



**CSC STEEL HOLDINGS BERHAD**  
(640357-X)

# ANNUAL REPORT 2018



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**Enclosed** Proxy Form



## BOARD OF DIRECTORS

### Group Managing Director

Lee, Ie-Hsian

### Executive Director

Chen, Chien-Tu  
(appointed on 2 October 2018)

### Non-Independent Non-Executive Directors

Kuo, Yi-Jen

(appointed on 27 June 2018)

Hwang, Chien-Chih

(appointed on 13 July 2018)

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](mailto:info@cscmalaysia.com)

### CORPORATE WEBSITE:

[www.cscmalaysia.com](http://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](mailto:wbac1@cscmalaysia.com)

Lim Lay Ching

Tel: (6) 06 – 283 2323

Email: [wbac2@cscmalaysia.com](mailto:wbac2@cscmalaysia.com)

Pang Nam Ming

Tel: (6) 019 – 629 1128

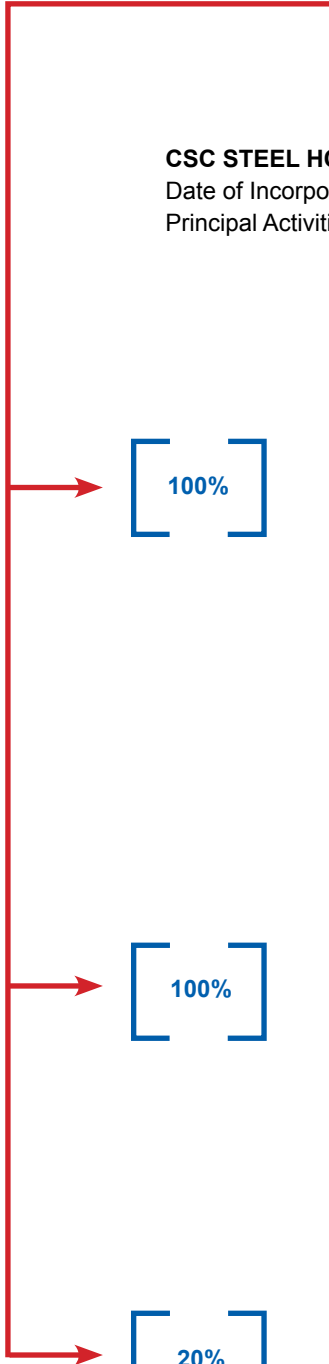
Email: [wbia@cscmalaysia.com](mailto:wbia@cscmalaysia.com)





**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%

**Hanwa Steel Centre (M) Sdn. Bhd.** (310962 - X)

(Formerly known as Tatt Giap Steel Centre Sdn. Bhd. )  
 Date of Incorporation : 9 August 1994  
 Principal Activities : Manufacturing, processing and trading of stainless steel and other ferrous and non-ferrous metal products.

### Vision

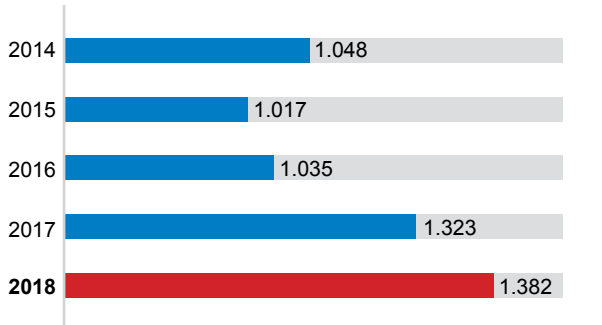
To be a trustworthy and excellent steel company in Malaysia as well as South East Asia.

### Operating Policy

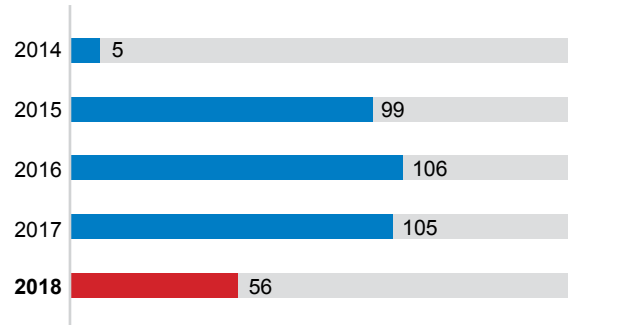
- Refinement by reinforcing sales, production and delivery.
- Advancement by enhancing product grades and technical sophistication.
- Prosperity by consolidating customer services and sales network.
- People-oriented by emphasizing on work safety, environment and learning.

# FINANCIAL HIGHLIGHTS OF THE PAST FIVE YEARS

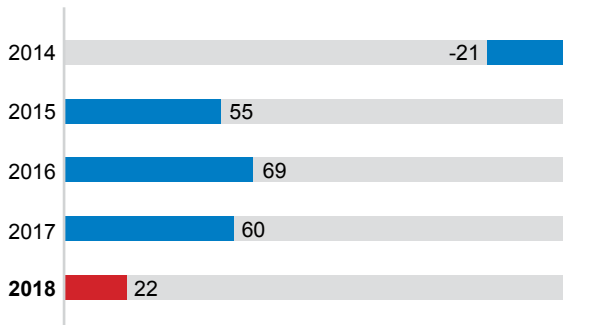
Year **REVENUE** (RM' million)



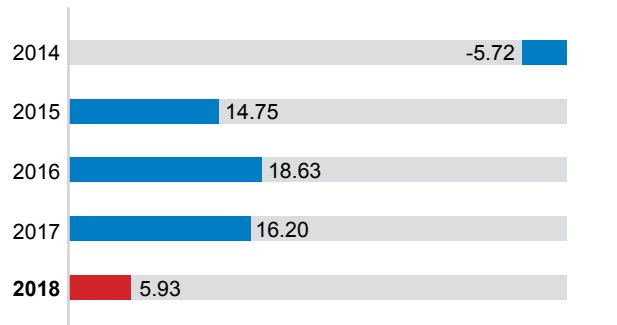
Year **EBITDA** (RM' million)



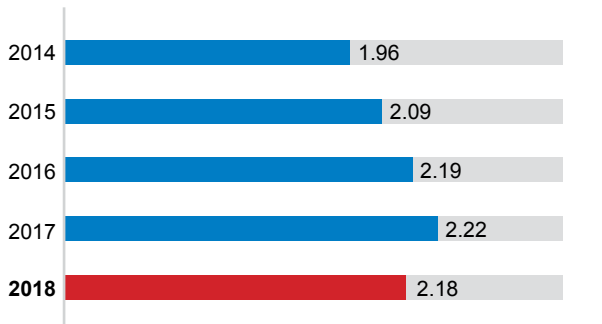
Year **(LOSS)/PROFIT AFTER TAX** (RM' million)



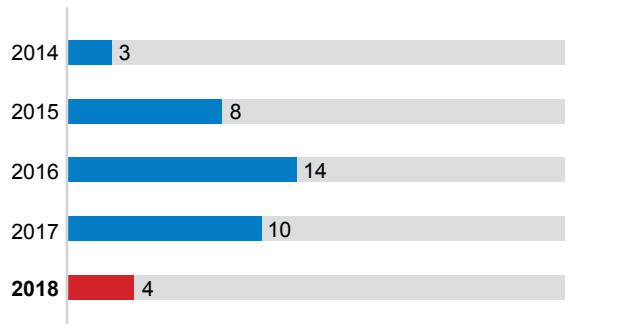
Year **(LOSS)/EARNINGS PER SHARE** (sen/share)



Year **NET ASSETS PER SHARE** (RM/share)



Year **DIVIDEND** (sen/share)



# PROFILE OF DIRECTORS

## LEE, IE-HSIAN | *Group Managing Director* | (Taiwanese, Male) Age 64

**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 clocked full attendance at all five (5) of the Board Meetings held during the financial year ended 31 December 2018.

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

- "The Revision Trend and Analysis for Companies Act" conducted by Taiwan Corporate Governance Association; and
- "The Responsibility of Directors and Risk Management under the New Blueprint of Corporate Governance", In-house training (CSC Taiwan).

## KUO, YI-JEN | *Non-Independent Non-Executive Director* | (Taiwanese, Male) Age 62

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

Mr. Kuo has over thirty-five (35) years' experience in the steel manufacturing industry. He joined China Steel Corporation Group ("CSC Group") since 1982 and his current position prior to his appointment to the Board of CSC Steel Holdings Berhad is President of China Steel Global Trading Corporation.

Mr. Kuo had attended one (1) of two (2) Board Meetings during the financial year ended 31 December 2018 that were held following his appointment to the Board during the financial year ended 31 December 2018.

Mr. Kuo had attended the Mandatory Accreditation Programme conducted by The Iclif Leadership and Governance Centre on 8 and 9 October 2018 pursuant to Practice Note 5 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR of Bursa Securities").

## HWANG, CHIEN-CHIH | *Non-Independent Non-Executive Director* | (Taiwanese, Male) Age 59

**Hwang, Chien-Chih** was appointed to the CHB Board on 13 July 2018 as a Non-Independent Non-Executive Director. He graduated from Bachelor of Economics at Tunghai University, Taiwan.

Mr. Hwang has over thirty (30) years' experience in the steel manufacturing industries. He joined CSC Group since 1985 and his current position prior to his appointment to the Board of CSC Steel Holdings Berhad is Vice President of Commercial Division, China Steel Corporation.

Mr. Hwang had attended one (1) of two (2) Board Meetings during the financial year ended 31 December 2018 that were held following his appointment to the Board during the financial year ended 31 December 2018.

Mr. Hwang had attended the Mandatory Accreditation Programme conducted by The Iclif Leadership and Governance Centre on 8 and 9 October 2018 pursuant to Practice Note 5 of the MMLR of Bursa Securities.



**Chen, Chien-Tu** | *Executive Director* | (Taiwanese, Male) Age 46

**Chen, Chien-Tu** was appointed to the CHB Board on 2 October 2018 as an Executive Director. He graduated from the Masters of Business Administration at Da-Yeh Institution of Technology, Taiwan.

Mr. Chen has over twenty (20) years' experience in the steel manufacturing industries. He joined CSC Group since 1997 and his last position prior to his appointment to the Board of CSC Steel Holdings Berhad was Assistant Vice President, Finance Division, of CSC Steel.

Mr. Chen had attended one (1) Board Meeting during the financial year ended 31 December 2018 that were held following his appointment to the Board during the financial year ended 31 December 2018.

Mr. Chen had attended the Mandatory Accreditation Programme conducted by The Iclif Leadership and Governance Centre on 8 and 9 October 2018 pursuant to Practice Note 5 of the MMLR of Bursa Securities.

**PHONG HON WAI** | *Senior Independent Non-Executive Director* | (Malaysian, Male) Age 56  
*Chairman of Audit Committee and Nominating Committee*

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

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

Mr. Phong has over twenty (20) years' experience in public accounting practices and is presently the principal partner of Messrs. MW. Phong (Formerly known as HW Phong & Associates), Messrs. MW (partnership) and Messrs. HP Tax Services Sdn. Bhd., 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 2018.

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

- "Seminar Percukaian Kebangsaan 2018" conducted by Lembaga Hasil Dalam Negeri;
- "Fair Value Accounting System (including MFRS 13 Fair Value Measurement)" conducted by Malaysian Institute of Accountants ("MIA"); and
- "Ethics: Exercising Judgement in Financial Reporting (the "Should" and "Should Not")" conducted by MIA.



**BRIG. GEN. (R) DATO' MOHD ZAABA @ NIK ZAABA BIN NIK DAUD** | *Non-Independent Non-Executive Director* | (Malaysian, Male) Age 70  
*Member of Audit Committee and Nominating Committee*

**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 2018.

Training attended by Dato' Nik during the financial year is as follow:-  
 "Effective Boards in a VUCA World" conducted by Institute of Corporate Directors Malaysia.

**LIM LAY CHING** | *Independent Non-Executive Director* | (Malaysian, Female) Age 52  
*Member of Audit Committee and Nominating Committee*

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

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

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

Ms Lim Lay Ching attended all five (5) of the Board and Audit Committee Meetings and a Nominating Committee Meeting held during the financial year ended 31 December 2018.

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

- "Transition from GST to SST – Under the new Sales & Service Tax Act 2018" conducted by MIA; and
- "Deloitte TaxMax –The 44th Series Seminar" conducted by Deloitte Tax Services 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 109 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, le-Hsian and assisted by the Executive Director cum Vice President of Finance Division, Mr. Chen, Chien-Tu and their profiles could be found under the Profile of Directors on pages 6 and 7. The profiles of other key senior management are as follows:-

<p><b> TSAI, CHIN-HAN </b> Vice President, Production Division</p> <p>Nationality: Taiwanese Age / Gender: 60 / Male Date of Appointment: 1 August 2018 Qualification(s): Degree in Electrical Engineering, Junior College, National Taipei University of Technology, Taiwan. Experience: Has more than thirty (30) years' experience in steel manufacturing industry.</p>	<p><b> TEN LING PIEW </b> Vice President, Commercial Division</p> <p>Nationality: Malaysian Age / Gender: 48 / 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><b> KOH KANG GUAN </b> Assistant Vice President, Production Division</p> <p>Nationality: Malaysian Age / Gender: 51 / 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>	

**Notes:**

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

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





On behalf of the Board, I am pleased to present the Annual Report of CSC Steel Holdings Berhad and its group of companies for the financial year ended 31 December 2018.

## Managing Director's Statement

The local steel industry had experiencing a bumpy journey in year 2018. There were several unexpected circumstances happening in the year under review, such as the implementation of Section 232 tariffs on steel products by United States ("US"), the imposition of definite safeguard on steel products by European Union ("EU") and change of direction on mega projects in Malaysia. These scenarios had impacted the steel market dynamic for both internationally and domestically, especially in the second half of year 2018. The global steel prices fell sharply in second half of 2018, driven by slower demand and ample steel availability.

Despite of the challenging business environment that we encountered along the way, we still managed to overcome the obstacles and achieved positive results in such a difficult time.

- Overview of the Group's Business and Operations

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

The Group's main sources of income is from one of its subsidiaries, CSC Steel Sdn. Bhd. ("CSCM") and its raw material, hot rolled steel coil ("HRC") is mainly supplied by integrated steel mills, i.e. China Steel Corporation ("CSC"). The Group main focused market is domestic market, approximately 80% and the rest is mainly exported to Southeast Asia region. As for domestic business, the customer bases of the Group are well spread throughout Malaysia, and majority of the sales is in West Malaysia.

To further strengthen the Group's competitiveness, the management continues identifying the areas that could be improving such as quality and productivity, operation efficiency and cost reduction. The advancement of downstream industries is one of the key drivers for the Group to move forward, as such we always continue to work closely with our customers to supply value added products and provide solutions to further enhance the strengths of Malaysia's manufacturing industries.

- Review of Financial Results and Financial Condition

For Financial Year 2018, the Group achieved higher revenue of RM1.382 billion compared to Financial Year 2017(RM1.323 billion). Despite of the slight increase in revenue, the weakening market sentiment in second half of Financial Year 2018 and the influx of imported steel products had posed an adverse effect on steel price and the Group had registered a lower profit before tax of 65% or RM26.306 million compared to RM76.078 million achieved in Financial Year 2017.

The Group's financial position as at 31<sup>st</sup> December 2018 had decreased slightly. Net tangible assets for Financial Year 2018 were RM2.18 per share compared to Financial Year 2017, which was RM2.22 per share. Total equity stood at RM804.866 million while current ratio stood at 7.08 times. Cash and cash equivalent was RM192.532 million.

In order to ensure the Group's production capability is in good shape, we always evaluate the performance of the machineries and equipment periodically as to identify the needs for revamping of machineries. Likewise, during Financial Year 2018, CSCM had spent about RM14 million in capital expenditure. Amongst the significant projects were the revamping of Tension Leveling Line and Continuous Galvanizing Line's Welder.

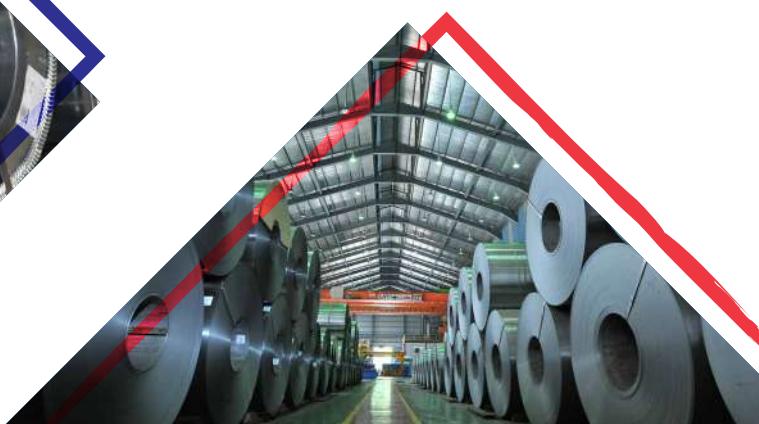
The change of controlling stakes in the associated company had been completed in the mid of year 2018. The associated company continued to suffer losses during the year under review and the new major shareholder had outlined a corporate turnaround plan to be implemented in the coming years, we believe that the performance of the associated company would be gradually improved.

Other details of the financial information could be obtained from the Group's audited financial statements with its explanatory notes from pages 41 to 106.

- Dividend

In line with the Group's policy of paying at least 50% of the Group's profit after tax as dividend to its shareholders, the Board of Directors has recommended a final single tier dividend of 4 sen per share for the financial year ended 31 December 2018.

The recommendation of final dividend had been announced on 26 February 2019 and it will be tabled for the shareholders' approval at the Company's forthcoming 15th Annual General Meeting scheduled on 23 May 2019 and if approved, will be paid on 11 July 2019.



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

It is foreseeable that the business environment remains challenging in year 2019 as the protection mechanism led by US and EU, as well as the trade war between US and China are expected to affect the global trading. In addition, the prudent policy of Malaysian new government is likely to continue in the coming years, government expenditures are expected to be shrinking especially on mega projects.

In view of the above uncertainties, the management had sketched out a new direction with several strategic plans to further improve the Group's competitiveness and set several key performance indicators to be achieved for the next 5 years. The Group is always working closely with the relevant authorities to curb unfair competition posed by imported steel products such as initiating of trade measures, with the aim to restore a healthy domestic steel market and to ensure the value chain of local steel industry is sustainable.

Besides that, fluctuation of Ringgit Malaysia ("RM") may also affect the Group's overall performance as our raw materials are imported.

- Prospects and Outlook for the Financial Year 2019

The uncertainty in global issues is expected to continue influencing the supply chain of steel industry all over the world, resulted volatility in steel demand as well as steel prices. For Malaysia, the transitional of new government is expected to cause short-term uncertainty and the demand for steel products may not recover very soon. The overall steel consumption for domestic market is unlikely to have significant growth compared to previous years.

Domestic steel market remains as our main focus, and we have successfully executing several breakthroughs for our production capability that allowed us to broaden our product range since years ago. We believe with the continuous support from our parent company, CSC Taiwan, we are able to leverage the advantages that we have and to achieve the targets we have set internally.

Barring any unforeseen circumstances, we are cautiously optimistic that the Group could achieve a positive set of results in year 2019.

### Acknowledgement and appreciation

We credit the success of the Group to the dedicated and diligent management team and the inimitable and united team spirit of our workforce.

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

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

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

I wish to thank my fellow Board of Directors for their cooperation and invaluable contribution to the Company and the Group.

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

**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 Group 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](http://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 (cont'd)

Certain responsibilities of the Board are delegated to the Audit Committee and Nominating Committee which operate within clearly defined parameters as spelt out in the respective Committees' Terms of Reference, each of the Terms of Reference could also be found in the Company's website at [www.cscmalaysia.com](http://www.cscmalaysia.com). The Chairman of the Audit Committee and Nominating Committee report to the Board subsequent to their respective committee meetings.

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

#### b. Ethical Leadership by the Board

##### Standard Ethical Codes of Conduct for Directors

The Board acknowledges the importance of establishing a healthy corporate culture and has formalized in writing a Standard Ethical Codes of Conduct for Directors on its Board Charter, which have been uploaded on the Company's website at [www.cscmalaysia.com](http://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

Despite the absence of a 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 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](http://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 practices of good 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 ("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 undertakes 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 on pages 29 to 31 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 to inform and keep the Board updated on the latest enhancements in corporate governance, changes in the legal regulatory framework, new statutory requirements and best practices.

The Board has recorded their satisfaction with the performance and support rendered by the Company Secretary to the Board in discharging her functions for the financial year ended 31 December 2018.

**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](http://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 2018 were unanimously agreed upon by the Directors three (3) months in advance. However, dates of all Board and Board committee meetings for 2018 were unanimously decided prior to the start of the calendar year 2018. This is to enable the Directors to achieve full attendance at all meetings of the Company and to comply with the MMLR of Bursa Securities which provides that the office of a director will become vacant if the director is absent from more than 50% of the total board of directors' meetings held during a financial year.

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

## 1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### 1.2 Board Dynamics (cont'd)

#### b. Board Meetings (cont'd)

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

Meeting agendas while not exhaustive, include review and updates of the Group's latest developments, quarterly financial performance, business plans, strategic decisions, major investments, findings from both the external and internal auditors and any other proposals or other significant matters that require the expeditious direction of the Board including deliberations on any principal risks that may have 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 2018, a total of five (5) Board meetings were held and the attendance of each Director is set out hereinbelow:-

Directors	Attendance
Lee, Ie-Hsian	5/5
Lee, Shin-Min @ Samuel Lee (Resigned on 13 July 2018)	3/3
Lin, Yao-Kang @ Robert Lin (Resigned on 31 May 2018)	3/3
Kuo, Yi-Jen (Appointed on 27 June 2018)	1/2
Hwang, Chien-Chih (Appointed on 13 July 2018)	1/2
Tan Chin Teng (Retired on 2 October 2018)	4/4
Chen, Chien-Tu (Appointed on 2 October 2018)	1/1
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 2018. 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 February 2019, 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 who serve more than 9 years and have yet to 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 2018 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](http://www.cscmalaysia.com).

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

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

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

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

The Nominating Committee adopts the peer evaluation method to evaluate the performance of the directors of the Company. 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 2018, 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 as a whole, contribution of each individual director and committees of the board;
- iv) reviewed the performance of the Vice President of Finance Division in discharging his role as Chief Financial Officer of the Company;
- v) reviewed the term of office and performance of Audit Committee members to determine whether its members have carried out their duties in accordance with the terms of reference;
- vi) assessed the training programs attended by the Directors as well as the training needs required to aid the Directors in the discharge of their duties as Directors and to keep abreast with industry developments and trends;
- vii) assessed the independence of the Independent Directors of the Company; and
- viii) assessed the Directors who shall be retiring by rotation and standing for re-election by the shareholders at the forthcoming AGM.

## 1. BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

### 1.3 Nominating Committee (cont'd)

The Board at its meeting on 21 February 2019 was 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 and composition of the Board of Directors, the Company is in compliance with the Listing Requirements of Bursa Securities;
- ii) The mix of skills, experience and other qualities including core competencies of the non-executive and executive directors of the Company together with the effectiveness of the Board as a whole, contribution of each individual Director and committees of the Board were satisfactory;
- iii) The Committee indicated that in view that the Vice President of Finance Division has just taken over the finance division of the Group, it would be only fair to him that he be given more time to understand the workflow processes of the finance division of the Group and the scope of work expected to be delivered by him to the management;
- iv) The Committee discussed and was satisfied that the Directors had attended adequate trainings as required by the Company during the financial year under review and that each Board member shall continue to identify suitable trainings appropriate to their respective needs;
- v) The Committee was satisfied with the independence of the independent non-executive directors of the Company; and
- vi) 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 15th 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 duty effectively.

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

#### b. Appointment to the Board

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

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

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

During the financial year ended 31 December 2018, Mr. Hwang, Chien-Chih and Mr. Kuo, Yi-Jen were both appointed to the Board of the Company as Non-Independent Non-Executive Directors and Mr. Chen, Chien-Tu was appointed as Executive Director of the Company.

As such, they will be subjected to retirement 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 Articles of Association, 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 Articles of Association 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 21 February 2019, 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:-

- Lim Lay Ching pursuant to Article 128
- Hwang, Chien-Chih pursuant to Article 133
- Kuo, Yi-Jen pursuant to Article 133
- Chen, Chien-Tu pursuant to Article 133

#### 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 revealed until such time there is a need to do so.

### 1.4 Remuneration Committee

The Board has not established a Remuneration Committee. The remuneration packages of Group 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 2018 are as follows:-

Category	Fees (RM)	Salaries & Bonuses (RM)	Other Emoluments (RM)	Benefits- in-Kind (RM)	Total (RM)
Executive Directors	-	465,598.42	135,851.00	27,904.75*	629,354.17
Non-Executive Directors	123,600.00	-	-	-	123,600.00
<b>Total</b>	<b>123,600.00</b>	<b>465,598.42</b>	<b>135,851.00</b>	<b>27,904.75</b>	<b>752,954.17</b>

\*The benefits in kind are given to them as employees of the Company.

Directors' remuneration for the year ended 31 December 2018 falls within the following bands:-

Range of Remuneration	Executive	Non-Executive
Nil	Nil	4
Below RM50,000	1	3
RM50,001-RM100,000	Nil	Nil
RM100,001-RM150,000	Nil	Nil
RM200,001-RM250,000	Nil	Nil
RM250,001-RM300,000	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 2018.
- 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.

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

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

## 2. EFFECTIVE AUDIT AND RISK MANAGEMENT

### 2.1 Establishment and Effectiveness of the Audit Committee

#### a. Audit Committee

The Audit Committee of CHB consists of three (3) members, two 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 32 to 34 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](http://www.cscmalaysia.com).

### 2.2 Roles and Responsibilities of the Audit Committee

#### a. Oversight of Financial Reporting

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

Chairman of Audit Committee, Mr. Phong 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. MW. Phong (Formerly known as HW Phong & Associates), Messrs. MW (partnership) and Messrs. HP Tax Services Sdn. Bhd., respectively audit firms and 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 2018.

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 2018, 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 2018, 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 2018 are set out on pages 41 to 106 of this Annual Report and a statement by the Board of its responsibilities in preparing the financial statements is on page 106.



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

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

#### b. Related Party Transaction

An internal compliance framework exists to ensure the Group meets its obligations relating to the related party transactions under the MMLR. The Board, through the Audit Committee, reviews all material related party 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 26 April 2019 as well as the notes to the financial statements herein provide further details on these related party transactions.

#### c. Risk Management and Internal Control

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

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

An overview of the risk management and internal controls within the Group is set out in the Statement on Risk Management and Internal Control on pages 36 to 39 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 32 to 35 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 communication with its shareholders and stakeholders alike. In this respect, information on the Group's financial performance and/or major developments are disseminated to the public as soon as practicable via appropriate channels of communication, chief of which is the Bursa LINK provided by Bursa Securities as well as the Company's website at [www.cscmalaysia.com](http://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 fourteen 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 24 May 2018 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 fourteen years.

#### 3.2 Corporate Reporting

The details of governance structure in place to manage the economic, environmental and social risks and opportunities were set out in the Sustainability Statement on pages 29 to 31 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 Company's Constitution.

In compliance with this requirement, CHB's Annual Report 2018 will be issued on 26 April 2019 which is also the date of despatch of the notice of its 15th AGM. The coming 15th AGM, scheduled on 23 May 2019 (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.cscmalaysia.com](http://www.cscmalaysia.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 2018.

## UTILISATION OF PROCEEDS

No proceeds were raised by the Company from any corporate proposals during the financial year ended 31 December 2018.

## 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 2018.

## AUDIT FEES AND NON-AUDIT FEES

During the financial year ended 31 December 2018, 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 2018 RM	FYE 2017 RM	FYE 2018 RM	FYE 2017 RM
<b>Statutory audit fees paid /payable to:</b>				
Deloitte	26,880	31,920	123,405	163,345
O.L.Yeo	Nil	Nil	1,600	1,600
<b>Total (a)</b>	<b>26,880</b>	<b>31,920</b>	<b>125,005</b>	<b>164,945</b>
<b>Non-audit fees paid/payable to:</b>				
Deloitte	3,000	3,500	3,000	3,500
CPL Taxation	Nil	Nil	1,200	1,200
Affiliates of Deloitte	7,500	32,900	21,300	91,700
<b>Total (b)</b>	<b>10,500</b>	<b>36,400</b>	<b>25,500</b>	<b>96,400</b>
<b>% of non-audit fees (b/a)</b>	<b>39%</b>	<b>114%</b>	<b>20%</b>	<b>58%</b>

### **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 2018 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.

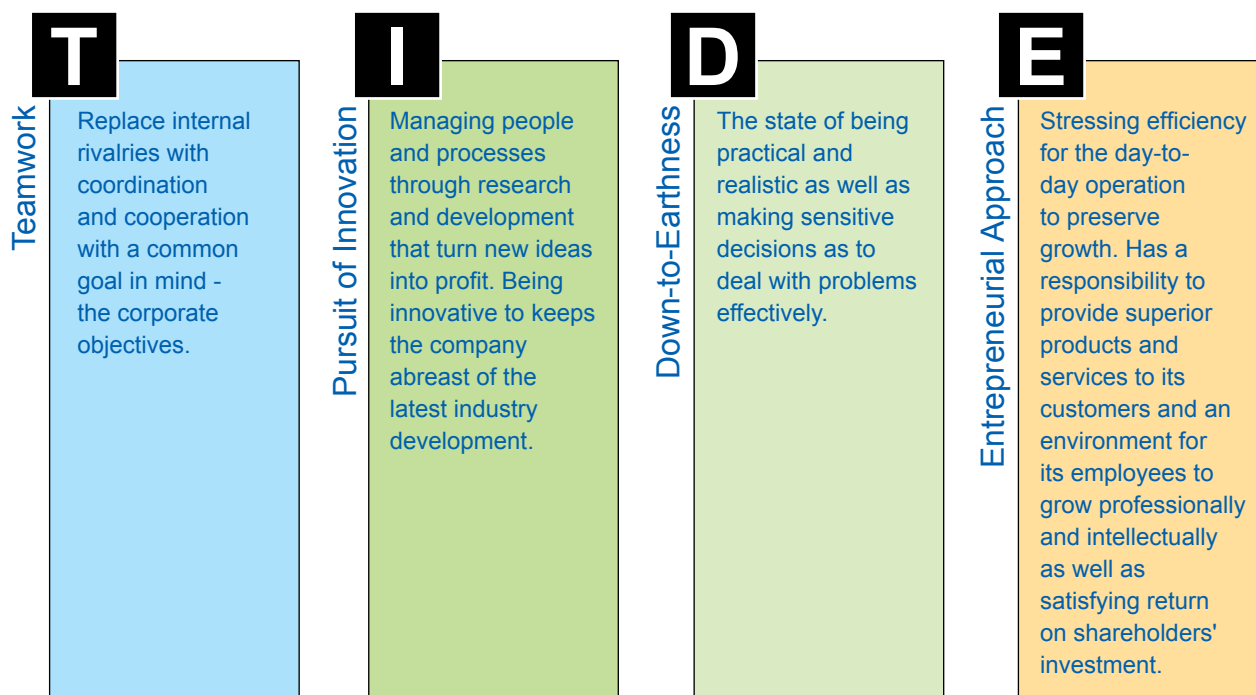
### **RECURRENT RELATED PARTY TRANSACTION OF REVENUE OR TRADING NATURE**

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 26 April 2019.

The Group has adopted a set of sustainable business practices that in line with the philosophy of parent company, China Steel Corporation ("CSC") in Taiwan. Sustainable business practices have formed an integral part of the Group's day-to-day operation and it is one of the keys to ensure the Group's long term goals and continuity are achievable.

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



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

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

## Marketplace

- Products and Services

The Group is actively shaping its brands, namely Realzinc and Realcolor, to expand its market share for building material application. In order to meet the standards set by the relevant industries as well as national standards, the Group had successfully obtained several product certifications, such as Malaysian Standard, MS 2383:2011, MS 2384:2011, MS 2385:2011; Japanese Industrial Standard, JIS G3302:2010/Amendment 1:2012, JIS G3312:2012; Indonesian National Standard SNI 07-3567-2006, SNI 07-2053-2006 and Perakuan Permatuhan Standard (Bahan Binaan) developed by Construction Industry Development Board.

In addition, the Group provides technical services to its customers as and when required. Besides, the Group also organizes seminar and take part in exhibitions so as to share the information of steel products with the targeted audience such as architects, developers, etc.



### **Environment**

- Monitoring Program and Compliance

The Group is committed to maintaining a sound environmental management system and the ISO 14001:2007 has been adopted since 2009 and subsequently migrated to the new ISO version (14001:2015) in year 2018.

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

- Energy Management

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

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

- Waste Management

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

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

- Green Environment

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

- Green Products

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

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

**Workplace**

- Safe Working Place

The Group has adopted the Occupational Health and Safety Assessment Series, OHSAS 18001 since year 2016 to further enhance its workplace health and safety. A "Safety and Health Committee" has been formed to improve the health and safety management system of the Group and to ensure the well-being of all level of employees are taking care of.

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

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

- Job Opportunities and Diversity

The Group has created approximately 700 job opportunities since its establishment. The classification of employees within the Group by level and nationality as at 31 December 2018 is as follows:

Nationality	Executive		Non-Executive		Total	
	No.	%	No.	%	No.	%
Local	214	98.6	410	88.7	624	91.9
Foreigners	3	1.4	52	11.3	55	8.1
Total	217	100	462	100	679	100

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

**Community**

- Non-profit organizations

The Group had provided financial assistance to several non-profit organizations such as old folks house, orphanage house. We also care about the well-being of the public and have sponsored the event organizing by National Cancer Society since year 2017.

- Schools

As we believe education play a vital role for a nation to prosper collectively, we have provided assistance to several schools in Melaka, be it in financial support for school events or donating steel material to the schools for their infrastructure needs.

# 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 2018.

## 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 2018 and the details of the attendance of the committee members were as follows:-

Committee Members	Attendance
Phong Hon Wai <i>(Chairman/Senior Independent Non-Executive Director)</i>	5/5
Lim Lay Ching <i>(Member/Independent Non-Executive Director)</i>	5/5
Brig. Gen. (R) Dato’ Nik Zaaba Bin Nik Daud <i>(Member/Non-Independent Non-Executive Director)</i>	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 Committee meeting on the standing invitation of the Committee Chairman during the financial year ended 31 December 2018.

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](http://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 2018 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 2018 to discuss the outcome of the audit of the Group in respect of the financial year ended 31 December 2017 and the second time in November 2018, 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 2018;
  - 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 2018 after 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 2018, 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 2018, internal audit activities have been carried out in accordance with the pre-approved internal audit plan. The IA had conducted two (2) audits during the financial year ended 31 December 2018

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 2018 and the date of this Annual Report included the following:-

- a. Goods Delivery Management;
- b. Inventory Management;
- c. Maintenance 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 2018 was RM52, 260.41.

# 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 2018. 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 AC 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 having a sound risk management system for identifying, evaluating and managing significant risks faced by the Group periodically. The duties for the identification, evaluation and management of the key business risks are delegated by the Board to the Group Managing Director and the Senior Management. On strategic level, strategic business strategies are formulated by the management and presented to the Board for review to ensure proposed strategies are in line with the Group’s risk appetite. Subsequently, update on the implementation progress of the approved strategies will be presented by the management to the Board.

The respective head of departments are responsible for managing the 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 being held every week. Any material and significant changes on the risk profile will be reporting to the Board.

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 practices, 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.

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 goods delivery management, inventory management, maintenance management, governance 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 function. Update on the status of management action plans as identified in the previous internal audit reports were also presented to the AC during the financial year under review and the action plans were satisfactorily executed.

As for the internal audit conducted by CSC, internal audit plan is designed according to CSC's policy which covers significant risk areas that 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 as 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 is 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 2018 amounted to RM52,260.41. 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 8 February 2018 for Audit Committee and 21 February 2018 for Nominating Committee by the Board.

Meetings of Board of Directors and the Committees are carried out on scheduled basis to review the performance of the Group, from financial to operational perspective. Business strategies are proposed by the management for the Board's review and approval, after taking into 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 management system whereby the ethical behaviours expected with the customers, suppliers, employees, society and environment are stated. Codes of conduct expected from employees to carry out their duties and responsibilities assigned are also established and documented.

- **Organisation Structure and Authorisation Procedures**

The Group has a formal 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 and to achieve 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**

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 for upgrading their knowledge and skill sets.

- **Information and Communication**

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

The Group puts in place effective and efficient information and communication infrastructures and channels, i.e. computerised enterprise resource planning system, secured intranet, electronic mail system and modern telecommunication, so that operation data and management information can be communicated timely and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders. Apart from that, relevant financial and management reports are generated for different level of the 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 9001:2015 (Quality Management System), ISO 14001:2015 (Environmental Management System), ISO 50001:2011 (Energy Management System) and OHSAS 18001:2007 (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 (the "KPIs") are formulated to monitor the performance of key divisions/departments against targets established with information on actual performance against the KPIs established being compiled on quarterly basis. Half-yearly management review meeting is held to discuss and review the performance of key divisions/departments of the Group based on the KPIs established.
- ▶ Weekly management meetings 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.
- ▶ Quarterly unaudited group financial reports reviewed by Audit Committee together with senior management, and subsequently reported to the Board.
- ▶ Internal audit on key risk areas identified is conducted and the results are reported directly to the AC. The internal audit function assesses the adequacy and effectiveness of internal controls in relation to specific critical control processes and highlights significant risks impacting the Group to the AC 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 systems of the Group, in all material aspects, during the financial year under review based on the risk management and internal control systems of the Group.

**Board's Opinion and Conclusion**

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

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

This Statement was approved by the Board on 2 April 2019.

# 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.

## DIRECTORS' REPORT

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, 2018.

## 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 Company in each subsidiary company is as disclosed in Note 13 to the financial statements.

## RESULTS OF OPERATIONS

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

	The Group RM	The Company RM
<b>Profit for the year</b>	21,892,146	33,736,516

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 end of the previous financial year, the amount of dividends paid by the Company in respect of the previous financial year are as follows:

- (i) An interim single tier dividend of 5 sen per share amounting to RM18,465,000, was paid by the Company on March 15, 2018; and
- (ii) A final single tier dividend of 5 sen per share amounting to RM18,465,000, was paid by the Company on August 15, 2018.

The directors propose a final single tier dividend of 4 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, 2019.

## 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 realise.

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

- (a) which would require the writing off of bad debts or render the amount of the 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.

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

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

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company in the financial year in which this report is made.

## DIRECTORS

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

Lee, Ie-Hsian  
 Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud  
 Phong Hon Wai  
 Lim Lay Ching  
 Kuo, Yi-Jen (appointed on June 27, 2018)  
 Hwang, Chien-Chih (appointed on July 13, 2018)  
 Chen, Chien-Tu (appointed on October 2, 2018)  
 Lin, Yao-Kang @ Robert Lin (resigned on May 31, 2018)  
 Lee, Shin-Min @ Samuel Lee (resigned on July 13, 2018)  
 Tan Chin Teng (resigned on October 2, 2018)

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:

Name of director	Subsidiary companies
Lee, Ie-Hsian	CSCM, GSCSB, CMSB
Hwang, Chien-Chih	CSCM (appointed on July 13, 2018); GSCSB (appointed on July 13, 2018, resigned on December 31, 2018)
Kuo, Yi-Jen	CSCM (appointed on June 27, 2018); GSCSB (appointed on June 27, 2018, resigned on December 31, 2018)
Lin, Yao-Kang @ Robert Lin	CSCM & GSCSB (resigned on May 31, 2018)
Lee, Shin-Min @ Samuel Lee	CSCM & GSCSB (resigned on July 13, 2018)
Ou, Jenq-Jang	CSCM & GSCSB (resigned on July 20, 2018)
Hsu, Tse-Wei	CSCM & GSCSB (resigned on August 1, 2018); CMSB (resigned on August 2, 2018)
Tsai, Chin-Han	CSCM, GSCSB, CMSB (appointed on August 1, 2018, resigned on December 31, 2018)

Denotes:

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

## DIRECTORS' INTERESTS

None of the directors in office as of the end of the financial year held shares or had beneficial interest in the shares of the Company during or as of the beginning and 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 31.12.2018
	Balance as of 1.1.2018	Bought	Sold	
<b>Shares in ultimate holding company, China Steel Corporation</b>				
<b>Registered in the name of directors</b>				
Hwang, Chien-Chih	135,572	1,234	-	136,806
Chen, Chien-Tu	631	-	-	631

\* New Taiwan Dollar



## DIRECTORS' BENEFITS

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

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

## INDEMNITY AND INSURANCE FOR DIRECTORS 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 RM16,228.

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, 2018 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,

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LEE, IE-HSIAN

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CHEN, CHIEN-TU

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, 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 50 to 105.

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, 2018, 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.

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

#### Key Audit Matter

##### Inventory valuation and provisions

As of December 31, 2018, the inventories balances of the Group stood at RM290,586,282, which represents approximately 45% 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 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 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.

#### How our audit addressed the Key Audit Matter

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(b) 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 RM9,459,425 has been recognised in profit or loss of the Group, which represents a write down of inventories to their net realisable values.

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

**Our audit performed and responses thereon (cont'd)**

- performed testing on inventory aging report as of December 31, 2018 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 not determined any key audit matter pertaining to the financial statements of the Company to be communicated in our report.

## 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 Directors' Report and the Company's annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

### *Responsibilities of the Directors for the Financial Statements*

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine 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**

Johor Bahru

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	5	1,382,345,682	1,323,228,967	43,276,297	57,541,318
Cost of sales		(1,338,582,460)	(1,229,092,052)	-	-
<b>Gross profit</b>		<b>43,763,222</b>	<b>94,136,915</b>	<b>43,276,297</b>	<b>57,541,318</b>
Investment revenue	7	5,691,971	6,201,347	460,143	271,959
Other income		23,735,102	27,928,577	493,734	3,448,015
Sales and marketing expenses		(25,136,119)	(30,612,591)	-	-
General and administrative expenses		(19,090,940)	(17,658,876)	(6,314,591)	(5,763,675)
Other expenses		(1,150,562)	(2,940,614)	(4,089,050)	(1,033,000)
Share of losses of associated company		(1,505,819)	(976,331)	-	-
<b>Profit before tax</b>	<b>8</b>	<b>26,306,855</b>	<b>76,078,427</b>	<b>33,826,533</b>	<b>54,464,617</b>
Tax expense	9	(4,414,709)	(16,268,870)	(90,017)	(177,048)
<b>Profit for the year attributable to owners of the Company</b>		<b>21,892,146</b>	<b>59,809,557</b>	<b>33,736,516</b>	<b>54,287,569</b>
<b>Other comprehensive income</b>					
<i>Item that will not be reclassified subsequently to profit or loss:</i>					
Net fair value loss on investment in equity instruments designated as at fair value through other comprehensive income		(1,349,854)	-	(1,349,854)	-
<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	-	1,119,462
<b>Total comprehensive income for the year attributable to owners of the Company</b>		<b>20,542,292</b>	<b>60,929,019</b>	<b>32,386,662</b>	<b>55,407,031</b>
<b>Basic and diluted earnings per ordinary share (sen)</b>	<b>10</b>	<b>5.93</b>	<b>16.20</b>		

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

# STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>ASSETS</b>					
<b>Non-current Assets</b>					
Property, plant and equipment	11	196,691,603	208,099,776	2,320,292	2,399,477
Prepaid lease payments	12	17,317,737	17,554,863	-	-
Investment in subsidiary companies	13	-	-	250,971,840	389,480,546
Investment in an associated company	14	-	2,215,587	-	3,938,000
Investment in equity instruments	15	6,960,374	6,359,420	6,960,374	6,359,420
Investment properties	16	42,544,211	42,544,211	-	-
Deferred tax assets	17	91,536	76,774	91,536	76,774
<b>Total Non-current Assets</b>		<b>263,605,461</b>	<b>276,850,631</b>	<b>260,344,042</b>	<b>402,254,217</b>
<b>Current Assets</b>					
Inventories	18	290,586,282	263,635,320	-	-
Trade receivables	19	132,897,688	166,021,190	-	-
Other receivables and prepaid expenses	19	19,623,246	17,838,157	168,523	220,983
Amount due from a subsidiary company	20	-	-	139,000,000	-
Amount due from related companies	20	2,279	51,918	-	-
Amount due from an associated company	20	1,440,663	-	-	-
Tax recoverable		14,269,347	5,626,241	113,884	257,681
Cash and cash equivalents	21	192,531,905	161,036,330	6,507,561	5,827,166
<b>Total Current Assets</b>		<b>651,351,410</b>	<b>614,209,156</b>	<b>145,789,968</b>	<b>6,305,830</b>
<b>Total Assets</b>		<b>914,956,871</b>	<b>891,059,787</b>	<b>406,134,010</b>	<b>408,560,047</b>

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

STATEMENTS OF FINANCIAL POSITION (CONT'D)  
AS OF DECEMBER 31, 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Issued capital	22	413,163,159	413,163,159	413,163,159	413,163,159
Treasury shares	23	(11,614,414)	(11,614,414)	(11,614,414)	(11,614,414)
Retained earnings	24	402,490,673	415,426,700	3,040,796	4,132,453
Reserves	24	827,018	2,176,872	827,018	2,176,872
<b>Total Equity</b>		<b>804,866,436</b>	<b>819,152,317</b>	<b>405,416,559</b>	<b>407,858,070</b>
<b>Non-current Liability</b>					
Deferred tax liabilities	17	18,073,927	18,757,432	-	-
<b>Current Liabilities</b>					
Trade payables	25	4,316,370	6,585,861	-	-
Other payables and accrued expenses	25	31,437,104	31,316,394	717,451	701,977
Amount due to ultimate holding company	20	30,811,481	10,248,029	-	-
Amount due to related companies	20	25,451,553	4,999,754	-	-
<b>Total Current Liabilities</b>		<b>92,016,508</b>	<b>53,150,038</b>	<b>717,451</b>	<b>701,977</b>
<b>Total Liabilities</b>		<b>110,090,435</b>	<b>71,907,470</b>	<b>717,451</b>	<b>701,977</b>
<b>Total Equity and Liabilities</b>		<b>914,956,871</b>	<b>891,059,787</b>	<b>406,134,010</b>	<b>408,560,047</b>

# STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2018

	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
<b>The Group</b>							
<b>Balance as of January 1, 2017</b>		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	23	-	651,276	722,020	-	-	1,373,296
Transfer arising from 'no par value' regime	22	33,163,159	-	(33,163,159)	-	-	-
<b>Balance as of December 31, 2017</b>		413,163,159	(11,614,414)	-	2,176,872	415,426,700	819,152,317
<b>Balance as of January 1, 2018</b>							
As previously stated		413,163,159	(11,614,414)	-	2,176,872	415,426,700	819,152,317
Effect of adoption of MFRS 9	30	-	-	-	-	2,101,827	2,101,827
As restated		413,163,159	(11,614,414)	-	2,176,872	417,528,527	821,254,144
Profit for the year		-	-	-	-	21,892,146	21,892,146
Other comprehensive income for the year		-	-	-	(1,349,854)	-	(1,349,854)
Total comprehensive income for the year		-	-	-	(1,349,854)	21,892,146	20,542,292
Dividends	26	-	-	-	-	(36,930,000)	(36,930,000)
<b>Balance as of December 31, 2018</b>		413,163,159	(11,614,414)	-	827,018	402,490,673	804,866,436
<b>The Company</b>							
<b>Balance as of January 1, 2017</b>		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	23	-	651,276	722,020	-	-	1,373,296
Transfer arising from 'no par value' regime	22	33,163,159	-	(33,163,159)	-	-	-
<b>Balance as of December 31, 2017/ January 1, 2018</b>		413,163,159	(11,614,414)	-	2,176,872	4,132,453	407,858,070
Effect of adoption of MFRS 9	30	-	-	-	-	2,101,827	2,101,827
As restated		413,163,159	(11,614,414)	-	2,176,872	6,234,280	409,959,897
Profit for the year		-	-	-	-	33,736,516	33,736,516
Other comprehensive income for the year		-	-	-	(1,349,854)	-	(1,349,854)
Total comprehensive income for the year		-	-	-	(1,349,854)	33,736,516	32,386,662
Dividends	26	-	-	-	-	(36,930,000)	(36,930,000)
<b>Balance as of December 31, 2018</b>		413,163,159	(11,614,414)	-	827,018	3,040,796	405,416,559

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



# STATEMENTS OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM (USED IN)</b>					
<b>OPERATING ACTIVITIES</b>					
Profit before tax		26,306,855	76,078,427	33,826,533	54,464,617
Adjustments for:					
Depreciation of property, plant and equipment		34,016,269	33,960,162	81,103	80,783
Write-down of inventories		9,459,425	10,888,761	-	-
Provision for onerous contracts		2,834,291	2,140,937	-	-
Share of losses of an associated company		1,505,819	976,331	-	-
Impairment on investment in associated company		709,768	-	3,938,000	1,033,000
Amortisation of prepaid lease payments		237,126	237,126	-	-
Net fair value loss on investment in equity instrument designated as at FVTPL		151,019	-	151,019	-
Property, plant and equipment written off		41,416	582,691	-	-
Gain on disposal of property, plant and equipment		(36,626)	(23,546)	(40)	-
Dividend income from:					
Subsidiary company		-	-	(36,500,000)	(51,000,000)
Equity instruments designated as at FVTOCI		(35,745)	(35,745)	(35,745)	(35,745)
Equity instruments designated as at FVTPL		(838,712)	(663,733)	(838,712)	(663,733)
Interest income on late payment charged to:					
Third parties		(206,791)	(79,352)	-	-
An associated company		-	(58,507)	-	-
Unrealised (gain) loss on foreign exchange		(845,553)	304,195	-	-
Interest income		(1,133,456)	(2,396,806)	(157,626)	(271,959)
Investment income		(4,558,515)	(3,804,541)	(302,517)	-
Reversal of impairment losses in a subsidiary company		-	-	(491,294)	(3,448,015)
Operating profit (loss) before working capital changes		67,606,590	118,106,400	(329,279)	158,948
Movements in Working Capital:					
(Increase) Decrease in:					
Inventories		(36,410,387)	(43,615,481)	-	-
Trade receivables		33,350,442	(88,058,470)	-	-
Other receivables and prepaid expenses		(1,390,149)	(9,417,467)	52,460	89,177
Amount due from related companies		49,639	32,639	-	-
Amount due from associated company		(1,440,663)	1,325,522	-	-
Increase (Decrease) in:					
Trade payables		(1,873,848)	3,968,641	-	-
Other payables and accrued expenses		(2,702,581)	(3,530,701)	15,474	(280,891)
Amount due to ultimate holding company		20,563,452	(2,047,810)	-	-
Amount due to related companies		20,451,799	(4,310,244)	-	-
Cash generated (Used In) operations		98,204,294	(27,546,971)	(261,345)	(32,766)
Income tax (paid) refunded - net		(13,756,082)	(18,256,687)	39,018	27,872
Net Cash From (Used In) Operating Activities		84,448,212	(45,803,658)	(222,327)	(4,894)

	Note	The Group		The Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM (USED IN)</b>					
<b>INVESTING ACTIVITIES</b>					
Investments income received		4,558,515	3,804,541	302,517	-
Interests received		1,133,456	2,872,379	157,626	280,885
Dividend received		874,457	699,478	37,374,457	51,699,478
Proceeds from disposal of property, plant and equipment		36,626	23,546	40	-
Advance payment for the purchase of property, plant and equipment		(2,073,682)	(1,667,742)	-	-
Purchase of property, plant and equipment	11	(20,981,770)	(18,304,061)	(1,918)	-
Net Cash (Used In) From Investing Activities		(16,452,398)	(12,571,859)	37,832,722	51,980,363
<b>CASH FLOWS FROM (USED IN)</b>					
<b>FINANCING ACTIVITIES</b>					
Resale of treasury shares		-	1,373,296	-	1,373,296
Dividends paid		(36,930,000)	(51,702,000)	(36,930,000)	(51,702,000)
Net Cash Used In Financing Activities		(36,930,000)	(50,328,704)	(36,930,000)	(50,328,704)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		31,065,814	(108,704,221)	680,395	1,646,765
<b>CASH AND CASH EQUIVALENTS AS OF BEGINNING OF YEAR</b>		161,036,330	269,529,218	5,827,166	4,180,401
Effects of exchange rate difference		429,761	211,333	-	-
<b>CASH AND CASH EQUIVALENTS AS OF END OF THE YEAR</b>	21	192,531,905	161,036,330	6,507,561	5,827,166

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

## 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 Company in each subsidiary company is as disclosed in Note 13.

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

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on March 11, 2019.

## 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 ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

### 2.1 Adoption of new and amendments to MFRS and IC Interpretation ("IC Int.")

In the current financial year, the Group and the Company adopted a number of new and amendments to MFRS and IC Int. issued by the Malaysian Accounting Standards Board ("MASB") that are effective for annual periods beginning on or after January 1, 2018 as follows:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers (and the Related Clarifications)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140	Transfer of Investment Property
IC Int.22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to MFRSs 2014 – 2016 Cycle	

The adoption of the above new and amendments to the MFRS and IC Int. did not have material impact on the amounts reported in the financial statements of the Group and of the Company upon its initial application other than as discussed below:

#### MFRS 9 Financial Instruments

In the current year, the Group and the Company have applied MFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other MFRS Standard that are effective for an annual period that begins on or after January 1, 2018. The transition provisions of MFRS 9 allow an entity not to restate comparative. The Group and the Company have not elected to restate comparatives in respect of the classification and measurement of financial instruments. As a consequence:

- any adjustments to carrying amounts of financial assets or liabilities are recognised as of the beginning of the current reporting period, with the difference recognised in opening retained earnings;
- financial assets are not reclassified in the statement of financial position for the comparative period; and
- provisions for impairment have not been restated in the comparative period.

MFRS 9 introduced new requirements for:

- the classification and measurement of financial assets and financial liabilities;
- impairment of financial assets; and
- general hedge accounting.

The adoption of MFRS 9 from January 1, 2018 resulted in changes in accounting policies as disclosed in Note 3 and adjustments to the amounts recognised in the financial statements as disclosed in Note 30.

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

### 2.2 New and amendments to MFRS and IC Int. in issue but not yet effective

As of the date of authorisation for issue of these financial statements, the Group and the Company have not applied the following new and amendments to MFRS and IC Int. that have been issued but not yet effective:

MFRS 16	Leases <sup>1</sup>
MFRS 17	Insurance Contracts <sup>3</sup>
Amendments to MFRS 3	Definition of a Business <sup>2</sup>
Amendments to MFRS 9	Financial Instrument - Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to MFRS 101 and MFRS 108	Definition of Material <sup>2</sup>
Amendments to MFRS 119	Employee Benefits – Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to MFRS	Annual Improvements to MFRS 2015 - 2017 Cycle: Amendments to MFRS 3 Business Combination, MFRS 11 Joint Arrangement, MFRS 112 Income Taxes and MFRS 123 Borrowing Costs <sup>1</sup>
Amendments to MFRS IC Int. 23	References to the Conceptual Framework in MFRS Standards <sup>2</sup> Uncertainty over Income Tax Payments <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2019, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2020, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after January 1, 2021, with earlier application permitted.

<sup>4</sup> Effective date deferred to a date to be determined and announced, with earlier application permitted.

The directors anticipate that the abovementioned new and amendments to MFRS and IC Int. will be adopted in the 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 amounts reported in the financial statements of the Group and of the Company in the period of initial application.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for 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 an asset or a liability if market participants would take those characteristics into account when pricing the asset or liability as of the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Basis of Accounting (cont'd)

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 as of the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### Revenue Recognition

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

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

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

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

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

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

#### (a) Sale of Goods

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

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Revenue Recognition (cont'd)

##### (a) Sale of Goods (cont'd)

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

##### (b) Other Sources of Income

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

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

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

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

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

#### Foreign Currencies

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

In preparing the financial statements of the Group and of the Company, transactions in currencies other than the Group's and the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing as of the date of transactions. As of the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

##### (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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### 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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Basis of Consolidation

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

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

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

When the Company has less than a majority of the voting rights of an investee, it 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.

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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Business Combinations (cont'd)

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

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.

#### Property, Plant and Equipment

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

Depreciation of property, plant and equipment, except for freehold land and plant and machineries under installation which are not 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:

	<b>Rates</b>
Buildings under long-term leases	2% - 4%
Plant and machineries	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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Impairment of Non-financial Assets

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

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

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.

#### 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 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.

In prior years, other investments in unquoted shares are also stated at cost, similar to unquoted shares of subsidiary companies as the fair value cannot be obtained directly from quoted market price or indirectly using valuation techniques supported by observable market date.

#### Inventories

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Provisions

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

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

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

#### Investment in Associated Company

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

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

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

The requirements of MFRS 9 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 9. 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

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

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

#### Financial Assets

##### Accounting policies applied from January 1, 2018

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

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

##### *Classification of financial assets*

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### *Financial Assets (cont'd)*

#### Accounting policies applied from January 1, 2018 (cont'd)

By default, all other financial assets are measured subsequently at fair value through profit or loss ("FVTPL").

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

- the Group or the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group or the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### *(i) Amortised cost and effective interest method*

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

For financial assets other than purchased or originated credit impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### *Financial Assets (cont'd)*

#### Accounting policies applied from January 1, 2018 (cont'd)

##### (ii) *Equity instruments designated as at FVTOCI*

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

A financial asset is held for trading if:

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

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

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

The Group and the Company have designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of MFRS 9.

##### (iii) *Financial assets at FVTPL*

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

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### *Financial Assets (cont'd)*

#### Accounting policies applied until December 31, 2017

##### Classification and measurement

Until December 31, 2017, the Group and the Company classified its financial assets in the following categories:

(i) *Financial assets at FVTPL*

FVTPL 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 FVTPL are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

The Group and the Company have not designated any of its financial assets as at FVTPL in prior year.

(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.

The Group and the Company have not designated any of its financial assets as held-to-maturity in prior year.

(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 ("AFS") financial assets*

AFS category comprises non-derivative financial assets that are either designated as AFS or are not classified as loans and receivables, held-to-maturity investments or financial assets at FVTPL.

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 AFS 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### *Impairment of Financial Assets*

##### Accounting policies applied from January 1, 2018

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

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

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

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

#### (i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group and the Company compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group and the Company consider both quantitative and qualitative information that is reasonable and supportable, including historical experience; however, no forward-looking information is available without undue cost or effort.

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

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### *Impairment of Financial Assets (cont'd)*

#### Accounting policies applied from January 1, 2018 (cont'd)

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

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

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

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

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

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

##### (ii) Definition of default

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

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

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

##### (iii) Credit-impaired financial assets

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### *Impairment of Financial Assets (cont'd)*

##### Accounting policies applied from January 1, 2018 (cont'd)

(iv) Write-off policy

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

(v) Measurement and recognition of expected credit losses

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

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

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

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

##### Accounting policies applied until December 31, 2017

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 assets' 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.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Accounting policies applied until December 31, 2017 (cont'd)

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.

#### **Derecognition of financial assets**

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

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

#### **Financial Liabilities and Equity**

##### ***Classification as debt or equity***

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

##### ***Equity instruments***

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

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

##### **Financial liabilities**

All financial liabilities are measured subsequently at amortised cost other than those categorised as FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group and the Company, are measured in accordance with the specific accounting policies as set out below.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Accounting policies applied until December 31, 2017 (cont'd)

##### *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

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

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's and the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and MFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

##### *Financial liabilities measured subsequently at amortised cost*

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where applicable) a shorter period, to the amortised cost of a financial liability.

##### *Derecognition of financial liabilities*

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

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

#### Accounting policies applied until December 31, 2017 (cont'd)

##### *Derecognition of financial liabilities (cont'd)*

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

##### **Treasury Shares**

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

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

##### **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.

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

##### Key sources of estimation uncertainty

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

##### (a) Useful lives and residual values of property, plant and equipment

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

##### (b) Inventories

Inventories are valued at the lower of cost and net realisable value. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the best estimation of the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing as of the end of the reporting period. As of the end of the reporting period, an amount of RM9,459,425 (2017: 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.



## 5. REVENUE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Revenue from contracts with customers</b>				
Sale of steel products	1,381,471,225	1,322,529,489	-	-
<b>Revenue from other sources</b>				
Dividend income from:				
Subsidiary company	-	-	36,500,000	51,000,000
Equity instruments designated as at FVTOCI	35,745	35,745	35,745	35,745
Equity instruments designated as at FVTPL	838,712	663,733	838,712	663,733
Management fee from:				
Subsidiary company	-	-	5,850,000	5,760,000
Associated company	-	-	-	30,000
Rental income from subsidiary company	-	-	51,840	51,840
	874,457	699,478	43,276,297	57,541,318
	1,382,345,682	1,323,228,967	43,276,297	57,541,318

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

	The Group	
	2018 RM	2017 RM
Sale of steel products	1,381,471,225	1,322,529,489

The transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2018 is RM4,896,741, which will be satisfied in financial year ending December 31, 2019. As permitted under the transitional provisions in MFRS 15, the transaction price allocated to (partially) unsatisfied performance obligations as of December 31, 2017 is not disclosed.

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

	The Group	
	2018 RM	2017 RM
Local sales	1,157,609,505	1,014,406,153
Export sales	223,861,720	308,123,336
	1,381,471,225	1,322,529,489

## 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.

### 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Cold rolled and coated steel products	1,381,471,225	1,322,529,489	22,528,621	71,857,802
Investment holding	43,342,297	57,577,318	34,389,445	54,801,405
	1,424,813,522	1,380,106,807	56,918,066	126,659,207
Less: Eliminations	(42,467,840)	(56,877,840)	(34,797,363)	(55,805,796)
<b>Total</b>	<b>1,382,345,682</b>	<b>1,323,228,967</b>	<b>22,120,703</b>	<b>70,853,411</b>
Investment revenue			5,691,971	6,201,347
Share of losses of associated company			(1,505,819)	(976,331)
Profit before tax			26,306,855	76,078,427
Tax expense			(4,414,709)	(16,268,870)
Profit for the year			21,892,146	59,809,557

### Segment assets and liabilities

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

	Segment assets		Segment liabilities	
	2018 RM	2017 RM	2018 RM	2017 RM
	<b>The Group</b>			
Cold rolled and coated steel products	778,167,413	740,173,024	91,293,399	52,439,261
Investment holding	122,428,575	145,183,748	723,109	710,777
	900,595,988	885,356,772	92,016,508	53,150,038
Unallocated	14,360,883	5,703,015	18,073,927	18,757,432
<b>Total</b>	<b>914,956,871</b>	<b>891,059,787</b>	<b>110,090,435</b>	<b>71,907,470</b>

## 6. SEGMENT REPORTING (CONT'D)

### Other segment information

	Capital additions		Depreciation of property, plant and equipment	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>The Group</b>				
Cold rolled and coated steel products	22,647,594	21,963,982	33,919,885	33,864,098
Investment holding	1,918	2,915	96,384	96,064
	22,649,512	21,966,897	34,016,269	33,960,162

### Geographical segments

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

	Asia Pacific RM	Malaysia RM	Consolidated RM
<b>The Group</b>			
<b>Year ended December 31, 2018</b>			
Revenue from external customers by location of customers	223,861,720	1,158,483,962	1,382,345,682
Segment asset by location of assets	-	914,956,871	914,956,871
Capital expenditure by location of assets	-	22,649,512	22,649,512
<b>Year ended December 31, 2017</b>			
Revenue from external customers by location of customers	308,123,336	1,015,105,631	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

## 7. INVESTMENT REVENUE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest income from fixed deposits with licensed banks	1,133,456	2,396,806	157,626	271,959
Investment income from money market instruments	4,558,515	3,804,541	302,517	-
	5,691,971	6,201,347	460,143	271,959

## 8. PROFIT BEFORE TAX

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Gain (Loss) on foreign exchange:				
Realised	15,452,181	23,100,606	-	-
Unrealised	845,553	(304,195)	-	-
Rental income from investment properties (Note 16)	2,791,251	2,997,565	-	-
Interest income on late payment charged to:				
Third parties	206,791	79,352	-	-
An associated company (Note 20)	-	58,507	-	-
Gain on disposal of property, plant and equipment	36,626	23,546	40	-
Raw materials and consumables used	(1,204,319,429)	(1,136,591,477)	-	-
Changes in inventories of finished goods and work-in-progress	(2,045,466)	25,345,905	-	-
Purchase of trading goods	(1,538,933)	-	-	-
Staff costs	(53,316,464)	(46,566,564)	(5,082,728)	(4,397,820)
Depreciation of property, plant and equipment	(34,016,269)	(33,960,162)	(81,103)	(80,783)
Write-down of inventories (Note 18)	(9,459,425)	(10,888,761)	-	-
Provision for onerous contracts (Note 25)	(2,834,291)	(2,140,937)	-	-
Directors' remuneration, excluding monetary value of benefits-in-kind:				
Directors of the subsidiary companies	(396,821)	(380,741)	-	-
Directors of the Company	(454,357)	(466,575)	(454,357)	(466,575)
Impairment on investment in associated company (Note 14)	(709,768)	-	(3,938,000)	(1,033,000)
Amortisation of prepaid lease payment (Note 12)	(237,126)	(237,126)	-	-
Net fair value loss on investment in equity instrument designated as at FVTPL	(151,019)	-	(151,019)	-
Auditors' remuneration:				
Statutory	(123,650)	(122,250)	(28,000)	(26,400)
Non-statutory	(3,000)	(3,000)	(3,000)	(3,000)
Property, plant and equipment written off	(41,416)	(582,691)	-	-
Rental of building	-	(70,000)	-	-
Reversal of impairment losses in subsidiary companies (Note 13)	-	-	491,294	3,448,015

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 RM5,223,452 (2017: RM4,897,330) and RM544,362 (2017: RM511,975) respectively.

## 8. PROFIT BEFORE TAX (CONT'D)

Directors' remuneration consists of the following:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Executive directors:</b>				
Salaries and other emoluments	727,578	723,716	330,757	342,975
<b>Non-executive directors:</b>				
Fees	123,600	123,600	123,600	123,600
Directors' remuneration excluding monetary value of benefits-in-kind	851,178	847,316	454,357	466,575
Estimated monetary value of benefits-in-kind in respect of executive directors	53,859	75,552	-	-
	905,037	922,868	454,357	466,575

## 9. TAX EXPENSE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Estimated tax payable:				
Current year	4,881,456	17,867,268	104,557	101,213
Under(Over) provision in prior year	231,520	(387,478)	222	(502)
	5,112,976	17,479,790	104,779	100,711
Deferred tax (Note 17):				
Current year	(565,693)	(1,117,844)	(14,762)	74,755
Under/(Over) provision in prior year	(132,574)	(93,076)	-	1,582
	(698,267)	(1,210,920)	(14,762)	76,337
	4,414,709	16,268,870	90,017	177,048

## 9. TAX EXPENSE (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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit before tax:	26,306,855	76,078,427	33,826,533	54,464,617
Tax calculated using the statutory income tax rate of 24%	6,313,645	18,258,822	8,118,368	13,071,508
Tax effects of:				
Expenses not deductible in determining taxable profit	1,125,557	719,736	985,909	417,570
Income not taxable in determining taxable profit	(1,621,226)	(1,231,624)	(9,014,482)	(13,313,110)
Utilisation of reinvestment allowances	(1,502,213)	(997,510)	-	-
Under (Over) provision in prior years:				
Current tax	231,520	(387,478)	222	(502)
Deferred tax	(132,574)	(93,076)	-	1,582
Tax expense for the year	4,414,709	16,268,870	90,017	177,048

## 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	
	2018 RM	2017 RM
Profit for the year attributable to owners of the Company	21,892,146	59,809,557
Weighted average number of ordinary shares in issue	369,300,000	369,288,493
Basic and diluted earnings per ordinary share (sen)	5.93	16.20



## 11. PROPERTY, PLANT AND EQUIPMENT

### The Group

	Freehold land RM	Buildings under long- term leases RM	Plant and machineries RM	Motor vehicles RM	Equipment, furniture, fixture and fittings RM	Plant and machineries under installation RM	Total RM
<b>Cost</b>							
Balance as of							
January 1, 2017	4,170,809	80,896,802	524,423,640	5,094,382	28,073,574	12,684,616	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/January 1, 2018	4,170,809	83,036,164	529,876,303	5,255,886	28,544,103	9,705,251	660,588,516
Additions	-	-	-	-	1,918	22,647,594	22,649,512
Disposals/Written-offs	-	-	(6,008,985)	(428,688)	(246,647)	-	(6,684,320)
Reclassifications	-	1,498,542	21,776,833	1,316,963	1,788,466	(26,380,804)	-
Balance as of							
December 31, 2018	4,170,809	84,534,706	545,644,151	6,144,161	30,087,840	5,972,041	676,553,708
<b>Accumulated depreciation</b>							
Balance as of 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/January 1, 2018	-	58,322,060	364,087,068	4,208,415	24,692,074	-	451,309,617
Charge for the year	-	4,410,838	27,503,512	615,852	1,486,067	-	34,016,269
Disposals/Written-offs	-	-	(5,970,578)	(428,688)	(243,638)	-	(6,642,904)
Balance as of							
December 31, 2018	-	62,732,898	385,620,002	4,395,579	25,934,503	-	478,682,982
<b>Accumulated impairment loss</b>							
Balance as of January 1, 2017/ Written - off	-	-	1,157,408	-	29,454	-	1,186,862
	-	-	-	-	(7,739)	-	(7,739)
Balance of December 31, 2017/January 1, 2018/ December 31, 2018	-	-	1,157,408	-	21,715	-	1,179,123
<b>Carrying amounts</b>							
Balance as of							
December 31, 2017	4,170,809	24,714,104	164,631,827	1,047,471	3,830,314	9,705,251	208,099,776
Balance as of							
December 31, 2018	4,170,809	21,801,808	158,866,741	1,748,582	4,131,622	5,972,041	196,691,603

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

### The Company

	Furniture and fittings RM	Buildings RM	Total RM
<b>Cost</b>			
Balance as of January 1, 2017/ December 31, 2017/ January 1, 2018	468,167	2,631,653	3,099,820
Addition	1,918	-	1,918
Disposal	(1,800)	-	(1,800)
Balance as of December 31, 2018	468,285	2,631,653	3,099,938
<b>Accumulated depreciation</b>			
Balance as of January 1, 2017	402,957	216,603	619,560
Charge for the year	28,067	52,716	80,783
Balance as of December 31, 2017/January 1, 2018	431,024	269,319	700,343
Charge for the year	28,387	52,716	81,103
Disposal	(1,800)	-	(1,800)
Balance as of December 31, 2018	457,611	322,035	779,646
<b>Carrying amounts</b>			
Balance as of December 31, 2017	37,143	2,362,334	2,399,477
Balance as of December 31, 2018	10,674	2,309,618	2,320,292

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 RM279,491,492 (2017: RM217,069,808).

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash payment	20,981,770	18,304,061	1,918	-
Advance payment made in prior year	1,667,742	3,662,836	-	-
	22,649,512	21,966,897	1,918	-

## 12. PREPAID LEASE PAYMENTS

	The Group	
	2018 RM	2017 RM
<b>Long-term leasehold land</b>		
Cost:		
As of beginning and end of the year	22,910,201	22,910,201
Cumulative amortisation:		
As of beginning of year	(5,355,338)	(5,118,212)
Amortisation for the year (Note 8)	(237,126)	(237,126)
As of end of year	(5,592,464)	(5,355,338)
<b>Net</b>	<b>17,317,737</b>	<b>17,554,863</b>

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	
	2018 RM	2017 RM
Unquoted shares, at cost		
As of beginning of year	414,445,306	414,445,306
Effect of Capital Reduction	(139,000,000)	-
As of end of year	275,445,306	414,445,306
Less: Accumulated impairment losses		
As of beginning of year	(24,964,760)	(28,412,775)
Reversal of impairment during the year (Note 8)	491,294	3,448,015
As of end of year	(24,473,466)	(24,964,760)
	<b>250,971,840</b>	<b>389,480,546</b>

### 13. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

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

Direct subsidiary company	Proportion of ownership interest and voting rights held by the Group		Principal Activity
	2018	2017	
CSC Steel Sdn. Bhd.	100%	100%	Manufacturing and marketing of steel products.
Group Steel Corporation (M) Sdn. Bhd.	100%	100%	Ceased operations.
<b>Indirect subsidiary company</b>			
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.

On October 17, 2018, a subsidiary company of the Company, Group Steel Corporation (M) Sdn. Bhd. has received a Notice of Confirming the Reduction of Share Capital pursuant to Section 119(4) of the Companies Act 2016, in relation to the completion of its capital reduction exercise ("the Capital Reduction") as stated in the High Court Order dated October 10, 2018. The share capital of the said subsidiary company has been reduced from RM140,000,000 divided into 140,000,000 ordinary shares to RM1,000,000 divided into 1,000,000 ordinary shares by cancellation of 139,000,000 ordinary shares. The credit amount of RM139,000,000 arising from the Capital Reduction which is excess of the needs of the said subsidiary company, is distributed to the Company pursuant to Section 116 of the Companies Act 2016.

### 14. INVESTMENT IN AN ASSOCIATED COMPANY

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unquoted shares, at cost	8,264,368	8,264,368	8,264,368	8,264,368
Share of post acquisition losses	(6,739,232)	(5,233,413)	-	-
	1,525,136	3,030,955	8,264,368	8,264,368
Less : Accumulated impairment losses				
As of beginning of year	(815,368)	(815,368)	(4,326,368)	(3,293,368)
Impairment loss recognised during the year (Note 8)	(709,768)	-	(3,938,000)	(1,033,000)
As of end of year	(1,525,136)	(815,368)	(8,264,368)	(4,326,368)
	-	2,215,587	-	3,938,000

#### 14. INVESTMENT IN ASSOCIATED COMPANY (CONT'D)

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
	2018 %	2017 %	
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	
	2018 RM	2017 RM
<b>As of December 31</b>		
Total assets	79,814,024	83,214,141
Total liabilities	(76,145,220)	(72,016,242)
Net assets	3,668,804	11,197,899
<b>Results for the year ended December 31</b>		
Revenue	57,689,677	33,960,698
Loss for the year	(7,529,095)	(4,881,656)

## 15. INVESTMENT IN EQUITY INSTRUMENTS

	The Group and The Company	
	2018 RM	2017 RM
<b>Financial assets at FVTOCI</b>		
In Malaysia:		
Quoted shares	2,239,532	-
<b>Financial assets at FVTPL</b>		
Outside Malaysia:		
Unquoted shares	4,720,842	-
<b>Available-for-sale investment carried at fair value:</b>		
In Malaysia:		
Quoted shares	-	3,589,386
<b>Other investments, at cost</b>		
Outside Malaysia:		
Unquoted shares	-	2,770,034
	6,960,374	6,359,420

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

Prior to the adoption of MFRS 9, the investment in unquoted shares outside Malaysia was carried at cost and subject to impairment assessment. Upon adoption of MFRS 9, investment in unquoted shares has been measured at FVTPL. the Group and the Company have not elected to restate comparatives in respect of the classification and measurement this investment.

Further details in relation to the changes in classification upon the adoption of MFRS 9 are as disclosed in Note 30.

## 16. INVESTMENT PROPERTIES

	The Group	
	2018 RM	2017 RM
<b>At fair value</b>		
As of beginning and end of year	42,544,211	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 one to three years and the rental rates are based on prevailing market rates. 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 following are recognised in profit or loss in respect of investment properties:

	The Group	
	2018 RM	2017 RM
Rental income (Note 8)	2,791,251	2,997,565
Direct operating expenses:		
- Income generating investment properties	477,115	548,022

### Fair value information

The fair value of the Group's investment properties as of December 31, 2018 has been determined by directors based on an update valuation carried out on December 6, 2018 by an independent valuer, based on a full valuation carried out on November 30, 2016 by the same valuer, which has appropriate qualifications and recent experience in the valuation of properties in the relevant locations. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the financial year.

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

Description	Valuation techniques	Significant unobservable inputs	Range (weighted average) RM
60-year leasehold factory land with unexpired term of 34 years and building located in Seberang Perai, Penang	Comparison approach based on recent transaction prices for similar properties	Estimated transaction price per sq ft for similar properties with due consideration given to factors such as location, size, building differences, improvements and amenities, time element and other relevant factors.	RM76 - RM178 (2017: RM76 – RM178) per sq ft

## 17. DEFERRED TAX ASSETS (LIABILITIES)

Deferred tax assets and liabilities are attributable to the following:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment	(22,490,969)	(23,270,772)	-	-
Inventories	2,270,262	2,613,303	-	-
Other payables and accrued expenses	2,158,759	1,176,888	91,536	76,774
Others	79,557	799,923	-	-
	(17,982,391)	(18,680,658)	91,536	76,774

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

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax assets	91,536	76,774	91,536	76,774
Deferred tax liabilities	(18,073,927)	(18,757,432)	-	-
	(17,982,391)	(18,680,658)	91,536	76,774

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

	Property, plant and equipment RM	Inventories RM	Other payables and accrued expenses RM	Others RM	Total RM
<b>The Group</b>					
Balance as of January 1, 2017	(24,389,263)	959,768	2,140,931	1,396,986	(19,891,578)
Recognised in profit or loss (Note 9)	1,118,491	1,653,535	(964,043)	(597,063)	1,210,920
Balance as of December 31, 2017/ January 1, 2018	(23,270,772)	2,613,303	1,176,888	799,923	(18,680,658)
Recognised in profit or loss (Note 9)	779,803	(343,041)	981,871	(720,366)	698,267
Balance as of December 31, 2018	(22,490,969)	2,270,262	2,158,759	79,557	(17,982,391)

	Other payables and accrued expenses RM
Balance as of January 1, 2017	153,111
Recognised in profit or loss (Note 9)	(76,337)
Balance as of December 31, 2017/January 1, 2018	76,774
Recognised in profit or loss (Note 9)	14,762
Balance as of December 31, 2018	91,536

### The Company

Balance as of January 1, 2017	153,111
Recognised in profit or loss (Note 9)	(76,337)
Balance as of December 31, 2017/January 1, 2018	76,774
Recognised in profit or loss (Note 9)	14,762
Balance as of December 31, 2018	91,536

## 18. INVENTORIES

	The Group	
	2018 RM	2017 RM
Raw materials	115,350,636	88,786,232
Work-in-progress	39,178,737	48,224,624
Finished goods	93,749,554	86,749,133
Consumables	41,024,260	39,875,331
Trading goods	1,283,095	-
	290,586,282	263,635,320

The cost of inventories recognised as an expense of the Group includes RM9,459,425 (2017: RM10,888,761) in respect of write-down of inventories to net realisable value.

## 19. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

	The Group	
	2018 RM	2017 RM
Trade receivables	133,679,087	166,802,589
Less: Loss allowance	(781,399)	(781,399)
	132,897,688	166,021,190

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

	The Group	
	2018 RM	2017 RM
Ringgit Malaysia	132,164,943	143,389,873
United States Dollar	1,514,144	23,412,716
	133,679,087	166,802,589

Trade receivables comprise amounts receivable for sale of goods. The credit period granted on sale of goods ranges from cash term to 60 days (2017: cash term to 60 days). The Group charges late payment interest on outstanding trade receivables, based on respective contract terms entered with customer.

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

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

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

	The Group	
	2018 RM	2017 RM
Personal guarantees	62,148,130	54,719,032
Corporate guarantees	43,457,899	24,563,879
Bank guarantees	2,271,342	2,677,357
Letters of credit	1,514,144	23,594,065
<b>Total</b>	<b>109,391,515</b>	<b>105,554,333</b>

The aging of trade receivables are as below:

	The Group	
	2018 RM	2017 RM
Not past due nor impaired	104,778,408	92,502,634
1 – 60 days past due but not impaired	26,961,387	72,560,983
61 – 120 days past due but not impaired	1,049,830	669,510
121 – 180 days past due but not impaired	-	-
More than 180 days past due but not impaired	108,063	288,063
	132,897,688	166,021,190
More than 180 days and impaired	781,399	781,399
	133,679,087	166,802,589

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

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

	The Group	
	2018 RM	2017 RM
<b>Loss allowance of credit-impaired trade receivables</b>		
As of beginning and end of year	781,399	781,399

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

Other receivables and prepaid expenses consist of the following:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	15,220,196	12,530,151	120,323	200,968
Prepaid expenses	852,522	1,161,938	31,526	-
Refundable deposits	214,597	214,597	12,717	12,717
Advance payments to suppliers	3,331,974	3,924,173	-	-
Interest receivable	3,957	7,298	3,957	7,298
	19,623,246	17,838,157	168,523	220,983

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.

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

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

## 20. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

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

Amount due from a subsidiary company, which is denominated in Ringgit Malaysia arose from Capital Reduction exercise as disclosed in Note 13, which is unsecured, interest-free and repayable on demand.

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

Amount due from an associated company, Tatt Giap Steel Centre Sdn. Bhd., which is denominated in Ringgit Malaysia, arose mainly from trade transactions. It was repayable within the normal trade terms of 60 days (2017: 60 days), and it bears interest at 8% (2017: 8%) per annum for late payments.

No allowance have been made for doubtful debts in respect of the amount due from a subsidiary company, related companies and an associated company as the Group and the Company believe that the amount are still considered to be fully recoverable.

Amount due to ultimate holding company, which is denominated in United States Dollar 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.

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

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Ultimate holding company</b>				
Purchase of raw materials	728,536,501	714,244,930	-	-
Purchase of spare parts	41,598	11,154	-	-
Purchase of property, plant and equipment	-	37,620	-	-
<b>Subsidiary companies</b>				
Capital reduction (Note 13)	-	-	139,000,000	-
Dividend received	-	-	36,500,000	51,000,000
Management fee receivable	-	-	5,850,000	5,760,000
Rental received	-	-	51,840	51,840
<b>Related companies</b>				
Purchase of raw materials	327,310,327	227,289,923	-	-
Purchase of spare parts and consumables	2,605,807	3,126,718	-	-
Purchase of property, plant and equipment	3,375,998	1,434,578	-	-
Sale of goods	1,393,644	-	-	-
Technical fees paid and payable	84,004	63,023	-	-
Management fee received	-	90,572	-	-
<b>Associated company</b>				
Sale of goods	1,794,651	946,546	-	-
Interest income on late payments (Note 8)	-	58,507	-	-
Management fee received	-	30,000	-	30,000
Product quality claim	-	3,693	-	-

### Compensation of key management personnel

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

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

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Short-term benefits	1,426,409	1,375,325	416,149	421,023
Post-employment benefits	189,529	191,246	38,208	46,880



## 21. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits and short-term placements with licensed banks	52,193,675	26,786,061	-	5,600,000
Cash and bank balances	28,910,115	16,723,252	205,044	227,166
Bank balances and deposits	81,103,790	43,509,313	205,044	5,827,166
Money market instruments	111,428,115	117,527,017	6,302,517	-
	192,531,905	161,036,330	6,507,561	5,827,166

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	5,697,537	6,499,789	205,044	227,166
United States Dollar	23,212,578	10,223,463	-	-
	28,910,115	16,723,252	205,044	227,166

Investment in money market instruments comprises money market deposits. The money market instruments do not have maturity period and a 7 day notice (2017: 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 (2017: overnight to 6 months).

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

	The Group and The Company	
	2018 RM	2017 RM
Fixed deposits and short-term placements with licensed banks	3.12% - 3.95%	2.96% - 3.85%

## 22. SHARE CAPITAL

	No. of shares	The Group and The Company	
		2018 RM	2017 RM
<b>Issued share capital</b>			
As of beginning of year	380,000,000	413,163,159	380,000,000
Transfer from share premium	-	-	33,163,159
As of end of year	380,000,000	413,163,159	413,163,159

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.

### 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.

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.

## 23. TREASURY SHARES

	The Group and The Company	
	2018 RM	2017 RM
At cost:		
As of beginning of year	11,614,414	12,265,690
Disposal during the year	-	(651,276)
As of end of year	11,614,414	11,614,414
Number of treasury shares	10,700,000	10,700,000
Total number of outstanding shares in issue after set off (excluding treasure shares held)	369,300,000	369,300,000
Total number of issued and fully paid ordinary shares (Note 22)	380,000,000	380,000,000

In prior financial year, the Company disposed of 600,000 of its issued share capital to the open market. The average consideration received for the shares disposal was RM2.295 per share.

## 24. RESERVES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Distributable reserve:				
Retained earnings	402,490,673	415,426,700	3,040,796	4,132,453
Non-distributable reserves:				
Investment revaluation reserve	827,018	2,176,872	827,018	2,176,872
	403,317,691	417,603,572	3,867,814	6,309,325

### Retained earnings

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

### Investment revaluation reserve

The investment revaluation reserve represents the cumulative gains and losses arising on the revaluation of financial assets designated at FVTOCI (available-for-sale financial assets) that have been recognised in other comprehensive income. Upon adoption of MFRS 9, the cumulative gains or losses will not be reclassified to profit or loss on disposal, instead, they will be transferred to retained earnings. In prior year, under MFRS 139, the cumulative gains or losses arising on the revaluation have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

## 25. 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 (2017: 60 days).

Other payables and accrued expenses consist of the following:

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other payables	10,373,234	10,526,306	289,838	362,840
Accrued expenses on:				
Product quality claim	200,000	-	-	-
Year-end incentives	1,630,001	-	-	-
Others	10,974,266	17,546,079	427,613	339,137
Provision for onerous contracts	2,834,291	2,140,937	-	-
Contracts liabilities	4,896,741	372,227	-	-
Retention sum of payable to contractors for installation of plant and machineries	528,571	730,845	-	-
	31,437,104	31,316,394	717,451	701,977

## 25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES (CONT'D)

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

Contract liabilities represents amounts received by the Group in advance of goods been delivered to the customer.

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.

Movement of provision for onerous contracts is as follow:

	The Group	
	2018 RM	2017 RM
As of beginning of year	2,140,937	6,512,321
Provision for the year (Note 8)	2,834,291	2,140,937
Reduction arising from payments	(2,140,937)	(6,512,321)
As of end of year	2,834,291	2,140,937

## 26. DIVIDENDS

	The Group and The Company	
	2018 RM	2017 RM
Dividends paid:		
Single tier dividend of 5 sen (2017: Nil) per ordinary share of RM1 each	18,465,000	-
Final, single-tier dividend of 5 sen (2017: 10 sen) per ordinary share of RM1 each	18,465,000	36,930,000
Special, single-tier dividend of Nil (2017: 4 sen) per ordinary share of RM1 each	-	14,772,000
	36,930,000	51,702,000
Net dividend per share	0.10	0.14

The directors propose a final single tier dividend of 4 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, 2019.

## 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 2017.

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

### Categories of Financial Instruments

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

Financial assets	2018				2017			
	At amortised cost RM	At FVTOCI RM	At FVTPL RM	Total RM	Loans and receivables, at amortised cost RM	Available-for-sale investment carried at fair value RM	At cost RM	Total RM
<b>The Group</b>								
Investment in equity instruments	-	2,239,532	4,720,842	6,960,374	-	3,589,386	2,770,034	6,359,420
Trade receivables	132,897,688	-	-	132,897,688	166,021,190	-	-	166,021,190
Other receivables	8,291,922	-	-	8,291,922	7,893,243	-	-	7,893,243
Refundable deposits	214,597	-	-	214,597	214,597	-	-	214,597
Interests receivable	3,957	-	-	3,957	7,298	-	-	7,298
Amount due from related companies	2,279	-	-	2,279	51,918	-	-	51,918
Amount due from an associated company	1,440,663	-	-	1,440,663	-	-	-	-
Cash and cash equivalents	81,103,790	-	111,428,115	192,531,905	161,036,330	-	-	161,036,330
	223,954,896	2,239,532	116,148,957	342,343,385	335,224,576	3,589,386	2,770,034	341,583,996
<b>The Company</b>								
Investment in equity instruments	-	2,239,532	4,720,842	6,960,374	-	3,589,386	2,770,034	6,359,420
Other receivables	120,323	-	-	120,323	200,968	-	-	200,968
Refundable deposits	12,717	-	-	12,717	12,717	-	-	12,717
Interests receivable	3,957	-	-	3,957	7,298	-	-	7,298
Amount due from a subsidiary company	139,000,000	-	-	139,000,000	-	-	-	-
Cash and cash equivalents	205,044	-	6,302,517	6,507,561	5,827,166	-	-	5,827,166
	139,342,041	2,239,532	11,023,359	152,604,932	6,048,149	3,589,386	2,770,034	12,407,569

## 27. FINANCIAL INSTRUMENTS (CONT'D)

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Financial Liabilities</b>				
Trade payables	4,316,370	6,585,861	-	-
Other payables and accrued expenses	23,177,501	28,072,385	717,451	701,977
Retention sum payable to contractors for installation of plant and machinery	528,571	730,845	-	-
Amount due to ultimate holding company	30,811,481	10,248,029	-	-
Amount due to related companies	25,451,553	4,999,754	-	-
<b>Total other financial liabilities, at amortised cost</b>	<b>84,285,476</b>	<b>50,636,874</b>	<b>717,451</b>	<b>701,977</b>

The impact in classification and measurement of financial assets of the Group and of the Company due to the adoption of MFRS 9 is as disclosed in Note 30.

There are no changes in classification and measurements of financial liabilities upon adoption of MFRS 9.

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

	The Group	
	2018 RM	2017 RM
<b>Assets</b>		
United States Dollar (Notes 19, 20 and 21)	24,729,001	33,688,097
<b>Liabilities</b>		
United States Dollar (Note 20)	56,263,034	15,247,783



## 27. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management Objectives and Policies (cont'd)

#### Foreign currency sensitivity

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

The following table details the Group's sensitivity to a 10% (2017: 10%) increase and decrease in the RM against USD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation as of the end of the reporting period for a 10% change in foreign currency rates. A positive/(negative) number below indicates an increase/(decrease) in profit after tax where the RM (weakens)/strengthens 10% against USD.

	Impact of USD	
	2018 RM	2017 RM
Profit after tax	(3,153,403)	1,844,031

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.

#### (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	
	2018 RM	2017 RM	2018 RM	2017 RM
<b>Fixed rate instruments</b>				
Financial assets	52,193,675	26,786,061	-	5,600,000

The Group and the Company do not account for any fixed rate financial assets at FVTPL, 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 as of 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 major customers did not exceed 20% of gross monetary assets at any time during the year.

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management Objectives and Policies (cont'd)

#### Foreign currency sensitivity (cont'd)

#### (d) Credit risk

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

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

Category	Description	Basis for recognising expected credit losses
Performing	The counterparty has a low risk of default and does not have any past- due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit impaired
In default	Amount is >120 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

#### (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.

#### Fair values

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

## 27. FINANCIAL INSTRUMENTS (CONT'D)

### Financial Risk Management Objectives and Policies (cont'd)

#### Fair values (cont'd)

Financial assets	Description of valuation techniques and inputs used
Investment in equity instruments designated as at FVTOCI - Investment in quoted shares in Malaysia	Based on quoted market bid prices available on the relevant stock exchange.
Investment in equity instruments designated as at FVTPL - Investment in unquoted shares outside Malaysia, Vietnam	Based on adjusted net asset method, by measuring the fair value of the individual assets and liabilities recognised in an investee's statement of financial position as of the end of the reporting period. There were adjustment made to land and buildings ("the Properties") owned by the investee based on valuation made by external valuers.  The fair value of the Properties was determined based on valuation made by independent professional valuation firm appointed by the Group as of December 31, 2018. The valuers adopted sales comparison method based on transactions taken place within similar industrial area. The directors assessed that similar fair value applied as of January 1, 2018 as there were no significant changes in property market in Vietnam and transactions taken place within similar industrial area.

#### *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, 2018, the Group has the following capital commitments:

	The Group	
	2018 RM	2017 RM
Purchase of property, plant and equipment:		
Approved and contracted for	22,443,691	13,219,654
Approved but not contracted for	16,927,090	18,538,827
	<u>39,370,781</u>	<u>31,758,481</u>

## 29. CORPORATE GUARANTEES

As of December 31, 2018, the Company has issued corporate guarantees totaling RM96,700,000 (2017: RM103,700,000) in respect of credit facilities granted by certain local licensed banks to its subsidiary company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary company as of December 31, 2018. As of December 31, 2018 credit facilities being utilised by the said subsidiary company is RM8,935,902 (2017: RM8,856,767).

### 30. ADOPTION OF MFRS 9

This note explains the impact of the adoption of MFRS 9 *Financial Instruments* on the Group's and the Company's financial statements.

#### Impact on the financial statements

Upon adoption of MFRS 9, opening balance amounts as of January 1, 2018 were restated based on the modified retrospective approach. The reclassifications and the adjustment arising from these new standards were not reflected in the statements of financial position as of December 31, 2017 of the Group and of the Company but are recognised in the opening statements of financial position on January 1, 2018 and the statements of changes in equity.

The following tables show the adjustments recognised for each individual line item. The adjustments are explained in more detail below.

#### Statement of Financial Position

	31.12.2017 RM	The Group MFRS 9 RM	1.1.2018 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other investments	6,359,420	2,101,827	8,461,247
<b>Capital and reserves</b>			
Retained earnings	415,426,700	2,101,827	417,528,527

	31.12.2017 RM	The Group MFRS 9 RM	1.1.2018 RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Other investments	6,359,420	2,101,827	8,461,247
<b>Capital and reserves</b>			
Retained earnings	4,132,453	2,101,827	6,234,280

The adoption of MFRS 9 which is effective January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3.

Prior to the adoption of MFRS 9, the investment in unquoted shares outside Malaysia was carried at cost and subject to impairment assessment. Upon adoption of MFRS 9, investment in unquoted shares has been measured at FVTPL.

In accordance with the transitional provisions in MFRS 9, comparative figures have not been restated.

### 30. ADOPTION OF MFRS 9 (CONT'D)

#### Statement of Financial Position (cont'd)

The total impact on the Group's and the Company's retained earnings as of January 1, 2018 are as follows:

	2018 RM	The Group 2017 RM
Closing retained earnings as of December 31, 2017 - MFRS 139	415,426,700	4,132,453
Fair value gain on financial assets designated as at FVTPL	2,101,827	2,101,827
Adjusted retained earnings from adoption of MFRS 9 on January 1, 2018/Opening retained earnings as of January 1, 2018 – MFRS 9	417,528,527	6,234,280

### 31. STATEMENT OF CASH FLOWS

#### *Non-cash transaction*

The credit amount of RM139,000,000 arising from the Capital Reduction as disclosed in Note 13 remains unpaid to the Company by the subsidiary company as of the end of the reporting period. Accordingly, it is not reflected in statement of cash flows of the Company.

### 32. SUBSEQUENT EVENT

On March 7, 2019, the Company subscribed for an additional 139,000,000 ordinary shares of its wholly-owned subsidiary company, CSC Steel Sdn. Bhd. for a cash consideration of RM139,000,000.

# 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, 2018 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,

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**LEE, IE-HSIAN**

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**CHEN, CHIEN-TU**

Melaka

## DECLARATION

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

I, **CHEN, CHIEN-TU**, 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.

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**CHEN, CHIEN-TU**

Subscribed and solemnly declared by the abovenamed **CHEN, CHIEN-TU** at **MELAKA** this

Before me,

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**COMMISSIONER FOR OATHS**



Class of Shares	: Ordinary shares
No. of Shareholders	: 7,480
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	216	0.000
100 – 1,000	995	13.302	867,164	0.234
1,001 – 10,000	4,518	60.401	22,472,574	6.085
10,001 – 100,000	1,715	22.927	51,921,169	14.059
100,001 – 18,464,999*	238	3.181	95,757,077	25.929
18,465,000 and above**	2	0.026	198,281,800	53.691
<b>Total:</b>	<b>7,480</b>	<b>100.000</b>	<b>369,300,000</b>	<b>100.000</b>

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

**SUBSTANTIAL SHAREHOLDERS**

Shareholders	Direct No. of Shares Held	% <sup>(1)</sup>	Indirect No. of Shares Held	% <sup>(1)</sup>
China Steel Asia Pacific Holdings Pte. Ltd. ("CSAP")	171,000,000	46.303	-	-
Urusharta Jamaah Sdn. Bhd.	27,281,800	7.387	-	-

Notes :

(1) Excludes 10,700,000 CHB shares bought back as at 29 March 2019 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.	Urusharta Jamaah Sdn. Bhd.	27,281,800	7.387
3.	Gan Thian Chin	5,134,500	1.390
4.	Enterlight Investments Pte Ltd	4,649,600	1.259
5.	Teo Tin Lun	4,560,300	1.234
6.	DB (Malaysia) Nominee (Asing) Sdn. Bhd. Deutsche Bank AG Singapore for Yeoman 3-Rights Value Asia Fund (PTSL)	2,850,000	0.771
7.	Neoh Choo Ee & Company, Sdn. Berhad	2,200,000	0.595
8.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Dimensional Emerging Markets Value Fund	1,956,056	0.529
9.	CIMB Group Nominees (Asing) Sdn. Bhd. Exempt an for DBS Bank LTD (SFS)	1,646,800	0.445
10.	Nar Swee Kim @ Nam Thah Tsai	1,372,900	0.371
11.	Ng Teng Song	1,337,600	0.362
12.	Amsec Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Quek See Kui	1,337,100	0.362
13.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Teo Tin Lun (E-IMO)	1,260,000	0.341
14.	Liew Swee Mio @ Liew Hoi Foo	1,180,000	0.319
15.	Affin Hwang Nominees (Asing) Sdn. Bhd. DBS Vickers Secs (S) Pte Ltd for Lim Mee Hwa	1,175,000	0.318
16.	Phua Sin Mo	1,100,000	0.297
17.	Syed Sirajuddin Putra Jamalullail	1,000,000	0.270
18.	Chye Ah Lam @ Chai Ming Seng	973,000	0.263
19.	CIMSEC Nominees (Tempatan) Sdn. Bhd. CIMB Bank for Lim Kian Wat (PBCL-0G0573)	925,100	0.250
20.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	909,100	0.246
21.	Citigroup Nominees (Asing) Sdn. Bhd. CBNY for DFA Emerging Markets Small Cap Series	875,500	0.237
22.	HSBC Nominees (Asing) Sdn. Bhd. JPMBL SA for Stichting Shell Pensioenfond	848,900	0.229
23.	Len Nyok Chong	810,000	0.219
24.	Low Mei Lan	800,000	0.216
25.	Yeo Khee Huat	750,000	0.203
26.	Dynaquest Sdn. Bhd.	727,200	0.196
27.	Toh Kam Choy	725,000	0.196
28.	Wong Wai Kuan	700,000	0.189
29.	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Ang Jwee Lee (E-IMO)	694,500	0.188
30.	Then Yoon Yin	680,000	0.184
	<b>Total</b>	<b>241,459,956</b>	<b>65.383</b>

**SHAREHOLDINGS OF DIRECTORS**

Names	Direct No. of Shares Held	% <sup>(1)</sup>	Indirect No. of Shares Held	% <sup>(1)</sup>
1. Lee, Ie-Hsian	-	-	-	-
2. Hwang, Chien-Chih	-	-	-	-
3. Kuo, Yi-Jen	-	-	-	-
4. Chen, Chien-Tu	-	-	-	-
5. Brig. Gen. (R) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud	-	-	-	-
6. Phong Hon Wai	-	-	-	-
7. Lim Lay Ching	-	-	-	-

**Note:**

(1) Excludes 10,700,000 CHB shares bought back as at 29 March 2019 and retained as treasury shares.

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2018

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 31-12-2018 (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	21	26,429	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	25	6,627	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	4,356	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	2	2,919	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	21	658	2009
Block B Pangsapuri Taman Pelangi, Ayer Keroh, Bukit Katil, 75450 Melaka (10 units of apartments)	Residential	Freehold	Not applicable/ 1,145	20	651	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	6	1,651	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	22	42,544*	2016/ 2018*

# NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 15th 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, 23 May 2019, 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 2018. **(Please refer to Explanatory Notes 1)**
2. To approve a final single tier dividend of 4 sen per share in respect of the financial year ended 31 December 2018. **(Resolution 1)**
3. To approve the payment of Directors’ fees amounting to RM123,600 for the financial year ended 31 December 2018. **(Resolution 2)**
4. To approve the payment of Directors’ fees for an amount not exceeding RM123,600 for the financial year ending 31 December 2019 as recommended by the Directors. **(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 Articles of Association and being eligible, have offered themselves for re-election:-
  - i. Lim Lay Ching (Article 128) **(Resolution 4)**
  - ii. Hwang, Chien-Chih (Article 133) **(Resolution 5)**
  - iii. Kuo, Yi-Jen (Article 133) **(Resolution 6)**
  - iv. Chen, Chien-Tu (Article 133) **(Resolution 7)**
6. To re-appoint Messrs. Deloitte PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Board of Directors to determine their remuneration. **(Resolution 8)**

### 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 9)**

"THAT, subject always to the provisions of the Companies Act, 2016 (the “Act”), the Articles of Association of the Company (and the Constitution of Company being adopted upon the passing of the Special Resolution below), 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 Part A of Section 4 (the “Proposed Renewal of Shareholders’ Mandate”) of the Circular/Statement to Shareholders dated 26 April 2019, 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 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 Part A of Section 4 of the Circular/Statement 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 Part A of Section 5 of the Circular/Statement."

8. **Special Resolution**

**Proposed Adoption of a New Constitution of the Company in place of the Existing Memorandum and Articles of Association ("Proposed New Constitution")**

**(Special Resolution)**

"THAT approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in the Appendix III of the Circular/Statement to Shareholders dated 26 April 2019 accompanying the Company's Annual Report for the financial year ended 31 December 2018 be and is hereby adopted as the Constitution of the Company.

AND THAT the Directors of the Company be and are hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient, and/or appropriate in order to complete and give full effect to the Proposed New Constitution with full powers to assent to any conditions, modifications, variation and/or amendment as may be required or imposed by the relevant authorities."

- 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 15th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 78 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 15 May 2019. Only a depositor whose name appears on the Record of Depositors as at 15 May 2019 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 4 sen per share for the financial year ended 31 December 2018, if approved by the shareholders at the 15th Annual General Meeting of the Company, will be paid on 11 July 2019 to the shareholders whose names appear on the Record of Depositors of the Company at the close of business on 28 June 2019.

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 28 June 2019 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

26 April 2019



**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 15th AGM will be put to vote on a poll.

**2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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 for the financial year ended 31 December 2018 and for the financial year ending 31 December 2019.

**4. RESOLUTIONS 4 TO 7 : RE-ELECTION OF DIRECTORS**

Article 128 of the Articles of Association 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 Articles of Association 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 Articles of Association are:-

- i. Lim Lay Ching (Article 128)
- ii. Hwang, Chien-Chih (Article 133)
- iii. Kuo, Yi-Jen (Article 133)
- iv. Chen, Chien-Tu (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 8 : RE-APPOINTMENT OF AUDITORS**

The Audit Committee had at its meeting held on 2 April 2019 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 2019. 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 8.

**6. ORDINARY RESOLUTION 9: PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

The proposed Ordinary Resolution 9, 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. SPECIAL RESOLUTION : PROPOSED NEW CONSTITUTION**

The Special Resolution, if passed, will streamline the Company's Constitution with the new provisions of the Act, amendments made to the MMLR of Bursa Securities and enhance administrative efficiency. The Board proposed that the existing Memorandum and Articles of Association be amended in its entirety by replacement of a new Constitution in view of the substantial amount of the amendments. The proposed new Constitution shall take effect once it has been passed by a majority of not less than 75% of such members who are entitled to vote and do vote in person or by proxy at 15th AGM.

# STATEMENT ACCOMPANYING THE NOTICE OF FIFTEENTH ANNUAL GENERAL MEETING

## a. Directors Standing for Re-election Pursuant to the Articles of Association of the Company are:-

- (i) Ms. Lim Lay Ching
- (ii) Mr. Hwang, Chien-Chih
- (iii) Mr. Kuo, Yi-Jen
- (iv) Mr. Chen, Chien-Tu

Details of the above Directors who are standing for re-election at the 15th AGM of the Company are set out in the Directors' profile appearing on pages 6 to 9 of this Annual Report while their securities holdings are listed in the Analysis of Shareholdings – Directors' Shareholdings on page 109 of this Annual Report.

## b. Details of Attendance of Directors at Board Meetings

A total of five (5) Board of Directors' Meetings were held during the financial year ended 31 December 2018, details of the Directors' attendances at Board meetings are found on page 18 of this Annual Report.

## c. Date, Time and Place of the Annual General Meeting

Date : Thursday, 23 May 2019  
Time : 10:00 a.m.  
Place : Level 1 of the Company's Office Block,  
180 Kawasan Industri Ayer Keroh,  
Ayer Keroh, 75450 Melaka, Malaysia

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

(Incorporated in Malaysia)

<b>CDS Number</b>	
<b>Number of shares held</b>	

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 .....  
(full name in capital letters) (NRIC No: ..... )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 15th Annual General Meeting of the Company to be held on Thursday, 23 May 2019, 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 2018.			
	<b>Ordinary Resolution</b>			
2.	To approve a final single tier dividend of 4 sen per share in respect of the financial year ended 31 December 2018.	1		
3.	To approve the payment of Directors' fees for the financial year ended 31 December 2018.	2		
4.	To approve the payment of Directors' fees for the financial year ending 31 December 2019.	3		
5.	To re-elect Lim Lay Ching (Article 128).	4		
6.	To re-elect Hwang, Chien-Chih (Article 133).	5		
7.	To re-elect Kuo, Yi-Jen (Article 133).	6		
8.	To re-elect Chen, Chien-Tu (Article 133).	7		
9.	To re-appoint Messrs. Deloitte PLT as auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to determine their remuneration.	8		
10.	To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature.	9		
	<b>Special Resolution</b>			
11.	To approve the Proposed New Constitution			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2019

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 15th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. in accordance with Article 78 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991, to issue a General Meeting Record of Depositors as at 15 May 2019. Only a depositor whose name appears on the Record of Depositors as at 15 May 2019 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)*

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**Stamp**

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

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*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](mailto:info@cscmalaysia.com)