Registration No.	197101000213 (7878-V)

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

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2019

Registration No.	197101000213 (7878-V)

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

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2019

CONTENTS **PAGE NO.**

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

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is manufacturing of steel bars and steel billets. The principal activity of the subsidiary are as stated in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Net loss for the financial year	(8,326)	(8,930)

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

DIVIDEND

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company increased its issued and paid-up share capital from RM230,094,000 to RM233,310,000 by issuance of 8,800,000 ordinary shares via private placement to eligible investors for a total cash consideration of RM3,216,000 for repayment of bank borrowings.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

DIRECTORS

The directors who held office during the financial year until the date of this report are:-

THE COMPANY

Dato' Ikhwan Salim Bin Dato' Haji Sujak
Dato' Sri Tai Hean Leng @ Tek Hean Leng
Ng Wah Lok
Lau Yoke Leong
Muhammad Hanizam Bin Hj. Borhan
Roy Thean Chong Yew
Ong Teng Chun
Ng Siew Peng

SUBSIDIARY COMPANY

Dato' Sri Tai Hean Leng @ Tek Hean Leng

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

DIRECTORS' INTERESTS IN SHARES

The directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2019	**Acquired/ Addition**	**(Disposed)**	**Balance as at 31.12.2019**
Shareholdings in which the director is deemed to have an interest:				
Dato' Sri Tai Hean Leng @ Tek Hean Leng*	130,892,616	4,200,000	-	135,092,616

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

DIRECTORS' INTERESTS IN SHARES (CONTINUED)

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

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

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

DIRECTORS' REMUNERATION

The directors' remuneration is disclosed in Note 25 to the financial statements.

INDEMNIFYING DIRECTORS, OFFICERS AND AUDITORS

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

	Group RM'000
Directors and officers	19

SUBSIDIARY

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

AUDITORS' REMUNERATION

The auditors' remuneration is disclosed in Note 23 to the financial statements.

OTHER STATUTORY INFORMATION

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

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

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

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

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

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

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

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

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

(i) any charge on the assets of the Group and of the Company which have arisen since the end of the financial year and which secure the liabilities of any other person; or

(ii) any contingent liability in respect of the Group and of the Company which have arisen since the end of the financial year.

(d) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to substantially affect the results of the operations of the Group and of the Company for the current financial year.

AUDITORS

The auditors, Messrs RSM Malaysia, have expressed their willingness to continue in office.

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

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG

Kuala Lumpur

19 May 2020

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	740,462	630,463	738,237	628,038
Investment in subsidiary	7	-	-	500	500
Investment in associate	8	6,528	6,141	6,517	6,130
Deferred tax assets	9	3,793	-	3,793	-
		750,783	636,604	749,047	634,668
Current assets					
Inventories	10	533,379	499,479	533,379	499,479
Trade and other receivables	11	168,600	162,154	168,481	162,011
Tax recoverable		5,225	5,445	5,354	5,445
Other investment	12	-	3,000	-	3,000
Fixed deposits with licensed banks	13	24,902	48,108	24,902	48,108
Cash and bank balances		35,403	22,047	35,134	21,460
		767,509	740,233	767,250	739,503
TOTAL ASSETS		1,518,292	1,376,837	1,516,297	1,374,171
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	14	233,310	230,094	233,310	230,094
Subscription money received	15	950	-	950	-
Revaluation reserves	6	76,649	-	76,649	-
Treasury shares	16	(1,324)	(1,199)	(1,324)	(1,199)
Retained earnings	17	420,397	428,723	418,430	427,360
TOTAL EQUITY		729,982	657,618	728,015	656,255

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONTINUED)

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
LIABILITIES					
Non-current liabilities					
Lease liabilities	18	11,857	-	10,170	-
Borrowings	19	131,712	146,809	131,712	144,808
Deferred tax liabilities	9	47	9,603	-	9,603
		143,616	156,412	141,882	154,411
Current liabilities					
Trade and other payables	20	229,419	202,764	231,793	204,000
Trade deposits	21	80,250	116,843	80,250	116,843
Lease liabilities	18	3,272	-	2,604	-
Borrowings	19	331,753	243,200	331,753	242,662
		644,694	562,807	646,400	563,505
TOTAL LIABILITIES		788,310	719,219	788,282	717,916
TOTAL EQUITY AND LIABILITIES		1,518,292	1,376,837	1,516,297	1,374,171

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

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

STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		GROUP		COMPANY	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
REVENUE	22	1,195,306	1,496,853	1,195,306	1,496,853
COST OF SALES		(1,140,454)	(1,409,186)	(1,142,509)	(1,410,805)
GROSS PROFIT		54,852	87,667	52,797	86,048
OTHER OPERATING INCOME		3,831	7,044	3,831	7,044
DISTRIBUTION COSTS		(22,020)	(26,378)	(22,020)	(26,378)
ADMINISTRATIVE EXPENSES		(35,113)	(47,587)	(34,326)	(48,388)
PROFIT FROM OPERATIONS	23	1,550	20,746	282	18,326
FINANCE COSTS	26	(22,658)	(15,747)	(22,526)	(15,666)
SHARE OF RESULTS OF ASSOCIATE		387	(161)	-	-
(LOSS)/ PROFIT BEFORE TAXATION		(20,721)	4,838	(22,244)	2,660
TAX CREDIT	27	12,395	1,867	13,314	1,867
NET (LOSS)/ PROFIT FOR THE YEAR		(8,326)	6,705	(8,930)	4,527
OTHER COMPREHENSIVE INCOME					
Item that will not be reclassified subsequently to profit or loss					
REVALUATION OF LANDS	6	76,649	-	76,649	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		68,323	6,705	67,719	4,527
TOTAL COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY		(8,326)	6,705	(8,930)	4,527
		Sen	**Sen**		
(Loss)/ Earnings per share (sen):-					
- Basic	29	(1.95)	1.58		

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

MALAYSIA STEEL WORKS (KL) BHD.
Registraion No. 197101000213 (7878-V)
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital RM'000	Subscription money received RM'000	Treasury shares RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total equity RM'000
GROUP								
At 1 January 2019		230,094	-	(1,199)	-	-	428,723	657,618
Net loss for the year		-	-	-	-	-	(8,326)	(8,326)
Other comprehensive income for the year		-	-	-	-	76,649	-	76,649
Net loss and total comprehensive income for the year		230,094	-	(1,199)	-	76,649	420,397	725,941
Transactions with owners:								
Issue of shares	14	3,216	-	-	-	-	-	3,216
Subscription money received	15	-	950	-	-	-	-	950
Share buy-back	16	-	-	(125)	-	-	-	(125)
		3,216	950	(125)	-	-	-	4,041
At 31 December 2019		233,310	950	(1,324)	-	76,649	420,397	729,982
At 1 January 2018		221,472	-	(313)	-	-	426,864	648,023
Net profit and total comprehensive income for the year		-	-	-	-	-	6,705	6,705
		221,472	-	(313)	-	-	433,569	654,728
Transactions with owners:								
Issue of shares	14	7,210	-	-	-	-	-	7,210
Bonus shares issues	14	1,012	-	-	-	-	(1,012)	-
Share (buy-back)/resales	16	-	-	(886)	400	-	-	(486)
Transfer in accordance with Section 618(2) of the Companies Act 2016	14	400	-	-	(400)	-	-	-
Dividends	31	-	-	-	-	-	(3,834)	(3,834)
		8,622	-	(886)	-	-	(4,846)	2,890
At 31 December 2018		230,094	-	(1,199)	-	-	428,723	657,618

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Share capital RM'000	Subscription money received RM'000	Treasury shares RM'000	Capital reserves RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total equity RM'000
COMPANY								
At 1 January 2019		230,094	-	(1,199)	-	-	427,360	656,255
Net loss for the year		-	-	-	-	-	(8,930)	(8,930)
Other comprehensive income for the year		-	-	-	-	76,649	-	76,649
Net loss and total comprehensive income for the year		230,094	-	(1,199)	-	76,649	418,430	723,974
Transactions with owners:								
Issue of shares	14	3,216	-	-	-	-	-	3,216
Subscription money received	15	-	950	-	-	-	-	950
Share buy-back	16	-	-	(125)	-	-	-	(125)
		3,216	950	(125)	-	-	-	4,041
At 31 December 2019		233,310	950	(1,324)	-	76,649	418,430	728,015
At 1 January 2018		221,472	-	(313)	-	-	427,679	648,838
Net profit and total comprehensive income for the year		-	-	-	-	-	4,527	4,527
		221,472	-	(313)	-	-	432,206	653,365
Transactions with owners:								
Issue of shares	14	7,210	-	-	-	-	-	7,210
Bonus shares issues	14	1,012	-	-	-	-	(1,012)	-
Share (buy-back)/resales	16	-	-	(886)	400	-	-	(486)
Transfer in accordance with Section 618(2) of the Companies Act 2016	14	400	-	-	(400)	-	-	-
Dividends	31	-	-	-	-	-	(3,834)	(3,834)
		8,622	-	(886)	-	-	(4,846)	2,890
At 31 December 2018		230,094	-	(1,199)	-	-	427,360	656,255

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	GROUP		COMPANY	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/ Profit before taxation	(20,721)	4,838	(22,244)	2,660
Adjustments for:				
Depreciation of property, plant and equipment	30,461	28,641	29,872	28,317
Loss/ (Gain) on disposal of property, plant and equipment	9	(4)	9	(4)
Loss on property, plant and equipment written off	99	-	99	-
(Reversal of)/ Impairment loss on investment in associate	-	-	(387)	164
Impairment on inventories	1,305	4,593	1,305	4,593
Interest expense	22,658	15,747	22,526	15,666
Interest income	(446)	(602)	(446)	(602)
Net unrealised foreign exchange (gain)/ loss	(2,968)	6,169	(2,968)	6,169
Share of results of associate	(387)	161	-	-
Operating profit before working capital changes	30,010	59,543	27,766	56,963
Increase in inventories	(35,205)	(73,856)	(35,205)	(73,856)
(Increase)/ Decrease in receivables	(6,446)	64,046	(6,470)	65,009
Increase/ (Decrease) in payables	26,877	(18,091)	28,196	(16,851)
(Decrease)/ Increase in trade deposits	(34,028)	29,354	(34,028)	29,354
Cash (used in)/ generated from operations	(18,792)	60,996	(19,741)	60,619
Interest paid	(21,951)	(15,597)	(21,951)	(15,597)
Tax (paid)/ refund	(553)	(824)	9	(824)
Net cash (used in)/ generated from operating activities	(41,296)	44,575	(41,683)	44,198
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	446	602	446	602
Decrease/ (Increase) in other investment	3,000	(3,000)	3,000	(3,000)
Proceeds from disposal of property, plant and equipment	96	11	96	11
Purchase of property, plant and equipment (Note 28)	(50,578)	(59,133)	(50,578)	(59,133)
Net cash used in investing activities	(47,036)	(61,520)	(47,036)	(61,520)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
CASH FLOWS FROM FINANCING ACTIVITIES				
Bills payable	77,517	(59,489)	77,517	(59,489)
Repayment of lease liabilities	(2,085)	-	(1,512)	-
Repayment of finance lease liabilities	-	(756)	-	(546)
Drawdown of term loans	-	136,850	-	136,850
Repayment of term loans	(2,284)	(42,821)	(2,284)	(42,821)
Payment of finance lease interest	(707)	(150)	(575)	(69)
Subscription money received	950	-	950	-
Share buy-back (Note 16)	(125)	(886)	(125)	(886)
Net proceeds from issuance of shares	3,216	7,610	3,216	7,610
Dividends paid (Note 31)	-	(3,834)	-	(3,834)
Net cash generated from financing activities	76,482	36,524	77,187	36,815
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(11,850)	19,579	(11,532)	19,493
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	70,155	50,576	69,568	50,075
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	58,305	70,155	58,036	69,568

NOTES TO THE STATEMENTS OF CASH FLOWS

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

	GROUP		COMPANY	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Fixed deposits with licensed banks	24,902	48,108	24,902	48,108
Cash at banks	35,055	21,832	34,800	21,245
Cash at banks (USD)	308	72	308	72
Cash at banks (CNY)	-	117	-	117
Cash in hand	40	26	26	26
	35,403	22,047	35,134	21,460
Bank overdrafts	(2,000)	-	(2,000)	-
	58,305	70,155	58,036	69,568

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

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

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2019

1. PRINCIPAL ACTIVITIES

The principal activity of the Company is manufacturing of steel bars and steel billets. The principal activity of the subsidiary as stated in Note 7 to the financial statements.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of accounting

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

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

3.2 Basis of consolidation

(i) Subsidiary

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (continued)

(i) Subsidiary (continued)

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (continued)

(ii) Associate

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Basis of consolidation (continued)

(ii) Associate (continued)

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

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

(iii) Transactions eliminated on consolidation

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

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

3.3 Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (continued)

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

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

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

Leasehold land	58 - 99 years
Buildings	20 years
Plant and machinery	10 - 33⅓ years
Factory	13⅓ - 50 years
Factory and electrical equipment	10 years
Motor vehicles	5 years
Office equipment	6⅔ years
Furniture and fittings	6⅔ years
Electrical installation	13⅓ years

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

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

At 1 January 2012, the directors have elected the transitional exemptions under the MFRS 1 to use the previous revaluation of the property, plant and equipment at the date of transition to MFRS framework as deemed cost at the date of the revaluation. During the financial year, the directors have revalued its freehold and leasehold land based on market-based evidence by appraisal that is undertaken by professionally qualified valuers.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (continued)

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

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

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

3.4 Leases

The Group and the Company have applied MFRS 16 *Leases* using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019, if any. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported under MFRS 117 *Leases* and related interpretations.

(a) Definition of a lease

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continued)

(a) Definition of a lease (continued)

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

(b) Recognition and initial measurement

As a lessee

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Leases (continued)

(b) Recognition and initial measurement (continued)

As a lessee (continued)

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

(c) Subsequent measurement

As a lessee

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

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

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

3.5 Impairment of non-financial assets

Impairment of property, plant and equipment

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Impairment of non-financial assets (continued)

Impairment of property, plant and equipment (continued)

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

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

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

3.6 Inventories

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

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

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

3.7 Financial instruments

(i) Initial recognition and measurement

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

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

(ii) Derecognition of financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (continued)

(ii) Derecognition of financial instruments (continued)

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

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group and the Company consider a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(iii) Financial assets

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

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

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

(iv) Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (continued)

(v) Fair value measurement

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

(vi) Recognition of gains and losses

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

(vii) Impairment of financial assets

The Group and the Company apply the expected credit loss (“ECL”) model of MFRS 9 to recognise impairment losses of financial assets measured at amortised cost. Except for trade receivables, a 12-month expected credit loss is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Group and the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime ECL is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Group and the Company have availed the exception to the 12-month ECL requirement to recognise only lifetime ECL.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12-month ECL is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increase significantly if payments are more than 180 days past due if no other borrower-specific information is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial instruments (continued)

(vii) Impairment of financial assets (continued)

The ECL is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidence of impairment), the lifetime ECL is determined individually.

For trade receivable, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivable, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by type of customers and businesses, and the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

3.8 Cash and cash equivalents

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

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

3.9 Foreign currencies transactions and balances

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Equity

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

(i) Dividend distribution

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

(ii) Treasury shares

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

(iii) Distribution of assets to owners of the Company

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

3.11 Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Employees benefits

(i) Short-term benefit

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

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employee render their services. Once the contributions have been paid, the Group and the Company have no further payment obligations.

(iii) Termination benefits

Termination benefits are expensed at the earlier when the Group and the Company can no longer withdraw the offer of those benefits and when the Group and the Company recognise costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

3.13 Revenue recognition

(i) Revenue from contracts with customers

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

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

The Group and the Company measure revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of a trade discounts and volume rebates given to the customer.

(ii) Interest income

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Borrowing costs

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

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

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

3.15 Income tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (continued)

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

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

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

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

3.16 Earnings per ordinary share

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

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

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

3.17 Operating segments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Fair value measurement

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

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

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

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

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS

4.1 MFRSs, Amendments to MFRSs and Interpretations adopted

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2019, except for Amendments to MFRS 11 which is not applicable to the Group and the Company:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*
- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

The adoption of the above-mentioned accounting standards, amendments and interpretations have no significant impact on the financial statements of the Group and of the Company other than as disclosed in notes to the financial statements.

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Group and the Company:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2020

- Amendments to References to the Conceptual Framework in MFRS Standards
- Amendments to MFRS 3 *Business Combination – Definition of a Business*
- Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9 *Financial Instruments*, MFRS 139 *Financial Instruments: Recognition and Measurement* and MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

Amendments to MFRSs effective date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The directors anticipate that the above-mentioned accounting standards, amendments and interpretations will be adopted by the Group and the Company when they become effective.

Amendments to MFRS 4 *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* and MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Group and the Company.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Functional currency

The financial statements are prepared in the functional currency of the Group and of the Company of Ringgit Malaysia, which is the currency of the primary economic environment in which the Group and the Company operate. Factors considered by management when determining the functional currency include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies, and sources of financing. Based on the factors considered, the Group and the Company have determined that Ringgit Malaysia to be its functional currency.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Loss allowances of financial assets

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

(c) Asset impairment tests

A financial asset or a group of financial assets, other than those categorised at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Impairment exists only when the Group and the Company ascertain that a "loss event" affecting the estimated future cash flows of the financial asset has occurred. It may not be possible to identify a single, discrete event that caused the impairment and moreover to determine when a loss event has occurred might involve the exercise of significant judgement.

The amount of impairment loss recognised for financial assets carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

With regard to equity investments categorised at amortised cost, the Group and the Company consider those assets to be impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is "significant" or "prolonged" requires significant judgement.

The impairment analysis of goodwill and tangible and other intangible assets requires an estimation of the value in use of the asset or the cash-generating unit to which the assets are allocated. Estimation of the value in use is primarily based on discounted cash flow models which require the Group and the Company to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to choose an appropriate discount rate in order to calculate the present value of the cash flows.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Net realisable value of inventories

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

(e) Fair value measurement

Some of the Group's and of the Company's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group and the Company use market-observable data to the extent it is available. Where Level 1 inputs are not available (e.g. for unquoted investments), the Group and the Company work closely with external qualified valuers who perform the valuation, based on agreed appropriate valuation techniques and inputs to the model (e.g. use of the market comparable approach that reflects recent transaction prices for similar instruments, discounted cash flow analysis, option pricing models refined to reflect the issuer's specific circumstances). Prices determined then by the valuers are used by the Group and the Company without adjustment.

Changes in the fair value of assets and liabilities and their causes are quarterly analysed by the Group's and the Company's valuation sub-committee of the Board of Directors. Such valuations require the Group and the Company to select among a range of different valuation methodologies and to make estimates about expected future cash flows and discount rates.

(f) Deferred tax estimation

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Group and the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Provisions for liabilities and charges

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provisions recorded by the Group and the Company arise from obligations in relation to manufacturer's warranties, refunds, guarantees, onerous contracts, outstanding litigation and business restructuring.

The recognition and measurement of provisions require the Group and the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Group's and the Company's accounting policy require recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

In particular, as far as restructuring provisions are concerned, considerable judgement is required to determine whether an obligating event has occurred. All the available evidence must be assessed to determine whether a plan is detailed enough to create a valid expectation of management's commitment to the restructuring by starting to implement the plan or announce its main features to those affected by it.

(h) Contingencies

Contingent liabilities of the Group and of the Company are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Group and of the Company require significant judgement.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Depreciation of plant and equipment

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

(j) Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(k) Classification of financial assets

The Group and the Company use its business model objectives as a basis to classify financial assets for subsequent measurements. The objectives of the Group and of the Company in managing investments in equity and debt instruments include those held for trading, managing for fair value changes and managing to collect contractual cash flows that are solely payments of principal and interest on principal. Management uses its judgement to determine the classification of each investment at the date of purchase on the basis of the Group’s and of the Company’s business model objectives. Investment in the same debt or equity instruments need not necessarily be classified in the same category for subsequent measurement.

(l) Quantities and valuation of scrap metals

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

(m) Measurement of lease liabilities and right-of-use assets

The measurement of a lease liability and the corresponding right-of-use asset includes in-substance fixed payments, estimates of lease term, option to purchase, payments under residual value guarantee and penalties for early termination. The actual payments may not coincide with these estimates. The Group and the Company reassess the lease liability for any change in the estimates and any corresponding adjustment will be made to the right-of-use asset.

6. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings RM'000	Right-of-use assets - Leasehold land and buildings RM'000	Plant and machinery, electrical installation, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount							
At 1 January 2019	63	115,502	510,291	3,742	804	61	630,463
Additions	-	615	62,242	854	304	-	64,015
Disposals	-	-	-	(105)	-	-	(105)
Written off	-	-	-	(99)	-	-	(99)
Revaluation reserve	45	76,604	-	-	-	-	76,649
Reclassification	-	-	61	-	-	(61)	-
Depreciation charge	-	(3,188)	(26,029)	(990)	(254)	-	(30,461)
At 31 December 2019	108	189,533	546,565	3,402	854	-	740,462
At 31 December 2019							
Cost/ Revaluation	218	215,841	902,308	8,332	4,449	-	1,131,148
Accumulated depreciation	(110)	(26,308)	(355,743)	(4,930)	(3,595)	-	(390,686)
Carrying amount	108	189,533	546,565	3,402	854	-	740,462

Registration No.	197101000213 (7878-V)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land and buildings RM'000	Right-of-use assets - Leasehold land and buildings RM'000	Plant and machinery, electrical installation, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount							
At 1 January 2019	63	115,502	510,291	1,317	804	61	628,038
Additions	-	615	62,242	465	304	-	63,626
Disposals	-	-	-	(105)	-	-	(105)
Written off	-	-	-	(99)	-	-	(99)
Revaluation reserve	45	76,604	-	-	-	-	76,649
Reclassification	-	-	61	-	-	(61)	-
Depreciation charge	-	(3,188)	(26,029)	(401)	(254)	-	(29,872)
At 31 December 2019	108	189,533	546,565	1,177	854	-	738,237
At 31 December 2019							
Cost/ Revaluation	218	215,841	902,308	5,194	4,449	-	1,128,010
Accumulated depreciation	(110)	(26,308)	(355,743)	(4,017)	(3,595)	-	(389,773)
Carrying amount	108	189,533	546,565	1,177	854	-	738,237

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land and buildings RM'000	Right-of-use assets - Leasehold land and buildings RM'000	Plant and machinery, electrical installation, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount							
At 1 January 2018	65	118,451	476,383	1,048	750	-	596,697
Additions	-	-	58,606	3,480	267	61	62,414
Disposal	-	-	-	(7)	-	-	(7)
Depreciation charge	(2)	(2,949)	(24,698)	(779)	(213)	-	(28,641)
At 31 December 2018	63	115,502	510,291	3,742	804	61	630,463
At 31 December 2018							
Cost/ Revaluation	173	146,080	840,006	7,911	4,145	61	998,376
Accumulated depreciation	(110)	(30,578)	(329,715)	(4,169)	(3,341)	-	(367,913)
Carrying amount	63	115,502	510,291	3,742	804	61	630,463

Registration No.	197101000213 (7878-V)

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Freehold land and buildings RM'000	Right-of-use assets - Leasehold land and buildings RM'000	Plant and machinery, electrical installation, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount							
At 1 January 2018	65	118,451	476,383	1,048	750	-	596,697
Additions	-	-	58,606	731	267	61	59,665
Disposal	-	-	-	(7)	-	-	(7)
Depreciation charge	(2)	(2,949)	(24,698)	(455)	(213)	-	(28,317)
At 31 December 2018	63	115,502	510,291	1,317	804	61	628,038
At 31 December 2018							
Cost/ Revaluation	173	146,080	840,006	5,162	4,145	61	995,627
Accumulated depreciation	(110)	(30,578)	(329,715)	(3,845)	(3,341)	-	(367,589)
Carrying amount	63	115,502	510,291	1,317	804	61	628,038

6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Plant and machinery	16,875	336	16,875	336
Motor vehicles	3,327	3,639	1,101	1,214
	20,202	3,975	17,976	1,550

(b) The carrying amounts of property, plant and equipment charged as securities for borrowing as disclosed in Note 19 are as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Leasehold land and buildings	188,918	115,502
Plant and machinery	511,312	472,348
	700,230	587,850

(c) The leasehold land of the Group and of the Company have unexpired periods of lease of 48 to 92 years (2018: 49 to 93 years).

(d) Included in property, plant and equipment of the Group and of the Company are right-of-use assets amounting to RM188,918 (2018: RM115,502).

7. INVESTMENT IN SUBSIDIARY

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unquoted shares, at cost	500	500

The details of the subsidiary, of which is incorporated in Malaysia, are as follows:

Name of company	Interest in equity held by the Company 2019	2018	Principal activities
	%	%	
MS Express Sdn. Bhd.	100	100	Transportation and logistic

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unquoted shares, at cost				
At beginning of the year	6,141	6,302	6,130	6,294
Share of accumulated post-acquisition gains/ (losses)	387	(161)	-	-
Reversal of impairment of investment	-	-	387	-
Impairment of investment	-	-	-	(164)
At end of the year	6,528	6,141	6,517	6,130

Name of company	Interest in equity held by the Company 2019 %	2018 %	Principal activities
Bio Molecular Industries Sdn. Bhd.	48.25	48.25	Manufacturing, research and development of radioisotopes and radiopharmaceuticals products

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

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

	Effective ownership interest %	Revenue (100%) RM'000	Profit/ (loss) (100%) RM'000	Total assets (100%) RM'000	Total liabilities (100%) RM'000
2019	48.25	8,299	804	29,042	15,536
2018	48.25	5,938	(340)	28,115	15,413

9. DEFERRED TAX ASSETS/ (LIABILITIES)

Group

2019	**Assets RM’000**	**Liabilities RM’000**	**Net RM’000**
At 1 January	-	(9,603)	(9,603)
Recognised in profit or loss (Note 27)	3,793	9,556	13,349
At 31 December	3,793	(47)	3,746
2018			
At 1 January	-	(11,969)	(11,969)
Recognised in profit or loss (Note 27)	-	2,366	2,366
At 31 December	-	(9,603)	(9,603)

Company

	2019 Liabilities RM’000	**2018 Liabilities RM’000**
At 1 January	(9,603)	(11,969)
Recognised in profit or loss (Note 27)	13,396	2,366
At 31 December	3,793	(9,603)

	Group		**Company**	
	2019 RM’000	**2018 RM’000**	**2019 RM’000**	**2018 RM’000**
Presented after appropriate offsetting as follows:				
Deferred tax assets	88,039	82,295	88,039	82,295
Deferred tax liabilities	(84,293)	(91,898)	(84,246)	(91,898)
	3,746	(9,603)	3,793	(9,603)

9. DEFERRED TAX ASSETS/ (LIABILITIES) (CONTINUED)

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

Deferred tax assets of the Group and of the Company:

	Other deductible temporary differences RM'000	Unutilised capital allowance and reinvestment allowance RM'000	Total RM'000
At 1 January 2019	7,048	75,247	82,295
Recognised in profit or loss	5,774	(30)	5,744
At 31 December 2019	12,822	75,217	88,039
At 1 January 2018	1,488	68,015	69,503
Recognised in profit or loss	5,560	7,232	12,792
At 31 December 2018	7,048	75,247	82,295

Deferred tax liabilities of the Group and of the Company:

	Group 2019 RM'000	Company 2019 RM'000	Group and Company 2018 RM'000
Excess of capital allowances over depreciation			
At 1 January	(91,898)	(91,898)	(81,472)
Recognised in profit or loss	7,605	7,652	(10,426)
At 31 December	(84,293)	(84,246)	(91,898)

10. INVENTORIES

	Group and Company 2019 RM'000	2018 RM'000
At cost		
Raw materials	466,222	432,217
Goods in transit	2,137	4,058
	468,359	436,275
At net realisable value		
Finished goods	73,295	70,174
Impairment of inventories	(8,275)	(6,970)
	65,020	63,204
	533,379	499,479

Recognised in profit or loss:

	2019 RM'000	2018 RM'000
Inventories recognised as cost of sales	1,142,509	1,410,805
Impairment on inventories	1,305	4,593

11. TRADE AND OTHER RECEIVABLES

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade receivables				
Third parties	164,306	136,134	164,306	136,134
Other receivables				
Due (to)/from subsidiary	-	-	(8)	34
Due from associate	900	875	900	875
Deposits	160	176	158	174
Sundry receivables and prepayments	3,234	24,969	3,125	24,794
	4,294	26,020	4,175	25,877
	168,600	162,154	168,481	162,011

The normal trade credit terms of the Group and of the Company ranged from 30 to 180 days (2018: 30 to 180 days). The amount due from subsidiary companies represent non-trade advances, are unsecured, interest free and repayable on demand. The amount due from associate company consists of unsecured non-trade advances which bear interest rate of 3.55% (2018: 3.55%) per annum and is repayable on demand.

Trade and other receivables of the Group and of the Company are denominated in Ringgit Malaysia. Hence, there is no exposure to foreign currency risk.

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

The ageing analysis of the trade receivables is as follows:

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Neither past due nor impaired	164,078	136,122
Past due, not impaired		
- 1 to 30 days past due, not impaired	106	5
- 31 to 60 days past due, not impaired	122	7
	164,306	136,134

The balance of receivables that are past due but not impaired are unsecured in nature. The management is confident that the remaining receivables are recoverable as these accounts are still active.

12. OTHER INVESTMENT

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Financial institution	-	3,000

13. FIXED DEPOSITS WITH LICENSED BANKS

The interest rates of deposits that were effective as at the financial year end are as follows:

	Group and Company	
	2019	**2018**
	% per annum	**% per annum**
Deposits with licensed banks	2.10 - 3.50	2.40 - 3.60

Deposits of the Group and of the Company are unsecured and have an average maturity period of between 2 days and 6 months (2018: between 2 days and 3 months).

14. SHARE CAPITAL

	Group and Company	
	2019	2018
	RM'000	RM'000
Issued and fully paid		
At 1 January 427,239,831 (2018: 315,630,843) ordinary shares	230,094	221,472
Issuance of 8,800,000 (2018: 4,800,000) ordinary shares under private placement	3,216	7,210
Share subscription money received		
Issuance of nil (2018: 106,808,988) bonus shares	-	1,012
Transfer from share premium and capital reserves in accordance with Section 618(2) of Companies Act 2016	-	400
At 31 December 436,039,831 (2018: 427,239,831) ordinary shares	233,310	230,094

During the financial year, the Company increased its issued and paid-up share capital from RM230,094,000 to RM233,310,000 by issuance of 8,800,000 ordinary shares via private placement to eligible investors for a total cash consideration of RM3,216,000 to fund the Company's investment.

The new ordinary shares issued during the financial year rank pari-passu in all respects with the existing ordinary shares of the Company.

Included in share capital is capital reserves amounting to RM997,000 (2018: RM997,000).

The holders of ordinary shares are entitled to receive dividend as declared from time to time, and are entitled to one vote per share at meetings of the Company and rank equally with reference shareholders with regard to the Company's residual assets. In respect of the Company's treasury shares held by the Company (see Note 16), all rights are suspended until those shares are reissued.

15. SUBSCRIPTION MONEY RECEIVED

The Company had on 31 December 2019 received two (2) Subscription Notices from the investor for the subscription of Company's shares at a subscription price of RM0.38. The subscription price represents a discount to the average of the daily volume weighted average market prices of Company's shares during the 5 consecutive Trading Days and such shares will be listed and quoted on Main Market of Bursa Securities.

The Subscription Completion Date of both Subscription Notices is 3 January 2020 (Note 38 (a)).

16. TREASURY SHARES

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
At cost		
At 1 January	(1,199)	(313)
Acquired during the financial year	(125)	(886)
At 31 December	(1,324)	(1,199)

The directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the repurchase plan can be applied in the interest of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 127 of the Companies Act 2016. The Company has the right to cancel these treasury shares, distribute these treasury shares as share dividends to the shareholders and/ or resell these treasury shares on the Bursa Malaysia. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

During the financial year, the Company repurchased its shares totaling 294,000 (2018: 1,381,000) ordinary shares as follows:

Date	Shares repurchased	Purchase price (RM)
03.01.2019	133,000	0.38
07.01.2019	109,000	0.46
10.01.2019	52,000	0.47

In year 2018, the Company had resold 423,800 treasury shares in the open market. The average carrying value of the treasury shares was RM0.739 per share.

At the financial year end, the number of outstanding shares in issue after setting off the treasury shares against equity was 435,745,831 (2018: 425,858,831).

Capital reserve

The capital reserve comprises of capital redemption reserves arising from gain on resold of treasury shares. In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the capital redemption reserve account has become part of the Company's share capital. Accordingly, the capital redemption reserve has been transferred and become part of the Company's share capital.

17. RETAINED EARNINGS

The entire retained earnings are distributable by way of single-tier dividends. These dividends if so declared are tax exempt in the hands of the shareholders.

18. LEASE LIABILITIES

	Group 2019 RM'000	Company 2019 RM'000
Current	3,272	2,604
Non-current	11,857	10,170
	15,129	12,774
Minimum lease payments:		
- not later than one (1) year	4,336	3,553
- later than one (1) year but not later than two (2) years	4,192	3,413
- later than two (2) years but not later than five (5) years	9,266	8,226
	17,794	15,192
Less: Future finance charges	(2,665)	(2,418)
Present value of lease liabilities	15,129	12,774
Present value of lease liabilities		
- not later than one (1) year	3,273	2,605
- later than one (1) year but not later than two (2) years	3,406	2,705
- later than two (2) years but not later than five (5) years	8,450	7,464
	15,129	12,774

The lease liabilities bear interest rate ranging from 2.41% - 4.48% per annum.

19. BORROWINGS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current liabilities				
Bank overdrafts	2,000	-	2,000	-
Bill payable	317,470	239,953	317,470	239,953
Finance lease liabilities	-	964	-	426
Terms loans	12,283	2,283	12,283	2,283
	331,753	243,200	331,753	242,662
Non-current liabilities				
Revolving credit	10,000	10,000	10,000	10,000
Finance lease liabilities	-	2,813	-	812
Term loans	121,712	133,996	121,712	133,996
	131,712	146,809	131,712	144,808
	463,465	390,009	463,465	387,470

19. BORROWINGS (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Total borrowings				
Bank overdrafts	2,000	-	2,000	-
Bill payable	317,470	239,953	317,470	239,953
Revolving credit	10,000	10,000	10,000	10,000
Finance lease liabilities	-	3,777	-	1,238
Term loans	133,995	136,279	133,995	136,279
	463,465	390,009	463,465	387,470

The bank overdraft facilities are repayable on demand and bear interest ranging from to 5.10% to 8.10% (2018: 5.45% to 8.10%) per annum.

The bill payable facilities are repayable within 120 - 180 days and bear interest rates ranging from 3.34% to 6.35% (2018: 3.74% to 6.45%) per annum. Certain bill payable facilities are secured by a third-party security.

The revolving credit facilities are repayable on monthly basis and bear interest rates at 5.06% and 5.25% (2018: 5.21% and 5.25%) per annum.

In 2018, the finance lease liabilities bear interest rates ranging from 2.41% to 5.82% per annum.

The term loans bear interest rate at 8.45% (2018: 8.29% to 8.85%) per annum and is repayable on quarterly basis through number of instalments and commencement date as below:

	Number of instalments	Commencement date
Term loan I*	16	September 2015
Term loan II**	12	November 2018
Term loan III	40	November 2018

* *The term loan had been settled on December 2018.*
****The term loan had been settled on November 2019.**

19. BORROWINGS (CONTINUED)

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

(a) Negative pledge;
(b) Debentures over certain property, plant and equipment of the Company; and
(c) First fixed charge over all leasehold land and buildings of the Company, as disclosed in Note 6.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Bank borrowings excluding finance lease liabilities				
Repayment terms:				
- not later than one (1) year	331,753	242,236	331,753	242,236
- later than one (1) year but not later than two (2) years	31,712	2,283	31,712	2,283
- later than two (2) years but not later than five (5) years	100,000	141,713	100,000	141,713
	463,465	386,232	463,465	386,232
Finance lease liabilities				
Minimum lease payments:				
- not later than one (1) year	-	1,145	-	480
- later than one (1) year but not later than two (2) years	-	1,067	-	402
- later than two (2) years but not later than five (5) years	-	1,961	-	430
- later than five (5) years	-	30	-	30
		4,203		1,342
Less: Future finance charges on finance lease	-	(426)	-	(104)
Present value of finance lease liabilities	-	3,777	-	1,238
Present value of finance lease liabilities				
- not later than one (1) year	-	964	-	426
- later than one (1) year but not later than two (2) years	-	945	-	375
- later than two (2) years but not later than five (5) years	-	1,840	-	409
- later than five (5) years	-	28	-	28
	-	3,777	-	1,238

With the adoption of MFRS 16 *Leases*, finance lease liabilities were reclassified from borrowings to lease liabilities with effect from 1 January 2019.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Trade payables				
Third parties	201,460	171,682	203,908	173,017
Other payables				
Sundry payable	99	52	99	52
Accruals	27,860	31,030	27,786	30,931
	229,419	202,764	231,793	204,000

The normal trade credit terms of the Group and of the Company range from 30 to 180 days (2018: 30 to 180 days).

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

	Group and Company	
	2019	2018
	RM'000	RM'000
United States Dollars	38,472	35,705
Chinese Yuan Renminbi	814	927
Euro	24,657	-
At 31 December	63,943	36,632

21. TRADE DEPOSITS

The Group and the Company have entered into several Advance Payment and Supply Agreements ("Agreements") with a foreign trading house, Cargill International Trading Pte. Ltd. ("Cargill") since 30 April 2013.

The terms and conditions as stated in the Agreements are as follows:

(i) The Group and the Company have granted Cargill an option to buy steel billets from the Group and the Company for a period of time at contracted amounts stated in the Agreements. The Group and the Company are required to make an offer to Cargill of a variable quantity of steel billets ("commodity") at contracted amount not later than 30 business days before maturity date stated in the Agreements. The Group and the Company shall physically deliver the required quantity of the commodity based on the contracted amount if the offer is accepted.

21. TRADE DEPOSITS (CONTINUED)

The terms and conditions as stated in the Agreements are as follows (continued):

(ii) In consideration of the Group's and of the Company's agreement to deliver the commodity, Cargill agreed to make advance payments upon request by the Group and the Company. If Cargill does not accept the offer to purchase the steel billets upon the maturity date, the Group and the Company shall repay to Cargill the advance payment amount by cash in lieu of a delivery of the commodity.

(iii) The difference between the disbursement amount received and the contracted amount is the advance payment discount/charge.

As at 31 December 2019, there were 5 (2018: 6) Agreements pending execution.

Included in trade deposits was 100% (2018: 100%) of trade deposits with Cargill.

As at 31 December 2019, there has been no (2018: 1 partially executed) Agreement being executed. The total amounts transacted were Nil (2018: USD2,281,536) which equivalent to Nil (2018: RM9,468,850).

Included in the Group's and Company's trade deposits are balances denominated in United States Dollars of USD 20,300,000 (equivalent to RM80,250,345) (2018: USD30,625,000) (equivalent to RM116,843,076).

During the financial year, the advance payment discount/charge incurred are as follows:-

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Advance payment discounts	-	635
Advance payment charges	9,258	7,051
	9,258	7,686

22. REVENUE

	Group and Company	
	2019	**2018**
	RM'000	**RM'000**
Revenue from contracts with customers:		
- Sales of manufactured goods	1,195,306	1,496,853
Timing of revenue		
- At a point in time	1,195,306	1,496,853

23. PROFIT FROM OPERATIONS

	Group		Company	
	2019 RM’000	2018 RM’000	2019 RM’000	2018 RM’000
Profit from operations is arrived at after charging/ (crediting):				
Auditors’ remuneration				
- statutory audit	147	147	140	140
- other services	8	8	8	8
Depreciation of property, plant and equipment	30,461	28,641	29,872	28,317
(Reversal of)/Impairment loss on investment in associate	-	-	(387)	164
Impairment on inventories	1,305	4,593	1,305	4,593
Loss on property, plant and equipment written off	99	-	99	-
Rental of equipment	4,274	3,920	4,274	3,920
Rental of premises	393	838	393	838
Staff costs (Note 24)	44,877	47,606	43,633	46,958
Realised foreign exchange loss/ (gain)	56	(6,106)	56	(6,106)
Unrealised foreign exchange (gain)/ loss	(2,968)	6,169	(2,968)	6,169
Fixed deposits interest income	(446)	(602)	(446)	(602)
Loss/ (Gain) on disposal of property, plant and equipment	9	(4)	9	(4)

Net gains and losses arising from financial instruments:

	Group		Company	
	2019 RM’000	2018 RM’000	2019 RM’000	2018 RM’000
Net gains/ (losses) on:				
Financial assets measured at amortised cost	446	602	446	602
Financial liabilities measured at amortised cost	(19,746)	(15,810)	(19,614)	(15,729)
	(19,300)	(15,208)	(19,168)	(15,127)

24. STAFF COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salaries, bonus, allowances and overtime	42,317	45,096	41,237	44,496
Employees Provident Fund	2,067	2,141	1,930	2,100
Social security costs	315	218	298	213
Other benefits	178	151	168	149
	44,877	47,606	43,633	46,958

Included in staff costs of the Group and of the Company are directors' remuneration as disclosed in Note 25.

25. DIRECTORS' REMUNERATION

	Group and Company	
Directors of the Company	2019 RM'000	2018 RM'000
Executive:		
Salaries and other emoluments	2,163	2,823
Fees	76	102
Allowances	57	58
	2,296	2,983
Non-executive:		
Fees	76	111
Allowances	346	329
	422	440
Total executive directors' remuneration	2,296	2,983
Total non-executive directors' remuneration	422	440
Grand total	2,718	3,423

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

	Number of Directors	
	2019 RM'000	2018 RM'000
Executive directors:		
Less than RM50,000	-	-
RM200,001 - RM250,000	1	1
RM350,001 - RM400,000	1	-
RM450,001 - RM500,000	-	1
RM500,001 - RM550,000	1	-
RM650,001 - RM700,000	-	1
RM1,200,001 - RM1,250,000	1	-
RM1,600,001 - RM1,650,000	-	1
Total executive directors	4	4

25. DIRECTORS' REMUNERATION (CONTINUED)

	Number of Directors	
	2019	2018
	RM'000	RM'000
Non-executive directors:		
RM50,001 - RM100,000	3	2
RM100,001 - RM150,000	-	1
RM150,001 - RM200,000	1	1
Total non-executive directors	4	4
Total executive and non-executive directors	8	8

26. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Recognised in profit or loss:				
Interest expenses of financial liabilities measured at amortised cost:				
- bill payable	14,436	11,915	14,436	11,915
- bank overdrafts and revolving credit	576	548	576	548
- finance lease	707	150	575	69
- term loans	6,939	3,134	6,939	3,134
	22,658	15,747	22,526	15,666

27. TAX CREDIT

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Current financial year				
Income tax expense	540	1,178	59	1,178
Deferred tax income	(13,386)	(1,103)	(13,407)	(1,103)
	(12,846)	75	(13,348)	75
Under/ (Over) provision in prior financial year				
Income tax expense	414	(679)	23	(679)
Deferred tax income/ (expense)	37	(1,263)	11	(1,263)
	451	(1,942)	34	(1,942)
	(12,395)	(1,867)	(13,314)	(1,867)

27. TAX CREDIT (CONTINUED)

The reconciliation between the tax expense on (loss)/ profit before taxation with the applicable statutory tax rate of the Group and of the Company are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
(Loss)/ Profit before taxation	(20,721)	4,838	(22,244)	2,660
Tax at Malaysia statutory tax rate of 24% (2018: 24%)	(4,973)	1,161	(5,339)	638
Tax effect in respect of:				
Expenses not deductible for tax purposes	7,129	1,525	6,993	2,048
Utilisation of capital allowances	(15,002)	-	(15,002)	-
Utilisation of reinvestment allowances	-	(2,611)	-	(2,611)
Tax expense for the year	(12,846)	75	(13,348)	75

Subject to agreement with the Inland Revenue Board, the Company has unutilised reinvestment allowances of approximately RM313,405,000 (2018: RM313,405,000) which are available to set off against future chargeable income up to the year of assessment 2025.

For year of assessment (YA) 2019, unabsorbed tax losses can only be carried forward for a maximum period of 7 consecutive YAs to be utilised against income from any business sources. Unabsorbed tax losses of RM40,612,000 from YA 2019 can be utilised for another 7 YAs will be disregarded in YA 2027.

28. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company acquired property, plant and equipment satisfied as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Lease arrangements	13,437	3,281	13,048	532
Cash payments	50,578	59,133	50,578	59,133
	64,015	62,414	63,626	59,665

29. (LOSS)/ EARNINGS PER SHARE

(a) Basic (loss)/ earnings per share

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

	2019 RM'000	**2018 RM'000**
(Loss)/ Profit attributable to owners of ordinary shareholders	(8,326)	6,705
Weighted average number of ordinary shares in issue	426,345	425,491
Basic (loss)/ earnings per share (sen)	(1.95)	1.58

(b) Diluted (loss)/ earnings per share

There was no dilutive potential ordinary shares as at 31 December 2019.

30. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(a) Interest rate risk

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

The Group's and the Company's interest rate risk arises primarily from interest-bearing borrowings. The Group's and the Company's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rate fall.

Interest rate sensitivity analysis

(i) Fair value sensitivity analysis for fixed rate instrument

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

(ii) Interest rate risk sensitivity analysis

The Group's and the Company's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate were to increase/ decrease by 1%, it would impact the Group's and the Company's profit by approximately RM4,634,650 (2018: RM3,862,000).

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(b) Credit risk

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

When an account is more than 180 days past due, the credit risk is considered to have increased significantly since the initial recognition. The Group identifies as a default account if it is more than 180 days past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics). The Group classifies an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Group's past experience, current conditions and forecast of future economic benefits.

For significant receivables that are not individually credit-impaired and all other receivables, the Group uses a provision matrix that categories the different risk classes (low risk, medium risk and high risk) and the ageing profiles. The collective lifetime ECLs are measured based on the Group's past lost rate experiences, current conditions and forecast of future economic conditions. The past lost rates are adjusted upward in the measurement in worsening current conditions and forecasts of future macroeconomic conditions.

Concentration of credit risk

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

100% of the Group's trade and other receivables were concentrated within Malaysia. There was no significant exposure to single customers or to industry groups.

The credit risk of the Group's and of the Company's other financial assets, which comprise cash and cash equivalents and other investments, arises from default of the counterpart, with a maximum exposure equal to the carrying amount of these financial assets.

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(c) Foreign currency risk

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

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

The following table demonstrates the sensitivity of the Group's and of the Company's profit after tax and equity to a reasonably possible change in the exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant.

	Group and Company Profit after tax RM'000
2019	
USD/RM	
- strengthened by 5%	4,500
- weakened by 5%	(4,500)
CNY/RM	
- strengthened by 5%	31
- weakened by 5%	(31)
EURO/RM	
- strengthened by 5%	937
- weakened by 5%	(937)
2018	
USD/RM	
- strengthened by 5%	5,794
- weakened by 5%	(5,794)
CNY/RM	
- strengthened by 5%	31
- weakened by 5%	(31)

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Liquidity risk

The Group and the Company manage its debt maturity profile, operating cash flows and the availability of funding so as to ensure that refinancing, repayment and funding needs are met. As part of its overall liquidity management, the Group and the Company maintain sufficient levels of cash or cash equivalents to meet its working capital requirements. In addition, the Group and the Company strive to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group and the Company raise committed funding from both capital markets and financial institutions and balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

Maturity analysis

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group

2019	**Less than 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non derivative financial liabilities				
Trade and other payables	229,419	-	-	229,419
Borrowings	337,580	162,190	-	499,770
	566,999	162,190	-	729,189

2018	**Less than 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non derivative financial liabilities				
Trade and other payables	202,764	-	-	202,764
Borrowings	255,486	160,701	30	416,217
	458,250	160,701	30	618,981

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Company

2019	**Less than 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non derivative financial liabilities				
Trade and other payables	231,793	-	-	231,793
Borrowings	336,797	160,371	-	497,168
	568,590	160,371	-	728,961

2018	**Less than 1 year**	**1 - 5 years**	**More than 5 years**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Non derivative financial liabilities				
Trade and other payables	204,000	-	-	204,000
Borrowings	254,821	158,505	30	413,356
	458,821	158,505	30	617,356

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value information

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

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

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2019										
Group										
Financial liabilities										
Revolving credit	-	-	-	-	-	-	9,509	9,509	9,509	10,000
Lease liabilities	-	-	-	-	-	-	15,213	15,213	15,213	15,129
Term loans	-	-	-	-	-	-	131,342	131,342	131,342	133,995
	-	-	-	-	-	-	156,064	156,064	156,064	159,124
2019										
Company										
Financial liabilities										
Revolving credit	-	-	-	-	-	-	9,509	9,509	9,509	10,000
Lease liabilities	-	-	-	-	-	-	12,724	12,724	12,724	12,774
Term loans	-	-	-	-	-	-	131,342	131,342	131,342	133,995
	-	-	-	-	-	-	153,575	153,575	153,575	156,769

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value information (continued)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
2018										
Group										
Financial liabilities										
Revolving credit	-	-	-	-	-	-	9,503	9,503	9,503	10,000
Finance lease liabilities	-	-	-	-	-	-	3,916	3,916	3,916	3,777
Term loans	-	-	-	-	-	-	133,803	133,803	133,803	136,279
	-	-	-	-	-	-	147,222	147,222	147,222	150,056
2018										
Company										
Financial liabilities										
Revolving credit	-	-	-	-	-	-	9,503	9,503	9,503	10,000
Finance lease liabilities	-	-	-	-	-	-	1,264	1,264	1,264	1,238
Term loans	-	-	-	-	-	-	133,803	133,803	133,803	136,279
	-	-	-	-	-	-	144,570	144,570	144,570	147,517

30. FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

(e) Fair value information (continued)

Level 1 fair value

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

Level 2 fair value

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

Non-derivative financial liabilities

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

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018: no transfer in either directions).

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

Financial instruments not carried at fair value

Type	Description of valuation technique and inputs used
Revolving credit, lease/finance lease liabilities and secured term loans	Discounted cash flows using a rate based on the current market rate of borrowing of the Company at the reporting date.

31. DIVIDENDS

	Group and Company 2019 RM'000	2018 RM'000
In respect of the financial year ended 31 December 2019:		
Final single-tier dividend of 0.90 sen on 425,858,831 ordinary shares, paid on 21 August 2018	-	3,834

All the dividend paid or proposed in current financial year are single-tier dividends with no income tax consequences to shareholders of the Company.

Before the dividends were paid to the shareholders, the directors of the Company had taken reasonable steps to ensure that the Company would be able to pay its debts in full within 12 months after the payment of dividends to shareholders.

32. SEGMENT INFORMATION

(a) Primary reporting format - by business segment

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

(b) Secondary reporting format - by geography

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

Area	Sales 2019 RM'000	Sales 2018 RM'000	Total assets 2019 RM'000	Total assets 2018 RM'000	Capital expenditure 2019 RM'000	Capital expenditure 2018 RM'000
Malaysia	1,160,160	1,487,325	1,518,292	1,376,837	64,015	62,414
Outside Malaysia	35,146	9,528	-	-	-	-
	1,195,306	1,496,853	1,518,292	1,376,837	64,015	62,414

In determining the geographical segments of the Group, sales are based on the countries in which the customers are located. Total assets and capital expenditure are determined based on where the assets are located, and all assets are located in Malaysia.

Revenue from one (2018: one) major customer amounted to RM298,951,650 (2018: RM325,991,089) arising from sales of steel billets and bars.

33. CAPITAL COMMITMENTS

	Group and Company 2019 RM'000	2018 RM'000
Capital expenditure		
Contracted but not provided for		
Acquisition of property, plant and equipment	-	10,800

The above amount is in respect of the acquisition of new plant and equipment located at Rolling Mill, Bukit Raja. The cost of acquisition is being funded by Islamic medium term notes (or Sukuk Ijarah) issuance programme under the Islamic principle of Ijarah (Sukuk Ijarah Programme) of RM130 million and internally generated fund.

34. CAPITAL MANAGEMENT

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

The gearing ratios as at 31 December 2019 and 2018 were as follows:

	Group 2019 RM'000	2018 RM'000
Total lease liabilities (Note 18)	15,129	-
Total borrowings (Note 19)	463,465	390,009
	478,594	390,009
Total equity	729,982	657,618
Gearing ratio	65.56%	59.31%

35. CONTINGENT LIABILITIES

	Group and Company 2019 RM'000	2018 RM'000
Unsecured bank guarantees issued in favour of third parties	67,779	69,800

36. RELATED PARTY TRANSACTIONS

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

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

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

Significant related party transactions

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

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

	Company	
	2019	**2018**
	RM'000	**RM'000**
Transportation charged by subsidiary	4,978	3,046

Compensation of key management personnel

The Board of Directors defined that key management personnel of the Group and of the Company are directors of the Group and of the Company. The compensation of key management personnel during the financial year is disclosed in Note 25 to the financial statements.

37. SIGNIFICANT EVENT DURING THE YEAR

(a) On 3 January 2019, the Company repurchased its shares of 133,000 ordinary shares at an average purchase price of RM0.375 per ordinary share. The repurchase transaction was financed by internally generated funds.

(b) On 7 January 2019, the Company repurchased its shares of 109,000 ordinary shares at an average purchase price of RM0.458 per ordinary share. The repurchase transaction was financed by internally generated funds.

(c) On 10 January 2019, the Company repurchased its shares of 52,000 ordinary shares at an average purchase price of RM0.473 per ordinary share. The repurchase transaction was financed by internally generated funds.

(d) On 13 September 2019, the Company announced that it proposes to undertake a proposed private placement of up to 42,500,000 new ordinary shares representing up to 10% of the Company's total number of issued shares ("Proposed Private Placement"). The Proposed Private Placement will be undertaken in accordance with the Subscription Agreement entered into with an investor on the same date.

On 17 September 2019, the Company announced that the listing application in relation to the Proposed Private Placement has been submitted to Bursa Securities.

Bursa Securities had vide its letter dated 19 September 2019, resolved to approve the Proposed Private Placement subject to the following conditions:

(i) the Company and Investment Bank must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Private Placement;

(ii) the Company and Investment Bank to inform Bursa Securities upon the completion of the Proposed Private Placement;

(iii) the Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement is completed; and

(iv) the Company must submit to Bursa Securities details of the placees in accordance with Paragraph 6.15 of the Listing Requirements as soon as practicable before the listing of the new shares to be issued pursuant to the Proposed Private Placement.

On 1 October 2019, the Company announced that all conditions precedent in relation to the Subscription Agreement have been fulfilled. Accordingly, the Company had on the following dates received Subscription Notices from the investor for the subscription of Company's shares at respective subscription prices. The subscription prices represent a discount to the average of the daily volume weighted average market prices ("VWAP") of Company's shares during the 5 consecutive Trading Days and such shares will be listed and quoted on Main Market of Bursa Securities.

37. SIGNIFICANT EVENT DURING THE YEAR (CONTINUED)

Number of Subscription Notice	Date received Subscription Notice	Number of subscription shares	Subscription price RM	Discount of approximately %	Fifth Trading Days	Average market price RM	Subscription Completion Date
1	1 October 2019	300,000	0.3610	9.00	30 September 2019	0.3967	3 October 2019
2	8 October 2019	300,000	0.3500	8.40	7 October 2019	0.3821	10 October 2019
3	11 October 2019	600,000	0.3510	8.95	10 October 2019	0.3855	15 October 2019
4	18 October 2019	500,000	0.3500	7.06	17 October 2019	0.3766	22 October 2019
5	24 October 2019	500,000	0.3500	5.66	23 October 2019	0.3710	29 October 2019
6	1 November 2019	600,000	0.3500	2.80	31 October 2019	0.3601	5 November 2019
7	9 December 2019	750,000	0.3500	2.43	6 December 2019	0.3587	11 December 2019
8	10 December 2019	850,000	0.3580	8.77	9 December 2019	0.3924	12 December 2019
9	10 December 2019	1,150,000	0.3580	8.77	9 December 2019	0.3924	12 December 2019
10	16 December 2019	1,000,000	0.3910	8.82	13 December 2019	0.4288	18 December 2019
11	18 December 2019	850,000	0.3930	8.84	17 December 2019	0.4311	20 December 2019
12	24 December 2019	750,000	0.3810	8.76	23 December 2019	0.4176	27 December 2019
13	27 December 2019	650,000	0.3740	8.85	26 December 2019	0.4103	31 December 2019
14*	31 December 2019	1,000,000	0.3800	8.92	30 December 2019	0.4172	3 January 2020
15*	31 December 2019	1,500,000	0.3800	8.92	30 December 2019	0.4172	3 January 2020

* It represents subscription money received during the financial year and the Subscription Completion Date is on 3 January 2020.

38. EVENTS AFTER THE REPORTING PERIOD

(a) Subsequent to the reporting date the Company had on the following dates received Subscription Notices from the investor for the subscription of Company's shares at respective subscription prices. The subscription prices represent a discount to the average of the daily volume weighted average market prices ("VWAP") of Company's shares during the 5 consecutive Trading Days and such shares will be listed and quoted on Main Market of Bursa Securities.

Number of Subscription Notice	Date received Subscription Notice	Number of subscription shares	Subscription price RM	Discount of approximately %	Fifth Trading Days	Average market price RM	Subscription Completion Date
16	2 January 2020	2,000,000	0.3970	8.78	31 December 2019	0.4352	6 January 2020
17	3 January 2020	1,750,000	0.4310	8.94	2 January 2020	0.4733	7 January 2020
18	7 January 2020	750,000	0.4350	8.98	6 January 2020	0.4779	9 January 2020
19	13 January 2020	1,000,000	0.4130	8.97	10 January 2020	0.4537	15 January 2020
20	14 January 2020	1,750,000	0.4090	8.83	13 January 2020	0.4486	16 January 2020
21	20 January 2020	4,500,000	0.4030	8.99	17 January 2020	0.4428	22 January 2020
22	04 February 2020	500,000	0.3600	8.77	03 February 2020	0.3946	6 February 2020
23	06 February 2020	1,000,000	0.3500	8.33	05 February 2020	0.3818	10 February 2020
24	12 February 2020	950,000	0.3530	8.86	11 February 2020	0.3873	14 February 2020

(b) On 5 March 2020, the Company announced that it had submitted an application to Bursa Securities to seek for approval on extension of time for approximately 6 months to implement and complete the Proposed Private Placement on 27 February 2020. On the same date, Bursa Securities had vide its letter dated 5 March 2020, resolved to grant an extension of time until 18 September 2020 to complete the implementation of the Private Placement.

(c) On 13 March 2020, the Company repurchased its shares of 121,500 ordinary shares at an average purchase price of RM0.270 per ordinary share. The repurchase transaction was financed by internally generated funds.

(d) On 16 March 2020, the Company repurchased its shares of 183,000 ordinary shares at an average purchase price of RM0.273 per ordinary share. The repurchase transaction was financed by internally generated funds.

38. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(e) On 17 March 2020, the Company repurchased its shares of 160,000 ordinary shares at an average purchase price of RM0.220 per ordinary share. The repurchase transaction was financed by internally generated funds.

(f) On 23 March 2020, the Company repurchased its shares of 41,100 ordinary shares at an average purchase price of RM0.208 per ordinary share. The repurchase transaction was financed by internally generated funds.

(g) On 25 March 2020, the Company repurchased its shares of 180,000 ordinary shares at an average purchase price of RM0.223 per ordinary share. The repurchase transaction was financed by internally generated funds.

(h) On 16 March 2020, the Malaysian Government issued a Movement Control Order ("MCO" or "Order") pursuant to the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967, in response to the coronavirus COVID-19 (the "virus" or COVID-19") pandemic, restricting movements of Malaysians and foreigners and prohibits a wide range of public activities. The Order takes effect 18 March 2020 and continues to apply for 14 days until 31 March 2020. The Order is intended to curb the spread of COVID-19 infections in Malaysia and applies throughout the country. Pursuant to the Order, public and private offices are required to close and all public gatherings have been banned, with very few exceptions.

On 25 March 2020, the Malaysian Government has announced the extension of MCO which was originally scheduled to end on 31 March 2020 has been extended to 14 April 2020. Throughout this period, all government and private offices as well as businesses shall remain closed except for essential services.

On 10 April 2020, the Malaysian Government has announced a further extension of MCO which was initially scheduled to end on 14 April 2020. Subsequently, on 23 April 2020, the Malaysian Government has announced a further extension of MCO which was initially scheduled to end on 28 April 2020. The government has also agreed that selected sectors will be opened in stages and will operate following health guidelines and stringent movement control.

On 1 May 2020, the Malaysian Government announced that the government would implement a Conditional Movement Control Order ("CMCO") effective from 4 May 2020 to 12 May 2020, which was subsequently announced to be extended to 9 June 2020 via an announcement made on 10 May 2020. The government has agreed that a large portion of economic and social activities are allowed to resume subject to strict compliance of standard operating procedures in controlling and containing the spread of COVID-19.

38. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

The emergence of COVID-19 outbreak has evolved rapidly and brought significant economic uncertainties to Malaysia markets and in which the Group and the Company operates. For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the COVID-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group's and the Company's financial statements for the financial year ended 31 December 2019 have been prepared with the application of going concern principle. The directors of the Group and of the Company anticipates that the overall impact on the Group's and the Company's business and result has been limited and are not aware of any significant uncertainties arising after the end of the financial year that would have a significant financial impact to the Group and to the Company.

Nevertheless, the directors of the Group and of the Company will continue to monitor developments and will take the necessary corrective actions. The Group and the Company will continue to run their operations in the best and safest method without jeopardising health and safety of its employees and enduring with all governmental policies and directives.

(i) On 30 April 2020, the Company announced that following the MCO imposed by Government of Malaysia, it will utilise the extension of time granted by Bursa Securities Malaysia Berhad and will ensure that its Annual Report will be issued not later than 30 June 2020.

39. MATERIAL LITIGATION

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

The Board of Directors has been advised by its solicitor that the Company has strong case to dismiss the claim. The management is of the view that the Writ of Summons will not have any material financial and operation impact on the Company as the claim is non-trade in nature.

The Company had filed the Discovery Application and is scheduled for hearing on 23 June 2020 before the Registrar at the Shah Alam High Court.

40. SIGNIFICANT CHANGES TO ACCOUNTING POLICIES

During the financial year, the Group and the Company adopted MFRS 16.

Definition of a lease

On transition to MFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

Where the Group and the Company are a lessee, the Group and the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

Impacts on financial statements

Short-term leases and low-value assets

For short-term leases with lease term of 12 months or less and for the leases of low value assets of less than RM21,000, the Company has availed the exemption in MFRS 16 not to recognise the right-of-use assets and lease liabilities. Instead, payments made for these leases are recognised as expense when incurred, as disclosed in Note 23.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased assets and lease liability under MFRS 117 immediately before that date.

There is no financial effect arising from the adoption of this standard.

41. OTHER INFORMATION

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

(b) The registered office is situated at:

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

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

Wisma Masteel
Lot 29C, Off Jalan Tandang
Section 51
46050 Petaling Jaya
Selangor Darul Ehsan

(d) The financial statements are expressed in Ringgit Malaysia ("RM"), which is also the Group's and the Company's functional currency.

(e) The financial statements were authorised for issue by the Board of Directors in accordance with a resolution by the directors on 19 May 2020.

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

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

We, the undersigned, being two of the directors of **MALAYSIA STEEL WORKS (KL) BHD. (Registration No. 197101000213 (7878-V))** do hereby state that, in the opinion of the directors, the financial statements set out on pages 6 to 75 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2019 and of the financial results and cash flows of the Group and of the Company for the financial year ended on that date.

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

DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG

Kuala Lumpur

19 May 2020

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

STATUTORY DECLARATION
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, **LAU YOKE LEONG**, being the director primarily responsible for the financial management of **MALAYSIA STEEL WORKS (KL) BHD. (Registration No. 197101000213 (7878-V))** do solemnly and sincerely declare that the financial statements set out on pages 6 to 75 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

LAU YOKE LEONG
MIA number: 14053

Subscribed and solemnly declared
by the abovenamed at Kuala Lumpur
in the Federal Territory on 19 May 2020

Before me

RSM Malaysia (AF:0768)
5th Floor, Penthouse, Wisma RKT,
Block A, No.2, Jalan Raja Abdullah,
Off Jalan Sultan Ismail,
50300 Kuala Lumpur, Malaysia.
T +603 2610 2888
F +603 2698 6600
www.rsmmalaysia.my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA STEEL WORKS (KL) BHD.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Malaysia Steel Works (KL) Bhd., which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 75.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By- Laws") and the International Ethics Standards Board for Accountants' 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA STEEL WORKS (KL) BHD. (CONTINUED)

Key Audit Matters

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA STEEL WORKS (KL) BHD. (CONTINUED)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Statement, Audit Committee Report, Management Discussion and Analysis and Statement on Risk Management and Internal Control included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA STEEL WORKS (KL) BHD. (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF MALAYSIA STEEL WORKS (KL) BHD. (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the associate of which we have not acted as auditors, is disclosed in Note 8 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.

RSM Malaysia
AF: 0768
Chartered Accountants

Lou Hoe Yin
03120/04/2022 J
Chartered Accountant

Kuala Lumpur

19 May 2020