Outlook for the Financial Year 2021**

The adverse effects of the COVID-19 pandemic remained severe in the beginning of the year 2021 despite COVID-19 vaccines being produced and circulated to multiple countries. The outbreak across the globe has sparked more uncertainty as well as instability to the global economy, in which the steel market is expected to remain challenging in the year 2021.

For the international steel market, with steel prices constantly rising for the past few months, it is expected that the price may progressively enter the horizontal consolidation period. Any further breakthrough depends on the rise and fall of the iron ore as well as the demand and supply across the globe.

On the other hand, the Malaysian economy may take another hit in the year 2021 as the government had announced the implementation of a second Movement Control Order (MCO 2.0) in January 2021 in multiple states, except one, which was Sarawak. However, the impact is expected to be less severe compared to the first MCO imposed in March 2020 as most of the key businesses were allowed to operate with adherence to the rules and standard operation procedures (SOP) set by the government.

As Malaysia is facing a challenging third wave of COVID-19 outbreak, the Group will be responsive to its impact on economic activities, and cooperate closely with our customers to overcome the economic tsunami. Production planning and product delivery will be more flexibly adjusted according to market needs and economic recovery. We will also ensure that the customers' production will not be disrupted due to the shortage of raw materials.

In addition, the Group will adhere to the government regulations, ensure the safety of the employees, and work closely with downstream in order to get through the difficult time. The safety of our employees is our top priority.

Barring any unforeseen circumstances, we are cautiously optimistic that the Group could minimise the impact of recent global issues and the slowdown of economic growth, especially the aftermath of COVID-19.

Acknowledgement and Appreciation

We credit the success of the Group to the dedicated and 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 wish to thank my fellow Board of Directors for their cooperation and invaluable contribution to the Company and the Group.

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.

Yin, Shou-Kang
Group Managing Director

The Board and Management of CHB adopt high standards of professionalism and integrity and practices 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 (the "MCCG") 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.

1. BOARD LEADERSHIP AND EFFECTIVENESS

1.1 Board Leadership

a. Board's Responsibilities

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 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 on 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.

The Board conducted a 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.

The Board ensures that the statutory accounts of the Company and Group are fairly stated and otherwise conformed to the relevant regulations, including acceptable accounting policies that result in balanced and understandable financial statements.

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 of the Board's decision-making process.

The Board also plays 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. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.1 Board Leadership (cont'd)

a. Board's Responsibilities (cont'd)

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, each of the Terms of Reference could also be found in the Company's website at *www.cscmalaysia.com*. The Chairman of the Audit Committee and Nominating Committee reports to the Board subsequent to their respective committee meetings.

The setting up of the two (2) Board committees 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.

b. Ethical Leadership by the Board

Standard Ethical Codes of Conduct for Directors

The Board acknowledges the importance of establishing a healthy corporate culture and has formalized in writing a Standard Ethical Codes of Conduct for Directors on its Board Charter, which have been uploaded on the Company's website at *www.cscmalaysia.com*, sets out the standards of good behaviour by underscoring the core ethical values that are vital for their business decisions.

Other than the standard Ethical Codes stated in the Board Charter, there is a standard code, namely 'Standards of Ethical Code and Conduct for Directors of CSC Steel Holdings Berhad and its Subsidiary Companies' issued by the Company for the good practice of directors.

Anti-Bribery & Corruption and Whistle-blowing Policy

The Group's Whistleblowing Procedure provides an avenue for a whistle-blower to raise concerns about fraud, malpractices, illegal acts, improper conduct and other acts or omission which is against the interest of the Group. Concerns will be addressed according to procedures and feedback channels as determined in the procedure.

Contacts of the Whistleblowing Committee ("WBC") are available on the Company's official website (*www.cscmalaysia.com*), homepage of the Company's ERP system (access restricted only to Company employees) and on the signboards that being placed at the punch card points of factory premise, security office as well as the entrances of employees' canteen. Whistleblowers can contact any of the WBC members through phone or email to make a complaint.

The contacts of WBC members are listed under *"Whistleblower Hot lines"* appearing on page 2 of this Annual Report.

c. The Role of Chairman and Group Managing Director ("Group MD")

Under the practices of good corporate governance, the role of Executive Chairman and Group MD of the Company is distinct and separate with individual responsibilities. Each of them has clearly defined duties and authority thus ensuring balance of power and greater capacity for independent decision-making.

However, for CSC Steel Holdings Berhad ("CHB"), the Board does not have a Chairman on its Board and the Chairman of the Board meeting is elected among the board members appointed to chair the meeting on every Board of Directors' Meeting. CHB has yet to comply with the Practice 1.3 of MCCG on the position of Chairman of the Board and Group MD is to be held by different individuals as this will come to practice when it is deemed necessary.

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.1 Board Leadership (cont'd)

c. The Role of Chairman and Group Managing Director ("Group MD") (cont'd)

The Group MD together with the top management is 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 and also additional meeting will be called when necessary.

d. Strategies Promoting Sustainability

The Group acknowledges that sustainability is an important aspect of its business and continuously undertakes responsible practices that impact the society and the environment in a positive manner and to inculcate a culture of responsibility in all aspects of our business. It therefore adopts a business approach to create shareholder value by embracing opportunities and managing risks arising from economic, environmental and social developments.

The Board ensures that its long-term financial viability, loyalty of key stakeholders and preservation of the environment is achieved. The details of the sustainability activities are set out in the Sustainability Statement on pages 29 to 32 of the Annual Report.

e. Role of Company Secretary in supporting the Board and Board Committees

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 "Act").

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 as well as to inform and keep the Board updated on the latest enhancements in corporate governance, changes in the legal regulatory framework, new statutory requirements and best practices.

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 2020.

The Board had on 1 January 2021 appointed a Joint Secretary who is a member of Licensed Secretary by Commission of Malaysia and is qualified to act as company secretary pursuant to Section 235(2) of the Act.

f. Directors' Training

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

The 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 Company Secretary regularly updates the relevant guidelines on statutory and regulatory requirements for the Board's reference and briefed the Board quarterly on these updates, where applicable, at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statements during the financial year under review.

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.1 Board Leadership (cont'd)

f. Directors' Training (cont'd)

The Nominating Committee of the Board assesses the training needs of each Director on an annual basis by determining areas that would strengthen their contribution to the Board. From the assessment, the Nominating Committee is satisfied that the Directors have attended adequate trainings to enable them to discharge their duties. 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.

Induction program will be arranged 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.

g. Board Charter

The Board Charter of the Company adopted by the Board in early 2014 (last review in year 2019), 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.

1.2 Board Dynamics

a. 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 both 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 8 of this Annual Report.

b. Board Meetings

The Board 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 of the Board is to ensure that each agenda item is adequately reviewed and deliberated upon within a reasonable timeframe.

Dates of each Board and Board committee meetings in 2020 were unanimously agreed upon by the Directors three (3) months in advance. However, dates of all Board and Board committee meetings for 2020 were unanimously decided prior to the start of the calendar year 2020. This is 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.

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Dynamics (cont'd)

b. Board Meetings (cont'd)

Board meetings are conducted in accordance with a structured, formal agenda prepared by the Company 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 soft 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 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 a 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.

During the financial year ended 31 December 2020, a total of four (4) Board meetings were held and the attendance of each Director is set out herein below:-

Directors	Attendance
Yin, Shou-Kang	4/4
Kuo, Yi-Jen	4/4
Liu, Min-Hsiung	4/4
Chen, Chien-Tu *(Resigned on 31 December 2020)*	4/4
Chen, Yi-Chien *(Appointed on 1 January 2021)*	-/-
Phong Hon Wai	4/4
Lim Lay Ching	4/4
Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud	4/4

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 Board during the financial year ended 31 December 2020. Other senior staff may be invited to attend certain meetings if so required.

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.2 Board Dynamics (cont'd)

c. Independent Directors

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.

The annual appraisal of the contribution of the Board, Board Committees and individual directors was 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 in February 2021, 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.

d. Tenure of Independent Directors

The tenure of an Independent Director does not exceed a cumulative term limit of nine years since his/her appointment as an Independent Directors as recommended by Practice 4.2 of MCCG. Upon completion of the nine years, an Independent Director may continue to serve as the board beyond nine year tenure provided that the Independent Director is re-designated as Non-Independent Director.

If the Board intends to retain an Independent Director beyond nine years, it should justify and seek annual shareholders' approval annually. If the Board continues to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Company has adopted 9 years and after 12th year policies for Independent Non-Executive Director of the Company and taking into account the need for progressive refreshing of the Board as recommended by Practice 4.3 of MCCG. Currently, the Company does not have independent directors who served for more than 9 years.

1.3 Nominating Committee

The Nominating Committee of CHB consists of three (3) members, two Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The Committee is chaired by Mr. Phong Hon Wai, a Senior Independent Non-Executive Director, in line with Practice 4.7 of MCCG.

Full attendance of the members was recorded for a meeting held during the financial year ended 31 December 2020 as follows:-

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

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.3 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, a copy each could be found at the Company's website at *www.cscmalaysia.com*.

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 the 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.

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.

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 Annual General Meeting ("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. An 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.

For the financial year ended 31 December 2020, the activities of the Nominating Committee include the following:-

i) reviewed the size 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 of the non-executive directors and executive directors of the Company should have;
iii) reviewed the effectiveness of the Board as a whole, contribution of each individual director and committees of the board;
iv) reviewed the performance of the former Vice President of Finance Division, Mr. Chen, Chien-Tu in discharging his role as Chief Financial Officer of the Company in 2020;
v) reviewed the performance and support rendered by the Company Secretary to the Board in discharging her functions;
vi) reviewed the term of office and performance of Audit Committee members to determine whether its members have carried out their duties in accordance with the terms of reference;
vii) assessed the training programs attended by the Directors as well as the training needs required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends;
viii) assessed the independence of the Independent Directors of the Company; and
ix) assessed the Directors who shall be retiring by rotation and standing for re-election by the shareholders at the forthcoming AGM.

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.3 Nominating Committee (cont'd)

The Board at its meeting on 19 February 2021 was unanimous with and accepted each of the above recommendations of its Nominating Committee and summarized as follows:-

i) The Committee was overall satisfied with the size and composition of the Board of Directors, the Company is in compliance with the MMLR of Bursa Securities;
ii) The mix of skills, experience and other qualities, including core competencies of the non-executive and executive directors of the Company together with the effectiveness of the Board as a whole, contribution of each individual Director and committees of the Board were satisfactory;
iii) The Committee indicated that the former Vice President of Finance Division, Mr. Chen, Chien-Tu, had performed commendably and to their satisfaction in discharge his role as “Chief Financial Officer” of the Company and the Group based on the timely quarterly reports received, feedback from the external auditors and the comprehensive and timely reporting of the financial performance to the Board. It was noted that Mr. Chen, Yi-Chien, the newly appointed Executive Director on 1 January 2021, would discharge his role as “Chief Financial Officer” of the Company to fill the vacancy in the position following the resignation of Mr. Chen, Chien-Tu as Vice President of Finance Division of the Company on 31 December 2020;
iv) 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;
v) The Committee was satisfied with the performance and support rendered by the Company Secretary to the Board in discharging her functions;
vi) The Committee was satisfied with the independence of the independent non-executive directors of the Company; and
vii) The Committee discussed and had recommended the directors who have given their intention to seek for re-election, be put forward for re-election by the shareholders at the coming 17th AGM.

a. Diversity of Board and Senior Management

The Board acknowledges the importance of gender diversity in Board and it had appointed Ms. Lim Lay Ching, a legal practitioner, as its Independent Director to the Board in March 2015.

However, the Board has yet to adopt any formal gender diversity policy in the selection of new Board members/new Senior Management and also does not have a specific policy on setting targets for female candidates. The Board evaluates a candidate of new Board member/new Senior Management by considering various factors, including skill and expertise, personal qualities, age, educational qualification and capability to discharge duty effectively.

The Group will continue to identify suitable candidates for appointment to the Board as and when vacancies arise.

b. Appointment to the Board

The proposed appointment of a new member to the Board will be deliberated on by the full Board based upon the recommendation of the Nominating Committee and from its major and biggest shareholder, China Steel Corporation of Taiwan.

Before any recommendation made to the Board, the Nominating Committee will evaluate a candidate by considering the following:-

- skills, knowledge, expertise and experience;
- character, integrity, professionalism;
- competence and time to effectively discharge his role; and
- in the case of candidates for the position of independent non-executive directors, the Committee should also evaluate the candidates’ ability and commitment to discharge such responsibilities/functions as expected from independent non-executive directors.

None of the Board members were appointed as Director of the Company during the financial year ended 31 December 2020.

On 1 January 2021, Mr. Chen, Yi-Chien had been appointed as Executive Director of the Company to fill the vacancy in the position following the resignation of Mr. Chen, Chien-Tu as Executive Director of the Company on 31 December 2020.

As such, Mr. Chen, Yi-Chien will be subjected to retirement at this forthcoming AGM.

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.3 Nominating Committee (cont'd)

c. Re-election of Directors

In accordance with the Company's Constitution, all directors, including the Group MD, shall retire from office at least once every three (3) years and all retiring directors shall be eligible for re-election at the 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 provides 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.

On 19 February 2021, the NC had reviewed and recommended that the following Directors will retire by rotation, and being eligible had offered themselves for re-election at the forthcoming AGM:-

- Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud pursuant to Clause 77(2)
- Mr. Kuo, Yi-Jen pursuant to Clause 77(2)
- Mr. Chen, Yi-Chien pursuant to Clause 79

d. 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 the 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.

The second liners for all key senior management posts in the Group's organization chart have been identified, but these eligible candidates would not be revealed until such time there is a need to do so.

1.4 Remuneration Committee

The Board has not established a Remuneration Committee. The remuneration packages of Group MD and key senior management team 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 the talents 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.

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.4 Remuneration Committee (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 the Executive and Non-Executive Directors of the Company for the financial year ended 31 December 2020 are as follows:-

Category	Fees (RM)	Salaries & Bonuses (RM)	Other Emoluments (RM)	Benefits-in-Kind (RM)	Total (RM)
Executive Directors	-	313,768	59,383	42,633*	415,784
Non-Executive Directors	139,800	-	-	-	139,800
Total	**139,800**	**313,768**	**59,383**	**42,633**	**555,584**

** the Benefits-in-Kind are given due to their office as Executive/Management position of the Company shall not seek for shareholders' approval.*

Directors' remuneration for the year ended 31 December 2020 falls within the following bands:-

Range of Remuneration	Executive	Non-Executive
Nil	Nil	2
Below RM50,000	Nil	2
RM50,001-RM100,000	Nil	1
RM100,001-RM150,000	Nil	Nil
RM150,001-RM200,000	1	Nil
RM200,001-RM250,000	Nil	Nil
RM250,001-RM300,000	1	Nil

Note:
- *Details of directors' remuneration above include Director who has resigned during the year ended 31 December 2020.*
- *The fees of the Non-Executive Directors shall be determined by the Board as a whole where each individual Director abstaining from discussion pertaining to his own fees.*
- *The Directors' Fees for an amount not exceeding RM139,800 for the financial year ended 31 December had approved by the shareholders on 16th AGM on 24 June 2020.*
- *The proposed Directors' Fees for financial year ending 31 December 2021 will be subject to the shareholders' approval at the Company's forthcoming AGM.*

The details of Top Senior Management's remuneration are not shown, as the Board considers the information of the said remuneration being sensitive and proprietary in view of the competitive nature of the human resource market and to support the Company's effort in retaining executive talents.

The total remuneration paid to each senior management reflects the time and effort devoted to fulfill his or her responsibilities on the Board and linked to the Group's performance.

2. EFFECTIVE AUDIT AND RISK MANAGEMENT

2.1 Establishment and Effectiveness of the Audit Committee

a. Audit Committee

The Audit Committee of CHB consists of three (3) members, two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The Committee is chaired by Mr. Phong Hon Wai, a Senior Independent Non-Executive Director, in line with Practice 8.1 of MCCG.

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 33 to 36 of this Annual Report.

The copy of term of reference of the Audit Committee is available on the Company's website at *www.cscmalaysia.com*.

2.2 Roles and Responsibilities of the Audit Committee

a. Oversight of 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 Audit Committee, Mr. Phong has over twenty (20) years' experience in public accounting practices and is presently the principal partner of Messrs. MW. Phong, Messrs. MW (partnership) and Messrs. Mcdonald Carter (partnership) and Messrs. HWTP Tax Sdn. Bhd., Messrs. HP Tax Services Sdn. Bhd., respectively audit firms and taxation firms together with his other two (2) fellow Audit Committee members. He 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.

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 a material misstatement and gave a true and fair view of the financial position of the Group and the respective companies within the Group in 2020. 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 2020, the outsourced Internal Auditors had in their quarterly reports stated that no material unaddressed issue or major unaddressed 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.

For the financial year ended 31 December 2020, two (2) internal audit reports and two (2) follow up reports had been tabled and reviewed.

Premised on the above, the Board considers that it has provided a fair, balanced and a 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 2020 are set out on pages 43 to 110 of this Annual Report and a statement by the Board of its responsibilities in preparing the financial statements is on page 110 .

2. EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

2.2 Roles and Responsibilities of the Audit Committee (cont'd)

b. Related Party Transaction

An internal compliance framework exists to ensure the Group meets its obligations relating to the related party transactions under the MMLR. The Board, through the Audit Committee, reviews all material related party transactions involved.

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

The Circular to Shareholders dated 23 April 2021 as well as the notes to the financial statements herein provides further details on these related party transactions.

c. 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 internal controls within the Group is set out in the Statement on Risk Management and Internal Control on pages 37 to 41 of this Annual Report.

d. Internal Audit Control

An Independent internal audit function was set up to assist and report directly to the Audit Committee in respect of the adequacy of the Group's internal control and risk management systems. A summary of activities conducted by the internal audit function as well as the costs incurred in carrying out the function in respect of the financial year under review was set out in the Audit Committee Report on pages 33 to 36 of this Annual Report.

e. Assessment on Suitability and Independence of External Auditors

The Audit Committee performs a yearly assessment of the suitability and the independence of the External Auditors before making recommendations to the Board for the appointment or re-appointment of the External Auditors.

The Audit Committee takes the following into consideration:-
- The adequacy of the experience and resources of the External Auditors;
- The nature of the non-audit services and the fees payable for such services; and,
- The level of independence of the External Auditors.

The External Auditors have conformed to the Audit Committee that they have continuously complied with the relevant ethical requirements regarding independence throughout the conduct of the audit engagement, in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independences Standards) and Malaysian Institute of Accountants' By-Laws (On Professional Ethics, Conduct and Practice).

3. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP

3.1 Encourage Engagement with Shareholders and other Stakeholders

The Company is committed to maintaining good communication 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 sixteen 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. Questions from the shareholders are addressed by key management staff and the external auditors of the Company during the yearly AGM.

The AGM held on 24 June 2020 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 for the past sixteen years.

3.2 Corporate Reporting

The details of governance structure in place to manage the economic, environmental and social risks and opportunities were set out in the Sustainability Statement on pages 29 to 32 of this Annual Report.

3.3 Annual General Meeting

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 in compliance with Paragraph 7.15 of Bursa Securities' MMLR and Clause 53(1) of Company's Constitution.

In compliance with this requirement, CHB's Annual Report 2020 will be issued on 23 April 2021 which is also the date of dispatch of the notice of its 17th AGM. The coming 17th AGM, scheduled on 24 May 2021 (Monday) 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.

In accordance with the MMLR, the Board will put all resolutions to vote by way of poll at general meetings.

The Board appreciates feedback from their valued stakeholders and in this regard, stakeholders may raise their concerns via telephone, facsimile, or electronic mail as stated in the Company's website at *www.cscmalaysia.com*.

COMPLIANCE STATEMENT

Based on the above, the Board considers that as far as possible, it has taken steps to comply with the Practices of the MCCG for the financial year ended 31 December 2020.

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2020.

AUDIT FEES AND NON-AUDIT FEES

During the financial year ended 31 December 2020, the amount of audit and non-audit fees paid/payable by the Company and by the Group to the External Auditors and its affiliated company were as follows:-

	Company		Group	
	FYE 2020 RM	FYE 2019 RM	FYE 2020 RM	FYE 2019 RM
Statutory audit fees paid /payable to:				
Deloitte	29,000	29,000	141,400	130,400
O.L.Yeo	Nil	Nil	1,800	1,600
Total (a)	**29,000**	**29,000**	**143,200**	**132,000**
Non-audit fees paid/payable to:				
Deloitte	3,000	3,000	3,000	3,000
CPL Taxation	Nil	Nil	1,000	1,200
Affiliates of Deloitte	**31,100	8,600	**99,300	152,300
Total (b)	**34,100**	**11,600**	**103,300**	**156,500**
% of non-audit fees (b/a)	**118%**	**40%**	**72%**	**119%**

**The amount of non-audit fee incurred for the services rendered to the Group and the Company by Deloitte Tax mainly for consultation services rendered in relation to appeal revision tax 2020, transfer pricing and review the Group's tax audit during the financial year ended 31 December 2020.

MATERIAL CONTRACTS

There were no material contract entered into by the Company and/or its subsidiary which involved Directors' and/or substantial shareholders' interest, either still subsisting at the end of the financial year ended 31 December 2020 or, if not then subsisting, entered into since the end of the previous year.

STATEMENT PERTAINING TO THE ALLOCATION OF SHARES UNDER EMPLOYEES SHARE SCHEME

To date, the Company has not established any employees share scheme ("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.

RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE

The details of the related party transactions are set out in the notes to the financial statements in which the transactions were carried out on terms and conditions not materially different from those obtainable from transactions with unrelated parties.

Further information on the proposed renewal of the shareholder mandate for the recurrent related party transactions to be tabled at the forthcoming Annual General Meeting are set out in the Circular to Shareholders dated 23 April 2021.

The Group has adopted a set of sustainable business practices that is in line with the philosophy of parent company, China Steel Corporation ("CSC") in Taiwan and the scope of 2020 Sustainability Statement covers the subsidiaries of CHB, namely CSC Steel Sdn. Bhd., Group Steel Corporation (M) Sdn. Bhd. and Constant Mode Sdn. Bhd. The statement covers the period from 1 January 2020 to 31 December 2020. Sustainable business practices have formed an integral part of the Group's day-to-day operation and it is one of the keys to ensure the Group's long-term goals and continuity are achievable.

The Group has adopted a functional organization structure for planning, organizing and executing the business operations to ensure its objectives are met. The duties are carried out with the core values of CSC Group in mind, namely Teamwork, Pursuit of Innovation, Down-to-Earthness and Entrepreneurial Approach. The key elements of these core values are as follows:

Teamwork

Replace internal rivalries with coordination and cooperation with a common goal in mind - the corporate objectives.

Pursuit of Innovation

Managing people and processes through research and development that turn new ideas into profit. Being innovative keeps the company abreast of the latest industry development.

Entrepreneurial Approach

Stressing efficiency for the day-to-day operation to preserve growth. Has a responsibility to provide superior products and services to its customers and an environment for its employees to grow professionally and intellectually as well as satisfying return on shareholders' investment.

Down-to-Earthness

The state of being practical and realistic as well as making sensitive decisions as to deal with problems effectively.

Sustainable Principles

Apart from adopting the core values of CSC Group, the Group is also committed to complying with laws, respect the culture and to have a positive impact to the communities where we conduct our businesses. There are four (4) sustainable principles embedded into our culture, namely sustainable economic principles, sustainable environment principles, sustainable community principles and sustainable workplace principles. The Group is determined to deliver sustainable value through various aspects such as policies, objectives and strategies to all stakeholders.

Stakeholders Identified

As to achieve a more comprehensive engagement, the Group has identified certain stakeholders relevant to our daily operations as below.

Stakeholders	Mode of Engagement	Frequency	Sustainability Issues
Shareholders & Investors	Annual General Meeting	Annually	- Profitability - Business Strategy - Industry Environment
Government & Regulators	Regulatory Requirements	Periodically	- Environmental Issues - Occupational Safety & Health - Labour Practices
Customers	Customer Feedback	As needed	- Product Quality - Delivery - Technical Services
Employees	- Management Meetings - Employee's Performance Appraisal - Employees Discussion	- Weekly - Half Yearly - Half Yearly	- Learning & Development - Occupational Safety & Health - Welfare
Community	CSR programme	As needed	- Social & Environmental Issues

Governance

As the Group's business is classified as heavy industry, we are always concerned about the health and safety of our employees as well as protecting the environment. We are committed as a company and as individuals to comply with the laws, respect the cultures and to have a positive impact in the communities where we conduct our business.

During the year under review, the activities undertaken by the Group which relate to sustainability aspects i.e. marketplace, environment, workplace and community, though not exhaustive, were as follow:-

Marketplace

- Products and Services

  TIn order to meet the standards set by the relevant industries as well as national standards, the Group has successfully maintained the continuation of several product certifications, such as Eco labelling Sirim Eco 032:2011, Malaysian Standard, MS 2383:2011, MS 2384:2011, MS 2385:2011; Japanese Industrial Standard, JIS G3302:2010/Amendment 1:2012, JIS G3312:2012; Indonesian National Standard, SNI 07-3567-2006, SNI 07-2053-2006 and Perakuan Permatuhan Standard (Bahan Binaan) developed by Construction Industry Development Board, CIDB.

  In addition, the Group is committed to providing technical services to its customers. as and when required. Besides, the Group also takes part in webinars or e-conference so as to share the latest information on steel products with the targeted audience such as architects, developers, etc.

Environment

- Monitoring Program and Compliance

  The Group is committed to maintaining a sound Environmental Management System and the ISO 14001:2007 has been adopted since 2009. Subsequently, the Group had migrated to the new ISO version (14001:2015) in the year 2018.

  Apart from the adoption of management system, the Group had complied with the applicable laws and regulations. An environmental report is prepared on a quarterly basis by a competent party appointed by the Group. The report will then be submitted to the Department of Environment, Melaka for their acknowledgement.

- Energy Management

  As energy is one of the important resources and has impacts on the environment, the Group is committed to enhancing its energy management by addressing the issues relating to energy conservation, energy usage and energy efficiency. We have adopted a variety of energy management practices to ensure resources are used efficiently.

  Besides, we have obtained the Energy Efficiency Management System certification, namely ISO: 50001:2011 since 2013. Internally, we have a dedicated team that meets regularly to discuss and solve the issues on energy.

  The Group had been chosen as the winner for the sub-category under the Energy Efficiency (EE), Energy Management Industry (Large) in the National Energy Awards (NEA) 2019. As the winner of NEA 2019, it was our honour to represent Malaysia to participate in ASEAN Energy Awards 2019 and we were chosen as the 2nd runner-up in the “Energy Management for Building & Industry – Large Industry” category.

  It was indeed a proud moment for us as the Group is being recognized on the efforts taken in managing its energy efficiency.

- Waste Management

  The Group always treats its waste carefully, for instance, recycling the use of its metal hydroxide sludge as cement additive rather than disposing it by way of solidification, engaging only service providers approved by the Department of Environment (“DOE”) to dispose the scheduled waste and domestic waste.

  Besides that, recyclable wastes such as paper, carton boxes, etc, are collected and sorted before selling it to waste collectors. All income generated from this disposal of recyclable items is channeled towards employees’ welfare as well as funding for charitable activities.

- Green Environment

  As part of the effort in creating an environmentally friendly working place, the Group had planted additional trees in the surrounding of the factory area. The benefits from trees planting not only could beautify the premises with a fresh “green” look, but also helps in reducing carbon footprint.

- Green Products

  Certain coated steel products of the Group have obtained My Hijau status, as an indicator of green products. My Hijau programme was established in early 2012 as one of the efforts for promoting the green technology in Malaysia.

  In 2014, the Group achieved another milestone after being accredited with another green product related certification, namely SIRIM Eco-label (Green Coated Steel).

Workplace

- Safe Working Place

  The Group has adopted the Occupational Health and Safety Assessment Series, OHSAS 18001 since year 2016 and subsequently migrated to ISO 45001:2018 (Occupational Health and Safety Management System) to further enhance its workplace health and safety. A Safety and Health Committee has been formed to improve the health and safety management system of the Group and to ensure the well-being of all levels of employees are taken care of.

  Apart from the health and safety of employees, the Group also concerns about the safety of contract transporters during the deliveries within the factory premises. Several safety procedures have been set to safeguard the safety of all parties involved.

  There are no compromises for safety in our culture and we have set a high standard for us to achieve the goals.

- Job Opportunities and Diversity

  The Group has created approximately 700 job opportunities since its establishment. The classification of employees within the Group by level and nationality as at 31 December 2020 is as follows:

Nationality	Executive		Non-Executive		Total	
	No.	%	No.	%	No.	%
Local	214	31.61	420	62.04	634	93.65
Foreigners	3	0.44	40	5.91	43	6.35
Total	217	32.05	460	67.95	677	100

  The Group recruits its employee based on the suitability of an individual employee's skills and expertise, educational qualification and capability to match to the position requirements. The Group embraces diversity within its workforce, which comprises a mix of employees from different genders, age groups and ethnicity. We believe in practicing non-discrimination regardless of race, national origin and marital status.

Community

- Non-profit organisations

  The Group cares about the well-being of the public. In year 2020, financial assistance was provided to non-profit organization to purchase medical supplies in order to combat the COVID-19 outbreak.

- Schools

  As we believe education plays a vital role for the nation to prosper progressively, we continued providing assistance to several schools in Melaka, be it in financial support for upgrading the schools' facilities or donating steel materials to the schools for their infrastructure needs. Apart from that, refurbished personal computers were donated to two primary schools as to enhance the learning facilities of students. The Group also provided the required resources for the schools to participate in national or international events for the students to gain valuable exposure.

  The Group had contributed approximately RM 113,000 (including raw materials) to the community, both non-profit organisations and schools for the financial year ended 31 December 2020.

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 during the financial year ended 31 December 2020.

1. MEMBERS AND MEETING ATTENDANCE

The AC comprised of three (3) members, two (2) Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The current composition complies with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR of Bursa Securities").

Four (4) AC Meetings were held during the financial year ended 31 December 2020 and the details of the attendance of the committee members were as follows:-

Committee Members	Attendance
Phong Hon Wai *(Chairman/Senior Independent Non-Executive Director)*	4/4
Lim Lay Ching *(Member/Independent Non-Executive Director)*	4/4
Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud *(Member/Non-Independent Non-Executive Director)*	4/4

The members of Audit Committee fulfil requirement under paragraph 15.09(1)(c)(i) of MMLR. 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 Committee meeting on the standing invitation of the Committee Chairman during the financial year ended 31 December 2020.

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. RIGHTS, AUTHORITIES AND TERMS OF REFERENCE

The rights, authorities and terms of reference of the AC can be viewed on the Company's website at *www.cscmalaysia.com*.

3. PROCEDURE OF COMMITTEE MEETING

Chairman
The Chairman shall be elected by the Committee from among their members who shall be an independent director. The AC Chairman shall not be the Chairman of the Board.

If at any meeting, the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the members present shall choose one of their members, to act as Chairman of the meeting.

Quorum
The majority of members who must be the independent directors present at the meeting shall be a quorum.

Attendance
The Head of Finance, the representatives from the internal and external auditors shall normally attend the meeting. Other directors and employees attend any particular AC meeting only at the Committee's invitation, specific to the relevant meeting. The Committee may invite any person to be in attendance to assist in its deliberations.

The Company Secretary shall act as the secretary of the Committee during her term of appointment.

Calling
Any member may at any time and the Head of the Finance and the Company Secretary shall on the requisition of any of the members or the external auditors summon a meeting.

The meetings may be conducted by means of telephone conference, video conference or any other form of audio or audio-visual instantaneous communication and the participation in the meeting pursuant to this provision shall constitute presence in person of such meeting.

Frequency of Meetings
Meetings shall be held at least four (4) times a year to review the quarterly results and year-end financial statements.

Resolution in Writing
A resolution in writing signed by all members of the Audit Committee for the time being entitled to receive notice of an Audit Committee meeting, shall be as valid and effectual as if it had been passed at a meeting of the Audit Committee duly convened and held.

Any resolution coming within the provisions of this Regulation may consist of several documents in like form, each signed by one or more member of the Audit Committee.

Any such document may be accepted as sufficiently signed by a member if transmitted to the Company by any technology purporting to include a signature and/or an electronic or digital signature of the member.

Notice
Except in the case of an emergency, reasonable notice of every meeting shall be given in writing and the notice of each meeting shall be served to any member either personally or sending it by facsimile transmission or email transmission or through the post or courier to such member to his/her registered address as appearing in the Register of Directors, as the case may be.

The notice and agenda shall be distributed to all members at least seven (7) days before the meeting.

Voting and Proceedings
A resolution put to the vote of the meeting shall be decided on a show of hands. In the case of an equality of votes, the Chairman shall be entitled to a second or casting vote.

Keeping of Minutes
The minutes shall be signed by the Chairman of the meeting, which the proceedings were held or by the Chairman of the next succeeding meeting and shall be circulated to the Committee and the Board of Directors.

Custody, Production and Inspection of such Minutes
The minutes shall be kept by the Company at the Registered Office or the principal place of business in Malaysia of the Company, and shall be opened to the inspection of any member of the Committee without charge.

4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

A brief summary to provide an overall view of the activities of the AC in discharging its duties and responsibilities during the financial year ended 31 December 2019 is as follow:-

a. Financial Reporting
- 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.
- Reviewed and recommended the audited financial statement of the Group for approval by the Board of Directors prior to its release to Bursa Securities.

b. With Internal Auditors
- Conducted private sessions with the internal auditors without the presence of the executive board members and staff of the Company.
- Reviewed the adequacy of the scope, functions, competency and resources of the internal audit functions (which reports directly to the Committee) and that it has the necessary authority to carry out its work;
- Reviewed the internal audit plan, processes, the results of the internal audit plan, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;
- Reviewed the internal audit reports and action plan progress reports, subsequently reported the key matters to the Board; and
- Reviewed the appraisal or assessment of the performance of the Internal Audit ("IA") function and performance of the Head of IA, who is appointed to be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control and governance processes within the Group, and submit the outcome of performance assessment of the Head of IA to the Nominating Committee for determination of reward allocation.

c. With External Auditors
- Reviewed the external auditors' scope of work and audit plan for the year. The audit plan was presented by representatives from the external auditors;
- Reviewed the external auditors' management letter and management's response thereto;
- 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 2020 to discuss the outcome of the audit of the Group in respect of the financial year ended 31 December 2019 and the second time in November 2020, 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 2020;
- Appraised the performance and evaluated the independence and objectivity of the external auditors in providing their services, including areas of audit emphasis for the financial year and additional disclosures in the auditors' report in line with the new and amended international standards on auditing, including disclosures on Key Audit Matters;
- Conducted the annual performance assessment, including their suitability and independence; and
- Considered and recommended to the Board the appointment of the external auditors and their audit fees after taking into consideration the independence of the external auditors.

d. Others
- Reviewed recurrent related party transactions ("RRPTs") that mandated by the shareholders in AGM, including any transaction to ensure that the transactions were on normal commercial terms and not detrimental to the interest of minority shareholders of the Company;
- Reviewed on a quarterly basis the actual transacted value of RRPTs matching them against the mandate from share holders to ensure compliance with the MMLR of Bursa Securities 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; and
- Reviewed the "Statement on Risk Management and Internal Control", "Audit Committee Report" and "Internal Audit Function" prior to their inclusion into the Annual Report 2020 after approved by the Board of Directors;

All the requirements under the terms of reference were complied with and AC did not see any matters in breach of the MMLR of Bursa Securities that warrant reporting to Bursa Securities.

5. INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2020, 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 AC in discharging their duties and responsibilities more effectively. AC 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 2020, internal audit activities have been carried out in accordance with the pre-approved internal audit plan. The IA had conducted two (2) audits during the financial year ended 31 December 2020.

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 AC for approval prior to the commencement of the internal audit.

The summary of works that had been undertaken by the Internal Auditors during the financial year ended 31 December 2020 and the date of this Annual Report included the following:-

(a) Anti-Bribery and Corruption Management & Governance Management
(b) Management Information Systems, Related Party Transactions & Governance Management

The internal audits performed had met their objectives of highlighting to AC on their audit findings which required follow-up action by the Management, and any outstanding audit issues which required corrective actions to be taken to ensure an adequate and effective internal control system within the Group, as well as any weaknesses in the Group's internal audit control system. It ensured that those weaknesses were appropriately addressed and that recommendations from the internal audit reports and corrective actions on reported weaknesses were taken appropriately within the required timeframe by the Management.

The total costs incurred for the internal audit function in respect of the financial year ended 31 December 2020 was RM 53,041.

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 2020. 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") and the Malaysian Code on Corporate Governance. The scope of this Statement includes the Company and its operating subsidiary.

BOARD RESPONSIBILITIES

The Board is committed and acknowledges its overall responsibility for maintaining a sound risk management and internal control system and for reviewing its adequacy and effectiveness continually so as to safeguard all its stakeholders' interests and protect the Group's assets as well as to establish risk appetite of the Group. The Board has delegated tasks to the management of the Group to identify, evaluate as well as to manage significant risks. The Board has also delegated the review of adequacy and effectiveness of the risk management and internal control systems to the Audit Committee ("AC"). Through AC, the Board is kept informed of all significant control issues brought to the attention of AC by the management, the internal audit function and also the external auditors. The Board is working closely with 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, 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. The Board does not review the system of internal controls of its associated company as the Group does not have management control over the associated company. Notwithstanding that, the Group's interests are served through representation on the Board of Directors of the associated company and a review by the Group's Board of Directors on the performance of the associated company.

RISK MANAGEMENT

The Board recognises that an important element of a sound system of internal control is having a sound risk management system for identifying, evaluating and managing significant risks faced by the Group periodically. The duties for the identification, evaluation and management of the key business risks are delegated by the Board to the Group Managing Director and the Senior Management. On a strategic level, strategic business strategies are formulated by the Management and presented to the Board for review to ensure proposed strategies are in line with the Group's risk appetite. Subsequently, an update on the implementation progress of the approved strategies will be presented by the Management to the Board.

The respective head of departments are responsible for managing the risks 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 held on a weekly basis, any material and significant changes to the risk profile will be reported to the Board. Apart from that, the Group is in the midst of establishing a risk management framework in which shall serve to manage the anticipated risks with action plans in a systematic manner with universal risk parameters representing the Group's risk appetite approved by the Board.

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

The Group assesses the impact arising from the outbreak of COVID-19 as well as the Movement Control Order (MCO) implemented by the government, from time to time. The Group is determined to minimize the risks by continually improving the flexibility of production and fulfilling customers' needs.

INTERNAL AUDIT FUNCTION

On top of maintaining a good corporate governance practice, the Group has set up a reliable internal audit mechanism to provide the required level of assurance that its internal control (including governance, risk and control structure and processes) is 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 on 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.

INTERNAL AUDIT FUNCTION (CONT'D)

NeedsBridge reports to AC directly and the engagement director is a Certified Internal Auditor and received Certification in Risk Management Assurance accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. The internal audits are mainly carried out by NeedsBridge, in accordance with the International Professional Practices Framework established by the Institute of Internal Auditors Global.

The oversight of NeedsBridge by AC is through review of the internal audit engagement of NeedsBridge governed by the engagement letter of two years tenure with key terms including the purpose and scope of works, accountability, independence, outsourced internal audit function's responsibilities, management's responsibilities, the authority accorded to NeedsBridge, limitation(s) of scope of work, confidentiality, proposed fees and engagement team.

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 taking into consideration previous internal audits carried out and inputs obtained from the Management. Such internal audit plan will be reviewed to reflect significant changes in the Group's operating environment and/or key risks and as and when deemed necessary by NeedsBridge. This will then be proposed to AC for approval. Any significant change(s) to the plan will be referred to AC for approval prior to the commencement of the internal audit. During the financial year under review, internal audit reviews on anti-bribery and corruption and governance management, management information systems and related party transactions 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 AC for review and deliberation, in the presence of the internal audit function. An update on the status of management action plans as identified in the previous internal audit reports were also presented to AC during the financial year under review and the action plans were satisfactorily executed. However, there are several findings not yet due during the financial year under review and the management is still working on the improvement plans.

As for the internal audit conducted by CSC, internal audit plan is designed according to CSC's policy which covers significant risk areas that require 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 a timely manner.

As a 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 based on root cause(s) 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. During the financial year under review, the resources allocated to the fieldworks of the internal audit by the outsourced internal audit function were one (1) senior manager, assisted by one (1) senior consultant and one (1) consultant per one (1) engagement with oversight performed by the director.

The Audit Committee is of the opinion that the performance of Internal Audit Function is adequate to meet the objective of enhancing the operations of the Group.

The total cost incurred in maintaining the outsourced internal audit function performed by NeedsBridge for the financial year ended 31 December 2020 amounted to RM 53,041. 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**

  The role, functions, composition, operation and processes of the Board are guided by a formal board charter whereby roles and responsibilities of the Board, the Senior Independent Director, the Group Managing Director and individual directors are specified to preserve the independence of the Board from the Management.

INTERNAL CONTROL SYSTEM (CONT'D)

- **Board of Directors/Board Committees (cont'd)**

  Audit Committee and Nominating Committee are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference. The terms of reference of the Audit Committee will be reviewed and revised whenever it is deemed necessary by the Board and/or once every three years. The Nominating Committee will review the terms of office and performance of the Audit Committee on an annual basis pursuant to Paragraph 15.20 of MMLR of Bursa Securities. The last review of the terms of reference was performed on 13 August 2019 for Nominating Committee and 22 August 2019 for Audit Committee by the Board.

  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 consideration of the related risks and responses.

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in the Board Charter established and adopted by the Board in early 2014. The last review of Board Charter was performed on 22 August 2019. This formal code forms the foundation of integrity and ethical value of the Group.

  Integrity and ethical value expected from the employees are incorporated in the human resources management system 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 documented.

- **Organisation Structure and Authorisation Procedures**

  The Group has a formal organisational structure in place for planning, organising and executing the business operations of the Group to ensure its objectives are met. The Group put in place recruitment process to ensure suitably qualified staffs are employed so that the appropriate level of authorities and responsibilities can be delegated while accountability of performance and controls are assigned accordingly. The establishment and communication of job responsibilities and accountability of performance and controls for key positions are further enhanced via the job descriptions established by the Management.

  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 and to achieve the Group's business objectives.

- **Annual Budget**

  Financial budget for the operating subsidiary is prepared and 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 is 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**

  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. Performance evaluations are carried out annually for all levels of staff to identify performance gaps and training needs of employees are identified annually so that relevant trainings are provided to such employees for upgrading their knowledge and skill sets.

INTERNAL CONTROL SYSTEM (CONT'D)

- **Information and Communication**

  At operational level, clear reporting lines are established across the Group and operation. 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 required 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. Apart from that, relevant financial and management reports are generated for different level of the organisational 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.

- **External Bodies Certification**

  The operating subsidiary is certified and in compliance with the ISO 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), ISO 50001:2011 (Energy Management System) and ISO 45001:2018 (Occupational Health and Safety Management System) for management systems. Besides that, products relating to 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 (the "KPIs") are formulated to monitor the performance of key divisions/departments against targets established with information on actual performance against the KPIs established being compiled on a quarterly basis. Half-yearly management review meeting is held to discuss and review the performance of key divisions/departments of the Group based on the KPIs established.
  ► Weekly management meetings 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.
  ► Quarterly unaudited group financial reports reviewed by AC together with the Senior Management, and subsequently reported to the Board.
  ► Internal audit on key risk areas identified is conducted and the results is reported directly to the AC. The internal audit function assesses the adequacy and effectiveness of internal controls in relation to specific critical control processes and highlights significant risks impacting the Group to AC as well as recommending improvements to various processes to minimise the risks.

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

ASSURANCE PROVIDED BY GROUP 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 Group 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 systems of the Group, in all material aspects, during the financial year under review based on the risk management and internal control systems 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 was reviewed and deliberated by the Board, including, but not limited to, the adequacy and effectiveness of specific risk management and internal control systems of the Group to address potential business risks identified by the Board during such reviews and deliberation. Through such reviews by the Board with Group Managing Director and Senior Management of the Group coupled with the assurance provided by the Group 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.

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

Board's Opinion and Conclusion (cont'd)

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 External Auditors

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the external auditors had reviewed this Risk Management and Internal Control Statement. Their review was performed in accordance with AAPG 3 Guidance for Auditors on Engagement 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, nor is factually incorrect.

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, 2016.

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, 2020.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in each subsidiary company is as disclosed in Note 13 to the financial statements.

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	36,999,856	28,402,002

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, other than the significant event during the year as disclosed in Note 31 to the financial statements.

DIVIDENDS

Since the end of the previous financial year, a final single tier dividend of 6.6 sen per share amounting to RM24,373,800 was paid by the Company on July 10, 2020 in respect of the previous financial year.

The directors proposed a single tier dividend of 7 sen per share in respect of the current financial year for the approval of the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in the financial statements. Upon approval by the shareholders, the dividend will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2021.

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 financial statements of the Group and of the Company were prepared, 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 be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

As of 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 which would 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

As of 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; and

(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 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 the financial year in which this report is made.

DIRECTORS

The directors of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud
Phong Hon Wai
Lim Lay Ching
Kuo, Yi-Jen
Yin, Shou-Kang
Liu, Min-Hsiung
Chen, Yi-Chien (appointed on January 1, 2021)
Chen, Chien-Tu (resigned on December 31, 2020)

The directors who held office in the subsidiary companies of the Company during the financial year and up to the date of this report are:

Name of director	Subsidiary companies
Yin, Shou-Kang	CSCM, GSCSB and CMSB
Kuo, Yi-Jen	CSCM
Liu, Min-Hsiung	CSCM

Denotes:
CSCM CSC Steel Sdn. Bhd.
GSCSB Group Steel Corporation (M) Sdn. Bhd.
CMSB Constant Mode Sdn. Bhd.

DIRECTORS' INTERESTS

None of the directors in office as of the end of the financial year held shares or had beneficial interest in the shares of the Company during or as of the beginning and the end of the financial year.

The shareholdings in the ultimate holding company of those who were directors as of the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, are as follows:

	No. of ordinary shares of *NTD10 each			
	Balance as of 1.1.2020	Bought	Sold	Balance as of 31.12.2020
Shares in ultimate holding company, China Steel Corporation				
Registered in the name of directors				
Direct interests				
Liu, Min-Hsiung	2,493	-	-	2,493
Yin, Shou-Kang	11	-	-	11
Deemed/Indirect interest				
Yin, Shou-Kang	61	-	-	61

* New Taiwan Dollar

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than benefits included in the aggregate of remuneration received or due and receivable by directors or the fixed salary of a full-time employee of the Company as disclosed in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he 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 as of 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.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Group and the Company maintain directors' insurance liability for purposes of Section 289 of the Companies Act 2016, throughout the year, which provides appropriate insurance cover for the directors and officers (excluding company secretary) of the Group and the Company. The amount of indemnity coverage and insurance premium paid during the year amounted to RM20,000,000 and RM13,525 respectively.

There was no indemnity given to or insurance effected for auditors of the Company in accordance with Section 289 of the Companies Act 2016.

AUDITORS' REMUNERATION

The remuneration of the auditors of the Group and of the Company for the financial year ended December 31, 2020 are disclosed below:

	Group RM	Company RM
Deloitte PLT and its affiliate:		
Statutory audits	141,400	29,000
Non-statutory audit	3,000	3,000
Other services	99,300	31,100
	243,700	63,100
Other than Deloitte PLT:		
Statutory audit	1,800	-
	245,500	63,100

HOLDING COMPANIES

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.

AUDITORS

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

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

YIN, SHOU-KANG

CHEN, YI-CHIEN

Melaka
February 25, 2021

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 at December 31, 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 52 to 109.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at December 31, 2020, 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 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, are of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters are 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.

We have determined that matter described below to be the key audit matter to be communicated in our report.

Inventory valuation

As at December 31, 2020, the inventories balance of the Group stood at RM246,482,622 which represents approximately 27% of the total 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 net realisable value of the inventories, an estimation of the amount is performed by management based on the most reliable evidence available as at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the financial year ended December 31, 2020 to the extent that such events confirm conditions existing at the end of the financial year.

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

During the financial year, an amount of RM3,047,525 has been recognised in profit or loss of the Group, which represents a write down of inventories to their net realisable values.

How Our Audit Addressed the Key Audit Matters

We have performed the following audit procedures in relation to inventory valuation:

- Performed test on the design and implementation and operating effectiveness of relevant controls surrounding inventory valuation;
- Engaged information technology specialist to test on the weighted average costing for raw materials, work-in-progress and finished goods, and tested the automated application control on the formulae, overhead allocation and production quantity on inventory valuation;
- Challenged the key assumptions used by management, in determining net realisable values of the inventories such as mechanism adopted by the Group in determining selling price subsequent to the end of the reporting period by considering the availability of binding sales contracts and any contradicting evidences observed from the market;
- Performed testing on inventory aging report as of December 31, 2020 to ascertain the accuracy and completeness of the inventory aging report; and
- Performed retrospective review on the historical accuracy of the level of inventories written down.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

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 information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

How Our Audit Addressed the Key Audit Matters (Cont'd)

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 skepticism throughout the audit. We also:

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

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

- 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 auditors' report to the related disclosures in the financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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 2016 in Malaysia, we report that the subsidiary company of which we have not acted as auditors, is disclosed in Note 13 to the financial statements.

Other Matter

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

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

TAN YU MIN
Partner - 03503/07/2022J
Chartered Accountant

Kuala Lumpur
February 25, 2021

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2020

		The Group		The Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
Revenue	5	1,080,042,022	1,363,005,837	29,101,236	17,714,930
Cost of sales		(1,022,272,322)	(1,306,372,265)	-	-
Gross profit		57,769,700	56,633,572	29,101,236	17,714,930
Investment revenue	7	6,552,156	5,784,195	258,409	524,639
Other income		20,607,034	23,149,336	170,221	245,681
Sales and marketing expenses		(15,242,410)	(23,040,612)	-	-
General and administrative expenses		(18,909,590)	(18,612,141)	(463,887)	(6,029,544)
Other expenses		(4,205,139)	(465,451)	(518,756)	(3,795,974)
Profit before tax	8	46,571,751	43,448,899	28,547,223	8,659,732
Tax (expense)/income	9	(9,571,895)	(8,645,182)	(145,221)	30,543
Profit for the year attributable to owners of the Company		36,999,856	34,803,717	28,402,002	8,690,275
Other comprehensive income					
Item that will not be reclassified subsequently to profit or loss:					
Net fair value gain on investment in equity instruments designated as at fair value through other comprehensive income		977,326	212,668	977,326	212,668
Total comprehensive income for the year attributable to owners of the Company		37,977,182	35,016,385	29,379,328	8,902,943
Earnings per ordinary share attributable to owners of the Company (sen per share):					
Basic	10	`10.02	9.42		
Diluted	10	N/A	N/A		

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

		The Group		The Company	
			Restated		
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
ASSETS					
Non-current Assets					
Property, plant and equipment	11	170,282,968	182,943,052	2,208,289	2,262,303
Right-of-use asset	12	16,843,485	17,080,611	-	-
Investment in subsidiary companies	13	-	-	386,175,866	386,175,866
Investment in an associated company	14	-	-	-	-
Investment in equity instruments	15	3,429,525	7,418,053	3,429,525	7,418,053
Investment properties	16	41,000,000	43,500,000	-	-
Staff loans receivable	19	491,437	371,453	-	-
Deferred tax assets	17	-	130,086	-	130,086
Total Non-current Assets		232,047,415	251,443,255	391,813,680	395,986,308
Current Assets					
Inventories	18	246,482,622	234,761,220	-	-
Trade receivables	19	118,028,908	147,300,882	-	-
Other receivables and prepaid expenses	19	2,922,150	8,709,875	23,735	183,614
Amount due from an associated company	20	1,347,157	1,275,725	-	-
Tax recoverable		8,400,608	5,329,956	47,651	31,127
Cash and cash equivalents	21	311,585,536	249,401,245	12,713,152	4,256,453
Total Current Assets		688,766,981	646,778,903	12,784,538	4,471,194
Total Assets		920,814,396	898,222,158	404,598,218	400,457,502

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

	Note	The Group 2020 RM	The Group Restated 2019 RM	The Company 2020 RM	The Company 2019 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	22	413,163,159	413,163,159	413,163,159	413,163,159
Treasury shares	23	(11,614,414)	(11,614,414)	(11,614,414)	(11,614,414)
Retained earnings	24	435,148,446	422,522,390	987,273	(3,040,929)
Investment revaluation reserve	24	2,017,012	1,039,686	2,017,012	1,039,686
Total Equity		838,714,203	825,110,821	404,553,030	399,547,502
Non-current Liability					
Deferred tax liabilities	17	17,818,302	17,248,525	-	-
Current Liabilities					
Trade payables	25	5,462,438	5,571,980	-	-
Other payables and accrued expenses	25	36,882,413	36,412,954	45,188	910,000
Amount due to ultimate holding company	20	7,063,171	9,534,749	-	-
Amount due to related companies	20	14,873,869	4,343,129	-	-
Total Current Liabilities		64,281,891	55,862,812	45,188	910,000
Total Liabilities		82,100,193	73,111,337	45,188	910,000
Total Equity and Liabilities		920,814,396	898,222,158	404,598,218	400,457,502

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

	Note	Share capital RM	Treasury shares RM	Non-distributable reserve Investment revaluation reserve RM	Distributable reserve Retained earnings RM	Total equity RM
The Group						
Balance as of January 1, 2019		413,163,159	(11,614,414)	827,018	402,490,673	804,866,436
Profit for the year		-	-	-	34,803,717	34,803,717
Other comprehensive income for the year		-	-	212,668	-	212,668
Total comprehensive income for the year		-	-	212,668	34,803,717	35,016,385
Dividends	26	-	-	-	(14,772,000)	(14,772,000)
Balance as of December 31, 2019/ January 1, 2020		413,163,159	(11,614,414)	1,039,686	422,522,390	825,110,821
Profit for the year		-	-	-	36,999,856	36,999,856
Other comprehensive income for the year		-	-	977,326	-	977,326
Total comprehensive income for the year		-	-	977,326	36,999,856	37,977,182
Dividends	26	-	-	-	(24,373,800)	(24,373,800)
Balance as of December 31, 2020		413,163,159	(11,614,414)	2,017,012	435,148,446	838,714,203

	Note	Share capital RM	Treasury shares RM	Non-distributable reserve Investment revaluation reserve RM	Distributable reserve Retained earnings RM	Total equity RM
The Company						
Balance as of January 1, 2019		413,163,159	(11,614,414)	827,018	3,040,796	405,416,559
Profit for the year		-	-	-	8,690,275	8,690,275
Other comprehensive income for the year		-	-	212,668	-	212,668
Total comprehensive income for the year		-	-	212,668	8,690,275	8,902,943
Dividends	26	-	-	-	(14,772,000)	(14,772,000)
Balance as of December 31, 2019/ January 1, 2020		413,163,159	(11,614,414)	1,039,686	(3,040,929)	399,547,502
Profit for the year		-	-	-	28,402,002	28,402,002
Other comprehensive income for the year		-	-	977,326	-	977,326
Total comprehensive income for the year		-	-	977,326	28,402,002	29,379,328
Dividends	26	-	-	-	(24,373,800)	(24,373,800)
Balance as of December 31, 2020		413,163,159	(11,614,414)	2,017,012	987,273	404,553,030

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2020

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
CASH FLOWS FROM/ (USED IN) OPERATING ACTIVITIES					
Profit before tax		46,571,751	43,448,899	28,547,223	8,659,732
Adjustments for:					
Depreciation of property, plant and equipment	11	24,307,854	27,331,784	54,014	62,559
Provision for onerous contracts	25	3,232,070	6,484,245	-	-
Write-down of inventories	18	3,047,525	5,677,819	-	-
Depreciation of right-of-use asset	12	237,126	237,126	-	-
Property, plant and equipment written off	11	-	250,058	-	-
Impairment on investment in subsidiary company	13	-	-	-	3,795,974
Fair value gain on money market instruments	7	(5,800,787)	(4,792,515)	(254,113)	(483,897)
Interest income from investments	7	(751,369)	(991,680)	(4,296)	(40,742)
Fair value loss/(gain) on investment properties	16	2,500,000	(955,789)	-	-
Dividend income from:					
Subsidiary companies		-	-	(29,000,000)	(11,500,000)
Equity instruments designated as at fair value through other comprehensive income (FVTOCI)		(35,745)	(35,745)	(35,745)	(35,745)
Equity instruments designated as at fair value through profit or loss (FVTPL)		-	(427,345)	-	(427,345)
Unrealised gain on foreign exchange		(664,256)	(344,349)	-	-
Interest income on late payment charged to customers		(81,368)	(268,543)	-	-
Fair value gain on investment in equity instrument designated as at FVTPL		-	(245,011)	-	(245,011)
Gain on disposal of property, plant and equipment		(30,600)	(500)	-	(200)
Gain on disposal of investment in equity instrument designated as at FVTPL	15	(159,819)	-	(159,819)	-
Operating profit/(loss) before working capital changes		72,372,382	75,368,454	(852,736)	(214,675)
Movements in Working Capital:					
(Increase)/Decrease in:					
Inventories		(14,768,927)	50,147,243	-	-
Trade receivables		29,384,029	(14,171,644)	-	-
Other receivables and prepaid expenses		4,193,111	11,130,794	159,879	(15,091)
Amount due from related companies		-	2,279	-	-
Amount due from an associated company		(71,432)	164,938	-	-
Increase/(Decrease) in:					
Trade payables		(104,072)	1,271,735	-	-
Other payables and accrued expenses		(2,745,952)	(1,496,877)	(864,812)	192,549
Amount due to ultimate holding company		(2,454,795)	(21,134,559)	-	-
Amount due to related companies		10,797,278	(21,043,664)	-	-

	Note	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Cash Generated from/ (Used In) Operations		96,601,622	80,238,699	(1,557,669)	(37,217)
Income tax (paid)/refunded - Net		(11,942,684)	(569,743)	(31,659)	74,750
Net Cash From/(Used In) Operating Activities		84,658,938	79,668,956	(1,589,328)	37,533
CASH FLOWS FROM/ (USED IN) INVESTING ACTIVITIES					
Fair value gain on money market instruments		5,800,787	4,792,515	254,113	483,897
Interests received		751,369	991,680	4,296	40,742
Dividend received		35,745	463,090	29,035,745	11,963,090
Proceeds from disposal of property, plant and equipment		30,600	500	-	200
Additional investment in subsidiary	13	-	-	-	(139,000,000)
Proceeds from subsidiary in respect of capital reduction		-	-	-	139,000,000
Proceeds from disposal of investment in equity instrument designated as at FVTPL	15	5,125,673	-	5,125,673	-
Advance payment for the acquisition of property, plant and equipment		(308,146)	(1,771,776)	-	-
Acquisition of property, plant and equipment	11	(9,875,994)	(12,661,391)	-	(4,570)
Net Cash From/(Used In) Investing Activities		1,560,034	(8,185,382)	34,419,827	12,483,359
CASH FLOWS USED IN FINANCING ACTIVITIES					
Dividends paid		(24,373,800)	(14,772,000)	(24,373,800)	(14,772,000)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		61,845,172	56,711,574	8,456,699	(2,251,108)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR		249,401,245	192,531,905	4,256,453	6,507,561
Effects of exchange rate difference		339,119	157,766	-	-
CASH AND CASH EQUIVALENTS AS OF END OF THE YEAR	21	311,585,536	249,401,245	12,713,152	4,256,453

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.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the Company in each subsidiary company is as disclosed in Note 13.

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 February 25, 2021.

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 ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

Adoption of amended MFRSs

In the current financial year, the Group and the Company have adopted a number of amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after January 1, 2020 as follows:

MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform

The adoption of the above amendments to MFRSs did not have any material impact on the amounts reported in the financial statements of the Group and of the Company upon its initial application.

Standards and amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and by the Company are as listed below:

Amendments to MFRS 16	COVID-19 - Related Rent Concessions[1]
MFRS 17	Insurance contracts[4]
Amendments to MFRS 3	Reference to the Conceptual Framework[3]
Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9[4]
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current[4]
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4, and MFRS 16	Interest Rate Benchmark Reform - Phase 2[2]
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use[3]
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract[3]
Annual Improvements to MFRS 2018 - 2020 Cycle[3]	

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

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

[1] Effective for annual periods beginning on or after June 1, 2020 with earlier application permitted.
[2] Effective for annual periods beginning on or after January 1, 2021 with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2022 with earlier application permitted.
[4] Effective for annual periods beginning on or after January 1, 2023 with earlier application permitted.
[5] Effective date deferred to a date to be determined and announced.

The directors anticipate that the above-mentioned new and amendments to MFRSs will be adopted in the annual financial statements of the Group and of the Company when they become effective. The adoption of these new and amendments to MFRSs will have no material impact on the financial statements of the Group and of the Company in the period of initial application.

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 goods and services.

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 as of 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 an asset or a liability if market participants would take those characteristics into account when pricing the asset or liability as of the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of MFRS 16 *Leases,* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories or value* in use in MFRS 136 *Impairment of Assets.*

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access as of 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.

The significant accounting policies are set out below.

Revenue Recognition

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customers.

A performance obligation is a promise to transfer a distinct good or services (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group’s and the Company’s customary business practices.

Revenue is measured at the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services to the customers, excluding amounts collected on behalf of third parties such as sales taxes. If the amount of consideration varies due to discounts, rebates, refunds, credits, incentives, penalties or other similar items, the Group and the Company estimate the amount of consideration to which they will be entitled based on the expected value or the most likely outcome. If the contract with customer contains more than one performance obligation, the amount of consideration is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services promised in the contract.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

The revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The control of the promised goods or services may be transferred over time or at a point in time. The control over the goods or services is transferred over time and revenue is recognised over time if:

- The customer simultaneously receives and consumes the benefits provided the Group's and the Company's performance as the Group and the Company perform;
- The Group's and the Company's performance create or enhance an asset that the customer controls as the asset is created or enhanced; or
- The Group's and the Company's performance do not create an asset with an alternative use and the Group and the Company have an enforceable right to payment for performance completed to date.

(a) Sale of Goods

Revenue for performance obligation that is not satisfied over time is recognised at the point in time at which the customer obtains control of the promised goods or services.

Revenue from sale of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of taxes and discounts. Certain contracts of the Group for sale of goods includes freight services. In most cases, such delivery of goods is simple, does not include an integrated service, could be performed by another party and the customers can benefit from the sale of goods and freight services on its own or with the use of other resources. It is therefore accounted for as a separate performance obligation. The transaction price will be allocated to each performance obligation based on the stand-alone selling prices. Where these are not directly observable, they are estimated based on expected cost plus margin. If contracts include delivery of goods, revenue for the goods are recognised at a point in time when the goods are delivered, the legal title has passed and the customers have accepted the goods.

Under the Group's standard contract term for the sale of goods, a customer has right of product quality claims, subject to verification by the Group. In addition, the Group offers year-end incentives to customers upon certain conditions stipulated in the sales contract are met. As of the point of sale, accruals of product quality claims and year-end incentives are made with the corresponding adjustment to revenue. The Group uses its accumulated historical experience to estimate the expected amounts of credit notes to be issued by the Group in relation to both product quality claims as well as year-end incentives.

(b) Other Sources of Income

Dividends income of the Group and of the Company are received from financial assets measured at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVTOCI"). Dividend income derived from financial assets at FVTPL is recognised in profit or loss when the Group's right to receive the dividend is established. Dividend income derived from financial assets at FVTOCI is recognised in profit or loss when the right to receive payment is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Dividend income from a subsidiary company is recognised in profit or loss when the right to receive payment is established.

Rental income is recognised on a straight-line basis, by reference to the agreements entered into.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Foreign Currencies

The financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), 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 as of the date of transactions. As of 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 translated 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

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

(a) As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and lease of low-value assets. The Group and the Company recognise lease liabilities to make lease payment and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group and the Company recognise a right-of-use assets at the lease commencement date. The right of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

(a) As lessee (cont'd)

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognised lease liabilities measured at the present value of lease payments to be made over the lease term. The lease term payment include fixed payment less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and the payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate.

In calculating the present value of lease payments, the Group and the Company use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payment or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets (less than RM25,000). The Group and the Company recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As lessor

The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

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.

Amounts 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) As lessor (cont'd)

When a contract includes lease and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* to allocate the consideration under the contract to each component.

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 net profit as reported in the statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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.

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 at 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, as of the end of the reporting period, to recover or to settle the carrying amount of their assets and liabilities.

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 year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 considers that 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, 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 date the Company gains control until the date when the Company ceases to control the subsidiary company.

Where necessary, adjustments are made to the financial statements of subsidiary companies to bring their accounting policies used into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Business Combinations

Acquisition of 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 interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

- deferred tax assets or deferred tax 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Business Combinations (cont'd)

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.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value as of 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 of.

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.

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 machineries under installation which are not amortised/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	2% - 4%
Plant and machineries	5% - 50%
Motor vehicles	10% - 20%
Equipment, furniture, fixture and fittings	6.67% - 50%

The residual value, estimated useful lives and depreciation method are reviewed as of 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Non-financial Assets

As of 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 for which the estimates of future cash flows have not been adjusted.

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 to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

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.

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 measured initially at cost, including transaction costs. Subsequent to initial recognition, they are measured 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.

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.

Investments

Investment in unquoted shares of subsidiary companies 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 as of 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 an 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 as of 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 136 *Impairment of Assets* 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 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 9 *Financial Instruments.* 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 associated company. 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 associated company had directly disposed of the related assets or liabilities. Therefore, if a gain or a 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.

The Group applies MFRS 9, including the impairment requirements, to long-term interests in an associate or a joint venture to which the equity method is not applied and which form part of the net investment in the investee.

Furthermore, in applying MFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by MFRS 128 *Investments in Associates and Joint Ventures* (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with MFRS 128).

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

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's and the Company's statements of financial position when the Group or the Company become a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measure at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

By default, all other financial assets are measured subsequently at FVTPL.

Despite the foregoing, the Group or the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group or the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group or the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group and the Company recognise interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Assets (cont'd)

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group and the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group or the Company manage together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with MFRS 9 *Financial Instruments*, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group and the Company designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition; or
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group and the Company have not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value as of the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Financial Assets

The Group and the Company recognise a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of ECL is updated as of the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company always recognise lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's and the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions as of the end of the reporting period, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group and the Company measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the end of the reporting period.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; or
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group and the Company presume that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group and the Company have reasonable and supportable information that demonstrates otherwise.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Financial Assets (cont'd)

(i) Significant increase in credit risk (cont'd)

Despite the foregoing, the Group and the Company assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk as of the end of the reporting period. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default;
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

The Group and the Company consider a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group and the Company regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group and the Company consider the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor; or
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group and the Company, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group and the Company consider that default has occurred when a financial asset is more than 120 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group and the Company write off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's and the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Financial Assets (cont'd)

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount as of the end of the reporting period.

For financial assets, the expected credit losses is estimated as the difference between all contractual cash flows that are due to the Group and the Company in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at the original effective interest rate.

If the Group and the Company have measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines as of the end of the current reporting period that the conditions for lifetime ECL are no longer met, the Group and the Company measure the loss allowance at an amount equal to 12-month ECL as of the end of the current reporting date, except for assets for which simplified approach was used.

The Group and the Company recognised an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group and the Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group and the Company recognise its retained interests in the asset and an associated liability for amounts it may have to pay. If the Group and the Company retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Company continue to recognise the financial asset and also recognise a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Financial Liabilities and Equity (cont'd)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group and the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method other than those categorised as FVTPL.

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (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 liability, or (where applicable) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group and the Company derecognise financial liabilities when, and only when, the Group's and the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group and the Company exchange with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows or the original financial liability. If the modification is not substantial, the difference between: (i) the carrying amount of the liability before the modification; and (ii) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss.

Treasury Shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statements of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

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.

Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group. Contingent liabilities and assets are not recognised in the statement of financial position of the Group and of the Company.

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

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.

Critical judgements in applying accounting policies

The directors are of the opinion that there are no instances of critical judgement in applying the Group's accounting policies which are expected to have a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty as of 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) Inventory valuation

Inventories are valued at the lower of cost and net realisable value. In determining net realisable value of the inventories, an estimation of the amount of net realisable value is performed by management based on the most reliable evidence available as at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the reporting period to the extent that such events confirm conditions existing at the end of the reporting period. As of the end of the reporting period, an amount of RM3,047,525 (2019: RM5,677,819) has been recognised in profit or loss of the Group, which represents a write down of inventories to their net realisable values.

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

(b) Useful lives and residual values 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 as of 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.

5. REVENUE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers				
Sale of steel products	1,079,992,626	1,362,542,747	-	-
Revenue from other sources				
Dividend income from:				
Subsidiary companies	-	-	29,000,000	11,500,000
Equity instruments designated as at FVTOCI	35,745	35,745	35,745	35,745
Equity instruments designated as at FVTPL	-	427,345	-	427,345
Management fee from subsidiary company	-	-	-	5,700,000
Rental income:				
Subsidiary company	-	-	51,840	51,840
Third party	13,651	-	13,651	-
	49,396	463,090	29,101,236	17,714,930
	1,080,042,022	1,363,005,837	29,101,236	17,714,930
Timing of revenue recognition:				
Revenue from contracts with customers:				
At a point in time	1,079,992,626	1,362,542,747	-	-

The Group derives its revenue from contracts with customers for the transfer of goods at a point in time.

A disaggregation of the Group's revenue derived from its contract with customers for the year, based on its market segment is as follows:

	The Group	
	2020 RM	2019 RM
Local sales	1,043,296,445	1,228,243,268
Export sales	36,696,181	134,299,479
	1,079,992,626	1,362,542,747

6. SEGMENT REPORTING

Business segments

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

- Cold rolled and coated steel products
- Investment holding

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

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

Segment revenues and results

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

2020	Cold rolled and coated steel products RM	Investment holding and others RM	Elimination RM	Total RM
Revenue				
External sales	1,079,992,626	49,396	-	1,080,042,022
Inter-segment sales	-	29,117,840	(29,117,840)	-
Total	1,079,992,626	29,167,236	(29,117,840)	1,080,042,022
Segment profit	40,743,953	28,275,642	(29,000,000)	40,019,595
Investment revenue	6,222,741	329,415	-	6,552,156
Profit before tax	46,966,694	28,605,057	(29,000,000)	46,571,751
Tax expense	(9,414,249)	(157,646)	-	(9,571,895)
Profit for the year	37,552,445	28,447,411	(29,000,000)	36,999,856
Segment profit includes the following expense/(income):				
Depreciation of:				
Property, plant and equipment	24,238,559	69,295	-	24,307,854
Right-of-use asset	237,126	-	-	237,126
Gain on disposal of property, plant and equipment	(30,600)	-	-	(30,600)
Gain on disposal of investment in equity instrument designated as at FVTPL	-	(159,819)	-	(159,819)
Fair value loss on investment properties	2,500,000	-	-	2,500,000
Write-down of inventories	3,047,525	-	-	3,047,525
Provision for onerous contracts	3,232,070	-	-	3,232,070

6. SEGMENT REPORTING (CONT'D)

2019	Cold rolled and coated steel products RM	Investment holding and others RM	Elimination RM	Total RM
Revenue				
External sales	1,362,542,747	463,090	-	1,363,005,837
Inter-segment sales	-	17,317,840	(17,317,840)	-
Total	1,362,542,747	17,780,930	(17,317,840)	1,363,005,837
Segment profit	37,023,395	8,345,336	(7,704,027)	37,664,704
Investment revenue	4,678,142	1,106,053	-	5,784,195
Profit before tax	41,701,537	9,451,389	(7,704,027)	43,448,899
Tax expense	(8,616,984)	(28,198)	-	(8,645,182)
Profit for the year	33,084,553	9,423,191	(7,704,027)	34,803,717
Segment profit includes the following expense/(income):				
Depreciation of:				
Property, plant and equipment	27,253,944	77,840	-	27,331,784
Right-of-use asset	237,126	-	-	237,126
Property, plant and equipment written off	250,058	-	-	250,058
Gain on disposal of property, plant and equipment	(300)	(200)	-	(500)
Fair value gain on investment properties	(955,789)	-	-	(955,789)
Fair value gain on investment in equity instrument designated as at FVTPL	-	(245,011)	-	(245,011)
Write-down of inventories	5,677,819	-	-	5,677,819
Provision for onerous contracts	6,484,245	-	-	6,484,245

Segment assets and liabilities

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

The Group	Segment assets 2020 RM	Segment assets 2019 RM	Segment liabilities 2020 RM	Segment liabilities 2019 RM
Cold rolled and coated steel products	890,391,695	875,021,270	64,221,392	54,934,012
Investment holding	22,022,093	17,740,846	60,499	928,800
	912,413,788	892,762,116	64,281,891	55,862,812
Unallocated	8,400,608	5,460,042	17,818,302	17,248,525
Total	920,814,396	898,222,158	82,100,193	73,111,337

6. SEGMENT REPORTING (CONT'D)

Other segment information

The Group	Capital additions 2020 RM	2019 RM
Cold rolled and coated steel products	11,647,770	13,828,721
Investment holding	-	4,570
	11,647,770	13,833,291

Geographical segments

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

The Group	Asia Pacific RM	Malaysia RM	Consolidated RM
Year ended December 31, 2020			
Revenue from external customers by location of customers	36,696,181	1,043,345,841	1,080,042,022
Segment asset by location of assets	-	920,814,396	920,814,396
Capital additions by location of assets	-	11,647,770	11,647,770
Year ended December 31, 2019			
Revenue from external customers by location of customers	134,299,479	1,228,706,358	1,363,005,837
Segment asset by location of assets	-	898,222,158	898,222,158
Capital additions by location of assets	-	13,833,291	13,833,291

Major Customers

There were no customers that individually account for 10% or more of the Group's revenue for current and prior year.

7. INVESTMENT REVENUE

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Interest income from short-term placements with licensed banks	751,369	991,680	4,296	40,742
Fair value gain on money market instruments	5,800,787	4,792,515	254,113	483,897
	6,552,156	5,784,195	258,409	524,639

8. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging) the following:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Gain on foreign exchange:				
Realised	14,751,716	16,067,628	-	-
Unrealised	664,256	344,349	-	-
Rental income from investment properties (Note 16)	2,803,952	2,791,251	-	-
Fair value (loss)/gain on investment properties (Note 16)	(2,500,000)	955,789	-	-
Interest income on late payment charged to customers	81,368	268,543	-	-
Fair value gain on investment in equity instrument designated as at FVTPL	-	245,011	-	245,011
Gain on disposal of property, plant and equipment	30,600	500	-	200
Gain on disposal of investment in equity instrument designated as at FVTPL (Note 15)	159,819	-	159,819	-
Raw materials and consumables used	(907,159,023)	(1,157,143,878)	-	-
Staff costs	(52,871,562)	(51,567,196)	-	(5,150,321)
Depreciation of property, plant and equipment (Note 11)	(24,307,854)	(27,331,784)	(54,014)	(62,559)
Changes in inventories of finished goods and work-in-progress	(58,861)	(16,286,386)	-	-
Provision for onerous contracts (Note 25)	(3,232,070)	(6,484,245)	-	-
Write-down of inventories (Note 18)	(3,047,525)	(5,677,819)	-	-
Purchase of trading goods	(2,301,205)	(9,360,296)	-	-
Property, plant and equipment written off (Note 11)	-	(250,058)	-	-
Depreciation of right-of-use asset (Note 12)	(237,126)	(237,126)	-	-

8. PROFIT BEFORE TAX (CONT'D)

	The Group		The Company	
	2020 RM	2019 RM Restated	2020 RM	2019 RM
Directors' remuneration, excluding monetary value of benefits-in- kind:				
Director of the subsidiary companies	(230,017)	(234,133)	-	-
Directors of the Company	(282,934)	(266,120)	(139,800)	(123,600)
Auditors' remuneration:				
Deloitte PLT and its affiliate:				
Statutory audits	(141,400)	(130,400)	(29,000)	(29,000)
Non-statutory audit	(3,000)	(3,000)	(3,000)	(3,000)
Other services	(99,300)	(152,300)	(31,100)	(8,600)
Other than Deloitte PLT:				
Statutory audit				
- Current year	(1,800)	(1,600)	-	-
- Underprovision in prior year	(200)	-	-	-
Impairment on investment in subsidiary company (Note 13)	-	-	-	(3,795,974)

Staff costs exclude directors' remuneration and 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 RM5,260,242 (2019: RM4,930,141) and RMNil (2019: RM537,411) respectively.

Directors' remuneration consists of the following:

	The Group		The Company	
	2020 RM	2019 RM Restated	2020 RM	2019 RM
Executive directors:				
Salaries and other emoluments	314,954	316,670	-	-
EPF contributions	58,197	59,983	-	-
	373,151	376,653	-	-
Non-executive directors:				
Fees	139,800	123,600	139,800	123,600
Directors' remuneration excluding monetary value of benefits-in- kind	512,951	500,253	139,800	123,600
Estimated monetary value of benefits-in-kind in respect of executive directors	42,633	58,722	-	-
	555,584	558,975	139,800	123,600

9. TAX EXPENSE/(INCOME)

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Estimated tax payable:				
Current year	8,683,458	10,100,659	12,267	66,959
Under/(Over)provision in prior year	188,574	(591,525)	2,868	(58,952)
	8,872,032	9,509,134	15,135	8,007
Deferred tax (Note 17):				
Current year	1,329,240	(817,191)	130,086	(38,550)
Overprovision in prior year	(629,377)	(46,761)	-	-
	699,863	(863,952)	130,086	(38,550)
	9,571,895	8,645,182	145,221	(30,543)

Malaysian corporate income tax is calculated at the statutory tax rate of 24% 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 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Profit before tax	46,571,751	43,448,899	28,547,223	8,659,732
Tax calculated using the statutory income tax rate of 24%	11,177,220	10,427,736	6,851,334	2,078,336
Tax effects of:				
Expenses not deductible in determining taxable profit	1,385,473	313,980	334,251	941,674
Income not taxable in determining taxable profit	(1,626,991)	(1,458,248)	(7,043,232)	(2,991,601)
Utilisation of reinvestment allowances	(923,004)	-	-	-
Under/(Over)provision in prior year:				
Current tax	188,574	(591,525)	2,868	(58,952)
Deferred tax	(629,377)	(46,761)	-	-
Tax expense/(income) for the year	9,571,895	8,645,182	145,221	(30,543)

10. EARNINGS PER ORDINARY SHARE

Basic and diluted 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 after adjusting for treasury shares during the financial year.

	The Group	
	2020	**2019**
	RM	**RM**
Profit for the year attributable to owners of the Company	36,999,856	34,803,717
Weighted average number of ordinary shares in issue (Note 23)	369,300,000	369,300,000
Basic earnings per ordinary share (sen)	10.02	9.42

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares outstanding as at December 31, 2020 and 2019.

11. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land RM	Buildings RM	Plant and machineries RM	Motor vehicles RM	Equipment, furniture, fixture and fittings RM	Plant and machineries under installation RM	Total RM
Cost							
Balance as of January 1, 2019	4,170,809	84,534,706	545,644,151	6,144,161	30,087,840	5,972,041	676,553,708
Additions	-	-	-	-	4,570	13,828,721	13,833,291
Disposals	-	-	-	-	(3,590)	-	(3,590)
Write-offs	-	-	(18,763,816)	-	(600,239)	-	(19,364,055)
Reclassifications	-	256,696	4,246,610	125,000	821,093	(5,449,399)	-
Balance as of December 31, 2019/January 1, 2020	4,170,809	84,791,402	531,126,945	6,269,161	30,309,674	14,351,363	671,019,354
Additions	-	-	-	-	-	11,647,770	11,647,770
Disposals	-	-	-	(170,482)	-	-	(170,482)
Write-offs	-	-	(116,000)	-	(121,461)	-	(237,461)
Reclassifications	-	-	10,381,293	227,295	325,096	(10,933,684)	-
Balance as of December 31, 2020	4,170,809	84,791,402	541,392,238	6,325,974	30,513,309	15,065,449	682,259,181
Accumulated depreciation							
Balance as of January 1, 2019	-	62,732,898	385,620,002	4,395,580	25,934,503	-	478,682,983
Charge for the year (Note 8)	-	3,845,940	21,530,499	554,542	1,400,803	-	27,331,784
Disposals	-	-	-	-	(3,590)	-	(3,590)
Write-offs	-	-	(18,270,227)	-	(578,421)	-	(18,848,648)
Balance as of December 31, 2019/January 1, 2020	-	66,578,838	388,880,274	4,950,122	26,753,295	-	487,162,529
Charge for the year (Note 8)	-	2,789,314	19,822,818	493,280	1,202,442	-	24,307,854
Disposals	-	-	-	(170,482)	-	-	(170,482)
Write-offs	-	-	(116,000)	-	(121,461)	-	(237,461)
Balance as of December 31, 2020	-	69,368,152	408,587,092	5,272,920	27,834,276	-	511,062,440
Accumulated impairment Loss							
Balance as of January 1, 2019	-	-	1,157,408	-	21,714	-	1,179,122
Write-offs	-	-	(243,635)	-	(21,714)	-	(265,349)
Balance of December 31, 2019/ January 1, 2020/ December 31, 2020	-	-	913,773	-	-	-	913,773
Carrying amounts							
Balance as of December 31, 2019	4,170,809	18,212,564	141,332,898	1,319,039	3,556,379	14,351,363	182,943,052
Balance as of December 31, 2020	4,170,809	15,423,250	131,891,373	1,053,054	2,679,033	15,065,449	170,282,968

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

The Company

	Buildings RM	Furniture and fittings RM	Total RM
Cost			
Balance as of January 1, 2019	2,631,653	468,285	3,099,938
Addition	-	4,570	4,570
Write-off	-	(2,400)	(2,400)
Balance as of December 31, 2019/ January 1, 2020	2,631,653	470,455	3,102,108
Write-off	-	(2,250)	(2,250)
Balance as of December 31, 2020	2,631,653	468,205	3,099,858
Accumulated depreciation			
Balance as of January 1, 2019	322,035	457,611	779,646
Charge for the year (Note 8)	52,716	9,843	62,559
Write-off	-	(2,400)	(2,400)
Balance as of December 31, 2019/ January 1, 2020	374,751	465,054	839,805
Charge for the year (Note 8)	52,720	1,294	54,014
Write-off	-	(2,250)	(2,250)
Balance as of December 31, 2020	427,471	464,098	891,569
Carrying amounts			
Balance as of December 31, 2019	2,256,902	5,401	2,262,303
Balance as of December 31, 2020	2,204,182	4,107	2,208,289

During the year, property, plant and equipment of the Group and of the Company are acquired by way of the following means:

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Cash payment	9,875,994	12,661,391	-	4,570
Advance payment for acquisition of property, plant and equipment	1,771,776	1,171,900	-	-
	11,647,770	13,833,291	-	4,570

12. RIGHT-OF-USE ASSET

	The Company 2020 RM	The Company 2019 RM
Long-term leasehold land		
Cost:		
As of beginning and end of year	22,910,201	22,910,201
Accumulated depreciation:		
As of beginning of year	(5,829,590)	(5,592,464)
Charge for the year (Note 8)	(237,126)	(237,126)
As of end of year	(6,066,716)	(5,829,590)
Carrying amount		
As of beginning of year	17,080,611	17,317,737
As of end of year	16,843,485	17,080,611
Amounts recognised in profit or loss		
Expense relating to leases of low-value assets	15,093	15,160

The total cash outflow for leases amounted to RM15,093 (2019: 15,160).

Right-of-use asset relates to the lease of land for the Group's factory and office buildings located in Ayer Keroh, Melaka. The lease will expire in year 2092 and the Group does not have an option to acquire the leased land at the expiry of the lease period.

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company 2020 RM	The Company 2019 RM
Unquoted shares, at cost		
As of beginning of year	414,445,306	275,445,306
Additions	-	139,000,000
As of end of year	414,445,306	414,445,306
Less: Accumulated impairment losses		
As of beginning of year	(28,269,440)	(24,473,466)
Impairment during the year (Note 8)^	-	(3,795,974)
As of end of year	(28,269,440)	(28,269,440)
	386,175,866	386,175,866

13. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies, all incorporated in Malaysia and having same financial year end with the Company, are as follows:

	Proportion of ownership interest and voting rights held by the Group		
Direct subsidiary companies	**2020**	**2019**	**Principal Activity**
CSC Steel Sdn. Bhd.	100%	100%	Manufacturing and marketing of steel products.
Group Steel Corporation (M) Sdn. Bhd. #	100%	100%	Ceased operations
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.

Placed under member's voluntary winding up on December 1, 2020.

^ In the previous financial year, a total impairment loss of RM3,795,974 representing the write-down of the investment in Group Steel Corporation (M) Sdn. Bhd. to its recoverable amount, was recognised in "Other expense" line item of the Company's statement of profit or loss and other comprehensive income. The recoverable amount was determined based on its fair value less costs to sell approach using the net asset position attributable to the ordinary shareholder at the end of the financial year.

During the current financial year, the directors reviewed the Company's investment in subsidiary companies for indication of impairment and concluded that accumulated impairment losses of RM28,269,440 (2019: RM28,269,440) is deemed adequate in respect of investment in subsidiary companies.

During the previous financial year, the Company had increased its investment in CSC Steel Sdn. Bhd. by way of capital injection of RM139,000,000 (139,000,000 units of ordinary shares, at RM1 per ordinary share).

14. INVESTMENT IN ASSOCIATED COMPANY

	The Group 2020 RM	The Group 2019 RM	The Company 2020 RM	The Company 2019 RM
Unquoted shares, at cost	8,264,368	8,264,368	8,264,368	8,264,368
Share of post-acquisition losses	(6,739,232)	(6,739,232)	-	-
	1,525,136	1,525,136	8,264,368	8,264,368
Less: Accumulated impairment losses^ As of beginning and end of year	(1,525,136)	(1,525,136)	(8,264,368)	(8,264,368)
	-	-	-	-

Details of the associated company, which is incorporated in Malaysia and having financial year end May 31 are as follows:

Name of company	Proportion of ownership interest and voting rights held by the Group 2020 %	2019 %	Principal Activity
Hanwa Steel Centre (M) Sdn. Bhd. *	20	20	Manufacturing and sales of stainless steel tubes and pipes and other ferrous and non-ferrous metal products.

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

^ Management is of the view that the investment made is not recoverable due to continuing losses and accordingly, has fully impaired it in the financial year ended December 31, 2018 for the Group and for the Company.

On February 16, 2021, the Company entered into a conditional Sales and Purchase Agreement ("SPA") with Hanwa Co. Ltd. ("the Purchaser") for the disposal of 8,000,000 ordinary shares representing entire 20% equity interest in Hanwa Steel Centre (M) Sdn. Bhd. for a cash consideration of RM126,400. As of the reporting date, the Company is in the process of completing the sale and transferring the share title to the Purchaser.

15. INVESTMENT IN EQUITY INSTRUMENTS

	The Group and The Company 2020 RM	2019 RM
Financial assets at FVTOCI		
In Malaysia:		
Quoted shares	3,429,525	2,452,199
Financial assets at FVTPL		
Outside Malaysia:		
Unquoted shares	-	4,965,854
	3,429,525	7,418,053

The investments in equity instruments which is classified as financial assets at FVTOCI, are not held for trading. Instead, they are held for medium to long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's and the Company's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

On April 22, 2020, the Group entered into a share transfer agreement to dispose of the entire 6% shareholding in CSGT Metals Vietnam Joint Stock Company (unquoted shares) totaling 22,149,000 ordinary shares. The disposal was completed on October 9, 2020 after all terms and conditions of the share transfer agreement had been met and complied with.

	The Group and The Company 2020 RM
Proceeds from disposal of investment in equity instrument designated as at FVTPL	5,125,673
Carrying amount of investment in equity instrument designated as at FVTPL	(4,965,854)
Gain on disposal of investment in equity instrument designated at FVTPL (Note 8)	159,819

16. INVESTMENT PROPERTIES

	The Group	
	2020 RM	2019 RM
At fair value		
As of beginning of year	43,500,000	42,544,211
Changes in fair value of investment properties (Note 8)	(2,500,000)	955,789
As of end of year	41,000,000	43,500,000

Investment properties comprise two pieces of land and factory building. The lease for the land portion of the investment properties will expire in year 2052.

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

	The Group	
	2020 RM	2019 RM
Rental income (Note 8)	2,803,952	2,791,251
Direct operating expenses:		
- Income generating investment properties	1,253,866	237,611

Fair value information

The fair values of the Group's investment properties as of December 31, 2020 has been determined by directors based on a full valuation carried out on December 7, 2020 by an independent valuer which has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. In estimating the fair values of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

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

Description	Valuation techniques	Significant unobservable inputs	Sensitivity
Land			
60-year leasehold factory land with unexpired term of 32 years (2019: 33 years) and building located in Seberang Perai, Penang	Comparison approach based on recent transaction prices for similar properties	Estimated transaction price per sq ft for similar properties with due consideration given to adjustment factors such as location, land area, floor area, tenure, site improvements, time and other relevant factors. Weighted average range of comparatives are RM38 - RM52 (2019: RM44 - RM50) per sq ft.	A 5% - 10% decrease in total adjustments for each comparative prices would result in RM1 million - RM2 million increase in fair value, and vice versa.

16. INVESTMENT PROPERTIES (CONT'D)

Description	Valuation techniques	Significant unobservable inputs	Sensitivity
Building			
Factory building	Cost approach based on estimation of construction costs to erect the building.	Estimated cost price per sq ft for similar buildings with due consideration given to adjustment factors such as replacement costs of improvements, allowance for physical deterioration and other relevant factors. Weighted average range of comparatives are RM60 - RM150 (2019: RM60 - RM135) per sq ft.	A 5% - 10% increase in the cost price per sq ft would result in RM1.4 million - RM2.7 million increase in fair value, and vice versa.

17. DEFERRED TAX (LIABILITIES)/ASSETS

Deferred tax (liabilities) and assets are attributable to the following:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Property, plant and equipment	(21,130,226)	(21,628,564)	-	-
Investment properties	-	(375,000)	-	-
Inventories	731,406	1,362,676	-	-
Other payables and accrued expenses	2,638,006	3,538,694	-	130,086
Others	(57,488)	(16,245)	-	-
	(17,818,302)	(17,118,439)	-	130,086

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

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Deferred tax assets	-	130,086	-	130,086
Deferred tax liabilities	(17,818,302)	(17,248,525)	-	-
	(17,818,302)	(17,118,439)	-	130,086

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

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

	Property, plant and equipment RM	Investment properties RM	Inventories RM	Other payables and accrued expenses RM	Others RM	Total RM
The Group						
Balance as of January 1, 2019	(22,490,969)	-	2,270,262	2,158,759	79,557	(17,982,391)
Recognised in profit or loss (Note 9)	862,405	(375,000)	(907,586)	1,379,935	(95,802)	863,952
Balance as of December 31, 2019/ January 1, 2020	(21,628,564)	(375,000)	1,362,676	3,538,694	(16,245)	(17,118,439)
Recognised in profit or loss (Note 9)	498,338	375,000	(631,270)	(900,688)	(41,243)	(699,863)
Balance as of December 31, 2020	(21,130,226)	-	731,406	2,638,006	57,488	17,818,302

	Other payables and accrued expenses RM
The Company	
Balance as of January 1, 2019	91,536
Recognised in profit or loss (Note 9)	38,550
Balance as of December 31, 2019/January 1, 2020	130,086
Recognised in profit or loss (Note 9)	(130,086)
Balance as of December 31, 2020	-

18. INVENTORIES

	The Group	
	2020 RM	2019 RM
Cost		
Raw materials	88,150,981	75,993,333
Work-in-progress	32,141,111	17,579,517
Finished goods	44,400,518	46,316,694
Consumables	41,446,925	41,252,643
Trading goods	301,672	187,934
	206,441,207	181,330,121
Net realisable value		
Raw materials	-	685,405
Work-in-progress	16,233,535	12,298,265
Finished goods	23,807,880	40,447,429
	246,482,622	234,761,220

The cost of inventories recognised as an expense of the Group includes RM3,047,525 (2019: RM5,677,819) in respect of write-down of inventories to net realisable value as disclosed in Note 8.

19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group	
	2020 RM	2019 RM
Trade receivables	118,810,307	148,082,281
Less: Loss allowance	(781,399)	(781,399)
	118,028,908	147,300,882

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

	The Group	
	2020 RM	2019 RM
Ringgit Malaysia	118,628,343	146,025,164
United States Dollar	181,964	2,057,117
	118,810,307	148,082,281

Trade receivables comprise amounts receivable for sale of goods. The credit period granted on sale of goods ranges from cash term to 60 days (2019: cash term to 60 days). The Group charges late payment interest on outstanding trade receivables, based on respective contract terms entered with customers.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions as of the end of the reporting period. The Group has recognised a loss allowance of 100% against all receivables over 120 days past due except for interest charges on outstanding balances because historical experience has indicated that these receivables are generally not recoverable unless the Group has reasonable and supportable information that demonstrates otherwise.

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 letters of credit are excluded from the statements of financial position. The Group maintained collateral as follows:

	The Group	
	2020	**2019**
	RM	**RM**
Personal guarantees	84,075,741	55,667,051
Corporate guarantees	14,473,139	60,976,129
Bank guarantees	5,203,602	2,713,799
Letters of credit	181,964	2,057,117
Total	103,934,446	121,414,096

The aging of trade receivables are as below:

	The Group	
	2020	**2019**
	RM	**RM**
Not past due nor impaired	99,279,461	110,878,966
1 - 60 days past due but not impaired	18,688,584	36,361,053
61 - 120 days past due but not impaired	-	-
121 - 180 days past due but not impaired	-	-
More than 180 days past due but not impaired	60,863	60,863
	118,028,908	147,300,882
More than 180 days and impaired	781,399	781,399
	118,810,307	148,082,281

The trade receivables that are past due as of the end of the reporting period but not impaired are mostly supported by collaterals as mentioned above. The directors of the Group determined that the ECL rate is negligible for both years based on past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions as of the end of the reporting period.

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

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach:

	The Group	
	2020 RM	2019 RM
Loss allowance of credit-impaired trade receivables		
As of beginning and end of year	781,399	781,399

Other receivables and prepaid expenses classified as current assets consist of the following:

	The Group		The Company	
	2020 RM	Restated 2019 RM	2020 RM	2019 RM
Other receivables	930,201	5,008,732	600	170,897
Staff loans receivable	146,538	144,029	-	-
Prepaid expenses	675,945	1,063,769	-	-
Refundable deposits	215,497	216,397	12,717	12,717
Advance payments to suppliers	943,551	2,276,948	-	-
Interest receivable	10,418	-	10,418	-
	2,922,150	8,709,875	23,735	183,614

Staff loans receivable comprises the following:

	The Group	
	2020 RM	Restated 2019 RM
Housing loans	475,849	343,314
Vehicle loans	162,126	172,168
	637,975	515,482
Less: Portion due within one year, included under current assets	(146,538)	(144,029)
Non-current portion	491,437	371,453

Advance payments to suppliers of the Group are made for purchases of consumables, spare parts and acquisition of property, plant and equipment by a subsidiary company in the normal course of business.

For the purpose of impairment assessment, the other receivables, staff loans receivable, refundable deposits and interest receivable which are denominated in Ringgit Malaysia are considered to have low risk as they are not due for payment as of the end of the reporting period. There has been no significant increase in the risk of the default on the other receivables, staff loans receivable, refundable deposit and interest receivable since initial recognition. Accordingly, the loss allowance is measured at an amount equals to 12-month ECL. In determining the ECL, management has taken into account the historical default experience and financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

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 an associated company, which is denominated in Ringgit Malaysia, arose mainly from trade transactions. Amount due is unsecured, bears interest at 8% (2019: 8%) per annum for late payments and is repayable on the 10th of the following month (2019: on the 10th of the following month).

No loss allowance has been made in respect of the amount due from an associated company as the Group and the Company believe that the amount are still considered to be fully recoverable.

Amount due to ultimate holding company, which is denominated in United States Dollar, arose mainly from purchase of raw materials, spare parts and consumables. Amount due is unsecured, interest-free and is repayable on demand.

Amount due to related companies, which is denominated in United States Dollar, arose mainly from purchase of raw materials, spare parts and consumables as well as acquisition of property, plant and equipment. Amount due is unsecured, interest-free 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		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ultimate holding company				
Purchase of raw materials	558,186,757	712,029,839	-	-
Purchase of spare parts and consumables	14,105	18,967	-	-
Subsidiary companies				
Capital injection (Note 13)	-	-	-	139,000,000
Dividend received	-	-	29,000,000	11,500,000
Management fee received	-	-	-	5,700,000
Rental received	-	-	51,840	51,840
Related companies				
Purchase of raw materials	247,331,043	266,169,308	-	-
Purchase of spare parts and consumables	2,504,299	2,042,219	-	-
Acquisition of property, plant and equipment	1,296,928	1,188,630	-	-
Technical fees paid and payable	198,880	56,801	-	-
Associated company				
Sale of goods	12,361,856	16,823,182	-	-

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 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Short-term benefits	722,691	645,149	-	-
Post-employment benefits	91,107	84,708	-	-

21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Short-term placements with licensed banks	277,987	33,176,560	-	-
Cash and bank balances	65,620,201	22,522,669	61,651	758,653
Bank balances and deposits	65,898,188	55,699,229	61,651	758,653
Money market instruments	245,687,348	193,702,016	12,651,501	3,497,800
	311,585,536	249,401,245	12,713,152	4,256,453

Money market instruments 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	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	65,591,022	8,799,935	61,651	758,653
United States Dollar	29,179	13,722,734	-	-
	65,620,201	22,522,669	61,651	758,653

Investment in money market instruments comprises money market deposits. The money market instruments do not have maturity period and a 1-day notice is required for any and all withdrawals (2019: 1-day notice is required for any and all withdrawals). The average maturity period for short-term placements of the Group ranges from overnight to less than 1 month (2019: overnight to less than 1 month).

The average interest rate for short-term placement with licensed banks of the Group is as follows:

	The Group	
	2020	2019
Short-term placements with licensed banks	2.35%	2.95%

22. SHARE CAPITAL

	The Group and The Company			
	2020		2019	
	No. of shares	RM	No. of shares	RM
Issued share capital				
As of beginning of the year and year end	380,000,000	413,163,159	380,000,000	413,163,159

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

23. TREASURY SHARES

	The Group and The Company	
	2020	2019
	RM	RM
At cost:		
As of beginning of year and end of year	11,614,414	11,614,414
Total number of issued and fully paid ordinary shares (Note 22)	380,000,000	380,000,000
Less: Number of treasury shares	(10,700,000)	(10,700,00
Total number of outstanding shares in issue after set off (excluding treasure shares held) (Note 10)	369,300,000	369,300,000

24. RESERVES

	The Group		The Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Distributable reserve:				
Retained earnings/ (Accumulated losses)	435,148,446	422,522,390	987,273	(3,040,929)
Non-distributable reserve:				
Investment revaluation reserve	2,017,012	1,039,686	2,017,012	1,039,686
	437,165,458	423,562,076	3,004,285	(2,001,243)

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.

Investment revaluation reserve

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of financial assets designated at FVTOCI that have been recognised in other comprehensive income.

25. 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 ranges from 30 - 90 days (2019: 30 - 90 days).

Other payables and accrued expenses consist of the following:

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Other payables	10,743,464	12,108,433	18,688	351,760
Accrued expenses on:				
Product quality claim	170,000	180,000	-	-
Production incentives	3,050,304	1,521,205	-	-
Others	14,198,146	11,099,494	26,500	558,240
Provision for onerous contracts (Note 8)	3,232,070	6,484,245	-	-
Contracts liabilities	4,263,049	3,665,690	-	-
Retention sum of payable to contractors for installation of plant and machineries	1,225,380	1,353,887	-	-
	36,882,413	36,412,954	45,188	910,000

At the point of sale, accruals of product quality claims and year-end incentives are made with the corresponding adjustment to revenue. The Group uses its accumulated historical experience to estimate the expected amounts of credit notes to be issued by the Group in relation to both product quality claims as well as year-end incentives.

Contract liabilities represents amounts received by the Group in advance of delivery of goods where the control of the goods has yet to be passed to the customers.

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.

Other accrued expenses include accrued bonus and incentive to be paid out amounting to RM2,647,088 (2019: RM3,897,603) and accrued operating and distribution expenses amounting to RM9,286,327 (2019: RM6,254,283).

Movement of provision for onerous contracts is as follow:

	The Group	
	2020 RM	2019 RM
As of beginning of year	6,484,245	2,834,291
Provision for the year (Note 8)	3,232,070	6,484,245
Provision utilised	(6,484,245)	(2,834,291)
As of end of year	3,232,070	6,484,245

26. DIVIDENDS

	The Group and The Company	
	2020	2019
	RM	RM
In respect of the financial year ended December 31 2018:		
Final, single-tier dividend of 4 sen per ordinary share	-	14,772,000
In respect of the financial year ended December 31 2019:		
Final, single-tier dividend of 6.6 sen per ordinary share	24,373,800	-
	24,373,800	14,772,000

The directors proposed a final single-tier dividend of 7 sen per share in respect of the current financial year for the approval of the shareholders at the forthcoming Annual General Meeting of the Company and has not been included as liability in the financial statements. Upon approval by the shareholders, the dividend will be accounted for in equity as an appropriation of retained earnings during the financial year ending December 31, 2021.

27. 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 2019.

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

27. FINANCIAL INSTRUMENTS (CONT'D)

Categories of Financial Instruments

The following table combines information about classes of financial instruments based on their nature and characteristics:

	2020				2019			
Financial assets	At amortised cost RM	At FVTOCI RM	At FVTPL RM	Total RM	At amortised cost RM	At FVTOCI RM	At FVTPL RM	Total RM
The Group								
Investment in equity instruments	-	3,429,525	-	3,429,525	-	2,452,199	4,965,854	7,418,053
Trade receivables	118,028,908	-	-	118,028,908	147,300,882	-	-	147,300,882
Other receivables	930,201	-	-	930,201	5,008,732	-	-	5,008,732
Staff loans receivable	637,975	-	-	637,975	515,482	-	-	515,482
Refundable deposits	215,497	-	-	215,497	216,397	-	-	216,397
Interests receivable	10,418	-	-	10,418	-	-	-	-
Amount due from an associated company	1,347,157	-	-	1,347,157	1,275,725	-	-	1,275,725
Cash and cash equivalents	65,898,188	-	245,687,348	311,585,536	55,699,229	-	193,702,016	249,401,245
	187,068,344	3,429,525	245,687,348	436,185,217	210,016,447	2,452,199	198,667,870	411,136,516
The Company								
Investment in equity instruments	-	3,429,525	-	3,429,525	-	2,452,199	4,965,854	7,418,053
Other receivables	600	-	-	600	170,897	-	-	170,897
Refundable deposits	12,717	-	-	12,717	12,717	-	-	12,717
Interests receivable	10,418	-	-	10,418	-	-	-	-
Cash and cash equivalents	61,651	-	12,651,501	12,713,152	758,653	-	3,497,800	4,256,453
	85,386	3,429,525	12,651,501	16,166,412	942,267	2,452,199	8,463,654	11,858,120

27. FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Financial Liabilities				
Trade payables	5,462,438	5,571,980	-	-
Other payables and accrued expenses	29,387,294	26,263,019	45,188	910,000
Retention sum payable to contractors for installation of plant and machinery	1,225,380	1,353,887	-	-
Amount due to ultimate holding company	7,063,171	9,534,749	-	-
Amount due to related companies	14,873,869	4,343,129	-	-
Total other financial liabilities, at amortised cost	58,012,152	47,066,764	45,188	910,000

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 feature 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.

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 as of the end of the reporting period are as follows:

	The Group	
	2020 RM	2019 RM
Assets		
United States Dollar (Notes 19 and 21)	211,143	15,779,851
Liabilities		
United States Dollar (Note 20)	21,937,040	13,877,878

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

Foreign currency sensitivity

The Group is mainly exposed to United States Dollars ("USD").

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in the RM against USD. 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 as of the end of the reporting period for a 10% change in foreign currency rates. A (negative)/positive number below indicates a (decrease)/increase in profit after tax where the RM (weakens)/strengthens 10% against USD.

	Impact of USD	
	2020	2019
	RM	RM
Profit after tax	(2,172,590)	190,197

This is mainly attributable to the exposure outstanding on USD denominated cash and cash equivalents, receivable and payables of the Group as of the end of the reporting period.

Interest rate risk

The Group's and the Company's fixed interest-bearing assets are primarily short-term placements with licensed banks as disclosed in Note 21. The Group and the Company consider the risk of significant changes to interest rates on those short-term placements with licensed banks to be unlikely.

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

(b) 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 being 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, and, where appropriate, credit guarantee insurance cover is purchased.

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 major customers did not exceed 20% 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.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

(b) Credit risk (cont'd)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >60 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit impaired
In default	Amount is >120 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

(c) 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 except for staff loans receivable and all financial liabilities of the Group and of the Company are collectible/repayable within 1 year or on demand.

(d) 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.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

Fair Values

(a) Assets that are carried at fair value

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value as of the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

Financial assets	Description of valuation techniques and inputs used
Investment in equity instruments designated as at FVTOCI - Investment in quoted shares in Malaysia	Based on quoted market prices available on the relevant stock exchange.
Investment in equity instruments designated as at FVTPL - Investment in unquoted shares outside Malaysia, Vietnam	Based on adjusted net asset method, by measuring the fair value of the individual assets and liabilities recognised in an investee's statement of financial position as of the end of the reporting period. There were adjustment made to land and buildings ("the Properties") owned by the investee based on valuation made by external valuers. The fair value of the Properties was determined based on a valuation made by an independent professional valuation firm on January 1, 2019. The valuers adopted sales comparison method based on transactions taken place within similar industrial area. The directors assessed that similar fair value applied as of December 31, 2019 as there were no significant changes in property market in Vietnam and transactions taken place within similar industrial area.
Money market instruments	Based on their quoted closing prices at the end of the reporting period.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

Fair Values (cont'd)

(a) Assets that are carried at fair value (cont'd)

The following table shows an analysis of financial instruments and non financial instrument carried at fair value by level of fair value hierarchy:

		The Group	
	Level 1 RM	Level 2 RM	Level 3 RM
As at December 31, 2020			
Financial instruments:			
Investment in equity instruments designated as at FVTOCI - Investment in quoted shares in Malaysia (Note 15)	3,429,525	-	-
Money market instruments (Note 21)	245,687,348	-	-
	249,116,873	-	-
Non-financial instrument:			
Investment properties (Note 16)	-	-	41,000,000
As at December 31, 2019			
Financial instruments:			
Investment in equity instruments designated as at FVTOCI - Investment in quoted shares in Malaysia (Note 15)	2,452,199	-	-
Investment in equity instruments designated as at FVTPL - Investment in unquoted shares outside Malaysia, Vietnam (Note 15)	-	-	4,965,854
Money market instruments (Note 21)	193,702,016	-	-
	196,154,215	-	4,965,854
Non-financial instrument:			
Investment properties (Note 16)	-	-	43,500,000

		The Company	
	Level 1 RM	Level 2 RM	Level 3 RM
As at December 31, 2020			
Financial instruments:			
Investment in equity instruments designated as at FVTOCI - Investment in quoted shares in Malaysia (Note 15)	3,429,525	-	-
Money market instruments (Note 21)	12,651,501	-	-
	16,081,026	-	-
As at December 31, 2019			
Financial instruments:			
Investment in equity instruments designated as at FVTOCI - Investment in quoted shares in Malaysia (Note 15)	2,452,199	-	-
Investment in equity instruments designated as at FVTPL - Investment in unquoted shares outside Malaysia, Vietnam (Note 15)	-	-	4,965,854
Money market instruments (Note 21)	3,497,800	-	-
	5,949,999	-	4,965,854

There was no transfer between three (3) levels of the fair value hierarchy during the financial year.

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

Fair Values (cont'd)

(b) Financial instruments that are not carried at fair value

The carrying amount of staff loans receivable carried at amortised cost is a reasonable approximation of its fair value despite its long-term nature.

	The Group	
	Carrying amount RM	Fair value RM
At December 31, 2020	637,975	571,473
At December 31, 2019	515,482	425,776

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.

28. CAPITAL COMMITMENTS

As of the end of the reporting period, the Group has the following capital commitments:

	The Group	
	2020 RM	2019 RM
Acquisition of property, plant and equipment:		
Approved and contracted for	9,826,293	17,741,814
Approved but not contracted for	12,120,769	12,761,447
	21,947,062	30,503,261

29. CORPORATE GUARANTEES

As of December 31, 2020, the Company has issued corporate guarantees totaling RM96,700,000 (2019: RM96,700,000) 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 companies as of December 31, 2020. As of December 31, 2020, credit facilities being utilised by the said subsidiary company is RM8,445,376 (2019: RM9,555,238). The fair value of the corporate guarantees has not been recognised in the financial statements since their fair values on initial recognition are negligible.

30. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation:

	As previously stated RM	Reclassification RM	As reclassified as at December 31, 2019 RM
The Group			
Statement of financial position as at December 31, 2019			
Non-current Assets			
Staff loans receivable	-	371,453	371,453
Current Assets			
Other receivables and prepaid expenses	9,081,328	(371,453)	8,709,875

31. SIGNIFICANT EVENT DURING THE YEAR

On March 11, 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. The COVID-19 outbreak has resulted in travel restrictions, quarantines, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreak since early 2020 has brought significant economic uncertainties across the globe.

In response to this pandemic, the Malaysian Government implemented various level of Movement Control Order ("MCO") since March 18, 2020. As a result of the MCO, the Group has temporarily shut down its premises from March 18, 2020 till April 20, 2020. Subsequently, on April 21, 2020, the Group reopened its premises and resumed its operations by phases with proper Standard Operating Procedures ("SOP") put in place.

The Group's cumulative revenue from April 2020 to June 2020 during the financial year ended December 31, 2020 registered a 65% decrease when comparing to the corresponding period in prior year. This has contributed to the Group generating a total comprehensive loss of RM2,155,000 from April 2020 to June 2020 as compared to total comprehensive income of RM12,603,000 in the corresponding period in prior year. Furthermore, the Group has suffered a fair value loss on its investment properties of RM2,500,000 (Note 16) mainly due to COVID-19 adversely affecting the property market.

With the Recovery Movement Control Order ("RMCO"), the Group's operations returned to normalcy. The latest imposition of the Conditional Movement Control Order ("CMCO") in October 2020, MCO effective from January 13, 2021 to February 18, 2021 and CMCO from February 19, 2021 to March 4, 2021 has not had any adverse impact on the Group's operations as the Group is permitted to continue with normal operations without any major form of restrictions or interruptions in daily activities saved for the implementation and observation of the required SOPs and conditions which remain in place.

At the end of the reporting period, the Group is financially strong with net current asset and positive shareholders' fund amounted to RM624,485,090 and RM838,714,203 respectively. Besides that, the Group is holding cash and cash equivalents of RM311,585,536 as at 31 December 2020, and has no issue in its ability to continue as going concern in the foreseeable future.

As the situation is still evolving and the outcome of current events being uncertain, the Group will continuously monitor the impact of COVID-19 on its operations and its financial performance. The Group will also be taking appropriate and timely measures in minimising the impact of the pandemic on the Group's operations and financial performance.

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 2016 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, 2020 and of their financial performance and the cash flows of the Group and of the Company for the year ended on that date.

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

YIN, SHOU-KANG

CHEN, YI-CHIEN

Melaka
February 25, 2021

DECLARATION

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

I, **CHEN, YI-CHIEN**, 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.

CHEN, YI-CHIEN

Subscribed and solemnly declared by the abovenamed **CHEN, YI-CHIEN** at **MELAKA** on this 25th day of February 2021.

Before me,

COMMISSIONER FOR OATHS

Class of Shares	:	Ordinary shares
No. of Shareholders	:	7,869
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	13	0.165	287	0.000
100 – 1,000	1,113	14.144	940,786	0.254
1,001 – 10,000	4,667	59.308	23,220,146	6.287
10,001 – 100,000	1,811	23.014	56,469,344	15.290
100, 001 – 18,464,999*	264	3.354	117,669,437	31.862
18,465,000 and above**	1	0.012	171,000,000	46.303
Total:	7,869	100.000	369,300,000	100.000

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

SUBSTANTIAL SHAREHOLDER

Shareholders	Direct No. of Shares Held	%[(1)]	Indirect No. of Shares Held	%[(1)]
China Steel Asia Pacific Holdings Pte. Ltd.	171,000,000	46.303	-	-

Notes: (1) Excludes 10,700,000 CHB shares bought back as at 31 March 2021 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.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)	12,350,000	3.344
3.	Enterlight Investments Pte Ltd	4,649,600	1.259
4.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt an for DBS Bank Ltd (SFS)	3,842,000	1.040
5.	Neoh Choo Ee & Company, Sdn. Berhad	3,700,000	1.001
6.	Citigroup Nominees (Asing) Sdn. Bhd. UBS AG	3,307,424	0.895
7.	Lim Siew Beng	3,049,500	0.825
8.	Maybank Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Khoo Bee Lian	2,043,000	0.553
9.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Lim Mee Hwa	1,675,000	0.453
10.	Nar Swee Kim @ Nam Thah Tsai	1,372,900	0.371
11.	Ng Teng Song	1,337,600	0.362
12.	Teo Tin Lun	1,271,500	0.344
13.	AMSEC Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Quek See Kui	1,270,000	0.343
14.	HLIB Nominees (Asing) Sdn. Bhd. Lim & Tan Securities Pte Ltd for Lam Lai Cheng	1,250,000	0.338
15.	HSBC Nominees (Asing) Sdn. Bhd. J.P. Morgan Securities PLC	1,239,400	0.335
16.	Chye Ah Lam @ Chai Ming Seng	1,173,000	0.317
17.	Yeo Khee Huat	1,165,000	0.315
18.	Liew Swee Mio @ Liew Hoi Foo	1,100,000	0.297
19.	Dynaquest Sdn. Bhd.	1,078,000	0.291
20.	Syed Sirajuddin Putra Jamalullail	980,000	0.265
21.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB for Lim Kian Wat (PB)	925,100	0.250
22.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Asia Humanistic Capital Inc	920,000	0.249
23.	Then Yoon Yin	900,000	0.243
24.	Gan Kho @ Gan Hong Leong	895,100	0.242
25.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group INC	894,700	0.242
26.	Lee Guan Huat	858,900	0.232
27.	HSBC Nominees (Asing) Sdn. Bhd. JPMBL SA for Stichting Shell Pensioenfonds	848,900	0.229
28.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	821,256	0.222
29.	Len Nyok Chong	810,000	0.219
30.	Low Mei Lan	800,000	0.216
	Total	227,527,880	61.610

SHAREHOLDINGS OF DIRECTORS

Names		Direct No. of Shares Held	%[1]	Indirect No. of Shares Held	%[1]
1.	Yin, Shou-Kang	-	-	-	-
2.	Kuo, Yi-Jen	-	-	-	-
3.	Liu, Min-Hsiung	-	-	-	-
4.	Chen, Chien-Tu	-	-	-	-
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 2021 and retained as treasury shares.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2020

Description & Location	Existing Use	Tenure	Land/ Built-up area (square metres)	Age of Building Year(s)	Audited Net Book Value/ Prepaid Operating Lease/ Investment Properties* as at 31-12-2020 (RM'000)	Year of Acquisition/ Revaluation*
Lot Nos. 5212 and 5213, HS (M) 7106 & 7107 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	74,490/ 23,704	23	21,450	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	27	5,093	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	4,359	1997
Lot No. 5215, HS (M) 7108, Mukim Bukit Katil, Daerah Melaka Tengah	Industrial land build upon with a factory warehouse	99-year lease expiring on 20.01.2092	30,060/ 1,950	4	2,711	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	24	626	2009
Block B Pangsapuri Taman Pelangi, Ayer Keroh, Bukit Katil, 75450 Melaka (10 units of apartments)	Residential	Freehold	Not applicable/ 1,145	22	620	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	8	1,578	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/ 29,586	24	41,000	2016/ 2020*

NOTICE IS HEREBY GIVEN that the 17th 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 Monday, 24 May 2021, 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 2020. **(Please refer to Explanatory Notes 1)**

2. To approve a final single tier dividend of 7 sen per share in respect of the financial year ended 31 December 2020. **(Resolution 1)**

3. To approve the payment of Directors' fees for an amount not exceeding RM 156,000 for the financial year ending 31 December 2021 as recommended by the Directors. **(Resolution 2)**

4. To re-elect the following Directors who retire by rotation in accordance with Clause 77(2) and Clause 79 of the Company's Constitution and being eligible, have offered themselves for re-election:-
   i. Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud [Clause 77(2)] **(Resolution 3)**
   ii. Kuo,Yi-Jen [Clause 77(2)] **(Resolution 4)**
   iii. Chen, Yi-Chien (Clause 79) **(Resolution 5)**

5. To re-appoint Messrs. Deloitte PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Board of Directors to determine their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

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

6. **Ordinary Resolution**

   (Resolution 7)

   Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

   "THAT subject always to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), approval be and is hereby given to the Company and its subsidiaries (collectively the "Group") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as specified in Section 4 of the Circular to Shareholders dated 23 April 2021, provided that such transactions and/or arrangements which are necessary to the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed Renewal of Shareholders' Mandate").

   THAT the Proposed Renewal of Shareholders' Mandate shall only continue to be in force until:

   (i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by a resolution passed at said 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 pursuant to Section 340(2) of the Companies Act 2016 (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 such documents as may be required) as they may consider expedient or necessary or in the best consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Renewal of Shareholders' Mandate."

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 17th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Clause 55(2) 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 18 May 2021.** Only a depositor whose name appears on the **Record of Depositors as at 18 May 2021** 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 7 sen per share for the financial year ended 31 December 2020, if approved by the shareholders at the 17th Annual General Meeting of the Company, will be paid on 9 July 2021 to the shareholders whose names appear on the Record of Depositors of the Company at the close of business on 25 June 2021.

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

(a) shares transferred into the Depositor's Securities Account before 4:30 p.m. on 25 June 2021 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)
TEH SOO YEE (LS0010368)
Company Secretaries
Melaka

23 April 2021

NOTES:

1. APPOINTMENT OF PROXY

*i. For the purpose of determining who shall be entitled to attend this 17th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors as at 18 May 2021**. Only a member whose name appears on this Record of Depositors shall be entitled to attend this 17th AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.*

ii. A member entitled to attend and vote at this 17th AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his/her place. A proxy may but need not be a member of the Company.

iii. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the 17th AGM.

iv. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.

*v. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("**Central Depositories Act**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

*vi. Where a member of the Company is an exempt authorised nominee 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 exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*

vii. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

viii. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 17th AGM or adjourned 17th AGM at which the person named in the appointment proposes to vote:

(a) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(b) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Procedure for Electronic Submission of Proxy Form.

ix. Any authority pursuant to which such an appointment is made by a power of attorney may be made in a hard copy form or by electronic means in the above manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 17th AGM or adjourned 17th AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

x. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

*xi. Last date and time for lodging this proxy form is **Saturday, 22 May 2021 at 10:00 a.m.***

*xii. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:*
(a) Identity card (NRIC)(Malaysian), or
(b) Police report (for loss of NRIC)/Temporary NRIC (Malaysian), or
(c) Passport (Foreigner).

*xiii. For a corporate member who has appointed a representative instead of a proxy to attend the 17th AGM, please bring **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's registered officer earlier.*

xiv. Pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the 17th AGM shall be put by way of poll.

xv. The members are advised to refer to the Administrative Guide on the registration process for the 17th AGM.

xvi. In view that constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the 17th AGM at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at www.cscmalaysia.com for the latest updates on the status of the 17th AGM.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The audited financial statements are laid in accordance with Section 340(1)(a) of the Companies Act 2016 ("CA2016") for discussion only under Agenda 1. They do not require shareholders' approval and hence, will not be put for voting.

3. RESOLUTION 2 : PAYMENT OF DIRECTORS' FEES

Section 230(1) of the CA2016 provides that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. Pursuant thereto, shareholders' approval will be sought at this AGM on the Directors' fees for the financial year ending 31 December 2021.

4. RESOLUTIONS 3 TO 5 : RE-ELECTION OF DIRECTORS

Clause 77(2) of the Constitution provides that one-third of the Directors of the Company for the time being shall retire by rotation at an AGM of the Company and Clause 79 of the Constitution stated that a Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election.

Directors standing for re-election pursuant to the Company's Constitution are:-

i. Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud [Clause 77(2)]
ii. Kuo, Yi-Jen [Clause 77(2)]
iii. Chen, Yi-Chien (Clause 79)

The Board has through the Nominating Committee, considered the assessment of the Directors and agreed that they meet the criteria as prescribed by Paragraph 2.20A of the MMLR of Bursa Securities on character, experience, integrity, competence and time to effectively discharge their roles as Directors.

5. RESOLUTION 6 : RE-APPOINTMENT OF AUDITORS

The Audit Committee had at its meeting held on 8 April 2021 assessed the suitability and the independence of the External Auditors and recommended the re-appointment of Messrs. Deloitte PLT as External Auditors of the Company for the financial year ending 31 December 2021. The Board has in turn reviewed the recommendation of the Audit Committee and recommended the same be tabled to the shareholders for approval for the forthcoming AGM of the Company under Resolution 6.

6. ORDINARY RESOLUTION 7: PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed Ordinary Resolution 7, 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.

2020 ANNUAL REPORT OF THE COMPANY

Should you require a printed copy of the 2020 Annual Report and Circular to Shareholders, kindly request through the online system at our Share Registrar ("TIIH Online"), Tricor Investor & Issuing House Services Sdn. Bhd., website at https://tiih.online by selecting "Request for Annual Report/Circular" under the Investor Services. Alternatively, you may also make your request through email to Ms. Ashley Ng (lyng@cscmalaysia.com) or through telephone/email to our Share Registrar (603-2783 9299 or is.equiry@my.tricorglobal.com).

The printed copy of the 2020 Annual Report and Circular to Shareholders shall be provided to the shareholders within four (4) market days from the date of receipt of their written request.

A. Directors Standing for Re-election Pursuant to the Constitution of the Company are:-

(i) Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud
(ii) Mr. Kuo, Yi-Jen
(iii) Mr. Chen, Yi-Chien

Details of the above Directors who are standing for re-election at the 17th AGM of the Company are set out in the Directors' profile appearing on pages 6 to 8 of this Annual Report while their securities holdings are listed in the Analysis of Shareholdings – Directors' Shareholdings on page 113 of this Annual Report.

B. Details of Attendance of Directors at Board Meetings

A total of four (4) Board of Directors' Meetings were held during the financial year ended 31 December 2020, details of the Directors' attendances at Board meetings are found on page 18 of this Annual Report.

C. Date, Time and Place of the Annual General Meeting

Date	:	Monday, 24 May 2021
Time	:	10:00 a.m.
Place	:	Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia.

ADMINISTRATIVE GUIDE FOR THE ANNUAL GENERAL MEETING

Date	:	Monday, 24 May 2021
Time	:	10:00 a.m.
Venue	:	Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia

A. COVID-19 – PUBLIC HEALTH PRECAUTIONARY MEASURES

1. In light of the COVID-19 outbreak, the AGM will be conducted in accordance with the directives of the Ministry of Health Malaysia, the "SOP Am Perlaksanaan Majlis Kerajaan dan Swasta" issued by the Malaysian National Security Council and the Guidance and FAQs on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia and other directives and guidelines which may be issued from time to time by the Government of Malaysia.

2. To safeguard the health and safety of attendees and to minimize the risks of spreading the COVID-19 virus, the Company will implement the following precautionary measures for the AGM:

   a. A health screening counter will be set up at the entrance of meeting venue to conduct body temperature screening on all attendees as well as to administer.

   b. All attendees are required to register their attendance vide the "MySejahtera App" using attendee's own smart mobile phone by scanning the QR code provided (Attendees are advised to download and installed the said App in advance onto their smart mobile phone).

   c. Attendees who do not possess smart mobile phones must be manually registered.

   d. Attendees having a body temperature exceeding 37.5°C and/or exhibiting one or more of the symptoms such as fever, dry cough, tiredness, sore throat, aches and pains, nasal congestion, runny nose, diarrhea or shortness of breath will not be allowed to attend and participate in the AGM. Such attendees must seek medical attention immediately.

   e. If you have travelled overseas in the past 14 days prior to the AGM or have been in contact with a COVID-19 affected person, and/or person suspected of COVID-19 case or if you are unwell with fever, dry cough, tiredness, sore throat, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath, you should refrain from attending the AGM in person. Under such circumstances, you are advised to appoint the Chairman of the Meeting as your proxy to attend and vote at the AGM on your behalf.

   f. Attendees must sanitise their hands and wear a face mask as well as observe/maintain social distancing of at least 1 metre between each other at all times.

B. ELIGIBILITY TO ATTEND BASED ON THE RECORD OF DEPOSITORS

Only a shareholder whose name appears on the Record of Depositor as at **18 May 2021** shall be entitled to attend or appoint proxy(ies) to attend and/or vote on his/her behalf.

C. NO REFRESHMENT, DOOR GIFTS OR FOOD VOUCHERS

There will be no refreshment, door gifts or food vouchers provided to shareholders, proxies and invited guests who attend the AGM.

D. PRE-REGISTRATION TO ATTEND THE ANNUAL GENERAL MEETING

Shareholders are required to register ahead of the AGM to allow the Company to make the necessary arrangements in relation to the meeting i.e. infrastructure, logistics and meeting venue(s) to accommodate the meeting participants.

Please do read and follow the following procedures to pre-register your physical attendance at the AGM via the TIIH Online website at https://tiih.online:-

- Login in to TIIH Online website with your user name (i.e. e-mail address) and password under the **"e-Services".** If you have not registered as a user of TIIH Online, please refer to the tutorial guide posted on the homepage for assistance to sign up.
- Select the corporate event: **"(REGISTRATION) CHB 17TH AGM"**.
- Read and agree to the Terms & Conditions and confirm the Declaration.
- Select **"Register for Physical Attendance at Meeting Venue".**
- Review your registration and proceed to register.
- System will send an e-mail to notify that your registration for Physical Attendance at Meeting Venue is received and will be verified.
- After verification of your registration against the General Meeting Record of Depositors as at 18 May 2021, the system will send you an e-mail after **22 May 2021** to approve or reject your registration to attend physically at the Meeting Venue.

Please note that only a depositor whose name appears on the Record of Depositor as at **18 May 2021** shall be entitled to attend or appoint proxies to attend and/or vote on his/her/its behalf at the AGM.

E. REGISTRATION ON THE DAY OF THE AGM

Registration will start at 9:00 a.m. at Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia.

Original MyKad or passport is required to be presented during registration for verification.

You will not be allowed to register on behalf of another person even with the original MyKad or passport of that person.

Please vacate the registration area immediately after registration to prevent congestion.

F. APPOINTMENT OF PROXY OR ATTORNEY OR CORPORATE REPRESENTATIVE

Shareholders who appoint proxy(ies) to participate AGM must ensure that the duly executed proxy forms are deposited in a hard copy form or by electronic means to Tricor no later than **Saturday, 22 May 2021 at 10:00 a.m.**

The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner:

(i) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(ii) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Procedure for Electronic Submission of Proxy Form as set out below.

Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

Any authority pursuant to which such an appointment is made by a power of attorney may be made in a hard copy form or by electronic means in the above manner and must be received by the Company, not later than **Saturday, 22 May 2021 at 10:00 a.m.** to participate AGM. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

For a corporate member who has appointed a representative instead of a proxy to attend the 17th AGM, please bring **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's registered officer earlier:

PROCEDURE FOR ELECTRONIC SUBMISSION OF PROXY FORM

The procedures to submit your proxy form electronically via Tricor's **TIIH Online** website are summarised below:

	Procedure	Action
i.	**Steps for Individual Shareholders**	
a	Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
b	Proceed with submission of Proxy Form	• After the release of the Notice of Meeting by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "CHB 17TH AGM - Submission of Proxy Form". • Read and agree to the Terms & Conditions and confirm the Declaration • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. • Review and confirm your proxy(s) appointment. • Print proxy form for your record.
ii.	**Steps for corporation or institutional shareholders**	
a	Register as a User with TIIH Online	• Access TIIH Online at https://tiih.online • Under e-Services, the authorised or nominated representative of the corporation or institutional shareholder selects "Create Account by Representative of Corporate Holder". • Complete the registration form and upload the required documents • Registration will be verified, and you will be notified by email within 1 to 2 working days • Proceed to activate your account with the temporary password given in the email and reset your own password. Note: The representative of corporation or institutional shareholder must register as a user in accordance with the above steps before he/she can subscribe to this corporate holder electronic proxy submission. Please contact our Share Registrar if you need clarifications on the user registration.
b	Proceed with submission of Proxy Form	• Login to TIIH Online at https://tiih.online • Select the corporate exercise name: "CHB 17TH AGM - Submission of Proxy Form" • Agree to the Terms & Conditions and Declaration • Proceed to download the file format for "Submission of Proxy Form" in accordance with the Guidance Note set therein. • Prepare the file for the appointment of proxies by inserting the required data. • Login to TIIH Online, select corporate exercise name: "CHB 17TH AGM - Submission of Proxy Form" • Proceed to upload the duly completed proxy appointment file. • Select "Submit" to complete your submission • Print the confirmation report of your submission for your record.

3. Shareholders are advised to check the Company's website at *www.cscmalaysia.com* and announcements from time to time for any changes to the administration of the AGM that may be necessitated by changes to the directives, safety and precautionary requirements and guidelines prescribed by the Government of Malaysia, the Ministry of Health, the Malaysian National Security Council, Securities Commission Malaysia and/or other relevant authorities

4. If you have any enquiries on the above, please contact the following person-in charge during office hours on Mondays to Fridays from 9:00 a.m. to 5:30 p.m. (except on public holidays):

   Tricor Investor & Issuing House Services Sdn. Bhd.
   General/Fax No : +603 - 2783 9299 / +603 - 2783 9222
   Email : is.enquiry@my.tricorglobal.com
   Ms Nor Faeayzah : +603 2783 9274 / Nor.Faeayzah@my.tricorglobal.com
   Mr Ang Wai Meng : +603-2783 9281 / Wai.Meng.Ang@my.tricorglobal.com

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FORM OF PROXY

CSC STEEL HOLDINGS BERHAD

Registration No.: 200401001854(640357-X)
(Incorporated in Malaysia)

CDS Account No.

No. of Shares held

I/We ....
[Full name in block, NRIC/ Passport./Company No.]

Tel: .... of ....

....
[Address]

being a member(s) of **CSC STEEL HOLDINGS BERHAD**, hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or* (delete as appropriate)

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him, the Chairperson of the Meeting, as my/our proxy to attend and to vote for me/us on my/our behalf at the 17th Annual General Meeting of the Company to be held at Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia on Monday, 24 May 2021, at 10:00 a.m. or any adjournment thereof, and to vote as indicated below:-

Item	Agenda			
1.	To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2020.			
Item	**Description of Resolution**	**Resolution**	**For**	**Against**
2.	To approve a final single tier dividend of 7 sen per share in respect of the financial year ended 31 December 2020.	1		
3.	To approve Directors' fees for the financial year ending 31 December 2021.	2		
4.	To re-elect Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud [Clause 77(2)]	3		
5.	To re-elect Kuo, Yi-Jen [Clause 77(2)]	4		
6.	To re-elect Chen, Yi-Chien [Clause 79]	5		
7.	To re-appoint Messrs. Deloitte PLT as auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to determine their remuneration.	6		
8.	To approve the Proposal Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	7		

Please indicate with an 'X' in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he/she thinks fit.

Signed this...

....
Signature of Shareholder(s)/Common Seal

** Manner of execution:*
(a)If you are an individual member, please sign where indicated.
(b)If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.
(c)If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:
(i) at least two (2) authorised officers, of whom one shall be a director; or
(ii)any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.

Notes:-

*i. For the purpose of determining who shall be entitled to attend this 17th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors as at 18 May 2021**. Only a member whose name appears on this Record of Depositors shall be entitled to attend this 17th AGM or appoint a proxy to attend, speak and vote on his/her/its behalf.*
ii. A member entitled to attend and vote at this 17th AGM is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.
iii. A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the 17th AGM.
iv. If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
*v. Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act, 1991 ("**Central Depositories Act**"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*
*vi. Where a member of the Company is an exempt authorised nominee 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 exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*
vii. Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
viii. The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the 17th AGM or adjourned 17th AGM at which the person named in the appointment proposes to vote:

(a) In hard copy form

In the case of an appointment made in hard copy form, the proxy form must be deposited with the Share Registrar of the Company at Tricor Investor & Issuing House Services Sdn. Bhd., Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.

(b) By electronic form

The proxy form can be electronically lodged with the Share Registrar of the Company via TIIH Online at https://tiih.online. Kindly refer to the Procedure for Electronic Submission of Proxy Form.

ix. Any authority pursuant to which such an appointment is made by a power of attorney may be made in a hard copy form or by electronic means in the above manner and must be received by the Company, not less than forty-eight (48) hours before the time appointed for holding the 17th AGM or adjourned 17th AGM at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

x. Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.

*xi. Last date and time for lodging this proxy form is **Saturday, 22 May 2021 at 10:00 a.m.***

*xii. Please bring an **ORIGINAL** of the following identification papers (where applicable) and present it to the registration staff for verification:*

(a) Identity card (NRIC) (Malaysian), or
(b) Police report (for loss of NRIC)/Temporary NRIC (Malaysian). Or
(c) Passport (Foreigner).

*xiii. For a corporate member who has appointed a representative instead of a proxy to attend the 17th AGM, please bring **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form if this has not been lodged at the Company's registered officer earlier.*

xiv. Pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions at the 17th AGM shall be put by way of poll.

xv. The members are advised to refer to the Administrative Guide on the registration process for the 17th AGM.

xvi. In view that constant evolving COVID-19 situation in Malaysia, we may be required to change the arrangements of the 17th AGM at short notice. Kindly check Bursa Malaysia Securities Berhad's website and the Company's website at www.cscmalaysia.com for the latest updates on the status of the 17th AGM.

PERSONAL DATA PRIVACY

By submitting a Proxy Form or an instrument appointing a representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of 17th AGM dated 23 April 2021.

Fold along this line (1)

Stamp

To: **CSC Steel Holdings Berhad**
Tricor Investor & Issuing House
Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South,
No.8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia.

Fold along this line (2)

CSC STEEL HOLDINGS BERHAD 200401001854 (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