



CSC STEEL HOLDINGS BERHAD
(640357-X)



ANNUAL REPORT 2017



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BOARD OF DIRECTORS

Group Managing Director

Lee, Ie-Hsian

Executive Director

Tan Chin Teng

Non-Independent Non-Executive Directors

Lee, Shin-Min @ Samuel Lee

Lin, Yao-Kang @ Robert Lin

Brig. Gen. (R) Dato' Mohd Zaaba

@ Nik Zaaba Bin Nik Daud

Independent Non-Executive Directors

Phong Hon Wai

Lim Lay Ching (f)

AUDIT COMMITTEE/NOMINATING COMMITTEE

Phong Hon Wai (Chairman)

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

Zaaba Bin Nik Daud

Lim Lay Ching (f)

COMPANY SECRETARY

Ng Bee Lian (MAICSA 7041392)

REGISTRAR

Tricor Investor & Issuing House Services

Sdn. Bhd. (11324-H)

Unit 32-01, Level 32, Tower A

Vertical Business Suite, Avenue 3 Bangsar South

No. 8 Jalan Kerinchi

59200 Kuala Lumpur

Wilayah Persekutuan, Malaysia

Tel: (6) 03 – 2783 9299

Fax: (6) 03 – 2783 9222

BUSINESS ADDRESS

180 Kawasan Industri Ayer Keroh

Ayer Keroh, 75450 Melaka

Tel: (6) 06 – 231 0169

Fax: (6) 06 – 231 0167

E-mail: info@cscmalaysia.com

CORPORATE WEBSITE:

www.cscmalaysia.com

REGISTERED OFFICE

No. 49-B Jalan Melaka Raya 8

Taman Melaka Raya, 75000 Melaka

Tel: (6) 06 – 281 5300

Fax: (6) 06 – 281 5332

SOLICITORS

Messrs. Koh Kim Leng & Co.

No.106 Bangunan Bintang 51

Jalan Bendahara, 75100 Melaka

AUDITORS

Deloitte PLT

(LLP0010145-LCA)

(Audit Firm No. 0080)

21 Jalan Tun Abdul Razak, Susur 1/1

80000 Johor Bahru, Johor

PRINCIPAL BANKERS

Malayan Banking Berhad

Hong Leong Bank Berhad

RHB Bank Berhad

STOCK EXCHANGE LISTING

Incorporated on 20 January 2004 as a public company limited by shares

Listed on Main Market of Bursa Malaysia

Securities Berhad on 30 December 2004

Stock Name: CSCSTEL

Stock Code: 5094

WHISTLEBLOWER HOT LINES

Phong Hon Wai

Tel: (6) 03 – 4041 8606

Email: wbac1@cscmalaysia.com

Lim Lay Ching

Tel: (6) 06 – 283 2323

Email: wbac2@cscmalaysia.com

Pang Nam Ming

Tel: (6) 019 – 629 1128

Email: wbia@cscmalaysia.com



CSC STEEL HOLDINGS BERHAD (640357-X)

Date of Incorporation : 20 January 2004
 Principal Activities : An investment holding company providing management services to its subsidiaries.

100%

CSC Steel Sdn. Bhd. (228899 - P)

Date of Incorporation : 14 November 1991
 Principal Activities : Manufacturing and marketing of pickled and oiled steel, cold rolled steel, hot dipped galvanized steel commonly known as GI and prepainted galvanized steel commonly known as PPGI or colour coated steel.

100%

Constant Mode Sdn. Bhd. (922516 - W)

Date of Incorporation : 19 November 2010
 Principal Activities : Investment Holding.

100%

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

Date of Incorporation : 19 December 1994
 Principal Activities : Dormant.

20%

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

Date of Incorporation : 9 August 1994
 Principal Activities : A service center for steel products.

Vision

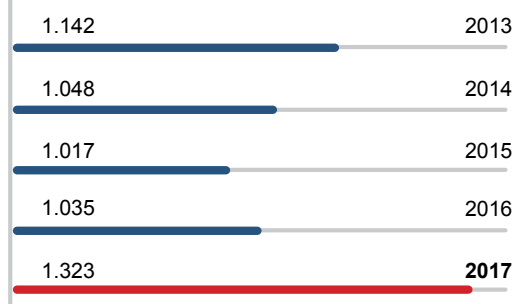
To be a trustworthy and excellent steel company in Malaysia as well as South East Asia.

Operating Policy

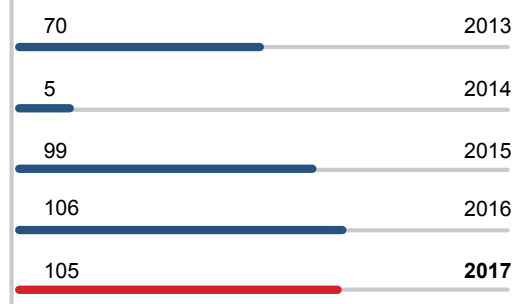
- Product upgrading for enhancing value chain and expanding the sales channel
- Emphasizing market share with excellent customer service and stable sales
- Costs optimization by improving productivity and efficiency
- Promoting green contribution through energy conservation and environmental protection

FINANCIAL HIGHLIGHTS OF THE PAST FIVE YEARS

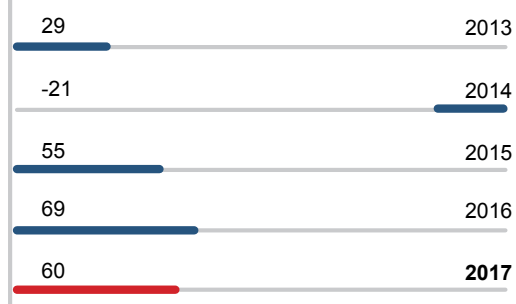
REVENUE (RM' million)



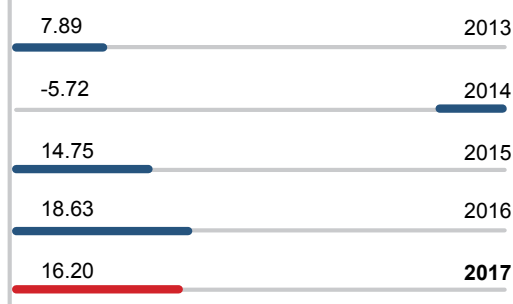
EBITDA (RM' million)



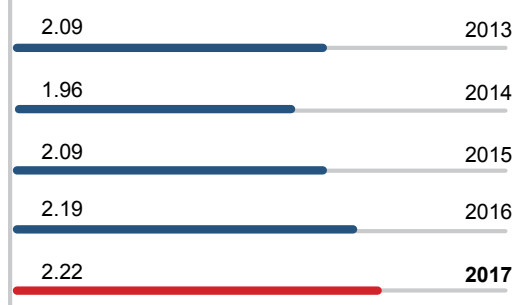
(LOSS)/PROFIT AFTER TAX (RM' million)



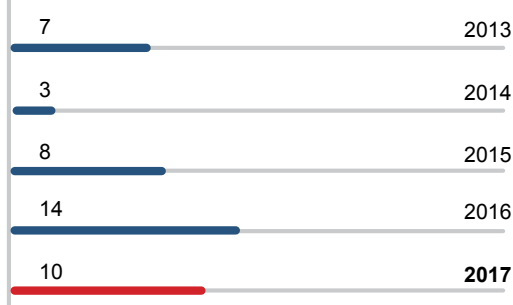
(LOSS)/EARNINGS PER SHARE (sen/share)



NET ASSETS PER SHARE (RM/share)



DIVIDEND (sen/share)



PROFILE OF DIRECTORS

LEE, IE-HSIAN

Group Managing Director

(Taiwanese, Male) Age 63

Lee, Ie-Hsian was appointed to the CHB Board on 2 October 2017 as the Group Managing Director. He graduated from the National Sun Yat-Sen University of Taiwan with a Master in Management.

Mr. Lee has over twenty-five (25) years working experience in the steel manufacturing industries. He joined Chung Hung Steel Corporation ("CHS"), Taiwan, a subsidiary of China Steel Corporation, Taiwan, since 1989 and his last position prior to his appointment to the Board of CSC Steel Holdings Berhad was Vice President, Commercial Division, of CHS.

Mr. Lee had attended the Mandatory Accreditation Programme conducted by The Iclif Leadership and Governance Centre on 6 and 7 November 2017 pursuant to Practice Note 5 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR of Bursa Securities").

Mr. Lee had attended one (1) Board Meeting during the financial year ended 31 December 2017 that were held following his appointment to the Board during the financial year ended 31 December 2017.

LEE, SHIN-MIN @ SAMUEL LEE

Non-Independent Non-Executive Director

(Taiwanese, Male) Age 62

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

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

Mr. Samuel Lee clocked full attendance at all five (5) of the Board Meetings held during the financial year ended 31 December 2017.

Trainings attended by Mr Samuel Lee during the financial year are as follows:-

- "Directors' Roles in Supervising the Risk and Crisis Management" conducted by Corporate Governance Association of Taiwan;
- "The Rules and Regulations of the Insider Trading for Listed and Non-Listed Company" conducted by Securities and Futures Institute;
- "The Fiduciary Duties of Directors" conducted by Corporate Governance Association of Taiwan; and
- "The Governance of Group of Companies" conducted by Corporate Governance Association of Taiwan.

TAN CHIN TENG

Executive Director

(Malaysian, Male) Age 59

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

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

Mr. Tan clocked full attendance at all five (5) of the Board and Audit Committee Meetings held during the financial year ended 31 December 2017.

Trainings attended by Mr. Tan during the financial year are as follows:-

- "Strategies in Dealing with Research Analysts and FTSE Bursa Malaysia Mids Cap Index Methodology Presentation" conducted by Malaysian Investor Relation Association;
- "The Universal Art of War" conducted by National Sun Yat-Sen University, Taiwan; and
- "Deloitte Tax Max – The 43rd Series Seminar" conducted by Deloitte Tax Services Sdn Bhd.

LIN, YAO-KANG @ ROBERT LIN

Non-Independent Non-Executive Director

(Taiwanese, Male) Age 64

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

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

Mr. Robert Lin had attended four (4) out of five (5) of the Board Meetings held during the financial year ended 31 December 2017.

Trainings attended by Mr. Robert Lin during the financial year are as follows:-

- "Directors" Roles in Supervising the Risk and Crisis Management" conducted by Corporate Governance Association of Taiwan; and
- "The Governance of Group of Companies" conducted by Corporate Governance Association of Taiwan.

PHONG HON WAI

*Senior Independent Non-Executive Director
Chairman of Audit Committee and Nominating Committee*

(Malaysian, Male) Age 55

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. HW Phong & Associates, Messrs. McDonald Carter (partnership) and Messrs. HW Phong Services, respectively audit firms and a taxation firm.

Mr. Phong clocked full attendance at all five (5) Board and Audit Committee Meetings and a Nominating Committee Meeting held during the financial year ended 31 December 2017.

Trainings attended by Mr. Phong during the financial year are as follows:-

- "Malaysia Private Entities Reporting Standards (MPERS)" issued by Malaysia Accounting Standard Board; and
- "Seminar Percukaian Malaysia 2017" conducted by Lembaga Hasil Dalam Negeri.



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 69

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

Dato' Nik graduated from 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 five (5) Board and Audit Committee Meetings and a Nominating Committee Meeting held during the financial year ended 31 December 2017.

Trainings attended by Dato' Nik during the financial year are as follows:-

- "Update on Companies Act 2016 and its implications to Directors" conducted by Corporate Directors Onboarding Programme;
- "Board Excellence: How to Engage and Enthuse Beyond Compliance with Sustainability" conducted by Bursa Malaysia Berhad; and
- "Integrating an Innovation Mindset with effective Governance" conducted by Bursa Malaysia Berhad.

LIM LAY CHING

*Independent Non-Executive Director
Member of Audit Committee and Nominating Committee*

(Malaysian, Female) Age 51

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 Lim Leng & Co., a legal firm in Melaka. Ms Lim is presently a partner of Messrs. Koh Kim Leng & Co.

Ms Lim Lay Ching attended all five (5) of the Board and Audit Committee Meetings and a Nominating Committee Meeting held during the financial year ended 31 December 2017.

Trainings attended by Ms. Lim during the financial year are as follows:-

- "Company Law Workshop 2017" conducted by REHDA Institute;
- "Executive Certificate in Islamic Finance" conducted by INCEIF; and
- "Deloitte Tax Max - the 43rd Series Seminar" conducted by Deloitte Tax Service Sdn Bhd.

Notes:

1. Directorship in Public Companies

Save as disclosed above, none of the Directors hold any directorship in any other public companies incorporated in Malaysia.

2. Family Relationship

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

3. Directors' Shareholdings

Details of Directors' shareholdings in the Company can be found in the "Analysis of Shareholdings" section on page 100 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. Lee, Ie-Hsian and assisted by the Executive Director cum Vice President of Finance Division, Mr. Tan Chin Teng and their profiles could be found under the Profile of Directors on page 6. The profiles of other key senior management are as follows:-

<p>HSU, TSE-WEI Vice President, Production Division</p> <p>Nationality: Taiwanese Age / Gender: 60 / Male Date of appointment: 1 August 2016 Qualification(s): Executive MBA, National Sun Yat-sen University, Taiwan. Experience: Has more than thirty (30) years' experience in steel manufacturing industry.</p>	<p>TEN LING PIEW Vice President, Commercial Division</p> <p>Nationality: Malaysian Age / Gender: 47 / 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.</p>
<p>KOH KANG GUAN Assistant Vice President, Production Division</p> <p>Nationality: Malaysian Age / Gender: 50 / Male Date of appointment: 1 January 2007 Qualification(s): Degree in Mechanical Engineering, National Taiwan University, Taiwan. Experience: Has more than twenty (20) years' experience in steel manufacturing industry.</p>	<p>JUANG, DER-FENG Assistant Vice President, Finance Division</p> <p>Nationality: Taiwanese Age / Gender: 61 / Male Date of appointment: 1 August 2016 Qualification(s): Executive MBA, National Sun Yat-sen University, Taiwan. Experience: Has more than thirty (30) years of financial and accounting experience.</p>

Notes:

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

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



On behalf of the Board of Directors (the "Board"), I as the Group Managing Director of CHB Group of Companies, am pleased to present to you the Annual Report and the audited Financial Statements of the Group for the financial year ended 31 December 2017.

As far as the stakeholders are concerned, we will discuss matters regarding our businesses herein the Management Discussion and Analysis ("MD&A").

Managing Director's Statement

First of all, on behalf of the Board of Directors I would like to express my deep gratitude and appreciation to our immediate past Group Managing Director, Mr. Chen, Huo-Kun for his invaluable contributions to the Group. Mr. Chen resigned from the Company on 2 October 2017 and returned to our parent company, China Steel Corporation in Taiwan ("CSC"). That was the same day I came on board of CHB as its Group Managing Director to assume and take over the responsibilities of Mr. Chen.

As a responsible Group Managing Director, I will continue to pursue and implement the policies and strategies formulated by our parent company for the betterment of the Group. I believe that this could be done with the supports given by the experienced team of board member and senior key management staff in various fields.

- Overview of the Group's Business and Operations

The Group's business is primarily involved 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 for our core products, manufacturing process, specification and application could be obtained from the Group's website, www.cscmalaysia.com.

One of the key components that influencing the Group's operation is its main raw material, which is hot rolled steel coil ("HRC"). Currently, the Group's main sources of income is from its subsidiary, CSC Steel Sdn. Bhd. ("CSCM") and its raw material is mainly supplied by integrated steel mills, i.e. China Steel Corporation of Taiwan (the Group's parent company). Besides, oversupply of steel and market volatility since financial crisis in 2008 are the Group's main challenges in recent years, coupled with the uncertainty of currency movement.

The Board and the management of the Group are always working closely in resolving the issues and challenges throughout the years. In order to stay relevant in the steel business, the Board is continually assessing the opportunities arise and looking into the avenues that could move the Group forward.

- Review of Financial Results and Financial Condition

In Financial Year 2017, the Group achieved higher revenue of RM1.323 billion (Year 2016: RM1.035 billion). However, a lower profit before tax of RM76.078 million was recorded compared to RM82.123 million achieved in Financial Year 2016. The main reason for the lower profit was because increase in cost outstripped increase in selling prices, higher proportion of export resulted in higher distribution cost and continued losses in associated company.

The Group's financial position as at 31st December 2017 again improves further. Net tangible assets for Financial Year 2016 which was RM2.19 per share has risen to RM2.22 per share for Financial Year 2017. Total equity stood at RM819.152 million and current ratio has also improved further from 10.4 times in Financial Year 2016 to 11.6 times in Financial Year 2017. Cash and cash equivalent was RM161.036 million.

With the aim to improve product quality and production efficiency, during Financial Year 2017 CSCM had spent about RM22 million in capital expenditure. Amongst the notable capital expenditure projects were the installation of a new Temper Mill and Pickling Line Revamping.

The Group's investment in associated company continues to suffer losses in Financial Year 2017 and the Group's share of losses in associated company was RM0.976 million. There were several corporate turnaround plans being taken by the associated company, and the most significant plan is the change of controlling stakes in the associated company, which is expected to be completed in 2018. Once the new major shareholder officially takes over the control, we believe the associated company would be in a better position to move forward and contribute positively to the Group.

Other details of the financial information could be obtained from the Group's audited financial statements with its explanatory notes from page 43 to 97.

- Anticipated or Known Risks

As US Government imposed tariffs on imported steel which could lead to an impact to the global trading, the management will monitor and assess carefully and take necessary actions to mitigate the risks. Besides that, China Government's effort on cutting down overcapacity in steel production is a long-term measure and its effectiveness would be felt gradually, however, we hope that the measures taken would create a conducive steel market in the long run. On the other hand, the Malaysian Government's final determination on imposing anti-dumping duties ranging from 3.06% to 23.78% on CRC imported from China, Korea and Vietnam and 12.06% to 52.10% on PPGI imported from China and Vietnam may help to restore a healthy competition for local steel market.

Apart from the factors stated above, the appreciation of Ringgit may also affect the Group's overall performance, as the prices of imported steel products would be more attractive to the downstream players, especially those spot buyers and this could trigger a more intense of pricing war. Besides, the Group's exposure to the risk of delay or non-payment by the customers with credit term has been diverted by engaging a Trade Credit Insurance Policy (TCIP). TCIP covers about 70% of the amount owed by our customers while others are protected under personal or corporate guarantees granted from the customers.



- Prospects and Outlook for the Financial Year 2018

As there are always numerous challenges and uncertainties awaiting, especially those mentioned above, i.e. the US Government steel tariffs campaign, China Government continuous effort in curbing excess steel production, performance of Ringgit, various on-going trade measures and last but not least the fluctuation of steel ingredients price, the Board and the management have been ready to get through all these.

Domestic steel market remains the main focus for the Group and the Group is expecting another year full with challenges for domestic market as those key challenges and risks that mentioned above, may affect the competitiveness of the local steel industry. As such, the Group has identified several measures to be taken to minimize the impact to the Group, such as working closely with steel association and government, etc.

Internally, several on-going efforts, i.e. improving energy efficiency to reduce consumption, upgrading our equipment to further strengthen our competitiveness, improving our customer services, diversifying sales market, etc. Going forward, with the continuous support from our parent company, China Steel Corporation of Taiwan, we are able to leverage the advantages that we have built over the years to be sustainable in a challenging business environment. Barring any unforeseen circumstances, we expect to continue to deliver a positive set of results for 2018.

- Forward-looking statement

- (i) Sustaining the Group's operation

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

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



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

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

Besides that, in order to cater and widen the market acceptance, CSCM has also successfully obtained the Malaysian Standard, MS 2384:2011, MS 2385:2011, MS2383:2011 and Japanese Industrial Standard, JIS G3302:2010/Amendment 1:2012, JIS3312:2012 for its certain coated products.

Save for the above, the CSR activities of the Group throughout the year are recorded on a separate report which could be found from the Company's website at www.cscmalaysia.com.

(ii) Dividend

In line with the Group's policy of paying at least 50% of the Group's profit after tax as dividend to its shareholders, the Board of Directors has recommended an interim single tier dividend of 5 sen per share and a final single tier dividend of 5 sen per share for the financial year ended 31 December 2017.

The distribution of interim dividend and the recommendation of final dividend had been announced on 9 February and 12 February 2018 respectively and final dividend will be tabled for the shareholders' approval at the Company's forthcoming fourteenth Annual General Meeting scheduled on 24 May 2018 and if approved, will be paid on 15 August 2018.

Acknowledgement and appreciation

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

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

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

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

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

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

Lee, Ie-Hsian

Group Managing Director

The Board and Management of CHB adopt high standards of professionalism and integrity and practises good corporate governance principles in fulfilling their fiduciary duties and in the activities undertaken by the Group and the Board endeavours to comply with the best practices of the principles of good corporate governance as set out in the Malaysian Code on Corporate Governance 2017 (the “MCCG 2017”) 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 in the Company’s website at www.cscmalaysia.com, include approval of the interim and annual results; reviewing the adequacy and integrity of the management information, risk management and internal controls system of the Group; evaluating and approving major capital expenditure including significant acquisitions and disposals and all major corporate transactions; long term planning and direction of the Group among others.

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

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 on 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

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 are report to the Board subsequently to the 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 behavior 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.

Whistle-blowing Policy

Although there is no formal whistle-blowing policy per se, avenues for staff, suppliers and stakeholders to provide feedback, grievances or to report on any misconduct by the Company and its subsidiaries are like available.

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

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

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

Under the good practices of corporate governance, the role of Executive Chairman and Group MD of the Company are 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 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 are responsible for implementing policies and decisions of the Board and together, manages the day-to-day operations as well as oversee the overall development and implementation of the Group’s business and corporate strategies. They ensure the strategic objectives and plans of the Group are met. They are assisted and supported by a capable management team comprising heads of various divisions and departments. The Board is kept abreast of the Group’s latest operational and business developments through updates reported at its quarterly meetings 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 undertake responsible practices that impact the society and 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, environment and social developments.

The Board ensures that its long-term financial viability, loyalty of key stakeholders and preservation of the environment are achieved. The details of the sustainability activities are set out in the Sustainability Statement from page 30 to page 33 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 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 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 2017.

f. Directors’ Training

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

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 update the relevant guidelines on statutory and regulatory requirements from time to time 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 programme 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, 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 some of the Independent Directors are professionals and entrepreneurs while a majority of the Non-Independent Directors has 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 Finance Vice President 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 2017 were unanimously agreed upon by the Directors three (3) months in advance. However, dates of all Board and Board committee meetings for 2017 were unanimously decided prior to the start of the calendar year 2017. 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

b. Board Meetings

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 at least a week before the scheduled meeting.

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

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

During the financial year ended 31 December 2017, a total of five (5) Board meetings were held and the attendance of each Director is set out hereinbelow:-

Directors	Attendance
Lee, Ie-Hsian (Appointed on 2 October 2017)	1/1
Chen, Huo-Kun (Resigned on 2 October 2017)	4/4
Lin, Yao-Kang @ Robert Lin	4/5
Lee, Shin-Min @ Samuel Lee	5/5
Tan Chin Teng	5/5
Phong Hon Wai	5/5
Lim Lay Ching	5/5
Brig. Gen. (R) Dato' Nik Mohd Zaaba Bin Nik Daud	5/5

Besides the Company Secretary, Heads of the Finance Division, Production Division, Commercial Division and Corporate Planning Department of the Company attends each Board meeting, as well as every Audit Committee meeting, on the standing invitation of the Board during the financial year ended 31 December 2017. 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)

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

At the annual assessment carried out in November 2017 and February 2018, 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.

c. Tenure of Independent Directors

The tenure of an Independent Director does not exceed a cumulative term limit of nine years since his appointment as an Independent Directors as recommended by Practice 4.2 of MCCG 2017. Upon completion of the nine years, an Independent Director may continue to serve as the board beyond nine years 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 continue to retain the Independent Director after the twelfth year, the Board should seek annual shareholders' approval through a two-tier voting process.

Currently, the Company did not have independent directors whom serve more than 9 years and have yet adopt a policy which limits the tenure of its independent directors to nine years as recommended by Practice 4.3 of MCCG 2017.

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 Directors. The Committee is chair by Mr. Phong Hon Wai, a Senior Independent Non-Executive Director, in line with Practice 4.7 of MCCG 2017.

Full attendance of the members was recorded for a meeting held during the financial year ended 31 December 2017 as follows:-

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

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 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 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. 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 2017, the activities of the Nominating Committee include the following:-

- i) reviewed the size, structure and composition of the Board of Directors of CHB and its board balance;
- ii) reviewed the required mix of skills and experience and other qualities including core competencies the non-executive directors and executive director of the Company should have;
- iii) reviewed the effectiveness of the Board and its sub-committees as a whole and the contribution of each individual director;
- iv) reviewed the performance of the Vice President of Finance Division in discharging the role of the Chief Financial Officer;
- v) reviewed 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;
- vi) assessed the independence of the Independent Directors of the Company;
- vii) assessed the Directors who shall be retiring by rotation and standing for re-election by the shareholders at the forthcoming AGM; and
- viii) reviewed the term of office and performance of Audit Committee and each of its members annually to determine whether such audit committee and members have carried out their duties in accordance with the term of reference.

1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1.3 Nominating Committee (cont'd)

The Board at its meetings in November 2017 and February 2018 were unanimous with and accepted each of the above recommendations from its Nominating Committee and summarized as follows:-

- i) The Committee was overall satisfied with the size, composition and Board balance of the Company.
- ii) The Committee was unanimous that the Vice President of Finance Division has performed commendably and to their satisfaction in discharging the role of the chief financial officer, as defined by Bursa Securities, based on the quarterly reports received, feedback from both the internal auditors and external auditors and the comprehensive and timely reporting to the Board.
- iii) 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.
- iv) 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 14th 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 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 duly 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 as follows:-

- 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.

During the financial year ended 31 December 2017, Mr. Lee, Ie-Hsian was appointed to the Board of the Company as Group Managing Director.

As such, he will be subjected to retirement by casual vacancy at this forthcoming Annual General Meeting.

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

On 23 November 2017, 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:-

- Tan Chin Teng
- Brig. Gen. (R) Dato' Nik Mohd Zaaba Bin Nik Daud
- Lee, le-Hsian

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 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 revealing 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 Managing Director 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 2017 are as follows:-

Category	Fees (RM)	Salaries & Bonuses (RM)	Other Emoluments (RM)	Benefits- in-Kind (RM)	Total (RM)
Executive Directors	-	494,181.80	89,159.00	32,023.14	615,363.94
Non-Executive Directors	123,600.00	-	-	-	123,600.00
Total	123,600.00	494,181.80	89,159.00	32,023.14	738,963.94

Directors' remuneration for the year ended 31 December 2017 falls within the following bands:-

Range of Remuneration	Executive	Non-Executive
Nil	Nil	2
Below RM50,000	Nil	3
RM50,001-RM100,000	1	Nil
RM100,001-RM150,000	Nil	Nil
RM200,001-RM250,000	1	Nil
RM300,001-RM350,000	1	Nil

Note:

- Details of directors' remuneration above include Director who has resigned during the year ended 31 December 2017.
- 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 will be subject to the shareholders' approval at the Company's forthcoming AGM.

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 Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The Committee is chair by Mr. Phong Hon Wai, an Independent Non-Executive Director, in line with Practice 8.1 of MCCG 2017.

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 34 to 37 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. EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

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

As part of the governance process in reviewing the quarterly and yearly financial statements by the Audit Committee, the Vice President of Finance Division provides assurance to the Audit Committee on a quarterly basis that appropriate accounting policies had been adopted and applied consistently; that the going concern basis applied in the Condensed Consolidated Financial Statements ("CCFS") and Annual Financial Statements ("AFS") was appropriate and that prudent judgements and reasonable estimates had been made in accordance with the requirements set out in the Malaysian Financial Reporting Standards ("MFRS"); that adequate processes and controls were in place for effective and efficient financial reporting and disclosures under the MFRS, International Financial Reporting Standards and MMLR; and that the CCFS and AFS did not contain material misstatement and gave a true and fair view of the financial position of the Group and the respective companies within the Group in 2017.

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 2017, the outsourced Internal Auditors had in their quarterly reports stated that no material issue or major deficiencies had been noted which would pose a high risk to the overall system of internal controls under review and that all recommendations made was accepted and acted upon by management.

For the financial year ended 31 December 2017, 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 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 2017 are set out on pages 43 to 97 of this Annual Report and a statement by the Board of its responsibilities in preparing the financial statements is on page 97.

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 transaction 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 27 April 2018 as well as the noted to the financial statements herein provide further details on these related party transactions.

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

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

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 state of internal controls within the Group is set out in the Statement on Risk Management and Internal Control on pages 38 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 were set out in the Audit Committee Report on pages 34 to 37 of this Annual Report.

e. Assessment on Suitability and Independence of External Auditors

The Audit Committee performs a yearly assessment of the suitability and independence of the External Auditors before making recommendation 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 Federation of Accountant's Code of Ethics for Professional Accountants and Malaysian Institute of Accountant's 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 communications with its shareholders and stakeholders alike. In this respect, information on the Group's financial performance and/or major developments are disseminated to the public as soon as practicable via appropriate channels of communication, chief of which is the Bursa LINK provided by Bursa Securities as well as the Company's website at www.cscmalaysia.com.

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

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

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

The AGM held on 25 May 2017 was well attended by the shareholders and proxies.

Status of all resolutions proposed at its AGM would be released to Bursa Securities on that day itself as had been the Company's practice the past thirteen 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 30 to 33 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 Article 79 of the Company's Constitution.

In compliance with this requirement, CHB's Annual Report 2017 will be issued on 27 April 2018 which is also the date of despatch of the notice of its 14th AGM. The coming 14th AGM, scheduled on 24 May 2018 (Thursday) at its business premises in Melaka, would provide the Company's shareholders with an avenue to raise any queries that they may have on the Company and the Group.

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

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

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 @ www.cscm.com.

ADDITIONAL COMPLIANCE INFORMATION DISCLOSURES

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 2017 for the financial year ended 31 December 2017.

UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2017.

SANCTIONS AND PENALTIES

There were no sanctions and penalties imposed on the Company and its subsidiaries, directors or management during the financial year ended 31 December 2017.

AUDIT FEES AND NON-AUDIT FEES

During the financial year ended 31 December 2017, 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 2017 RM	FYE 2016 RM	FYE 2017 RM	FYE 2016 RM
Statutory audit fees paid /payable to:				
Deloitte	31,920	24,000	163,345	109,620
O.L.Yeo	Nil	Nil	1,600	1,400
Affiliates of Deloitte	Nil	Nil	Nil	Nil
Total (a)	31,920	24,000	164,945	111,020
Non-audit fees paid/payable to:				
Deloitte	3,500	3,500	3,500	3,500
CPL Taxation	Nil	Nil	1,200	1,400
Affiliates of Deloitte				
	32,900	5,100	91,700	12,901
Total (b)	36,400	8,600	96,400	17,801
% of non-audit fees (b/a)	114%	36%	58%	16%

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 2017 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 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 27 April 2018.

SUSTAINABILITY STATEMENT

The Board of CSC Steel Holdings Berhad (the “Board”) acknowledges the importance of implementation of sustainability strategies and policies which has now become one of the disclosure items required by Bursa Securities Malaysia Berhad. Despite the absence of a formal sustainability policy, various activities and/or practices related to the sustainability aspects i.e. economy, environment and society has been done by the Group.

Among the efforts implemented to ensure consistency of sustainability practices and standards are enhancing the awareness of employees on the importance of sustainability, cultivating stakeholders engagement, etc. The activities undertaken by CHB Group which relate to sustainability, though not exhaustive, are as follows:-

Economy

- Marketplace
Our Group is committed to:-
 - √ Sourcing for competitively priced and better quality products and services from reliable sources as to supply good quality finished products at competitive prices to the customers;
 - √ Providing technical services to its customers as and when required;
 - √ Organizing seminar and participating in exhibitions so as to share the information of steel products with the targeted audience such as architects, developers, etc. and passing on the savings to its customers where possible;
 - √ Producing steel products that conform to SIRIM Eco-Labeling, Malaysian Standards (MS2383, MS2384, MS2385) and Japanese Industrial Standards (JIS G3302, JIS3312) so as to further enhance the value of our products.
- Stakeholders Engagement
At the Annual General Meeting, the Board keeps stakeholders updated on the latest development within the Group and discusses issues that might impact our stakeholders’ interest.

Our website, www.cscmalaysia.com, is one of the channels to further enhance stakeholder’s communication. Information pertaining to the Group including general announcements, quarterly financial results and relevant reports are made available online. All such communications are properly maintained by the Group.

In our website, the key contacts for direct communication with the relevant personnel have been made available, such as general enquiries and sales enquiries. Besides that, we also provide key contact persons listed under “Whistleblower Hot lines” for stakeholders to provide feedback or to report on any misconduct by the company or its subsidiaries personnel.

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

Environment

The Group is committed to maintaining a sound environmental management system and the standards of ISO 14001 has been adopted since 2009 to continually enhance the management system. The key efforts undertaken are as follows:-

- **Pollution Control**
The Group is consistently monitoring the quality of its treated effluent, chimney stack emissions, boundary noise and ambient air quality as to ensure that it is compliance with the regulatory requirements and all environmental monitoring reports are submitted to the Department of Environment on a quarterly basis.
- **Waste Management**
The Group has adopted the “3R” (Reduce, Reuse and Recycle) practices for its waste management, 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 off the scheduled waste and domestic waste. This is to ensure that all wastes are being disposed off properly according to the requirements.

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.

- **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 are mindful that while usage of non-renewable energy sources cannot be avoided altogether, earnest efforts are made to ensure these resources are use efficiently. We have adopted a variety of energy management practices and the Group’s effort had been paid off with the recognitions from the Energy Management in Buildings and Industries Awards in 2016 and the Malacca State Green Competition in 2017.

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

- **Others**
Save for the above, the Group has enhanced plant landscaping and greening the factory premises and encouraging our employees opt for hybrid car by providing them a special parking lot allocated. Besides that, doubts raised by the surrounding residents regarding to the environmental issues are well-attended with explanation supported by data that had been verified by the regulatory body.

Workplace

- **Training and Development**

We place significant importance in upgrading the skills for our employees as we firmly believe that our success is founded on their abilities. We invest in talent development and training sessions for our employees, which cover areas such as technical skills, business and human resources, personal development and leadership excellence.

The Group places great emphasis in developing employees to reach their full potential through structured training programme and exposure on the job. Various initiatives undertaken include job rotation, conducting training, encouraging workplace diversity and promoting employee welfare.

- **Health and Well-Being of Employees**

Improving the health and well-being of our employees are also the top priority. We believe that through sports, one learns the true meaning of sportsmanship and team work which helps towards positive physical and mental growth. At our Group, employees are encouraged to adopt an active and healthy lifestyle through sports and leisure activities e.g. bowling, badminton, football, basketball, etc.

In an effort to improve employees' engagement, the management encourage employees to participate in various activities to maintain a good work-life balance and lifestyle. These activities carried out include family day, sports tournament, annual sports, annual dinner and etc. with an aim to promote team spirit and to foster a close working relationship amongst our employees.

- **Occupational Safety and Health ("OS&H")**

The Group conducts its business with a high standard of safety and health protection for our employees. It achieved the standards of and obtained the Occupational Health and Safety Assessment Series, OHSAS 18001 since year 2016 to further enhance its workplace safety.

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

Besides, OS&H surveillance audit was carried out during Year 2017 so as to ensure the management is always in compliance and any of the uncertain issues are addressed accordingly.

Various trainings and campaign have been carried out from time to time as to foster employee's awareness. The activities, though not exhaustive, are as follows:-

- √ Emphasis on employee health and safety issue through continuous education, training, supervision and awareness campaigns;
- √ Implementing an "area responsibility system" whereby employees are appointed to take charge and be responsible for the safety aspect of allocated area; and
- √ Promoting "injury free" campaigns

- **Constant Communication with Employees**

One of the key elements for maintaining a conducive working environment is through communication. The Group has established a platform for the employees to voice out their concerns, suggestion or opinion to the top senior management, on half yearly basis.

Society

- **Diversity**
In an industry with strong competition and a shortage of skilled labour, we are constantly conscious of the need to maintain our edge as a preferred and fair employer.

The recruitment policy of the Group is to select and recruit candidates who are most suitable for the performance of the job and does not discriminate on the basis of gender, ethnicity and age of the candidate. Our 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**
The Group has contributed to the community through well-being and health campaigns, donations to schools and other needy community including the Group's employees.

We has also adopted a program where selected undergraduate students from local universities are given practical training to expose them to hands-on experience in this industry.

Last but not least, being a responsible and trustworthy corporation, the Board and the Management view the sustainability is an important issue where efforts will be made from time to time and the cooperation granted from every parties are recorded and appreciated.

AUDIT COMMITTEE REPORT

The Board of Directors of CHB presents the Audit Committee (“AC”) Report which provides insights into the manner in which the AC discharges its functions for the Group in the financial year ended 31 December 2017.

1. MEMBERS AND MEETING ATTENDANCE

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

Five (5) AC Meetings were held during the financial year ended 31 December 2017 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)	5/5
Lim Lay Ching (Member/Independent Non-Executive Director)	5/5
Brig. Gen. (R) Dato’ Nik Zaaba Bin Nik Daud (Member/Non-Independent Non-Executive Director)	5/5

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

Besides the Company Secretary, Heads of the Finance Division, Production Division, Commercial Division and Corporate Planning Department of the Company, the external auditors and the outsourced Internal Auditors attends each Committee meeting on the standing invitation of the Committee Chairman during the financial year ended 31 December 2017.

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 at the Company’s website at www.cscmalaysia.com.

3. PROCEDURE OF COMMITTEE MEETING

Chairman

The Chairman, who shall be an independent non-executive director, shall be elected by the Committee from among their members. If at any meeting, the Chairman is not present, within fifteen minutes, after the time set for holding the meeting, the members present shall choose one of their members to act as chairman of the meeting.

Quorum

The quorum shall be two (2) members present.

Attendance

The head of finance, the internal auditor and representative from the external auditor shall normally attend the meeting. However, 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 Secretary shall on the requisition of any of the members or the external auditors summon a meeting.

Frequency of meetings

Meetings shall be held at least four (4) times a year.

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 to his/her registered address as appearing in the Register of Directors, as the case may be.

Voting

A resolution put to the vote of the meeting shall be decided on a show of hands.

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 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 2017 is as follows:-

- 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.
- b. With Internal Auditors
 - Reviewed the internal audit plan and the scope of work;
 - Reviewed the internal audit reports, their findings, recommendations and the Management's response in addressing the issues found to ensure that risk issues were adequately addressed; and
 - Conducted the annual performance assessment.

4. SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (CONT'D)

- 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' report and management letter;
 - 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 2017 to discuss the outcome of the audit of the Group in respect of the financial year ended 31 December 2016 and the second time in November 2017, 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 2017;
 - 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 disclosure 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") 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 shareholders to ensure compliance with the Listing Requirements and to monitor for the required action, such as an immediate announcement, in the event the actual value of a mandated RRPT exceeds the estimated value of the RRPT disclosed in the previous year's RRPT Circular to Shareholders, which shareholder has approved, by 10% or more; 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 2016 if approved by the Board of Directors;

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

5. INTERNAL AUDIT FUNCTION

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

During the financial year ended 31 December 2017, 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 2017, internal audit activities have been carried out in accordance with the pre-approved internal audit plan.

The IA Team conducts its internal audit visits based on the approved Internal Audit Plan ("IA Plan") for two (2) financial years which will be reviewed on an annual basis and revised subsequent to the completion of the first year audit, if necessary, to reflect the changes in the Group's operating environment. Any significant changes to the IA Plan will be referred to 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 2017 and the date of this Annual Report included the following:-

- a. Production Management;
- b. Price Formulation and Costing Management;
- c. Sales and Marketing Management; and
- d. Related Party Transactions

The internal audits performed had meet their objectives of highlighting to the 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 2017 was RM50,070.37.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

The Board of Directors (“the Board”) of CSC Steel Holdings Berhad (“the Company”) acknowledges the importance of maintaining a sound risk management and internal control system in the Company and its subsidiaries (“the Group”) and is pleased to provide the following Statement Risk Management and Internal Control which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 31 December 2017. This statement was prepared by taking into account of the Statement on Risk Management and Internal Control: Guidelines for Director and Listed Issuers (“The Guidelines”) pursuant to Paragraph 15.26(b) and Practice Note 9 Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR of Bursa Securities”).

BOARD RESPONSIBILITIES

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

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

RISK MANAGEMENT

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

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

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

INTERNAL AUDIT FUNCTION

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

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

INTERNAL AUDIT FUNCTION (CONT'D)

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

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

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

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

The total cost incurred in maintaining the outsourced internal audit function performed by Needsbridge for the financial year ended 31 December 2017 amounted to RM50,070.37. There was no professional fee imposed on the Group for the internal audit works performed by CSC.

INTERNAL CONTROL SYSTEM

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

- **Board of Directors/Board Committees**

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

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

INTERNAL CONTROL SYSTEM (CONT'D)

- **Integrity and Ethical Value**

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

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

- **Organisation Structure and Authorisation Procedures**

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

- **Policies and Procedures**

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

- **Annual Budget**

Financial budget for the operating subsidiary is prepared and is presented to the Board of such operating subsidiary on an annual basis for approval. Such budget is applied to every key division of such operating subsidiary for financial performance measurement. The actual performance 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 Policy**

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

- **Information and Communication**

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

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

- **External Bodies Certification**

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

INTERNAL CONTROL SYSTEM (CONT'D)

- **Monitoring and Review Activities**

- ▶ Key performance indicators are formulated to monitor the performance of key divisions/departments against targets established with information on actual performance against Key performance indicators established being compiled on quarterly basis. Formal half-yearly management review meeting is held to discuss and review the performance of key divisions/departments of the Group based on the key performance indicators established.
- ▶ Weekly management meetings of Head of Departments are held to review operational and financial performance of key divisions/departments within the Group.
- ▶ Monthly review of the management accounts of the Company and its subsidiaries by the Senior Management team.
- ▶ Quarterly unaudited group financial reports reviewed by Audit Committee together with senior management, and subsequently reported to the Board.
- ▶ Conducting internal audit on key risk areas identified during high level risk assessment by the internal audit functions that reports directly to the Audit Committee. The internal audit functions assesses the adequacy and effectiveness of internal controls in relation to specific critical control processes and highlights significant risks impacting the Group to the Audit Committee as well as recommending improvements to various processes to minimise the risks.

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

ASSURANCE PROVIDED BY 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 system of the Group, in all material aspects, during the financial year under review based on the risk management and internal control system of the Group.

Board's Opinion and Conclusion

In the meetings of Board of Directors during the financial year under review, the performance of the Group were reviewed and deliberated by the Board, including, but not limited to, the adequacy and effectiveness of specific risk management and internal control system of the Group put in place to address potential business risks identified by the Board during such reviews and deliberation. Through such reviews by the Board with 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.

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

This Statement was approved by the Board on 9 April 2018.

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, 2017.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of management services.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary 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	59,809,557	54,287,569

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

DIVIDENDS

Since the date of the last report, a final single tier dividend and a special single tier dividend of 10 sen per share and 4 sen per share in respect of the previous financial year amounting to RM36,930,000 and RM14,772,000 respectively, was paid by the Company during the financial year.

An interim single tier dividend of 5sen per share in respect of current financial year, was declared on February 9, 2018 and have not been included as a liability in the financial statements.

The directors propose a final single tier dividend of 5 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, 2018.

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 provision for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate provision 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 release.

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 provision 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.

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

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

Tan Chin Teng
 Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba bin Nik Daud
 Lee, Shin-Min @ Samuel Lee
 Phong Hon Wai
 Lim Lay Ching
 Lin, Yao-Kang @ Robert Lin
 Lee, Ie-Hsian (appointed on October 2, 2017)
 Chen, Huo-Kun (resigned on October 2, 2017)

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

Lee, Shin-Min @ Samuel Lee
 Ou, Jenq-Jang
 Hsu, Tse-Wei
 Lin, Yao-Kang @ Robert Lin
 Lee, Ie-Hsian (appointed on October 2, 2017)
 Chen, Huo-Kun (resigned on October 2, 2017)

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 as of 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 31.12.2017
	Balance as of 1.1.2017	Bought	Sold	

**Shares in ultimate holding company,
China Steel Corporation****Registered in the name of directors**

Lee, Shin-Min @ Samuel Lee	287,308	27,541	-	314,849
Lin, Yao-Kang @ Robert Lin	20,470	-	(20,470)	-

Deemed interests

Lee, Shin-Min @ Samuel Lee	70,373	5,000	-	75,373**
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* New Taiwan Dollar

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate of remuneration received or due and receivable by director 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 the director or with a firm of which the he is a member, or with a company in which the 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 19 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 AND OFFICERS

The Company maintains directors' 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 Company. The amount of insurance premium paid during the year amounted to RM18,030.

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

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.

AUDITORS' REMUNERATION

The amount paid as remuneration of the auditors for the financial year ended December 31, 2017 is as disclosed in Note 8 to the financial statements.

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

LEE, IE-HSIAN

TAN CHIN TENG

April 9, 2018
Melaka

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **CSC STEEL HOLDINGS BERHAD**, which comprise the statements of financial position as of December 31, 2017 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 13 to 79.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as of December 31, 2017, 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' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Key Audit Matters

Inventory valuation and provisions

As of December 31, 2017, the inventories balances of the Group stood at RM263,635,320, which represents approximately 43% of the total current assets of the Group.

As described in Note 3 to the financial statements, inventories are valued at the lower of cost and net realisable value. In determining the net realisable value of inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available as of the time the estimates are made. These estimates take into consideration the best estimation of the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing as of the end of the reporting period.

Our audit performed and responses thereon

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

- performed testing on relevant controls surrounding inventory valuation and identification of inventories obsolescence;
- obtained an understanding on inventories valuation policy adopted by the Group which is at lower of cost and net realisable value. We have evaluated the valuation made by management based on the said policy;
- challenged the key assumptions used by management, in determining the net realisable values of 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 evidence observed from the market;

Key Audit Matters (Cont'd)

Inventory valuation and provisions (cont'd)

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

As of the end of the reporting period, an amount of RM10,888,761 has been recognised in profit or loss of the Group, which represent a write down of inventories to their net realisable values.

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

Our audit performed and responses thereon (cont'd)

- performed testing on inventory aging report as of December 31, 2017 to ascertain the accuracy and completeness of the inventory aging report;
- challenged inventory excess and obsolescence provision made by management to the Group's policy and challenged the adequacy of the provision made by understanding the level of demand;
- performed retrospective review on the historical accuracy of inventory provisioning, and the level of inventory write offs during the year in relation to inventory loss;
- tested the adequacy of provision for onerous contract for orders for raw materials that have been entered by the Group, but yet to be fulfilled by the suppliers as of the end of the reporting period; and
- engaged IT specialist to test on the weighted average costing for raw materials, work-in-progress, finished goods and general stores, and tested the automated control/application control on the formulae, overhead allocation and production quantity on inventory valuation.

We have determined that there are no key audit matters to be communicated in our current year's report on the financial statements of the Company.

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

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information 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 are necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 and the Company to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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, are disclosed in Note 13 to the financial statements.

Other Matters

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

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

CHAN CHONG WEY
Partner - 02884/07/2019 J
Chartered Accountant

April 9, 2018
Melaka

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	5	1,323,228,967	1,035,167,280	57,541,318	22,611,542
Cost of sales		(1,229,092,052)	(932,100,145)	-	-
Gross profit		94,136,915	103,067,135	57,541,318	22,611,542
Investment revenue	7	6,201,347	9,474,559	271,959	402,847
Other income		27,928,577	17,398,794	3,448,015	666,000
Sales and marketing expenses		(30,612,591)	(26,632,225)	-	-
General and administrative expenses		(17,658,876)	(18,368,920)	(5,763,675)	(6,012,374)
Other expenses		(2,940,614)	(1,722,330)	(1,033,000)	-
Share of losses of associated company		(976,331)	(1,094,082)	-	-
Profit before tax	8	76,078,427	82,122,931	54,464,617	17,668,015
Tax (expense)/income	9	(16,268,870)	(13,434,239)	(177,048)	20,707
Profit for the year attributable to owners of the Company		59,809,557	68,688,692	54,287,569	17,688,722
Other comprehensive income					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Net fair value gain on available-for-sale financial assets		1,119,462	177,693	1,119,462	177,693
Total comprehensive income for the year attributable to owners of the Company		60,929,019	68,866,385	55,407,031	17,866,415
Basic and diluted earnings per ordinary share (sen)	10	16.20	18.63		

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

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2017

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
ASSETS					
Non-current assets					
Property, plant and equipment	11	208,099,776	220,675,732	2,399,477	2,480,260
Prepaid lease payments	12	17,554,863	17,791,989	-	-
Investment in subsidiary companies	13	-	-	389,480,546	386,032,531
Investment in associated company	14	2,215,587	3,191,918	3,938,000	4,971,000
Other investments	15	6,359,420	5,239,958	6,359,420	5,239,958
Investment properties	16	42,544,211	42,544,211	-	-
Deferred tax assets	24	76,774	153,111	76,774	153,111
Total non-current assets		276,850,631	289,596,919	402,254,217	398,876,860
Current assets					
Inventories	17	263,635,320	230,908,600	-	-
Trade receivables	18	166,021,190	78,505,378	-	-
Other receivables and prepaid expenses	18	17,838,157	10,902,356	220,983	319,086
Amount due from related companies	19	51,918	84,557	-	-
Amount due from associated company	19	-	1,267,015	-	-
Tax recoverable		5,626,241	4,849,345	257,681	386,264
Cash and cash equivalents	20	161,036,330	269,529,218	5,827,166	4,180,401
Total current assets		614,209,156	596,046,469	6,305,830	4,885,751
Total Assets		891,059,787	885,643,388	408,560,047	403,762,611

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS OF DECEMBER 31, 2017

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	21	413,163,159	380,000,000	413,163,159	380,000,000
Treasury shares	22	(11,614,414)	(12,265,690)	(11,614,414)	(12,265,690)
Retained earnings	23	415,426,700	407,319,143	4,132,453	1,546,884
Reserves	23	2,176,872	33,498,549	2,176,872	33,498,549
Total equity		819,152,317	808,552,002	407,858,070	402,779,743
Non-current liability					
Deferred tax liabilities	24	18,757,432	20,044,689	-	-
Current liabilities					
Trade payables	25	6,585,861	2,723,702	-	-
Other payables and accrued expenses	25	31,316,394	32,717,158	701,977	982,868
Amount due to ultimate holding company	19	10,248,029	12,295,839	-	-
Amount due to related companies	19	4,999,754	9,309,998	-	-
Total current liabilities		53,150,038	57,046,697	701,977	982,868
Total liabilities		71,907,470	77,091,386	701,977	982,868
Total Equity and Liabilities		891,059,787	885,643,388	408,560,047	403,762,611

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	Issued capital RM	Treasury shares RM	Share premium RM	Non-distributable reserves Investment revaluation reserve RM	Distributable reserve- Retained earnings RM	Total equity RM
The Group							
Balance as of January 1, 2016		380,000,000	(12,199,440)	32,441,139	879,717	368,129,323	769,250,739
Profit for the year		-	-	-	-	68,688,692	68,688,692
Other comprehensive income for the year		-	-	-	177,693	-	177,693
Total comprehensive income for the year		-	-	-	177,693	68,688,692	68,866,385
Dividends	26	-	-	-	-	(29,498,872)	(29,498,872)
Shares buy-back	22	-	(66,250)	-	-	-	(66,250)
Balance as of December 31, 2016		380,000,000	(12,265,690)	32,441,139	1,057,410	407,319,143	808,552,002
Balance as of January 1, 2017		380,000,000	(12,265,690)	32,441,139	1,057,410	407,319,143	808,552,002
Profit for the year		-	-	-	-	59,809,557	59,809,557
Other comprehensive income for the year		-	-	-	1,119,462	-	1,119,462
Total comprehensive income for the year		-	-	-	1,119,462	59,809,557	60,929,019
Dividends	26	-	-	-	-	(51,702,000)	(51,702,000)
Resale of treasury shares	22	-	651,276	722,020	-	-	1,373,296
Transfer arising from 'no par value' regime	23	33,163,159	-	(33,163,159)	-	-	-
Balance as of December 31, 2017		413,163,159	(11,614,414)	-	2,176,872	415,426,700	819,152,317
The Company							
Balance as of January 1, 2016		380,000,000	(12,199,440)	32,441,139	879,717	13,357,034	414,478,450
Profit for the year		-	-	-	-	17,688,722	17,688,722
Other comprehensive income for the year		-	-	-	177,693	-	177,693
Total comprehensive income for the year		-	-	-	177,693	17,688,722	17,866,415
Dividends	26	-	-	-	-	(29,498,872)	(29,498,872)
Shares buy-back	22	-	(66,250)	-	-	-	(66,250)
Balance as of December 31, 2016/ January 1, 2017		380,000,000	(12,265,690)	32,441,139	1,057,410	1,546,884	402,779,743
Profit for the year		-	-	-	-	54,287,569	54,287,569
Other comprehensive income for the year		-	-	-	1,119,462	-	1,119,462
Total comprehensive income for the year		-	-	-	1,119,462	54,287,569	55,407,031
Dividends	26	-	-	-	-	(51,702,000)	(51,702,000)
Resale of treasury shares	22	-	651,276	722,020	-	-	1,373,296
Transfer arising from 'no par value' regime	23	33,163,159	-	(33,163,159)	-	-	-
Balance as of December 31, 2017		413,163,159	(11,614,414)	-	2,176,872	4,132,453	407,858,070

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

STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN)					
OPERATING ACTIVITIES					
Profit before tax		76,078,427	82,122,931	54,464,617	17,668,015
Adjustments for:					
Depreciation of property, plant and equipment	11	33,960,162	32,385,419	80,783	80,925
Write-down of inventories	17	10,888,761	3,999,035	-	-
Provision for onerous contracts	25	2,140,937	6,512,321	-	-
Share of losses of associated company		976,331	1,094,082	-	-
Property, plant and equipment written off	8	582,691	373,691	-	-
Unrealised loss/(gain) on foreign exchange	8	304,195	(142,126)	-	-
Amortisation of prepaid lease payments	12	237,126	237,126	-	-
Gain on disposal of property, plant and equipment	8	(23,546)	(13,100)	-	-
Dividend income:					
Subsidiary company	5	-	-	(51,000,000)	(17,000,000)
Other investments	5	(699,478)	(69,702)	(699,478)	(69,702)
Interest income	7	(2,396,806)	(5,668,402)	(271,959)	(100,233)
Investment income	7	(3,804,541)	(3,806,157)	-	(302,614)
Allowance for doubtful debts	18	-	781,399	-	-
Reversal of impairment losses in subsidiary company	8	-	-	(3,448,015)	-
Impairment/(Reversal of impairment) on investment in associated company	14	-	-	1,033,000	(666,000)
Operating profit/(loss) before working capital changes		118,244,259	117,806,517	158,948	(389,609)
Movements in working capital:					
(Increase)/Decrease in:					
Inventories		(43,615,481)	(21,589,043)	-	-
Trade receivables		(88,137,822)	(1,807,462)	-	-
Other receivables and prepaid expenses		(5,754,631)	6,800,637	89,177	(146,528)
Amount due from ultimate holding company		-	29,807,572	-	-
Amount due from associated company		1,267,015	(521,978)	-	-
Amount due from related company		32,639	200,854	-	-
Increase/(Decrease) in:					
Trade payables		3,968,641	(5,318,499)	-	-
Other payables and accrued expenses		(3,530,701)	(6,556,548)	(280,891)	347,581
Amount due to ultimate holding company		(2,047,810)	-	-	-
Amount due to related companies		(4,310,244)	8,359,670	-	-
Cash (used in)/ generated from operations		(23,884,135)	127,181,720	(32,766)	(188,556)
Income tax (paid)/ refunded - net		(18,256,687)	(18,313,670)	27,872	(259,746)
Net cash (used in)/from operating activities		(42,140,822)	108,868,050	(4,894)	(448,302)

STATEMENTS OF CASH FLOWS (CONT'D)
AS OF DECEMBER 31, 2017

	Note	The Group		The Company	
		2017 RM	2016 RM	2017 RM	2016 RM
CASH FLOWS FROM/(USED IN)					
INVESTING ACTIVITIES					
Interests received		2,872,379	5,705,458	280,885	84,008
Investment income received		3,804,541	3,806,157	-	302,614
Dividend received		699,478	69,702	51,699,478	17,069,702
Proceeds from disposal of property, plant and equipment		23,546	13,100	-	-
Acquisition of investment properties	16	-	(21,544,211)	-	-
Purchase of property, plant and equipment	11	(21,966,897)	(26,380,610)	-	-
Advance payment for the purchase of property, plant and equipment		(1,667,742)	(3,662,836)	-	-
Net cash (used in)/from investing activities		(16,234,695)	(41,993,240)	51,980,363	17,456,324
Resale of treasury shares/(Shares buy-back)	22	1,373,296	(66,250)	1,373,296	(66,250)
Dividends paid	26	(51,702,000)	(29,498,872)	(51,702,000)	(29,498,872)
Net cash used in financing activities		(50,328,704)	(29,565,122)	(50,328,704)	(29,565,122)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(108,704,221)	37,309,688	1,646,765	(12,557,100)
CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR		269,529,218	231,379,407	4,180,401	16,737,501
Effects of exchange rate difference		211,333	840,123	-	-
CASH AND CASH EQUIVALENTS AS OF END OF THE YEAR	20	161,036,330	269,529,218	5,827,166	4,180,401

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017

1. GENERAL INFORMATION

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

The Company is principally involved in investment holding and provision of management services.

The information on the name, place of incorporation, principal activities, and percentage of issued share capital held by the holding company in each subsidiary 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 April 9, 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

Adoption of Amendments to MFRSs

In the current financial year, the Group and the Company adopted the following amendments to MFRS issued by Malaysian Accounting Standards Board that are relevant to its operations and mandatory for financial periods beginning on or after January 1, 2017:

Amendments to MFRS 101	Disclosure Initiative
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to MFRSs	Annual Improvements to MFRSs 2014-2016 Cycle

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

Standards and Interpretations in issue but not yet effective

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

MFRS 9	Financial Instruments ¹
MFRS 15	Revenue from Contracts with Customers (and the related Clarifications) ¹
MFRS 16	Leases ²
Amendments to MFRS 140	Transfers of Investment Property ¹
Amendments to MFRSs	Annual Improvements to MFRSs 2014-2016 Cycle ¹
Amendments to MFRSs	Annual Improvements to MFRSs 2015-2017 Cycle ²
IC Int. 22	Foreign Currency Transactions and Advance Consideration ¹
IC Int. 23	Uncertainty Over Income Tax Payments ¹

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

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

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

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

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

MFRS 16 Leases

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

The significant accounting policies are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants 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 the asset or 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 measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 or value in use in MFRS 136.

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

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

Revenue Recognition

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue Recognition (cont'd)

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

Foreign Currencies

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

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

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

Employee Benefits

(a) Short term benefits

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

(b) Defined contribution plan

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

Leases

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

(a) The Group as lessor

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Leases (cont'd)

(b) The Group as lessee

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

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

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

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

Income Taxes

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

(a) Current tax

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

(b) Deferred tax

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Income Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

(c) Current and deferred tax for the period

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

Basis of Consolidation

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Consolidation (cont'd)

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

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

Business Combinations

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

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.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, Plant and Equipment

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

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

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

The residual value, 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.

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

Investment Properties

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

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

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

Prepaid Lease Payments

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

Investments

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

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Provisions

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment in Associated Company (Cont'd)

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

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

Financial Instruments

(a) Initial recognition and measurement

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

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

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

(b) Financial instrument categories and subsequent measurement

Effective interest method

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

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

Financial assets

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

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

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

(ii) Held-to-maturity investments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Financial instrument categories and subsequent measurement (cont'd)

Financial assets (cont'd)

(iii) Loans and receivables

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

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

(iv) Available-for-sale financial assets

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

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

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

Financial liabilities

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

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

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

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

(c) Derecognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment of Financial Assets

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

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

The financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

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

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

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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

Segment Reporting

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

Statements of Cash Flows

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

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

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

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (cont'd)

(a) Impairment of investment in associated company

The Group and the Company assess whether there are any indicators of impairment on its investment in associated company as of the end of each reporting period, and the investment is tested for impairment when there are indicators that the carrying amounts may not be recoverable. Management's assessed the impairment on investment in associated company by using fair value less cost to sell which involved significant assumptions, and compared to its carrying value to ascertain whether the carrying value was impaired.

The main assumption used in determining fair value less cost to sell of the associated company is the market value of land and buildings and plant and machineries of the associated company. The market values are derived based on latest valuation reports by independent external valuers using comparison method for land, replacement cost method for building and both depreciated replacement cost method and market comparison method for plant and machineries, with no significant changes on the market values expected by the directors. Inappropriate assumptions used in impairment assessment would result in significant impact on the carrying amount of investment in associated company.

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

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of property, plant and equipment are reviewed 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.

(c) Inventories

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

5. REVENUE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of steel products	1,322,529,489	1,035,097,578	-	-
Dividend income from:				
Subsidiary company (Note 19)	-	-	51,000,000	17,000,000
Other investment	699,478	69,702	699,478	69,702
Management fee from:				
Subsidiary company (Note 19)	-	-	5,760,000	5,460,000
Associated company (Note 19)	-	-	30,000	30,000
Rental income from subsidiary company (Note 19)	-	-	51,840	51,840
	1,323,228,967	1,035,167,280	57,541,318	22,611,542

6. SEGMENT REPORTING

Business segments

For management purposes, the Group 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.

6. SEGMENT REPORTING (CONT'D)

Segment revenues and results

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

	The Group			
	Segment revenue		Segment profit	
	2017 RM	2016 RM	2017 RM	2016 RM
Cold rolled and coated steel products	1,322,529,489	1,035,097,578	71,857,802	72,314,432
Investment holding	57,577,318	22,647,542	54,801,405	17,292,940
	1,380,106,807	1,057,745,120	126,659,207	89,607,372
Less: Eliminations	(56,877,840)	(22,577,840)	(55,805,796)	(15,864,918)
Total	1,323,228,967	1,035,167,280	70,853,411	73,742,454
Investment revenue			6,201,347	9,474,559
Share of losses of associated company			(976,331)	(1,094,082)
Profit before tax			76,078,427	82,122,931
Tax expense			(16,268,870)	(13,434,239)
Profit for the year			59,809,557	68,688,692

Segment assets and liabilities

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

	Segment assets		Segment liabilities	
	2017 RM	2016 RM	2017 RM	2016 RM
	The Group			
Cold rolled and coated steel products	740,173,024	719,047,227	52,439,261	56,055,829
Investment holding	145,183,748	161,593,705	710,777	990,868
	885,356,772	880,640,932	53,150,038	57,046,697
Unallocated	5,703,015	5,002,456	18,757,432	20,044,689
Total	891,059,787	885,643,388	71,907,470	77,091,386

6. SEGMENT REPORTING (CONT'D)

Other segment information

	Capital additions		Depreciation of property, plant and equipment	
	2017 RM	2016 RM	2017 RM	2016 RM
The Group				
Cold rolled and coated steel products	21,963,982	26,380,610	33,864,098	32,289,278
Investment holding	2,915	42,544,211	96,064	96,141
	21,966,897	68,924,821	33,960,162	32,385,419

Geographical segments

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

	Asia Pacific RM	Malaysia RM	Consolidated RM
The Group			
Year ended December 31, 2017			
Revenue from external customers by location of customers	308,822,814	1,014,406,153	1,323,228,967
Segment asset by location of assets	-	891,059,787	891,059,787
Capital expenditure by location of assets	-	21,966,897	21,966,897
Year ended December 31, 2016			
Revenue from external customers by location of customers	182,091,960	853,075,320	11,035,167,280
Segment asset by location of assets	-	885,643,388	885,643,388
Capital expenditure by location of assets	-	26,380,610	26,380,610

7. INVESTMENT REVENUE

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income from:				
Fixed deposits with licensed banks	2,396,806	5,652,312	271,959	100,233
Others	-	16,090	-	-
Investment income	2,396,806	5,668,402	271,959	100,233
	3,804,541	3,806,157	-	302,614
	6,201,347	9,474,559	271,959	402,847

8. PROFIT BEFORE TAX

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Changes in inventories of finished goods and work-in-progress	25,345,905	22,713,740	-	-
Gain/(Loss) on foreign exchange:				
Realised	23,100,606	11,244,712	-	-
Unrealised	(304,195)	142,146	-	-
Rental income from investment properties (Note 16)	2,997,565	1,384,850	-	-
Interest income on late payments charged to associated company (Note 19)	58,507	1,137,008	-	-
Gain on disposal of property, plant and equipment	23,546	13,100	-	-
Rental of building	(70,000)	(98,850)	-	-
Audit fee:				
Statutory	(122,250)	(111,020)	(26,400)	(24,000)
Others:				
Current year	(3,000)	(3,500)	(3,000)	(3,500)
Prior year	-	(3,500)	-	(3,500)
Directors' remuneration, excluding monetary value of benefits-in-kind:				
Directors of the subsidiary companies	(380,741)	(364,653)	-	-
Directors of the Company	(466,575)	(501,612)	(466,575)	(501,612)
Amortisation of prepaid lease payment (Note 12)	(237,126)	(237,126)	-	-
Property, plant and equipment written off	(582,691)	(373,691)	-	-
Allowance for onerous contracts (Note 25)	(2,140,937)	(6,512,321)	-	-
Write-down of inventories (Note 17)	(10,888,761)	(3,999,035)	-	-
Depreciation of property, plant and equipment	(33,960,162)	(32,385,419)	(80,783)	(80,925)
Staff costs	(46,566,564)	(49,032,570)	(4,397,820)	(4,749,386)
Raw materials and consumables used	(1,136,591,477)	(826,215,258)	-	-
Allowance for doubtful debts (Note 18)	-	(781,399)	-	-
Reversal of impairment losses in subsidiary companies (Note 13)	-	-	3,448,015	-
(Impairment)/Reversal of impairment on investment in associated company (Note 14)	-	-	(1,033,000)	666,000

Staff costs include salaries, contributions to EPF, bonuses and all other related expenses. EPF contributions made during the financial year by the Group and by the Company amounted to RM4,897,330 (2016: RM4,474,126) and RM511,975 (2016: RM485,498) respectively.

8. PROFIT BEFORE TAX (CONT'D)

Directors' remuneration consists of the following:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive directors:				
Salaries and other emoluments	723,716	711,665	342,975	347,012
Non-executive directors:				
Fees	123,600	154,600	123,600	154,600
Directors' remuneration excluding monetary value of benefits-in-kind	847,316	866,265	466,575	501,612
Estimated monetary value of benefits-in-kind in respect of executive directors	75,552	48,194	-	-
	922,868	914,459	466,575	501,612

9. TAX EXPENSE/(INCOME)

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Estimated tax payable:				
Current year	17,867,268	13,432,176	101,213	54,952
Under/(Over) provision in prior years	(387,478)	410,804	(502)	(3,095)
	17,479,790	13,842,980	100,711	51,857
Deferred tax (Note 24):				
Current year	(1,117,844)	(654,348)	74,755	(69,208)
Under/(Over) provision in prior year	(93,076)	245,607	1,582	(3,356)
	(1,210,920)	(408,741)	76,337	(72,564)
	16,268,870	13,434,239	177,048	(20,707)

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

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		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax:	76,078,427	82,122,931	54,464,617	17,668,015
Tax calculated using the statutory income tax rate of 24%	18,258,822	19,709,503	13,071,508	4,240,324
Tax effects of:				
Expenses not deductible in determining taxable profit	719,736	293,358	417,570	74,617
Income not taxable in determining taxable profit	(1,231,624)	(1,099,886)	(13,313,110)	(4,329,197)
Double deduction on import insurance	-	(71,497)	-	-
Utilisation of reinvestment allowances	(997,510)	(6,053,650)	-	-
(Over)Underprovision in prior years:				
Current tax	(387,478)	410,804	(502)	(3,095)
Deferred tax	(93,076)	245,607	1,582	(3,356)
Tax expense/(income) for the year	16,268,870	13,434,239	177,048	(20,707)

The Income Tax (Exemption) (No. 2) Order 2017 [P.U.(A) 117/2017] gazetted on April 10, 2017 enacted that the incremental portion of chargeable income compared to the immediate preceding year of assessment enjoys reduced income tax rate as follows with effect on years of assessment 2017 and 2018:

Percentage of increase in chargeable income as compared to the immediate preceding year of assessment	Percentage point reduction in tax rate (%)	Tax rate after reduction (%)
Less than 5%	Nil	24
5% to 9.99%	1	23
10% to 14.99%	2	22
15% to 19.99%	3	21
20% and above	4	20

10. EARNINGS PER ORDINARY SHARE

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

	The Group	
	2017 RM	2016 RM
Profit for the year attributable to owners of the company	59,809,557	68,688,692
Weighted average number of ordinary shares in issue	369,288,493	368,724,373
Basic and diluted earnings per ordinary share (sen)	16.20	18.63

11. PROPERTY, PLANT AND EQUIPMENT

The Group

	Freehold land RM	Buildings under long leases RM	Plant and machinery RM	Motor vehicles RM	Equipment, furniture, fixture and fittings RM	Plant and machinery under installation RM	Total RM
Cost							
Balance as of							
January 1, 2016	4,170,809	80,813,702	497,538,249	5,214,791	27,729,064	38,761,588	654,228,203
Additions	-	-	-	-	-	26,380,610	26,380,610
Disposals/Written offs	-	-	(24,458,060)	(165,967)	(640,963)	-	(25,264,990)
Reclassifications	-	83,100	52,323,603	45,558	985,473	(53,437,734)	-
Balance as of December 31, 2016/January 1, 2017	4,170,809	80,896,802	525,403,792	5,094,382	28,073,574	11,704,464	655,343,823
Additions	-	2,915	-	-	-	21,963,982	21,966,897
Disposals/Written offs	-	-	(16,027,885)	(110,801)	(583,518)	-	(16,722,204)
Reclassifications	-	2,136,447	21,480,548	272,305	1,054,047	(24,943,347)	-
Balance as of December 31, 2017	4,170,809	83,036,164	530,856,455	5,255,886	28,544,103	8,725,099	660,588,516
Accumulated depreciation							
Balance as of January 1, 2016	-	49,961,593	350,002,959	3,683,443	22,339,114	-	425,987,109
Charge for the year	-	4,129,555	25,909,361	389,116	1,957,387	-	32,385,419
Disposals/Written offs	-	-	(24,138,875)	(165,967)	(586,457)	-	(24,891,299)
Balance as of December 31, 2016/January 1, 2017	-	54,091,148	351,773,445	3,906,592	23,710,044	-	433,481,229
Charge for the year	-	4,230,912	27,775,907	412,624	1,540,719	-	33,960,162
Disposals/Written offs	-	-	(15,462,284)	(110,801)	(558,689)	-	(16,131,774)
Balance as of December 31, 2017	-	58,322,060	364,087,068	4,208,415	24,692,074	-	451,309,617

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

The Group

	Freehold land RM	Buildings under long leases RM	Plant and machinery RM	Motor vehicles RM	Equipment, furniture, fixture and fittings RM	Plant and machinery under installation RM	Total RM
Accumulated impairment loss							
Balance of January 1, 2016/ December 31, 2016/ January 1, 2017/	-	-	1,157,408	-	29,454	-	1,186,862
Written off	-	-	-	-	(7,739)	-	(7,739)
Balance of December 31, 2017	-	-	1,157,408	-	21,715	-	1,179,123
Carrying amounts							
Balance as of December 31, 2017	4,170,809	24,714,104	165,611,979	1,047,471	3,830,314	8,725,099	208,099,776
Balance as of December 31, 2016	4,170,809	26,805,654	172,472,939	1,187,790	4,334,076	11,704,464	220,675,732

The Company

	Furniture and fittings RM	Buildings RM	Total RM
Cost			
Balance as of January 1, 2016/ December 31, 2016/ January 1, 2017/ December 31, 2017	468,167	2,631,653	3,099,820
Accumulated depreciation			
Balance as of January 1, 2016 Charge for the year	374,748 28,209	163,887 52,716	538,635 80,925
Balance as of December 31, 2016/ January 1, 2017 Charge for the year	402,957 28,067	216,603 52,716	619,560 80,783
Balance as of December 31, 2017	431,024	269,319	700,343
Carrying amounts			
Balance as of December 31, 2017	37,143	2,362,334	2,399,477
Balance as of December 31, 2016	65,210	2,415,050	2,480,260

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use with an aggregate cost of approximately RM217,069,808 (2016: RM221,997,871).

12. PREPAID LEASE PAYMENTS

	The Group	
	2017 RM	2016 RM
Long-term leasehold land		
Cost:		
As of beginning of year/As of end of the year	22,910,201	22,910,201
Cumulative amortisation:		
As of beginning of year	(5,118,212)	(4,881,086)
Amortisation for the year (Note 8)	(237,126)	(237,126)
As of end of year	(5,355,338)	(5,118,212)
Net	17,554,863	17,791,989

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

13. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2017 RM	2016 RM
Unquoted shares - at cost	414,445,306	414,445,306
Less: Accumulated impairment losses		
As of beginning of year	(28,412,775)	(28,412,775)
Reversal of impairment during the year (Note 8)	3,448,015	-
As of end of year	(24,964,760)	(28,412,775)
	389,480,546	386,032,531

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

Direct subsidiary company	Proportion of ownership interest and voting rights held by the Group		Principal Activity
	2017	2016	
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.

14. INVESTMENT IN ASSOCIATED COMPANY

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Unquoted shares, at cost	8,264,368	8,264,368	8,264,368	8,264,368
Share of post acquisition losses	(5,233,413)	(4,257,082)	-	-
	3,030,955	4,007,286	8,264,368	8,264,368
Less : Accumulated impairment losses				
As of beginning of year	(815,368)	(815,368)	(3,293,368)	(3,959,368)
(Impairment loss)/ Reversal of impairment recognised during the year (Note 8)	-	-	(1,033,000)	666,000
As of end of year	(815,368)	(815,368)	(4,326,368)	(3,293,368)
	2,215,587	3,191,918	3,938,000	4,971,000

Details of the associated company, which is incorporated in Malaysia and having financial year end ending May 31, 2018, are as follows:

Name of company	Proportion of ownership interest and voting rights held by the Group		Principal Activity
	2017 %	2016 %	
Tatt Giap Steel Centre Sdn. Bhd.*	20	20	Manufacturing and sales of stainless steel tubes and pipes and other ferrous and non-ferrous metal products.

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

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

	Unaudited	
	2017 RM	2016 RM
As of December 31		
Total assets	83,214,141	69,085,969
Total liabilities	(72,016,242)	(53,006,414)
Net assets	11,197,899	16,079,555
Results for the year ended December 31		
Revenue	33,960,698	46,426,516
Loss for the year	(4,881,656)	(5,470,408)

15. OTHER INVESTMENTS

	The Group and The Company	
	2017 RM	2016 RM
Available-for sale investment carried at fair value		
In Malaysia:		
Quoted shares (including fair value adjustment of RM1,119,462 (2016: RM177,691))	3,589,386	2,469,924
Other investment at cost		
Outside Malaysia:		
Unquoted shares (net)	2,770,034	2,770,034
	6,359,420	5,239,958

16. INVESTMENT PROPERTIES

	The Group	
	2017 RM	2016 RM
As of beginning of year	42,544,211	-
Additions during the year	-	42,544,211
As of end of year	42,544,211	42,544,211

On December 31, 2015, the Group entered into a Sale and Purchase Agreement to purchase from Tatt Giap Group Berhad, a related party, two pieces of leasehold land together with a factory building for a total consideration of RM41,000,000. The investment properties refer to the leasehold land and buildings located in Pulau Pinang. The lease will expire in year 2052 and the Group does not have an option to purchase the leasehold land upon the expiry of the lease period.

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

	2016 RM
Set off against trade debts owed by a related party	21,000,000
Cash payment	21,544,211
	42,544,211

16. INVESTMENT PROPERTIES (CONT'D)

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

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

	The Group	
	2017 RM	2016 RM
Rental income (Note 8)	2,997,565	1,384,850
Direct operating expenses:		
- Income generating investment properties	548,022	40,630

Fair value information

The fair values of investment properties are categorised as “Level 3” fair value. The Group engaged an independent professional valuation firm to perform the valuation of the investment properties. The last valuation was performed on December 5, 2017 for the investment properties using the open market value method, and an assessment of the prevailing property market rate. The directors are of the opinion that there were no significant changes in fair values to that as appraised by the independent professional valuer since the last valuation.

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

Description	Fair Value as of December 31, 2017/ December 31, 2016 RM	Valuation techniques	Significant unobservable inputs	Range (weighted average)
The Subject Entitlement – long-term leasehold land located in Seberang Perai, Penang	42,544,211	Sales comparison - comparable developments - sales comparison	Estimated transaction price per sq ft	RM76 – RM178 per sq ft

17. INVENTORIES

	2017 RM	The Group 2016 RM
Raw materials	88,786,232	89,756,944
Work-in-progress	48,224,624	41,623,072
Finished goods	86,749,133	68,004,780
Consumables	39,875,331	31,523,804
	<u>263,635,320</u>	<u>230,908,600</u>

The cost of inventories recognised as an expense of the Group includes RM10,888,761 (2016: RM3,999,035) in respect of write-down of inventories to net realisable value.

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables comprise amounts receivable for the sale of goods. The credit period granted on sale of goods ranges from cash terms to 60 days (2016: cash terms to 60 days).

	2017 RM	The Group 2016 RM
Trade receivables	166,802,589	79,286,777
Less: Allowance for doubtful debts	(781,399)	(781,399)
	<u>166,021,190</u>	<u>78,505,378</u>

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

	2017 RM	The Group 2016 RM
Ringgit Malaysia	143,389,873	70,774,090
United States Dollar	23,412,716	8,512,687
	<u>166,802,589</u>	<u>79,286,777</u>

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

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

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

	The Group	
	2017 RM	2016 RM
Personal guarantees	54,719,032	37,462,444
Corporate guarantees	24,563,879	13,200,277
Bank guarantees	2,677,357	2,376,205
Letters of credit	23,594,065	8,512,687
Total	105,554,333	61,551,613

Ageing of past due but not impaired:

	The Group	
	2017 RM	2016 RM
1 - 60 days	72,560,983	22,834,942
61 - 90 days	669,510	1,146,316
More than 90 days	-	488,421
Total	73,230,493	24,469,679

Movement in allowance for doubtful debts are as follows:

	The Group	
	2017 RM	2016 RM
As of beginning of the year	781,399	-
Additional allowance for doubtful debts (Note 8)	-	781,399
As of end of the year	781,399	781,399

Age of impaired trade receivables

	The Group	
	2017 RM	2016 RM
More than 120 days	781,399	781,399

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

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

Other receivables and prepaid expenses consist of the following:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other receivables	12,530,151	5,110,894	200,968	251,044
Prepaid expenses	1,161,938	692,587	-	35,400
Refundable deposits	214,597	218,297	12,717	16,417
Advance payments to suppliers	3,924,173	4,397,707	-	-
Interest receivable	7,298	482,871	7,298	16,225
	17,838,157	10,902,356	220,983	319,086

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

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	12,530,151	4,959,839	200,968	251,044
United States Dollar	-	151,055	-	-
	12,530,151	5,110,894	200,968	251,044

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

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

	The Group	
	2017 RM	2016 RM
United States Dollar	51,918	84,557

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

Amount due from associated company, Tatt Giap Steel Centre Sdn. Bhd., which was denominated in Ringgit Malaysia, arose mainly from trade transactions. It was repayable within the normal trade terms of 60 days (2016: 60 days), and it bears interest at 8% (2016: 8%) per annum for late payments.

As disclosed in Note 16, on December 31, 2015, the Group entered into a Sale and Purchase Agreement to purchase from Tatt Giap Group Berhad, two pieces of leasehold land together with a factory building for a total consideration of RM41,000,000. The transaction was completed in prior year.

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

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

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

The Group	2017 RM	2016 RM
Ultimate holding company		
Purchase of raw materials	714,244,930	440,009,762
Purchase of property, plant and equipment	37,620	338,580
Purchase of spare parts	11,154	17,346
Related companies		
Purchase of raw materials	227,289,923	215,376,843
Purchase of spare parts and consumables	3,126,718	3,006,085
Purchase of property, plant and equipment	1,434,578	-
Technical fees paid and payable	63,023	81,398
Management fee received	(90,572)	(599,997)
Associated company		
Sale of goods	(946,546)	(6,450,254)
Interest income on late payments (Note 8)	(58,507)	(1,137,008)
Management fee received	(30,000)	(30,000)
Product quality claim	3,693	17,156
The Company		
Subsidiary companies		
Dividend received (Note 5)	(51,000,000)	(17,000,000)
Management fee receivable (Note 5)	(5,760,000)	(5,460,000)
Rental received (Note 5)	(51,840)	(51,840)
Associated company		
Management fee receivable (Note 5)	(30,000)	(30,000)

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Group and of the Company.

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

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Short-term benefits	1,375,325	1,445,445	421,023	451,466
Post-employment benefits	191,246	180,797	46,880	47,392

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed deposits and short-term placements with licensed banks	26,786,061	179,467,047	5,600,000	4,050,000
Cash and bank balances	16,723,252	11,711,011	227,166	130,401
Bank balances and deposits	43,509,313	191,178,058	5,827,166	4,180,401
Money market instruments	117,527,017	78,351,160	-	-
	161,036,330	269,529,218	5,827,166	4,180,401

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	6,499,789	5,448,849	227,166	130,401
United States Dollar	10,223,463	6,262,162	-	-
	16,723,252	11,711,011	227,166	130,401

Investment in money market instruments comprises money market deposits. The money market instruments do not have maturity period and a 7 day notice (2016: 7 day notice) is required for withdrawals. The maturity period for fixed deposits and short-term placements of the Group ranges from overnight to 6 months (2016: overnight to 6 months).

20. CASH AND CASH EQUIVALENTS (CONT'D)

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

	The Group and The Company	
	2017 RM	2016 RM
Fixed deposits and short-term placements with licensed banks	2.96% - 3.85%	2.60% - 4.30%

21. SHARE CAPITAL

	2017		2016	
	No. of shares	RM	No. of shares	RM
Authorised				
As of beginning of year	1,000,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Effects of Companies Act, 2016	(1,000,000,000)	(1,000,000,000)	-	-
As of end of year	-	-	1,000,000,000	1,000,000,000
Issued share capital				
As of beginning of year	380,000,000	380,000,000	380,000,000	380,000,000
Transfer from share premium (Note 23)	-	33,163,159	-	-
As of end of year	380,000,000	413,163,159	380,000,000	380,000,000

The Company's issued share capital comprises ordinary shares with a par value of RM1 each. The Companies Act, 2016 (Act), which came into operation on January 31, 2017, introduces the "no par value" regime. Accordingly, the concepts of "authorised share capital" and "par value" have been abolished.

In accordance with the transitional provisions of the Act, the amount standing to the credit of the Company's share premium account has become part of the Company's share capital. These changes do not have an impact on the number of shares in issue or the relative entitlement of any of the shareholders.

However, the Company has a period of 24 months from the effective date of the Act to use the existing balances credited in the share premium account in a manner as specified by the Act.

22. TREASURY SHARES

	The Group and The Company	
	2017 RM	2016 RM
At cost:		
As of beginning of year	12,265,690	12,199,440
(Disposal)/Repurchased during the year	(651,276)	66,250
As of end of year	11,614,414	12,265,690
Number of treasury shares	10,700,000	11,300,000
Total number of outstanding shares in issue after set off (excluding treasure shares held)	369,300,000	368,700,000
Total number of issued and fully paid ordinary shares (Note 21)	380,000,000	380,000,000

During the financial year, the Company disposed 600,000 (2016: repurchase of 45,900) of its issued share capital to/ from the open market. The average consideration received for the shares disposal is RM2.295 per share (2016: average consideration paid of RM1.48 per share).

23. RESERVES

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Distributable reserve:				
Retained earnings	415,426,700	407,319,143	4,132,453	1,546,884
Non-distributable reserves:				
Share premium	-	32,441,139	-	32,441,139
Investment revaluation reserve	2,176,872	1,057,410	2,176,872	1,057,410
	2,176,872	33,498,549	2,176,872	33,498,549
	417,603,572	440,817,692	6,309,325	35,045,433

Retained earnings

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

Share premium

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

Share premium was transferred as part of the Company's share capital due to transition to no par value regime under the Companies Act 2016 which came into effect on January 31, 2017.

Investment revaluation reserve

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

24. DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are attributable to the following:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Property, plant and equipment	(23,270,772)	(24,389,263)	-	-
Inventories	3,413,226	2,356,754	-	-
Other payables and accrued expenses	1,176,888	2,140,931	76,774	153,111
	(18,680,658)	(19,891,578)	76,774	153,111

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deferred tax assets	76,774	153,111	76,774	153,111
Deferred tax liabilities	(18,757,432)	(20,044,689)	-	-
	(18,680,658)	(19,891,578)	76,774	153,111

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

	Property, plant and equipment	Inventories	Other payables and accrued expenses	Total
	RM	RM	RM	RM
The Group				
Balance as of January 1, 2016	(23,999,705)	2,633,784	1,065,602	(20,300,319)
Recognised in profit or loss (Note 9)	(389,558)	(277,030)	1,075,329	408,741
Balance as of December 31, 2016/ January 1, 2017	(24,389,263)	2,356,754	2,140,931	(19,891,578)
Recognised in profit or loss (Note 9)	1,118,491	1,056,472	(964,043)	1,210,920
Balance as of December 31, 2017	(23,270,772)	3,413,226	1,176,888	(18,680,658)
The Company				
Balance as of January 1, 2016	-	-	80,547	80,547
Recognised in profit or loss (Note 9)	-	-	72,564	72,564
Balance as of December 31, 2016/ January 1, 2017	-	-	153,111	153,111
Recognised in profit or loss (Note 9)	-	-	(76,337)	(76,337)
Balance as of December 31, 2017	-	-	76,774	76,774

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 is 60 days (2016: 60 days).

Other payables and accrued expenses consist of the following:

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Other payables	10,526,30	7,776,845	362,840	311,834
Accrued expenses	17,546,079	16,195,016	339,137	671,034
Provision for onerous contracts	2,140,937	6,512,321	-	-
Advances received from customers	372,227	518,438	-	-
Retention sum payable to contractors for installation of plant and machinery	730,845	1,714,538	-	-
	31,316,394	32,717,158	701,977	982,868

Movement of provision for onerous contracts is as follow:

	The Group	
	2017 RM	2016 RM
As of beginning of year	6,512,321	1,437,088
Reduction arising from payments	(6,512,321)	(1,437,088)
Provision for the year (Note 8)	2,140,937	6,512,321
As of end of year	2,140,937	6,512,321

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.

26. DIVIDENDS

	The Group and The Company	
	2017 RM	2016 RM
Dividends paid:		
Final, single-tier dividend of 10 sen per ordinary share of RM1 each	36,930,000	-
Special, single-tier dividend of 4 sen per ordinary share of RM1 each	14,772,000	-
Final, single-tier dividend of 8 sen per ordinary share of RM1 each	-	29,498,872
	51,702,000	29,498,872
Net dividend per share	0.14	0.08

An interim single tier dividend of 5 sen per share in respect of the current financial year was declared on february 9, 2018 and has not been included as liability in the financial statements.

The directors have proposed an interim single tier dividend of 5 sen per share in respect of the financial year ended December 31,2017. The proposed dividends, which are subject to the approval of the shareholders at the forthcoming Annual General Meeting, have not been included as a liability in the financial statements.

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 2016.

The capital structure of the Group consists of equity of the Company (comprising issued capital and retained earnings as disclosed in Notes 21 and 23).

Categories of Financial Instruments

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Financial Assets				
Trade receivables	166,021,190	78,505,378	-	-
Other receivables	7,893,243	1,694,571	200,968	251,044
Refundable deposits	214,597	218,297	12,717	16,417
Interests receivable	7,298	482,871	7,298	16,225
Amount due from related companies	51,918	84,557	-	-
Amount due from associated company	-	1,267,015	-	-
Cash and cash equivalents	161,036,330	269,529,218	5,827,166	4,180,401
Total loans and receivables, at amortised cost	335,224,576	351,781,907	6,048,149	4,464,087
Available-for sales investments	6,359,420	5,239,958	6,359,420	5,239,958
Financial Liabilities				
Trade payables	6,585,861	2,723,702	-	-
Other payables	10,526,306	7,749,736	362,840	284,725
Accrued expenses	17,546,079	16,195,016	339,137	671,034
Retention sum payable to contractors for installation of plant and machinery	730,845	1,714,538	-	-
Amount due to ultimate holding company	10,248,029	12,295,839	-	-
Amount due to related companies	4,999,754	9,309,998	-	-
Total other financial liabilities, at amortised cost	50,636,874	49,988,829	701,977	955,759

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies

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

(a) Market risk

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

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

(b) Foreign currency risk

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

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

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

	The Group	
	2017 RM	2016 RM
Assets		
United States Dollar (Notes 18, 19 and 20)	33,688,097	15,010,461
Liabilities		
United States Dollar (Note 19)	15,247,783	21,605,837

Foreign currency sensitivity

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

The following table details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in the RM against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at year end for a 10% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit after tax where the RM (weakens)/strengthens 10% against the relevant currency.

	Impact of USD	
	2017 RM	2016 RM
Profit after tax	1,844,031	(659,538)

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

27. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

(c) Interest rate risk

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

	The Group		The Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Fixed rate instruments				
Financial assets	26,786,061	179,467,047	5,600,000	4,050,000

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

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

(d) Credit risk

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

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

(e) Liquidity risk

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

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

(f) Cash flow risk

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

27. FINANCIAL INSTRUMENTS (CONT'D)

Fair values

	The Group and The Company			
	2017 Carrying Amount RM	2017 Fair Value RM	2016 Carrying Amount RM	2016 Fair Value RM
Other investment (Note 15):				
Quoted shares	3,589,386	3,589,386	2,469,924	2,469,924
Unquoted shares	2,770,034	*	2,770,034	*

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

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

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

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

28. CAPITAL COMMITMENTS

As of December 31, 2017, the Group has the following capital commitments:

	The Group	
	2017 RM	2016 RM
Purchase of property, plant and equipment		
Approved and contracted for	13,219,654	7,872,405
Approved but not contracted for	18,538,827	10,630,726
	31,758,481	18,503,131

29. CORPORATE GUARANTEES

As of December 31, 2017, the Company has issued corporate guarantees totalling RM103,700,000 (2016: RM106,150,000) in respect of credit facilities granted by certain local licensed banks to its subsidiary company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary company as of December 31, 2017. As of December 31, 2017 credit facilities being utilised by the said subsidiary company is RM8,856,767 (2016: RM8,574,227).

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, 2017 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,

LEE, IE-HSIAN

TAN CHIN TENG

Melaka
April 9, 2018

DECLARATION

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

I, **TAN CHIN TENG**, the director primarily responsible for the financial management of **CSC STEEL HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN CHIN TENG

Subscribed and solemnly declared by the abovenamed **TAN CHIN TENG** at **MELAKA** this April 9, 2018.

Before me,

COMMISSIONER FOR OATHS

ANALYSIS OF SHAREHOLDINGS

AS AT 30 MARCH 2018

Class of Shares : Ordinary shares
No. of Shareholders : 7,498
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	12	0.160	223	0.000
100 – 1,000	991	13.216	871,564	0.236
1,001 – 10,000	4,617	61.576	23,035,833	6.237
10,001 – 100,000	1,636	21.819	50,210,534	13.596
100,001 – 18,464,999*	240	3.200	96,900,046	26.238
18,465,000 and above**	2	0.026	198,281,800	53.691
Total:	7,498	100.000	369,300,000	100.000

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

SUBSTANTIAL SHAREHOLDERS

Shareholders	Direct No. of Shares Held	% ⁽¹⁾	Indirect No. of Shares Held	% ⁽¹⁾
China Steel Asia Pacific Holdings Pte. Ltd. ("CSAP")	171,000,000	46.303	-	-
Lembaga Tabung Haji	27,281,800	7.387	-	-

Notes : (1) Excludes 10,700,000 CHB shares bought back as at 30 March 2018 and retained as treasury shares.

LIST OF TOP 30 SHAREHOLDERS

No.	Name	Shareholdings	%
1.	China Steel Asia Pacific Holdings Pte. Ltd.	171,000,000	46.303
2.	Lembaga Tabung Haji	27,281,800	7.387
3.	Teo Tin Lun	7,719,300	2.090
4.	Gan Thian Chin	5,134,500	1.390
5.	Enterlight Investment Pte Ltd	4,649,600	1.259
6.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)	2,400,000	0.649
7.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	2,078,256	0.562
8.	Neoh Choo Ee & Company, Sdn. Berhad	1,700,000	0.460
9.	Teo Guan Lee Holdings Sendirian Berhad	1,578,100	0.427
10.	Nar Swee Kim @ Nam Thah Tsai	1,372,900	0.371
11.	Ng Teng Song	1,337,600	0.362
12.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teo Tin Lun (E-IMO)	1,260,000	0.341
13.	Liew Swee Mio @ Liew Hoi Foo	1,180,000	0.319
14.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Lim Mee Hwa	1,150,000	0.311
15.	Phua Sin Mo	1,100,000	0.297
16.	Syed Sirajuddin Putra Jamalullail	1,000,000	0.270
17.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Lim Kian Wat (PBCL-0G0573)	925,100	0.250
18.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	909,100	0.246
19.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for DFA Emerging Markets Small Cap Series	875,500	0.237
20.	HSBC Nominees (Asing) Sdn. Bhd. JPMCB NA for Stichting Shell Pensioenfonds	848,900	0.229
21.	Len Nyok Chong	810,000	0.219
22.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Choon Kim	800,000	0.216
23.	Low Mei Lan	800,000	0.216
24.	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Takaful Berhad (Credit Takaful Pia)	751,400	0.203
25.	Yeo Khee Huat	750,000	0.203
26.	Chye Ah Lam @ Chai Ming Seng	734,800	0.198
27.	Toh Kam Choy	700,000	0.189
28.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ang Jwee Lee (E-IMO)	694,500	0.188
29.	HSBC Nominees (Asing) Sdn. Bhd. TNTC for National Railroad Retirement Investment Trust	659,500	0.178
30.	Goh Beng Choo	652,000	0.176
	Total	242,852,856	65.760

SHAREHOLDINGS OF DIRECTORS

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

Note:

⁽¹⁾ Excludes 10,700,000 CHB shares bought back as at 30 March 2018 and retained as treasury shares.

LIST OF PROPERTIES

AS AT 31 DECEMBER 2017

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 31-12-2017 (RM'000)	Year of Acquisition/ Revaluation*
Lot PT Nos. 3698 and 3699, HS (M) 346 and 347 respectively, both of Mukim Bukit Katil, Daerah Melaka Tengah	Industrial land built upon with a factory block	99-year lease expiring on 20.01.2092	74,805/ 23,704	20	28,779	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	24	7,218	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	4,392	1997
Lot PT No. 3701, HS (M) 348, Mukim Bukit Katil, Daerah Melaka Tengah	Industrial land built upon with a factory warehouse	99-year lease expiring on 20.01.2092	30,522/ 1,950	1	3,023	1992
Nos. 8-3, 10-5 & 10-12 Hock Mansion, Harmony Condominium, Jalan Ujong Pasir, 75000 Melaka (3 units of condominium)	Residential	Freehold	Not applicable/ 447	20	674	2009
Block B Pangsapuri Taman Pelangi, Ayer Keroh, Bukit Katil, 75450 Melaka (10 units of apartments)	Residential	Freehold	Not applicable/ 1,145	19	666	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	5	1,688	2014
HSD 14941 & 14942 Identified PT 2961 & 2960 respectively both of Mukim 11, Seberang Perai Tengah, Pulau Pinang	Industrial land built upon with a factory block and an administration block rented to Nippon Egalv Steel Sdn Bhd	60 years lease expiring on 6.12.2052	42,376/ 30,306	21	42,544*	2016/ 2017*

NOTICE OF FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 14th Annual General Meeting of CSC Steel Holdings Berhad (“CHB” or the “Company”) will be held at Level 1 of the Company’s Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia on Thursday, 24 May 2018, 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 2017. **(Please refer to Explanatory Notes 1)**
2. To approve a final single tier dividend of 5 sen per share in respect of the financial year ended 31 December 2017. **(Resolution 1)**
3. To approve the payment of Directors’ fees amounting to RM123,600 for the financial year ended 31 December 2017. **(Resolution 2)**
4. To approve the payment of Directors’ benefits of RM32,023.14 for the financial year ended 31 December 2017. **(Resolution 3)**
5. To re-elect the following Directors who retire by rotation in accordance with Article 128 and Article 133 of the Company’s Constitution and being eligible, have offered themselves for re-election:-
 - i. Tan Chin Teng (Article 128) **(Resolution 4)**
 - ii. Brig. Gen. (R) Dato’ Nik Mohd Zaaba bin Nik Daud (Article 128) **(Resolution 5)**
 - iii. Lee, Ie-Hsian (Articles 133) **(Resolution 6)**
6. To re-appoint Messrs. Deloitte PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Board of Directors to determine their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

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

7. Ordinary Resolution

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

"THAT, subject always to the provisions of the Companies Act, 2016 (the “Act”), the Constitution of Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the regulations, guidelines and guidance noted issued from time to time by Bursa Securities or any other regulatory authorities, approval be and is hereby given to the Company and its subsidiaries (collectively the “Group”) to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4 (a) (the “Proposed Renewal of Shareholders’ Mandate”) of the Circular to Shareholders dated 27 April 2018, which are provided that such transactions and/or arrangements are:-

- (a) necessary for the day-to-day operations of the Group;
- (b) undertaken in the ordinary course of business and at arm’s length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- (c) are not prejudicial to the minority shareholders of the Company,

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

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company (following the AGM at which the Proposed Renewal of Shareholders’ Mandate was passed) at which time it shall lapse unless by a resolution passed at such AGM, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM after the date is required to be held the Company is required to be held pursuant to Section 340(2) of Act [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Shareholders’ Mandate.

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

8. Ordinary Resolution

Proposed New Shareholders’ Mandate for Additional Recurrent Related Party Transactions of a Revenue or Trading Nature

(Resolution 9)

"THAT, subject always to the provisions of the Companies Act, 2016 (the “Act”), the Constitution of Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the regulations, guidelines and guidance noted issued from time to time by Bursa Securities or any other regulatory authorities, approval be and is hereby given to the Company and its subsidiaries (collectively the “Group”) to enter into the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4(b) (the “Proposed New Shareholders’ Mandate”) of the Circular to Shareholders dated 27 April 2018, which are provided that such transactions and/or arrangements are:-

- (a) necessary for the day-to-day operations of the Group;
- (b) undertaken in the ordinary course of business and at arm’s length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- (c) are not prejudicial to the minority shareholders of the Company,

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

- (i) the conclusion of the next Annual General Meeting (“AGM”) of the Company (following the AGM at which the Proposed New Shareholders’ Mandate was passed) at which time it shall lapse unless by a resolution passed at such AGM, the authority is renewed; or
- (ii) the expiration of the period within which the next AGM after the date is required to be held pursuant to Section 340(2) of Act [but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act]; or
- (iii) revoked or varied by a resolution passed by the shareholders of the Company at a general meeting,

whichever is the earlier.

THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed New Shareholders' Mandate.

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

9. 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 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 78 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 18 May 2018. Only a depositor whose name appears on the Record of Depositors as at 18 May 2018 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 5 sen per share for the financial year ended 31 December 2017, if approved by the shareholders at the 14th Annual General Meeting of the Company, will be paid on 15 August 2018 to the shareholders whose names appear on the Record of Depositors of the Company at the close of business on 29 June 2018.

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

- (a) shares transferred into the Depositor's Securities Account before 4:00 p.m. on 29 June 2018 in respect of ordinary transfers; and
- (b) shares bought on the Bursa Malaysia Securities Berhad on a cum-entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board
CSC STEEL HOLDINGS BERHAD

NG BEE LIAN (MAICSA 7041392)
Company Secretary
Melaka

27 April 2018

NOTES:**1. APPOINTMENT OF PROXY**

- i. A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- ii. In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power attorney.
- iii. A member shall not, subject to Paragraphs (iv) and (v) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- iv. Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- v. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
- vi. Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the registered office of the Company at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia, not less than 48 hours before the time appointed for holding the meeting.
- vii. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), all resolutions set out in the Notice of 14th AGM will be put to vote on a poll.

2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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. RESOLUTIONS 2 & 3 : 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 and Directors' benefits for the financial year ended 31 December 2017.

4. RESOLUTIONS 4 TO 6 : RE-ELECTION OF DIRECTORS

Article 128 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 Article 133 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. Tan Chin Teng (Article 128)
- ii. Brig. Gen. (R) Dato' Nik Mohd Zaaba bin Nik Daud (Article 128)
- iii. Lee,le-Hsian (Article 133)

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 7 : RE-APPOINTMENT OF AUDITORS

The Audit Committee had at its meeting held on 9 April 2018 assessed the suitability and 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 2018. 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 7.

6. ORDINARY RESOLUTION 8: PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed Ordinary Resolution 8, if passed, will renew the authority given to the Company and its subsidiaries (the "CHB Group") to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the CHB Group's day-to-day operations with the respective related parties, subject that the transactions are transacted in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

7. ORDINARY RESOLUTION 9: PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed Ordinary Resolution 9, if passed, will authorise the CHB Group to enter into new 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.

FORM OF PROXY**CSC STEEL HOLDINGS BERHAD (640357-X)**

(Incorporated in Malaysia)

CDS Number	
Number of shares held	

I/We (NRIC/Company No:)
(full name in capital letters)of
(full address)being a member(s) of **CSC STEEL HOLDINGS BERHAD (640357-X)**, hereby appoint
(NRIC No:)
(full name in capital letters)of
(full address)or failing him/her, (NRIC No:)
(full name in capital letters)of
(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our behalf at the 14th Annual General Meeting of the Company to be held on Thursday, 24 May 2018, at 10:00 a.m. at Level 1 of the Company's Office Block, 180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia and any adjournment thereof.

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

Proxy A	%	Proxy B	%	Total	100%
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Mark either box with "X" if you wish to direct the proxy how to vote. If no mark is made, the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two (2) proxies and wish them to vote differently, this should be specified.

My/our proxy/proxies is/are to vote as indicated below:

ITEM	AGENDA	RESOLUTION	FOR	AGAINST
1.	To receive the Directors' Report, Audited Financial Statements and the Auditors' Report for the financial year ended 31 December 2017.			
2.	To approve a final single tier dividend of 5 sen per share in respect of the financial year ended 31 December 2017.	1		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2017.	2		
4.	To approve the payment of Directors' benefits for the financial year ended 31 December 2017.	3		
5.	To re-elect Tan Chin Teng (Article 128).	4		
6.	To re-elect Brig. Gen. (R) Dato' Nik Mohd Zaaba bin Nik Daud (Article 128).	5		
7.	To re-elect Lee, Ie-Hsian (Article 133).	6		
8.	To re-appoint Messrs. Deloitte PLT as auditors of the Company for the financial year ending 31 December 2018 and to authorise the Directors to determine their remuneration.	7		
9.	To approve the Proposed Renewal of Shareholders' Mandate for existing Recurrent Related Party Transactions of a Revenue or Trading Nature.	8		
10.	To approve the Proposed New Shareholders' Mandate for additional Recurrent Related Party Transactions of a Revenue or Trading Nature.	9		

Signed this _____ day of _____ 2018

Signature

Common Seal

Notes:-

- Applicable to shares held through a nominee account.
- A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar of Companies.
- In the case of a corporate member, the instrument appointing a proxy shall be (a) under its Common Seal or (b) under the hand of a duly authorised officer or attorney and in the case of (b), be supported by a certified true copy of the resolution appointing such officer or certified true copy of the power attorney.
- A member shall not, subject to Paragraphs (v) and (vi) below, be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- Where a member is an authorised nominee, as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds which is credited with the ordinary shares of the Company. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
- Any alteration to the instrument appointing a proxy must be initialed. The instrument appointing a proxy must be deposited at the registered office of the Company at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka, Malaysia, not less than 48 hours before the time appointed for holding the meeting.
- For the purpose of determining a member who shall be entitled to attend this 14th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 78 of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 18 May 2018. Only a depositor whose name appears on the Record of Depositors as at 18 May 2018 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

Fold along this line (1)

Stamp

To: The Company Secretary
CSC Steel Holdings Berhad (640357-X)
49-B Jalan Melaka Raya 8
Taman Melaka Raya
75000 Melaka
Malaysia

Fold along this line (2)



CSC STEEL HOLDINGS BERHAD (640357-X)

180 Kawasan Industri Ayer Keroh, Ayer Keroh, 75450 Melaka, Malaysia
Tel: 606-231 0169 Fax: 606-231 0167 E-mail: info@cscmalaysia.com