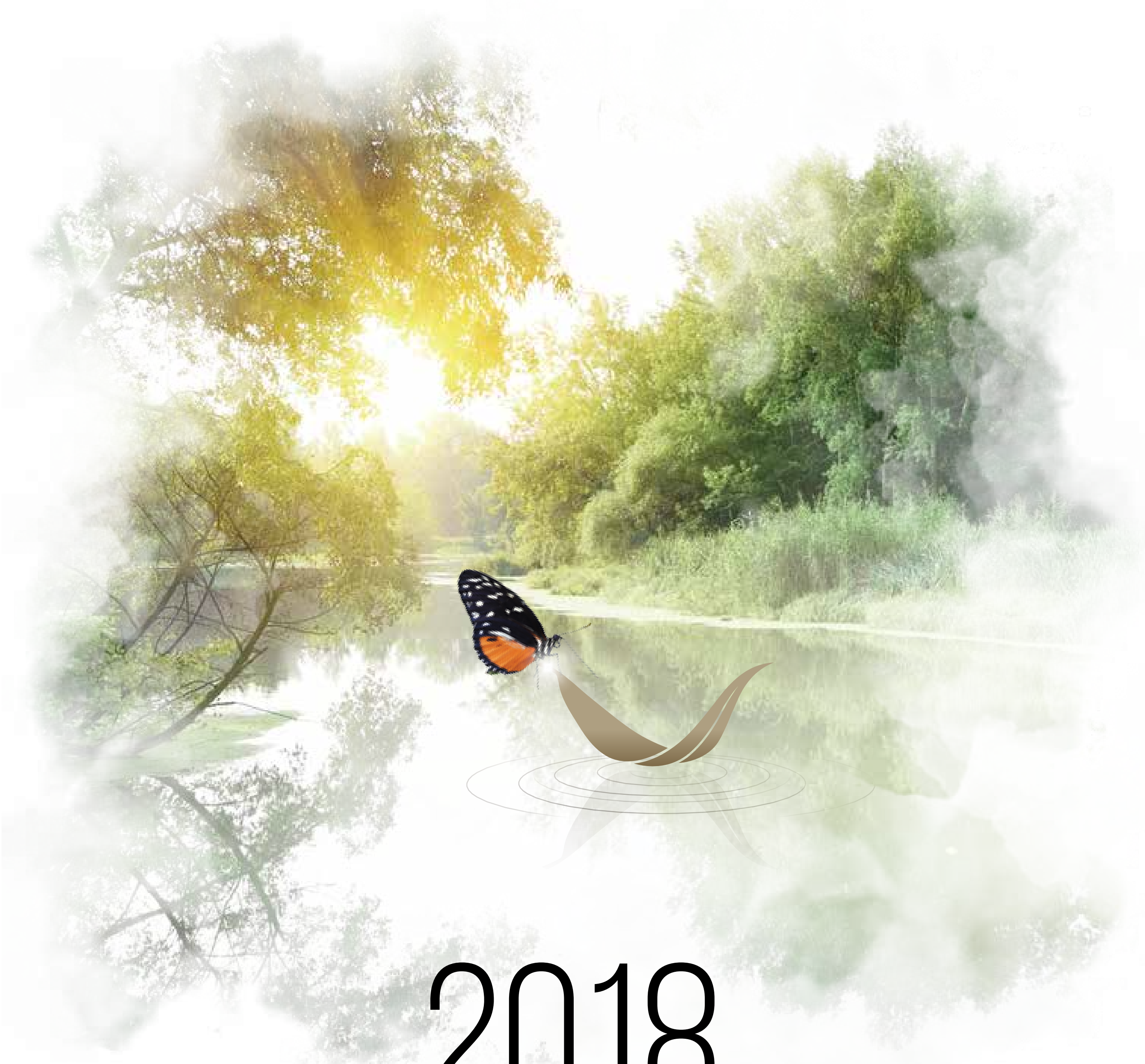
AMALGAMATED INDUSTRIAL STEEL BERHAD

COMPANY REGISTRATION NO. 9118-M



2018

ANNUAL REPORT

WHAT'S INSIDE

CORPORATE INFORMATION

BOARD OF DIRECTORS

From left to right (Seated)

Dato' Ronnie Lim Yew Boon
Executive Director

Dato' Ghazali Bin Mat Ariff
Chairman,
Independent Non-Executive Director

From left to right (Stand)

Mr. Lim Chin Sean
Executive Director

Datuk Hew Lee Lam Sang
Independent Non-Executive Director

Tuan Haji Fauzi Bin Mustapha
Independent Non-Executive Director

Dr. Goh Swee Por
(Not in the picture)
(Alternate Director to Mr. Lim Chin Sean)

KEY SENIOR MANAGEMENT

Mr. Chan Keen Wai
Chief Operating Officer

Mr. Choh Kim Chiew
Chief Financial Officer

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Datuk Hew Lee Lam Sang

Members
Dato' Ghazali Bin Mat Ariff
Tuan Haji Fauzi Bin Mustapha

NOMINATION COMMITTEE

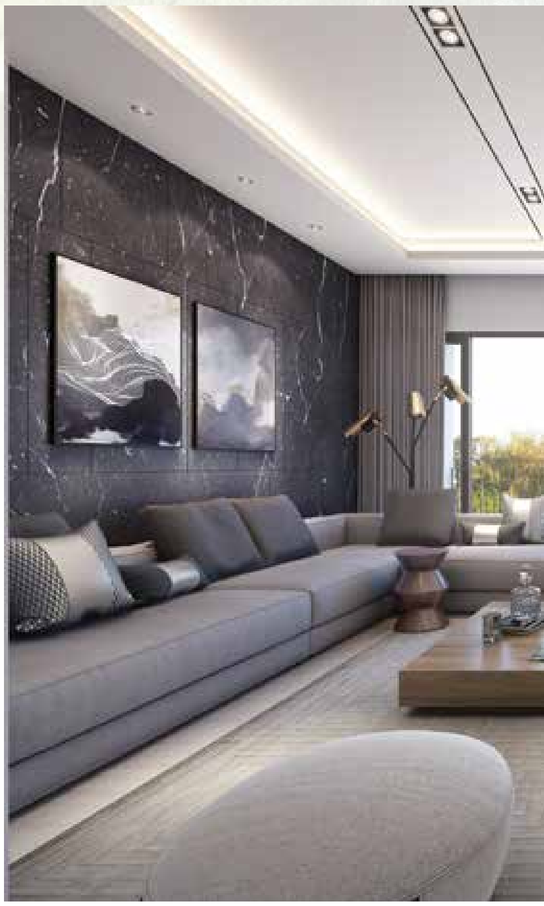
Chairman
Datuk Hew Lee Lam Sang

Members
Dato' Ghazali Bin Mat Ariff
Tuan Haji Fauzi Bin Mustapha

REMUNERATION COMMITTEE

Chairman
Dato' Ghazali Bin Mat Ariff

Members
Tuan Haji Fauzi Bin Mustapha
Datuk Hew Lee Lam Sang



CORPORATE INFORMATION

COMPANY SECRETARIES

Chen Bee Ling (MAICSA 7046517)
Foo Ing Ing (LS0010047)

AUDITORS

Crowe Malaysia PLT
(Converted from a conventional Partnership, Crowe Malaysia which was previously known as Crowe Horwath)
(LLP0018817 - LCA & AF 1018)
Chartered Accountants
Level 16 Tower C
Megan Avenue II
12 Jalan Yap Kwan Seng
50450 Kuala Lumpur
Tel : 603-2788 9999
Fax : 603-2788 9998

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Unit 8-02, Level 8
Menara LGB
No.1, Jalan Wan Kadir
Taman Tun Dr Ismail
60000 Kuala Lumpur
Tel : 603-2788 9322
Fax : 603-2788 9340
E-mail : admin@aisberhad.com.my
Website : www.aisberhad.com.my

SHARE REGISTRAR

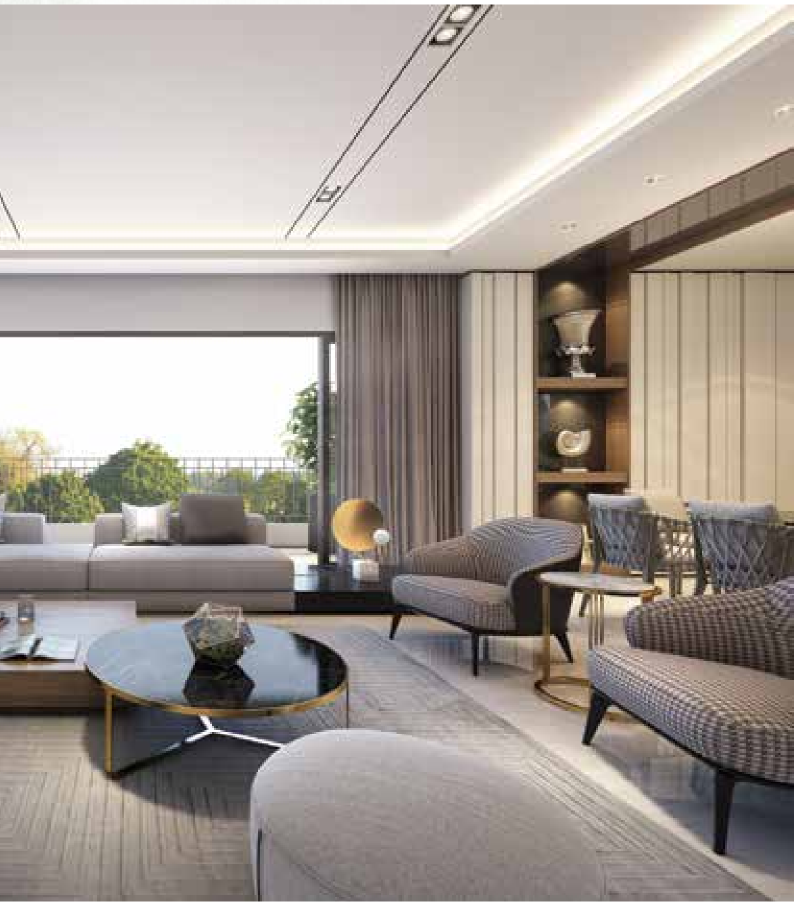
Boardroom Share Registrars Sdn Bhd
(Formerly known as Symphony Share Registrars Sdn Bhd) (378993-D)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7849 0777
Fax : 603-7841 8151 / 7841 8152

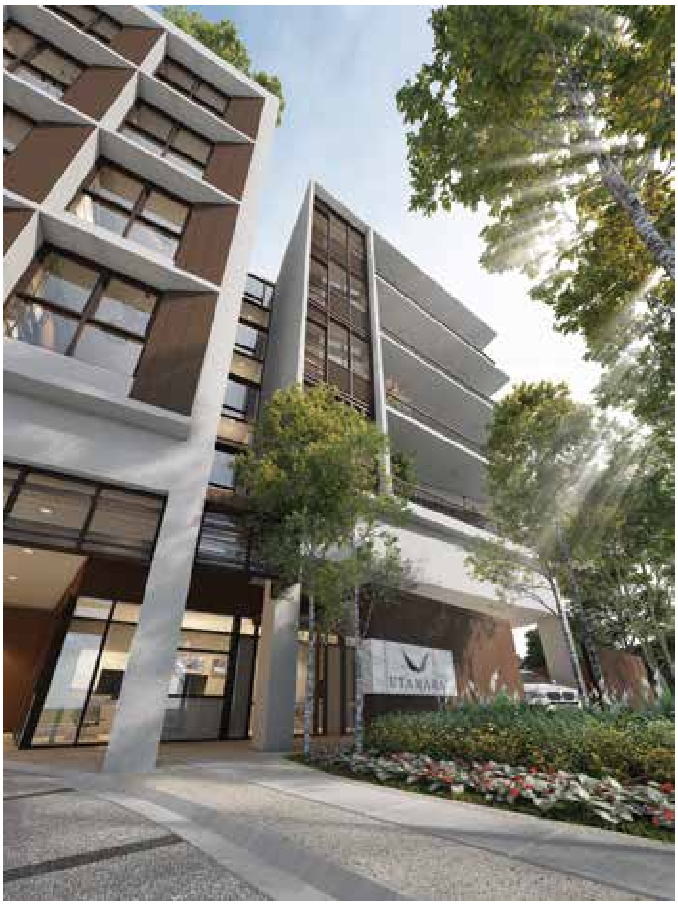
PRINCIPAL BANKERS

(In alphabetical order)
Bank Islam Malaysia Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad
Stock Code : 2682





NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Eighth Annual General Meeting of the Company will be held at Level 3, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur on Wednesday, 19 June 2019 at 11.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS:-

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Directors' and Auditors' Reports thereon. (Please refer to Explanatory Notes to the Agenda)

2. To approve the payment of Directors' fees of RM96,000 for the financial year ended 31 December 2018. Ordinary Resolution 1

3. To approve the payment of Directors' benefits (other than Directors' fees) up to an amount of RM120,000 for the period from 20 June 2019 until the next Annual General Meeting of the Company. Ordinary Resolution 2

4. To re-elect Mr Lim Chin Sean who retires by rotation pursuant to Article 116 of the Company's Constitution. Ordinary Resolution 3

5. To re-elect Datuk Hew Lee Lam Sang who was appointed during the year and retires pursuant to Article 114 of the Company's Constitution. Ordinary Resolution 4

6. To re-appoint Crowe Malaysia PLT (formerly known as Crowe Horwath) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. Ordinary Resolution 5

SPECIAL BUSINESS:-

To consider and, if thought fit, pass with or without modifications, the following resolutions:

7. **Authority for Directors to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016** Ordinary Resolution 6

   "**THAT** subject always to the Companies Act, 2016, the Company's Constitution and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Companies Act, 2016 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares of the Company for the time being."

8. To consider and, if thought fit, to pass the following ordinary resolution pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017"):

   Continuing in Office as Independent Non-Executive Director Ordinary Resolution 7

   "**THAT** approval be and is hereby given to Tuan Haji Fauzi Bin Mustapha who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company."

9. **Proposed Amendments to the Company's Constitution** Special Resolution

"**THAT** approval be and is hereby given to alter and amend the whole of the existing Constitution of the Company by replacement thereof with the proposed New Constitution as set out in the Circular to Shareholders dated 30 April 2019 with immediate effect **AND THAT** the Directors and the Secretary of the Company be and are hereby authorised to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

10. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

BY ORDER OF THE BOARD

CHEN BEE LING (MAICSA 7046517)
FOO ING ING (LS0010047)
Company Secretaries

Selangor Darul Ehsan
30 April 2019

Notes: -

1. In regard of deposited securities, only members whose names appear in the Record of Depositors as at 13 June 2019 ("General Meeting Record of Depositors") shall be eligible to attend and vote at the Meeting.

2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote at the Meeting on his behalf. The proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and there shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.

3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.

4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he may appoint at least one proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.

6. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

7. The instrument appointing a proxy must be deposited at the Company's registered office at Unit 8-02, Level 8, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes to the Agenda:

Item 1 of the Agenda

This item of the Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

Item 3 of the Agenda - Ordinary Resolution 2

Payment of Directors' benefits (other than Directors' fees)

In compliance with Section 230(1) of the Companies Act, 2016, the Company is seeking for shareholders' approval for payment of Directors' benefits (other than Directors' fees) up to an amount of RM120,000 for the period from 20 June 2019 until the conclusion of the next AGM of the Company as follows:

	RM
Directors' benefits in kind and meeting allowances for the period from 20 June 2019 up to next AGM	120,000
Total	120,000

The calculation is based on the estimated number of scheduled and/or special Board and Board Committees' meetings and on the assumption that all the Directors will remain in office until the next AGM.

Item 7 of the Agenda - Ordinary Resolution 6

Authority for Directors to allot and issue shares in the Company pursuant to Sections 75 and 76 of the Companies Act, 2016

This resolution is a renewal of the previous year mandate and if passed, will empower the Directors of the Company to issue and allot shares up to an aggregate amount not exceeding 10% of the issued share capital of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting.

This resolution is in line with the Company's plans for expansion/diversification. The Company is actively looking into prospective areas to broaden the operating base and earnings potential of the Company. As the expansion/diversification may involve the issue of new shares, the Directors, under present circumstances, would have to convene a general meeting to approve the issue of new shares even though the number involved is less than 10% of the issued share capital.

In order to avoid any delay and costs involved in convening a general meeting to approve such issue of shares, it is considered appropriate that the Directors be empowered to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for the time being for such purpose.

The Company did not utilise the mandate obtained at the last Annual General Meeting and thus no proceed was raised from the previous mandate.

Item 8 of the Agenda - Ordinary Resolution 7

Continuing in Office as Independent Non-Executive Director

The Nomination Committee has assessed the independence of Tuan Haji Fauzi Bin Mustapha, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and arising therefrom, the Board recommended that he continues to act as an Independent Non-Executive Director of the Company based on the following justifications:-

a. He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
b. He has vast experience in a diverse range of businesses which enable him to provide constructive and independent judgment in the best interest of the Company;
c. He has ensured that there is effective check and balance in proceedings of the Board and Board Committees and have actively participated in Board's deliberations, provided objective and independent opinion to the Board; and
d. He has devoted sufficient time and attention to his responsibilities as Independent Non-Executive Director of the Company and exercised due care in the interest of the Company and shareholders.

Item 9 of the Agenda - Special Resolution

Proposed Amendments to the Company's Constitution

The Special Resolution, if passed, will streamline the Company's Constitution and corporate practices with the provisions of the Companies Act 2016, to take into account the recent amendments to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to enhance administrative efficiency. The shareholders' approval is sought for the Company to alter and amend the whole of the existing Constitution by the replacement with the proposed New Constitution as set out in the Circular to Shareholders dated 30 April 2019 in accordance with the Section 36(1) of the Companies Act 2016.

The proposed New Constitution of the Company shall take effect once the Special Resolution has been passed by a majority of not less than seventy-five per centum (75%) of such members who are entitled to attend and vote in person or by proxy at the 48th AGM of the Company.

PROFILE OF DIRECTORS

DATO' GHAZALI BIN MAT ARIFF

Chairman,
Independent
Non-Executive Director

| Malaysian
| age 77
| Male

Dato' Ghazali Bin Mat Ariff, is an Independent Non-Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board on 9 December 2003 and assumed the position as Chairman of the Company on 26 September 2007. He also serves as Chairman to the Remuneration Committee and is a member of the Audit and Risk Management Committee and Nomination Committee.

Dato' Ghazali is an Advocate and Solicitor. He qualified as a Barrister-at Law from Lincoln's Inn, London and was called to the English Bar on 21 November 1978. He was admitted as an Advocate & Solicitor of the High Court of Malaya on 27 September 1979. He set up a legal firm under the name of Messrs. Ghazali Ariff & Partners in March 1980 and is currently the Senior Partner of the firm.

From 1979 to 1980 he worked as a legal assistant at Messrs. Nik Hussain, Ibrahim & Abdullah, Kuala Lumpur. Prior to that, he was a college trained teacher at Chung Hwa Confucian High School Penang from 1962 to 1968 and a lecturer at Sultan Hassanal Bolkiah Teachers' Training College Brunei Darussalam from 1968 to 1974.

Apart from Amalgamated Industrial Steel Berhad, Dato' Ghazali sits on the Board of Advanced Packaging Technology (M) Berhad. He also sits on the Board of several private limited companies.

Dato' Ghazali was the vice president of Jemaah Dato'- Dato' Perlis. He was appointed as a Commissioner for Oaths from 1995 till 2005. From September 1995 to December 1999, he was the Honorary Vice Consul of the Republic of Finland in Kuala Lumpur. Dato' Ghazali was also the Honorary Legal Advisor of Malaysia Thai Association from 1999 to 2002. He is currently the Honorary Life President of The Malay College Old Boys Association.

Dato' Ghazali attended all five (5) Board meetings held during the financial year ended 31 December 2018.

DATUK HEW LEE LAM SANG

Independent
Non-Executive Director

| Malaysian
| age 55
| Male

Datuk Hew Lee Lam Sang, joined the Board of Amalgamated Industrial Steel Berhad in January 2019 as a Independent Non-Executive Director. He served as Chairman of the Audit and Risk Management Committee since January 2019. He also serves as Chairman of the Nomination Committee and is a member of the Remuneration Committee.

He qualified as an Accountant with the Malaysian Institute of Certified Public Accountants and is a member of the Malaysian Institute of Accountants. Datuk Hew Lee Lam Sang has more than 27 years of experience in the auditing and business advisory profession with KPMG in Malaysia. Datuk Hew Lee was the head of the consulting practice of KPMG in Malaysia before he was elected to manage the whole advisory practice in Malaysia until his retirement from practice at the end of 2015. His vast experience includes external auditing, initial public offerings, review of financial forecast and projections, corporate restructuring, share valuation, etc.

Datuk Hew Lee Lam Sang was appointed to the Board of Amalgamated Industrial Steel Berhad on 29 January 2019 and hence, he did not attend any of the Board meetings held in the financial year ended 31 December 2018.

PROFILE OF DIRECTORS

TUAN HAJI FAUZI BIN MUSTAPHA

Independent Non-Executive Director

| Malaysian
| age 74
| Male

Tuan Haji Fauzi Bin Mustapha, joined the Board of Amalgamated Industrial Steel Berhad in November 1993 as a Non-Independent Non-Executive Director representing Permodalan Nasional Berhad ("PNB"). Following his retirement from the PNB Group and upon his declaration as such, he was re-designated as an Independent Non-Executive Director of the Company. He serves as a member of the Audit and Risk Management Committee since January 2000 and also serves as a member in the Nomination Committee and the Remuneration Committee. He serves as Chairman to the Risk Management Committee since November 2007. He ceased to be the Chairman to the Risk Management Committee following the merger of the Audit and Risk Management Committee on 1 January 2018.

In the PNB Group, Tuan Haji Fauzi, who holds a Diploma in Marketing, the Chartered Institute of Marketing, UK, and a Bachelor of Arts (Honours) Degree from University Malaya, served for almost 19 years with Amanah Saham Nasional Berhad ("ASNB"), and the last position he held was as Head of Department of the Services and Quality Assurance Management Department. From January 2000 until March 2002, he held the position of Director of Human Resources in HeiTech Padu Berhad ("HPB"). He was, thereafter, designated as a Consultant to initiate HPB's quality improvements until December 2002.

Tuan Haji Fauzi attended all five (5) Board meetings held during the financial year ended 31 December 2018.

DATO' RONNIE LIM YEW BOON

Executive Director

| Malaysian
| age 60
| Male

Dato' Ronnie Lim Yew Boon, is an Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board on 9 December 2003. He had served as a member of the Audit Committee from 16 December 2003 till 22 November 2007. He was a member of the Risk Management Committee up to the merger of the Audit Committee and Risk Management Committee on 1 January 2018.

Apart from Amalgamated Industrial Steel Berhad, Dato' Ronnie Lim also sits on the Board of Taliworks Corporation Berhad and several private limited companies, namely Grand Saga Sdn Bhd, SWM Environment Sdn Bhd and a few others.

Prior to his appointment to the Board of Amalgamated Industrial Steel Berhad, Dato' Ronnie Lim served as the Group Chief Operating Officer in LGB Group of Companies. He holds a Diploma in Civil Engineering and started his career in the field of construction with consultant engineers. With over thirty years of varied corporate and management experience, he has wide in-depth exposure in various key industries covering construction, manufacturing, property development and public utilities.

Dato' Ronnie Lim is a cousin of Mr. Lim Chin Sean, who is an Executive Director and a substantial shareholder of the Company.

Dato' Ronnie Lim attended all five (5) Board meetings held during the financial year ended 31 December 2018.

PROFILE OF DIRECTORS

MR. LIM CHIN SEAN

Executive Director

| Malaysian
| age 37
| Male

Mr. Lim Chin Sean, is an Executive Director of Amalgamated Industrial Steel Berhad. Prior to his appointment to the Board as a Non-Independent Non-Executive Director on 26 September 2007, he was an alternate director to Dato' Ghazali Bin Mat Ariff since 23 November 2005. He was then re-designated from Non-Independent Non-Executive Director to Executive Director on 23 November 2016.

Mr. Lim Chin Sean holds a Bachelor of Computer System Engineering Degree (Honours) from University of Kent, United Kingdom.

He joined the LGB Group of Companies since September 2003 and is currently involved in property development, construction projects, manufacturing and IT advisory services. He also sits on the board of Taliworks Corporation Berhad and several private limited companies.

Mr. Lim Chin Sean is a cousin of Dato' Ronnie Lim, who is an Executive Director of the Company.

Mr. Lim Chin Sean is a substantial shareholder of the Company by virtue of his substantial shareholdings in Telaxis Sdn Bhd, which is a substantial shareholder of the Company.

Mr. Lim Chin Sean attended all five (5) Board meetings held during the financial year ended 31 December 2018.

DR. GOH SWEE POR

(Alternate Director to Mr. Lim Chin Sean)

| Malaysian
| age 44
| Male

Dr. Goh Swee Por, was appointed as Alternate Director to Mr. Lim Chin Sean on 26 August 2015.

Dr. Goh holds a First Class Honours Degree in Mechatronic Engineering and a PhD in Advance Control Engineering from the University of Leeds, U.K.

Dr. Goh started his career in 1996 as an Equipment Engineer at Knowles Electronics, Senior Engineer at Agilent Technologies (Semiconductor Product Group) and was eventually promoted to Senior Engineering Manager at Vista Point Technologies (an ODM subsidiary of Flextronics). Specialising in new technology and product Research & Development ("R&D"), system design, product testing, process automation, lean manufacturing, yield improvement, cost reduction, operations management, project management and business support, he was awarded Young Engineer Award in 2006 besides authoring several technical publications and providing consulting services.

He had also worked with Smartrac Technology Ltd. as a Senior Engineering Manager and was eventually promoted to Deputy Head of Operations, managing operations of radio-frequency identification product manufacturing. Prior to joining LGB Group, he was a Personal Assistant to Chairman cum Head of Operations for 3 subsidiaries within Tan Chong Motor Holdings with full accountability in Profits & Loss, business development, purchasing, R&D, manufacturing, assembly, finance, human resource, administration, audit control and customer service. He has experiences working in Malaysia, China and Thailand besides managing staff of various nationalities. He is also a registered Property Manager.

Save as disclosed, none of the Directors has family relationship with any director and/or major shareholder of the Company.

None of the Directors of the Company has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. All Directors have no convictions for offences within the past five (5) years other than traffic offences, if any.

KEY SENIOR MANAGEMENT PROFILE

CHAN KEEN WAI

Chief Operating Officer

| Malaysian
| age 50
| Male

Mr. Chan Keen Wai, was appointed as Chief Operating Officer of Amalgamated Industrial Steel Berhad in June 2017. He holds a Master of Real Estate (with Distinction) from the University of Malaya, a Master of Business Administration (MBA) from the Southern Cross University, Australia and a bachelor's degree in Construction Management & Economics from the Curtin University of Technology, Australia. He is also a member of the Royal Institution of Chartered Surveyors (MRICS), U.K and the Royal Institution of Surveyors, Malaysia (MRISM).

Mr. Chan, a Chartered Surveyor by profession has more than 25 years of experience in the built environment spanning across real estate development, contract management and built asset management. His wealth of experiences includes management of property development processes encompassing both upstream and downstream activities of the business; project financial and contract management aiming at minimising project exposure to financial and contractual risks; and management of commercial and residential properties with the overall objective of enhancing/preserving the value of properties to investors and end-users. The companies that he had previously served include TA Global Bhd, IJM Land Bhd and WCT Land Sdn Bhd.

CHOH KIM CHIEW

Chief Financial Officer

| Malaysian
| age 43
| Male

Mr. Choh Kim Chiew, was appointed as Chief Financial Officer of Amalgamated Industrial Steel Berhad in November 2017.

Mr. Choh, is a Chartered Accountant by profession, a member of the Malaysian Institute of Accountants (MIA) and a Fellow of the Association of Chartered Certified Accountants (FCCA) of UK.

Mr. Choh began his career with Renaissance Kuala Lumpur International Hotel in 1996, he has held various positions in finance, sales and marketing and front office within the hotel before moving on to group finance reporting in a diversified public listed company in 2002. Armed with more than 20 years of financial reporting and compliances, corporate finance, financial restructuring and general management experiences in variety of industries including hospitality, golf club, property development, trading and leasing of construction materials & equipment, construction and property investment companies.

Prior to joining the Company, he was the Group Financial Controller of Magna Prima Berhad in 2010 where he was later appointed as the Executive Director of Magna Prima Berhad in April 2012 to June 2014 before moving on to JYC Development Sdn Bhd as the Chief Financial Officer.

Save as disclosed, none of the Key Senior Management has family relationship with any director and/or major shareholder of the Company.

None of the Key Senior Management of the Company has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. All Key Senior Management have no convictions for offences within the past five (5) years.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders

"On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of Amalgamated Industrial Steel Berhad and its group of companies ("the Group" or "AISB") for the financial year ended 31 December 2018. The pertinent details of the Group's business and performance are presented under the Management Discussion and Analysis Report."

OVERVIEW

It was another challenging year for the period under review, the domestic steel market turned bearish, partly due to the spill-over effects, of the deferment of various mega projects of the previous Malaysian administration, such as the Kuala Lumpur-Singapore High-Speed Rail (HSR) project and East Coast Rail Link (ECRL) project which had impacted the industry. Apart from domestic factors, challenging climate of the steel industry internationally also impacted the commodity as well amid a soft property and construction sector, which saw a shrinking of steel sales tonnage and severe margin squeeze. The rising cost of doing business further dampened the bottom line for this business segment.

In addition, due to the fallout from the on-going US-China trade war, which are the country's two major trading partners, Malaysia's exports and its GDP will likely be impacted over 2018 to 2020 and this could decline further if the spat continues over the next few years.

Indeed, a trade war triggers market uncertainty, weighs down sentiments and affects asset prices and emerging market currencies.

CHAIRMAN'S STATEMENT

FINANCIAL PERFORMANCE

For the financial year under review, the Group's revenue decreased to RM4.26 million from RM19.74 million recorded in the preceding year. The Group reported a loss before and after tax of RM4.98 million and RM4.17 million respectively for the financial year ended 31 December 2018 as compared to RM5.93 million and RM6.27 million in the previous year. The loss per ordinary share for the financial year ended 31 December 2018 was 3.03 sen compared to earnings per ordinary share of 4.74 sen for the preceding year based on the total number of issued shares of the Company of 137,585,442. As at 31 December 2018, shareholders' funds stood at RM137.84 million whilst net assets per share was RM1.00. The Group's cash position has reduced from RM51.67 million to RM47.08 million. The net cash outflow was mainly used on payment for project development, payroll and other administrative cost. The Group would continue to manage its financial resources prudently.

CORPORATE DEVELOPMENTS

The Group's plan to launch its residential development in 1st half of 2019 is being conceptualised to become a prestigious happening hub in Kampung Sungai Kayu Ara, Petaling Jaya. Our strategic approach will be centred on creating an alluring ambience for the community from near and far as well as expansive living spaces in our plans to fulfil the needs of our prospective customers.

This will provide an additional revenue stream and contribute positively to our future financial performance. The property project is appraised at a gross development value of RM113.6 million, which could yield a profit margin of 14% while construction will take about three years, beginning in 2019 and ending in 2022.

We will continue to be on the lookout for land banks selectively, amidst opportunities presented by the recovering market. The Group is currently looking for potential partners to widen its business opportunities to expand its sources of income and profitability. We continue to rebalance our property portfolio geographically and by business mix, strengthening our recurring income streams through our rental income from our investment property at Avant Industrial Park in Jalan Pelaya, Shah Alam, to complement our new property development business.

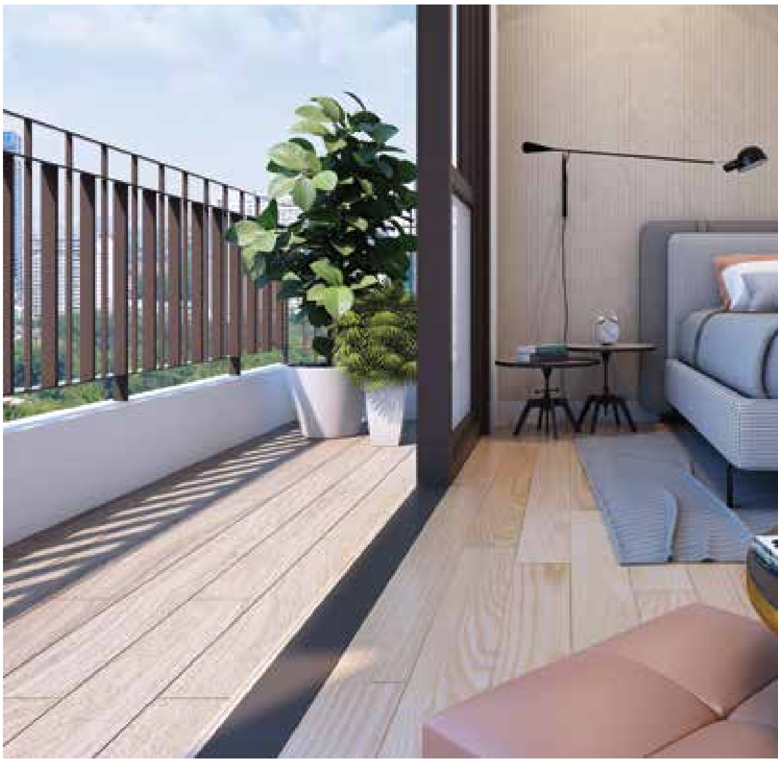
Given our dedication and commitment to growth and success across all business segments, the Group is confident of delivering our transformational strategy and creating long term value for shareholders.

INDUSTRY OUTLOOK

After the rationalisation of assets and the foray into property development thereafter, AISB then streamlined its corporate structure and moved to its new headquarter, which serves as the centralised base of operations. The new headquarter acts as an enabling platform for better planning and allocation of resources to tap and realise the Group's operational efficiency.

We believe the property sector would remain subdued in 2019 and a slight recovery is projected thereafter in 2020. The prevailing conditions are expected to continue to be challenging mainly due to weak demand and cautious consumer spending. Foreign currency exchange and oil price fluctuations could have direct impact on cost to import construction materials and equipment which will affect the performance of property investment and development segment of the Group. There is also risk due to ineffective project management which could lead to project delay, construction cost overrun, along with the risk of tighter lending policies from financial institutions which could lead to slowdown in the property and construction sectors.

Notwithstanding, there were two key announcements in the Budget 2019 tabled in Parliament by the new government recently directly impacting the property sector, i.e. the reviews on stamp duties as well as introducing a crowd-funding platform as an alternative source of financing for first-time home buyers, which were heartening indeed, in providing the required boost to kick-start the property market moving into 2019 and beyond.



CHAIRMAN'S STATEMENT

DIVIDEND

The Board of Directors has decided not to recommend the payment of any dividend for the financial year ended 31 December 2018.

APPRECIATION

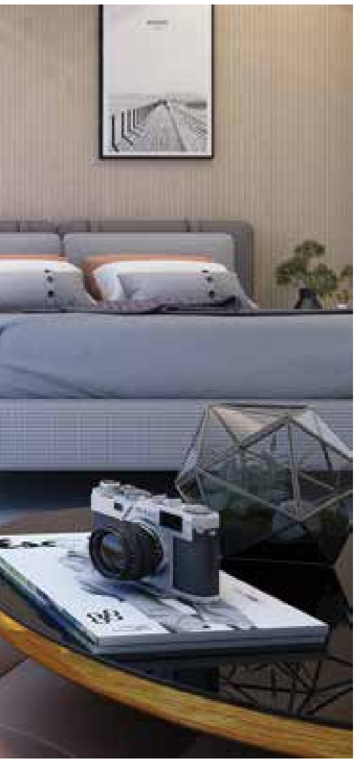
As we move forward to 2019, I take this opportunity to thank all our stakeholders, particularly our shareholders, valued customers and associates for the ardent support given throughout the years.

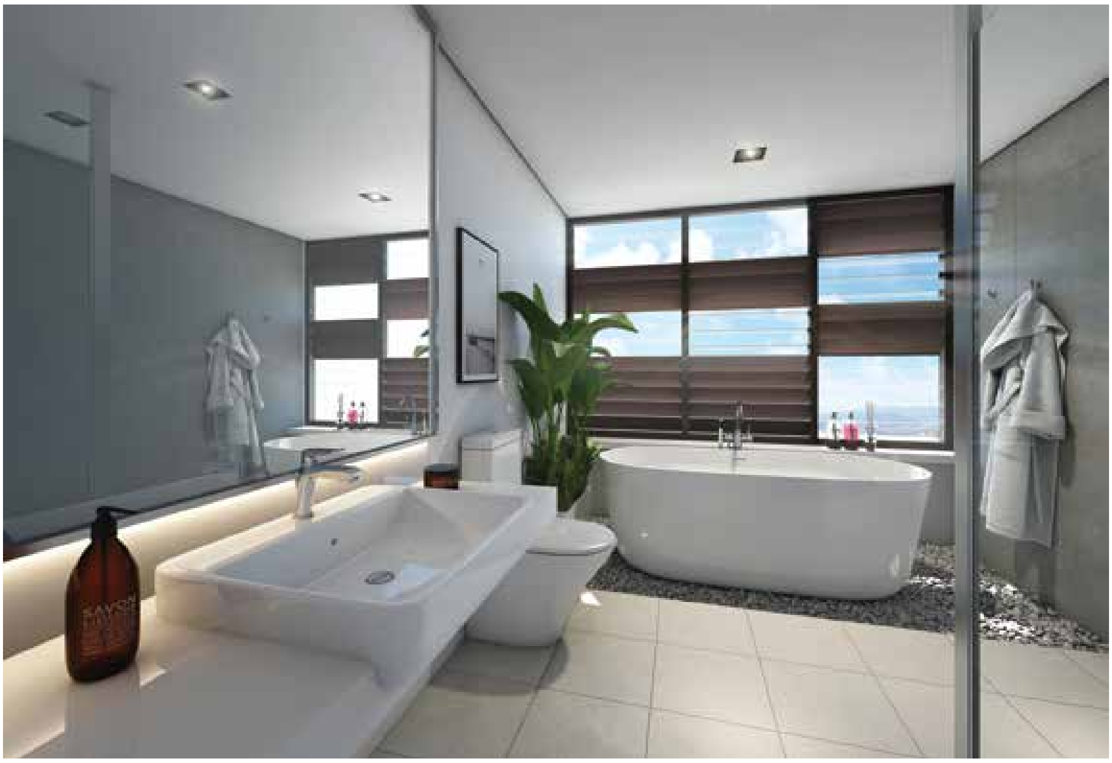
A special note of thanks and appreciation to one of our fellow Board members, Datuk Sulaiman Bin Salleh who resigned on 21 November 2018. Datuk Sulaiman has served the Group as a Director for more than 25 years with full commitment and dedication, and his departure will be deeply felt by us. He was instrumental in providing the oversight in financial reporting structure for AISB Group of Companies as the Chairman of the Audit Committee (now known as Audit and Risk Management Committee) in 1996.

I would also like to express my gratitude to my fellow Board members for their invaluable wisdom, contribution and continuing support.

Lastly, the Board and I would like to express our sincere appreciation to our management team and staff for their unrelenting loyalty, commitment and dedication to the Group as we leverage on all opportunities and overcome all challenges to ensure a strong and sustainable future for all.
Thank you.

Dato' Ghazali Bin Mat Ariff
CHAIRMAN





MANAGEMENT DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the operating performance and financial condition of Amalgamated Industrial Steel Berhad ("the Company") should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and notes related thereto.

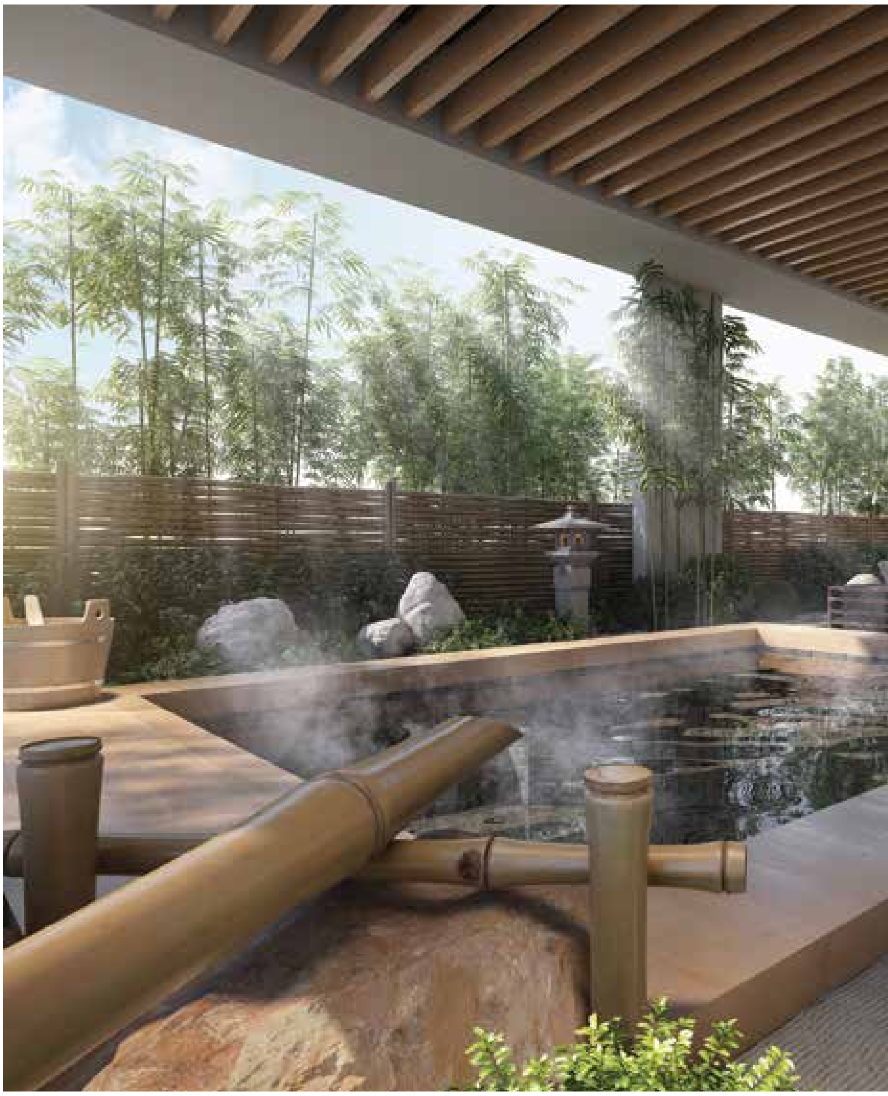
ANALYSIS OF FINANCIAL RESULTS

The Group recorded a lower revenue for financial year 2018 of RM4.26 million as compared to revenue of RM19.74 million in the preceding year. The drop-in revenue in the current financial year was mainly due to discontinuation of manufacturing operation since June 2017. Despite the revenue drop, the Group have no going concern issue because of our strong cash position, and our cash deposit of RM47 million generated interest income of RM1.56 million in 2018. The Group recorded loss before tax of RM4.98 million compared to profit of RM5.93 million from the previous year. The higher profit recorded in previous year was mainly attributable from the disposal of property, plant and equipment amounting to RM11.70 million, and the fair value gain of RM3.09 million on investment property.

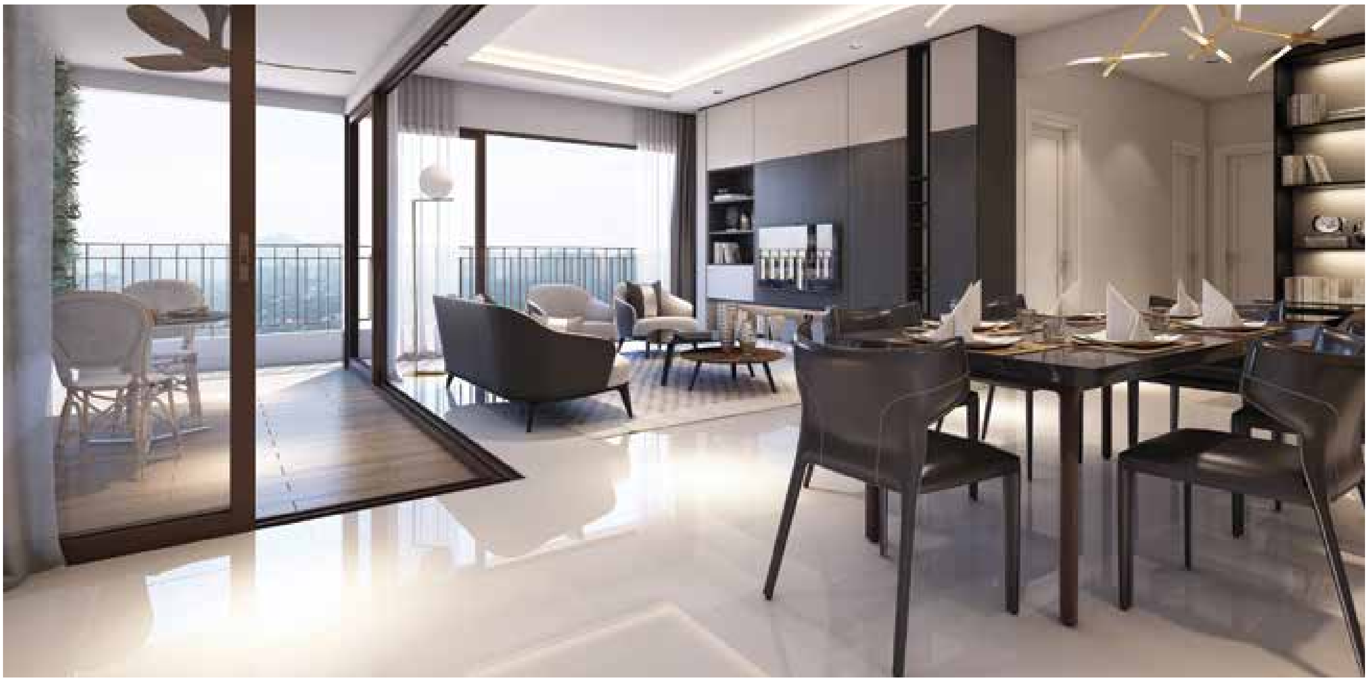
As at 31 December 2018, shareholders' funds remain at RM137.84 million which provides a net asset value per share of RM1.00 (2017: RM1.07). The loss per ordinary share for the financial year ended 31 December 2018 was 3.03 sen compared to 4.74 sen earnings per share for the previous financial year.

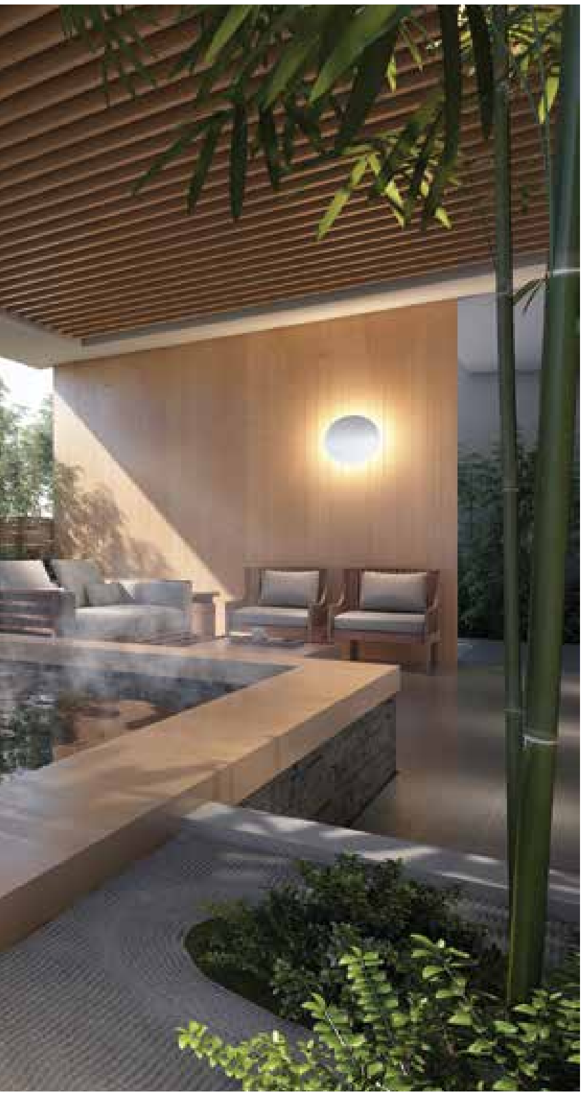
In 2019, the Group is expecting to launch our maiden project "Utamara Boutique Residences" at Kayu Ara in the 1st half of 2019. We anticipate higher revenue generated in 2019 after which Utamara Boutique Residences start developing together with our current rental revenue.

The new financial year, has thus far, expected to be very challenging. We are affected not only by local events and competition, but also by global events. However, the Group will continue to persevere and weather the storm, to the best of our ability with concerted efforts to focus on cost and cash flow management.



MANAGEMENT DISCUSSION AND ANALYSIS





REVIEW OF OPERATIONS

Generally, the property sector throughout 2018 remained subdued due to a myriad of factors, from macroeconomic uncertainties to weak consumer sentiment. Regional growth trends levelled off towards the end of 2018 and there is renewed caution on the global economy amid weaker corporate earnings and slower manufacturing activity, the lack of clarity on US policy and lingering trade tensions between US and China. The prolonged uncertainty would dampen consumer and business sentiment and thus pose downside risks to growth.

In financial year 2018, the property development sector had also experienced changes and challenges such as stringent lending policies, increase in unsold property units, approval freeze on selected commercial developments and interest rate hike. Nevertheless, in line with the Group's transformation strategy, the Group's drive to unlock the value of its property in Shah Alam had produced positive results.

The global economy is still growing but with multiple risk ahead that would increase global uncertainty, namely trade war, potential rising of US interest rates, financial volatility, intensified risks in emerging markets as well as political and geopolitical risks.

The Group had been seeking to limit its' risk through prudent management policies, continuous review and evaluation of the Group's operation and strategies, close working relationships with the Group's stakeholders, especially government authorities and technology upgrades in line with industry trends. We are determined in the approach to executing transformation plans despite market headwinds and looking for further business opportunities and synergies.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

Malaysia's economic growth is expected to moderate in 2019 to 4.5% while global growth was projected at 3.9%, as forecasted by World Economic Outlook (WEO). However, among emerging market and developing economies, growth prospects have become more uneven, amid rising oil prices, higher yields in the United States, escalating trade tensions, and market pressures on the currencies. The balance of risks had shifted further to the downside, including in the short term, the anticipated tariff increases by the United States in 2019 and the retaliatory measures by trading partners have increased the likelihood of escalating and sustained trade actions.

Notwithstanding the above, the Group's prospects in the immediate to medium term remains bright. The cyclical nature of the property industry places the sector at a point where the market is expected to recover and strengthen further. The winds of change are also driven by the change in political landscape in Malaysia. Although there are uncertainties arising from the implementation of the Government's new policies, we are confident that the economy of the country will improve with time and will place the country on a better footing for the future.

The Group has laid the foundations for the future growth of its property development and property investment through the implementation of the various action plans and these on-going activities will reinforce and continue to drive the growth and expansion of the Group in the coming years. Moreover, with our healthy net cash position, we have the capability to seize opportunities that can further enhance our performance.

Moving forward, the Group is poised to take advantage of the strengthening market with the launch of its residential development in first half of 2019. We are looking forward to seeing the maiden contribution from our property development division.

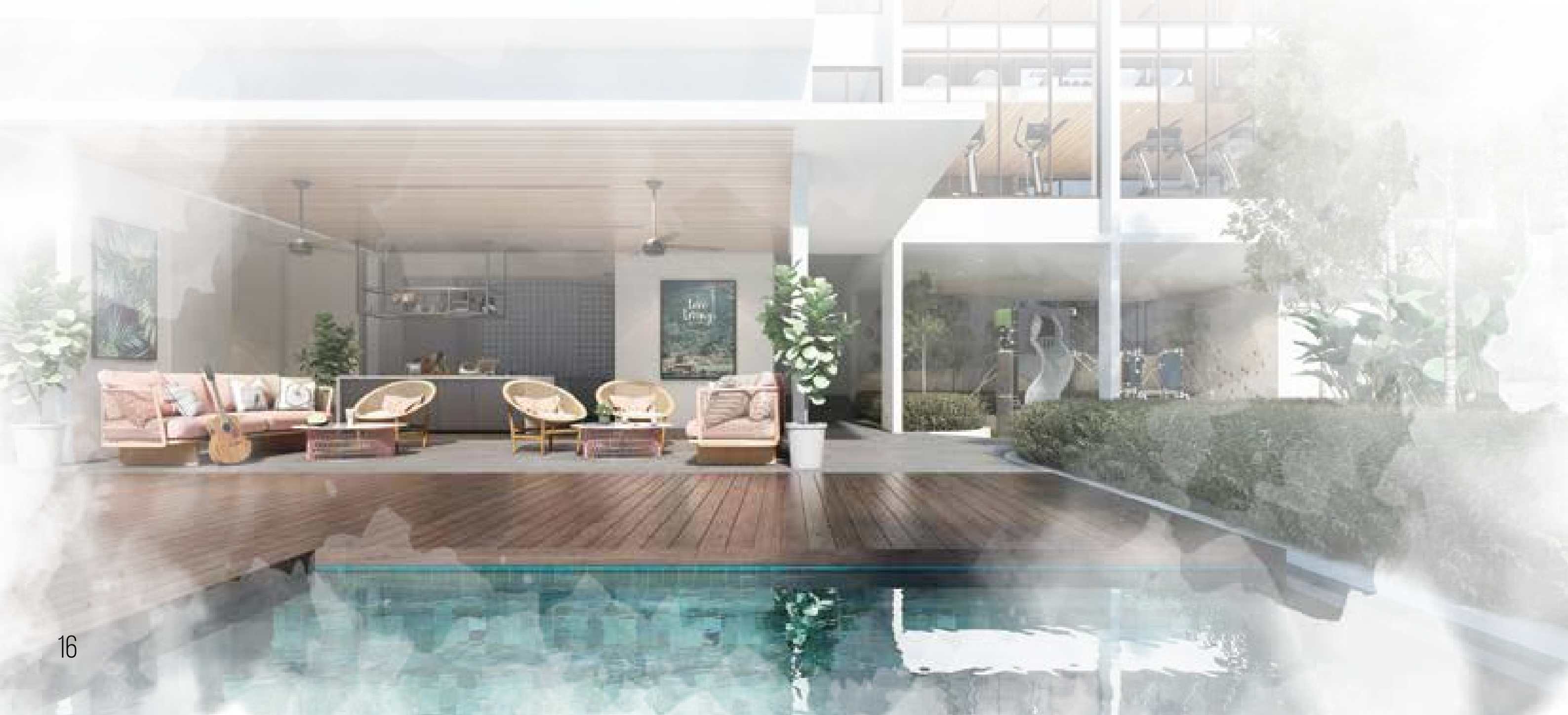
For the longer term, we will continue to explore business opportunities with the goal to enhance and expand our Group's businesses. We are also on the lookout for land banks selectively, amidst opportunities presented by the recovering market.

We remain mindful that the uncertainty and volatility in the global financial markets and business challenges such as volatility in exchange rates and raw material pricing will continue to persist. As such, we will continue to monitor these developments closely to ensure that the volatility is duly managed in a prudent manner. We will also strive to mitigate these challenges through better operational efficiency and controls.

The Group has every confidence to address these issues and has also taken steps to remedy or address these issues by setting out appropriate business strategies to mitigate these risks. We will continue to remain prudent and exercise discipline in carrying out our functions whilst enhancing our own competency and efficiency to achieve sustainable growth in the coming years.

The Group is confident, barring any unforeseen circumstances, of the prospect of the Group moving forward and that it will be able to improve in its' performance for the forthcoming year.

Management



GROUP FINANCIAL HIGHLIGHTS

	2014 RM' 000	2015 RM' 000	2016 RM' 000	2017 RM' 000	2018 RM' 000
1 RESULT OF OPERATIONS					
Gross Revenue	80,326	69,758	57,836	19,740	4,259
Profit / (Loss) Before Interest, Tax and Depreciation	880	(1,577)	7,191	6,690	(4,863)
(Loss) / Profit Before Tax	(2,649)	(4,580)	5,281	5,925	(4,975)
Profit / (Loss) After Tax	401	(6,503)	4,634	6,273	(4,170)
2 FINANCIAL POSITION					
Equity And Long Term Liabilities					
Authorized Share Capital	100,000	100,000	100,000	N/A	N/A
Paid-Up Share Capital	12,052	13,187	13,187	19,566	19,566
Treasury Shares	(3,725)	(3,725)	(3,725)	(3,725)	(3,725)
Share Premium	29	2,655	2,655	2,595	2,595
Asset Revaluation Reserve	49,596	50,204	60,926	24,540	24,540
Capital Reserve	48,209	48,209	48,209	48,209	48,209
Unappropriated Profit	8,436	2,825	8,166	50,825	46,655
Shareholders' Fund	114,597	113,356	129,419	142,010	137,840
Retirement Gratuities	286	212	228	234	126
Deferred Tax Liabilities	2,010	4,433	8,689	5,480	1,681
Long Term Assets					
Property, Plant & Equipment	48,615	49,146	1,259	573	671
Investment Properties	61,000	61,000	66,000	76,500	36,600
Other Investment	13	13	13	12	12
Other Assets	-	158	32	32	32
Other Assets And Liabilities					
Current Assets	48,066	40,582	50,605	74,624	107,380
Current Liabilities	40,801	32,897	41,982	4,017	5,048
Net Current Assets	7,265	7,685	8,623	70,607	102,332
Non-Current Assets Held for Sale	-	-	62,410	-	-
Total Assets	157,694	150,899	180,318	151,741	144,695
3 FINANCIAL RATIO					
Return on Equity (%)	0.35	(5.74)	3.58	4.42	(3.03)
Profit / (Loss) Before Interest, Tax and Depreciation on Revenue (%)	1.10	(2.26)	12.43	33.89	(114.18)
(Loss) / Profit Before Tax on Revenue (%)	(3.30)	(6.57)	9.13	30.02	(116.83)
Debt Equity Ratio (times)	0.31	0.26	0.21	-	-
Current Ratio (times)	1.18	1.23	1.21	18.58	21.27
Liquidity Ratio (times)	0.62	0.75	0.87	18.28	21.27
4 PER SHARE					
Earnings / (Loss) Per Share (Sen)	0.35	(5.32)	3.71	4.74	(3.03)
Share Price (Sen)	31	32	44	36	26
Net Asset Per Share (Sen)	100.77	90.63	103.47	103.22	100.19

LIST OF PROPERTIES

Tenure	Leasehold
Size	Lot PT 329: 6,752 sq. meters Lot PT 330: 182 sq. meters Total: 6,934 sq. meters
Carrying Value (RM)	22,822,511
Location	Both located at Kg Sg Kayu Ara Mukim of Sungai Buloh Daerah Petaling Selangor Darul Ehsan
Description / Existing Use	Property Development 99 years lease (expiring in 2117)

Tenure	Leasehold
Size	46,509 sq. meter
Fair Value (RM)	73,700,000
Address	Lot 22, Jalan Pelaya 15/1, Section 15 40200 Shah Alam Selangor Darul Ehsan
Location	H.S.(D) 172552 Bandar Shah Alam Daerah Petaling Selangor Darul Ehsan
Description / Existing Use	Investment Property and Property Development 99 years lease (expiring in 2074) Buildings approximately 3 years

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2019

Share Classification and Voting Rights

Class of Shares	:	Ordinary Shares
Voting Rights by show of hand	:	One vote for every member
Voting Rights by poll	:	One vote for every share held
Issued and Paid-up Capital	:	144,382,742 Ordinary Shares (including 6,797,300 ordinary shares retained as Treasury Shares)

1. Distribution of Shareholdings and Number of Shareholders as at 29 March 2019

Size of Shareholdings	No. of Shareholders	Percentage (%) of Shareholdings	No. of Shares Held	Percentage (%) of Issued Shares
Less than 100	466	14.12	16,671	0.01
100 – 1,000	243	7.36	106,214	0.08
1,001 – 10 ,000	2,003	60.68	6,765,851	4.92
10,001 – 100,000	499	15.12	15,147,325	11.00
100,001 – 6,879,271	88	2.66	75,777,406	55.08
6,879,272 and above**	2	0.06	39,771,975	28.91
Total	3,301	100.00	137,585,442	100.00

* - *Less than 5% of issued shares*
** - *5% and above of issued shares*

2. List of Thirty (30) Largest Shareholders as per Records of Depositors as at 29 March 2019

No.	Name of Shareholders	No. of Shares	Percentage (%)
1	Telaxis Sdn Bhd	31,475,175	22.88
2	Chuan Huat Hardware Holdings Sdn Bhd	8,296,800	6.03
3	Mass Ocean Sdn Bhd	6,417,679	4.66
4	Excel Impression Sdn Bhd	6,326,642	4.60
5	Era Erat Sdn Bhd	6,194,829	4.50
6	S H H Holdings Sdn Bhd	5,011,100	3.64
7	Kenanga Nominees (Asing) Sdn Bhd *Pledged Securities Account for Ra Wha Hyun (009)*	4,882,400	3.55
8	Yoon Wonsang	3,752,330	2.73
9	Siew Min Chung	3,664,500	2.66
10	Tan Chee Fatt	3,204,900	2.33
11	Maybank Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ng Boon Kheong*	3,062,600	2.23
12	Mohamad Nadziff Bin Bustari	2,941,200	2.14
13	Lim Seng Chee	2,194,950	1.60
14	Ng Boon Kheong	1,960,000	1.42
15	UOB Kay Hian Nominees (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	1,932,695	1.40
16	Yap Kiew @ Yap Yoke Ho	1,509,000	1.10
17	Teoh Hunt Thuim	1,220,000	0.89
18	Kenanga Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Liew Yoon Peck*	1,013,400	0.74
19	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Chew Huat (E-SPG)*	1,000,025	0.73
20	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Tan Kim Meng (M10)*	951,600	0.69

ANALYSIS OF SHAREHOLDINGS
AS AT 29 MARCH 2019

2. List of Thirty (30) Largest Shareholders as per Records of Depositors as at 29 March 2019

No.	Name of Shareholders	No. of Shares	Percentage (%)
21	Wong Seng Poh	947,100	0.69
22	Chia Kah Ying	839,900	0.61
23	Ho Chin Kong	761,700	0.55
24	Affin Hwang Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Joseph Salang Anak Gandum (M05)*	700,050	0.51
25	Lim Kian Wat	690,182	0.50
26	Cimsec Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Lai Ching Yang (T Mutiara - CL)*	622,000	0.45
27	MH Steel Sdn Bhd	572,500	0.42
28	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for OCBC Securities Private Limited (Client A/C - NR)*	542,850	0.39
29	Lim Seng Qwee	522,100	0.38
30	Soong Chee Keong	518,400	0.38
	Total	103,728,607	75.39

3. List of Substantial Shareholders as per Register of Substantial Shareholders as at 29 March 2019

Name	No. of Shares			
	Direct	%	Indirect	%
Telaxis Sdn Bhd	31,475,175	22.88	-	-
Chuan Huat Hardware Holdings Sdn Bhd	8,296,800	6.03	-	-
Dato' Lim Chee Meng	15,750	0.01	*31,475,175	22.88
Mr Lim Chin Sean	-	-	*31,475,175	22.88
LGB Holdings Sdn Bhd	-	-	#31,475,175	22.88
Adil Cita Sdn Bhd	-	-	#31,475,175	22.88

Notes:-
* *Deemed interest by virtue of his interest in Telaxis Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*
\# *Deemed interest by virtue of its interest in Telaxis Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

4. List of Directors' Shareholdings as per Register of Directors' Shareholdings as at 29 March 2019

	Name	No. of Shares			
		Direct	%	Indirect	%
a)	Dato' Ghazali Bin Mat Ariff	317,125	0.23	-	-
b)	Datuk Hew Lee Lam Sang	-	-	-	-
c)	Tuan Haji Fauzi Bin Mustapha	20,000	0.01	-	-
d)	Dato' Lim Yew Boon	10,000	0.01	-	-
e)	Mr. Lim Chin Sean	-	-	*31,475,175	22.88
f)	Dr. Goh Swee Por *(Alternate Director to Lim Chin Sean)*	-	-	-	-

Notes:-
* *Deemed interest by virtue of his interest in Telaxis Sdn Bhd pursuant to Section 8 of the Companies Act, 2016.*

SUSTAINABILITY STATEMENT

1. REPORTING PROFILE AND SCOPE

This is the first sustainability statement released by Amalgamated Industrial Steel Berhad (“AISB”) in accordance with Bursa Malaysia Securities Berhad’s (“Bursa Malaysia”) Sustainability Reporting Guide for the financial year ended 31 December 2018 which highlights the Company’s commitment towards sustainability by developing and implementing sustainability initiatives across our business units. Regular engagement and communication with our stakeholders allow us to anticipate and respond to economic, social, environmental and regulatory changes when they arise.

2. OUR APPROACH TO SUSTAINABILITY

Sustainability is an integral part of our business strategy, which is built on the three pillars of Economy, Environment and Social. We place our customers and their interests at the heart of our business, and in developing a robust strategy for sustainable growth that appeals to our key stakeholders, we explore and identify opportunities that create shared value.

ECONOMIC SUSTAINABILITY

- Business strategies moving forward amidst global and economic environment impact on financial results.
- Sustainable Development
- Creation of short, medium and long-term value for shareholders and added value for all the Company's stakeholders.

ENVIROMENTAL SUSTAINABILITY

- Protecting and preserving the environment by incorporating elements of green design and innovation in our projects.
- Managing waste responsibly.
- Reducing energy and water consumption.

SOCIAL SUSTAINABILITY

- Employees' Wellfare and Well-being
- Contribution to the Community
- Health and Safety
- Engagement with the related stakeholders

SUSTAINABILITY STATEMENT

ECONOMIC SUSTAINABILITY

i. Business strategies moving forward amidst global and economic environment impact on financial results

2018 was another challenging year for the global economy due to the uncertainties and financial market volatility which weighed on consumer sentiments. Unresolved trade tensions between powerful trading nations remain a key source of risk, affecting global trade and investment activities. Tighter global financial conditions and elevated political and policy uncertainty could lead to financial market adjustments, further weighing on the overall outlook for 2019.

Closer to home, Malaysia's economic fundamentals remain sound with a growth of 4.7 per cent in 2018. Looking ahead, growth is expected to be sustained in 2019 which augur well for the property sector.

Early this year, we witnessed a watershed event with the conclusion of the 14th General Election in May 2018. The peaceful transition of power reinforced people's faith in our maturing country, awakening a sense of optimism towards future growth. The new government has also moved quickly with early measures to remove GST and the announcement of the impending National Housing Policy 2.0, which have also contributed to positive consumer sentiments.

As per research information gathered from National Property Information Centre (NAPIC), the recent echo of improving sentiments coupled with sound growth momentum of the economy and rebound of oil price among others, showed that there is a window of opportunity for recovery in the property market, including the high-end segment. Malaysia is expected to return to the radar of investors after the market stabilises with more clarity in the policies of the newly elected Government.

In the midst of intensifying competitiveness, demand and supply gaps and the tightening fiscal policies, our business strategy is to focus on continuously rebalancing the Group's income by improving operational efficiencies and expanding into new growth areas.

We will also closely monitor our operations on the ground and minimise any negative impacts on the environment, the eco-systems and the communities surrounding our maiden project. With our financial capability, we will not lose focus on retaining the value of our capital investments and accelerating income opportunities. We recognise that without financial capital, we will be unable to deploy other capitals for sustainable and planned growth. For instance, our emphasis on human capital and efforts to address talent development positively which contributes to enhancing our productivity and the overall performance of our financial capital. Finally, our strategy to develop our intellectual capital, i.e., the strength of our Parkwood brand which will enhance our capacity to innovate and strengthen our Parkwood brand equity and reputation.

For more information about the Group's financial performance, please refer to the Group Financial Highlights on page 17 of Amalgamated Industrial Steel Berhad Annual Report 2018.

ii. Sustainable Development

The Company endeavours to create a positive impact by supporting procurement of products and services from locally established business entities in-line with the Government's effort to spur the economy through local spending.

We are also focused on effective people management to groom talent and optimise work strength across all operations.

In the context of our business and our continuing mission to create value for our multiple stakeholders, efficient systems and processes, meaningful economic growth, innovation, and partnerships contribute to sustainable development. We therefore emphasise on the economic value generated and distributed for greater benefit of the employees, our supply chain partners, the government as well as the community.

We aim to contribute towards building sustainable communities, expanding our product solutions to niche customer segments, building resilience against a cyclical operating environment, and meaningfully contributing to our future profitability.

iii. Creation of short, medium and long-term value for shareholders and added value for all the Company's stakeholders

- In the context of our Company's stakeholders, we have also revisited our business model to incorporate various aspects of 'Value Creation' in the short, medium and long-term to include both financial and non-financial metrics of performance. These strategies will not only drive sustainable growth in the short, medium, and long-term, but will also help mitigate our top material issues such as product quality and people development.

- Product quality can have far reaching impact on our reputation, as well as business plans. The everchanging customer expectations in relation to timely delivery and quality products challenges us to meet the constantly evolving market needs by delivering the right products at the right price. Concurrently, ensuring operational efficiency from the product design up to hand over stage.

- Externally, due to the price and market volatility, there is always a risk of increasing costs and diminishing margins in the short-term. But in the long-term, with our uncompromising stand on quality product, systems and solutions, we believe that we will see an incremental surge in our future development portfolio income.

- On balance, we will be mindful of our risks and aim to reduce our development cycle by optimising processes, enhancing our procurement strategy, implementing strategic sourcing and value engineering through improved design and planning in our residential townhouse development project. These in turn will help achieve new efficiencies and cost reduction in the long-run.

- Ensure full compliance to the applicable regulations and requirements governing the Company's business activities.

ENVIRONMENTAL SUSTAINABILITY

i. Protecting and Conservation of the environment

- We streamlined our corporate structure and moved to a Green Building Index ("GBI") compliant building in mid-2017, which serves as our centralised base of operations aimed at saving energy and resources through eco-friendly measures. The new headquarter acts as our enabling platform for better planning and allocation of resources to tap and realise the Group's operational efficiency.

- Our projects will incorporate elements of green design that promote energy conservation and innovation.

- Given that the construction process would typically generate large volumes of waste, concerted efforts will be taken to mitigate the problem through positive measures to reduce waste generated.

- Creating awareness amongst the employees on green issues and their contribution to global warming and encouraging the practice of the 3Rs within the organisation including water conservation in some of our operations.

ii. Managing Waste Responsibly

- The Group ensures that all waste and by-products (of all segments) are economically channelled for recyclers and/or disposed by professional handlers with minimum impact on the environment.

- We encourage the use of recycled paper for general paperwork such as photocopying, single-page printing and scrap paper for notes.

- We also leverage on the advances in the field of technology by conducting paperless e-meetings, where permissible, to minimise usage of papers.

- Our paper usage at the office is also minimised by encouraging our employees to communicate through emails or online channels, furthering our commitment to reduce waste.

iii. Reducing energy and water consumption

- We extend our sustainability initiatives to include core structural designs that promotes natural lighting and insulation in our residential townhouse development which is both environmentally conscious and sustainable to its occupants.

- Our maiden project that will be conceptualised in 1st half of 2019 will be equipped with rain-water harvesting system and efficient water fittings to reduce water consumption and wastage.

SUSTAINABILITY STATEMENT

SOCIAL SUSTAINABILITY

i. Employees' Welfare and Well-Being

We strive to maintain our standards in the development of our employees to ensure that the pool of human talent remains with us. We subscribe to the principle that our employees are one of the main pillars of our success and they remain our most valuable asset.

Among the pertinent human resource initiatives to advance the welfare and well-being of our employees and to enhance the overall human capabilities and competitiveness within the organisation include:

- Promoting a safe working environment that foster mutual respect where employees irrespective of status, position and gender are treated with dignity and free from sexual harassment;
- The Board formalised a revised Employee Handbook in 2018, which details the Group's expectations of its employees while also outlining acceptable behaviour during their employment period. The Handbook also includes a list of benefits that are the entitlement of fulltime employees.
- Ensuring continuous human resource development by making available training and career advancement opportunities;
- Providing suitable sporting and recreational amenities to our employees to lead a balanced and healthy lifestyle;
- Diversity and equal opportunity are a key component to develop a fair workplace, hence we have adopted a merit-based and non-discriminatory hiring practices;
- Providing staff with medical, dental, hospitalisation and insurance benefits including certain benefits to extended family members;

ii. Contribution to the Community

The Company recognizes the importance of being a responsible corporate citizen. In this regard, the Company has been providing financial and non-financial support to those in need, with a special focus on aiding programmes targeted at the younger generation and the less privileged in society.

- The CSR initiatives encourage our employees to be involved and engaged in meaningful activities for the society and supporting numerous charitable causes both in cash and kind to help the needs of communities.
- Philanthropy or donations to charitable causes has been one of the corporate social events carried out by the Group in 2018.
- Organising Back-To-School supplies for underprivileged students.

Our volunteer team initiated two meaningful community engagement programmes during the reporting period as listed below -

- Al Munirah Ophanage, Klang on 22nd November 2018 with the objective of providing donation and back-to-school supplies.
- Ebenezer Home, Shah Alam on 30th November 2018 with the objective of providing donation and dry food supplies.

iii. Health and Safety

- The diversity of the business activities at AISB requires us to pay special attention to how our practices prioritise our employee and public safety. On the matter of health and safety at our manufacturing plant and construction sites, we have regulations and policies that promote safe practices among our employees and workers at the workplace. We strive to comply with relevant laws and legislations to ensure that health and safety in the workplace are not being compromised.
- We appoint qualified and competent Safety Personnel to oversee the compliance of health and safety requirements at our construction site.
- AISB is also supportive of the government's policy in providing a smoke-free environment at the workplace to protect non-smokers.

iv. Engagement with the Related Stakeholders

We recognize the need for effective channels of communication and high standards in the provision of services in our continuous efforts to build a long-term relationship with our shareholders, investors, members of the media, regulators, customers and financiers. We believe that reaching out to these stakeholders and maintaining strong and cordial relationship with them is a crucial component of our business growth strategy.

Among the related initiatives to promote engagement with related stakeholders include:-

- Continued participation in the CMDF-Bursa Research Scheme ("CBRS") administered by Bursa Malaysia with the aim of ensuring wider research coverage on our Company;
- Facilitating members of the media to interview directors and authorised spokespersons of the Company from time to time;
- Providing stakeholders with dedicated email at admin@aisberhad.com.my for them to communicate with the Company on any matters.

3. REGULATORY COMPLIANCE

Meeting the compliance demands and expectations of our stakeholders requires regular audits, inspections and reporting, which we prioritise as it sets the foundation of a healthy and transparent business operation and in effect, reduces incidents of non-compliance.

Non-compliance to laws and regulations could result in the Company being reprimanded or penalised by the relevant authority or regulatory body. Therefore, we remain vigilant of the changes and updates made to regulations relating to the Group's business operations.

4. COMMITMENT TO ANTI-CORRUPTION

We are committed to the highest standard of integrity and maintaining a high standard of accountability in the way we conduct our business and operations. We believe that risk management and consolidating information on risks enable consistent decision-making across all risk categories and can guide the Group in seizing opportunities, staying a step ahead of uncertainty, meeting stakeholder expectations and capturing emerging risks.

Corruption is prohibited within our Group and everyone does their part in preventing it. To ensure transparency and protect our values, we have a Whistleblowing Policy that provides a safe channel for employees to report any suspected misconduct within the Group. The aim of this Policy is to provide an avenue for employees and others who have serious concerns about any suspected misconduct to come forward and voice those concerns. It strives to foster and maintain an environment where employees can act appropriately without fear of punishment or unfair treatment and help maintain a safe workplace, while protecting the company's reputation.

Our commitment to preventing corruption is in line with the government policy where we ensure that proper care and judgment is exercised in our daily business activities including awarding contracts. The Group has zero tolerance for unethical and illegal conduct by Group employees. We will conduct due diligence to assess the integrity of prospective business counterparties to avoid any allegations of bribery and corruption. We shall not enter any business dealings with any third party reasonably suspected of engaging in bribery and improper business practices unless those suspicions are investigated and resolved.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

Throughout the years, Amalgamated Industrial Steel Berhad ("AISB" or "the Company") and its Board of Directors ("the Board") have been resolute in ensuring that the Company and its subsidiaries' ("the Group") business and affairs strictly adhere to the doctrine and principles of good corporate governance such as integrity, transparency, accountability and responsible business conduct.

The Board of AISB is committed in ensuring a high standard of corporate governance is practiced whilst pursuing its corporate objectives in enhancing the shareholders' value and competitiveness. The Board is mindful of the importance of governance and acknowledges to continue delivering sustainable performance and instilling best corporate governance practices in building a sustainable business.

The Group will continue its efforts in evaluating its governance practices in response to evolving best practices and the changing requirements of the Group. The Board is pleased to present the Corporate Governance Overview Statement for the year ended 31 December 2018 outlining the application of the principles and recommendations as set out in the following guides:

1. Companies Act 2016 ("CA 2016");
2. Main Market Listing Requirements ("Main LR") of Bursa Malaysia Securities Berhad ("Bursa Securities");
3. Malaysian Code on Corporate Governance 2017 ("the Code"); and
4. Third Edition of Corporate Governance Guide issued by Bursa Securities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The responsibilities of the Board, which was set out in a Board Charter, include Management oversight, setting strategic direction premised on sustainability and promoting ethical conduct in business dealings. AISB is led by an experienced Board comprising members who are specialist in various business sectors supported by a wide range of other professionals in the accounting, economics, IT, engineering and legal sectors. This wide spectrum of skills and experience provide the strength that is needed to lead the Company to meet its objectives and enable the Company to rest in the firm control of an accountable and competent Board of Directors.

Board Charter

The Board Charter established clearly the functions reserved for the Board, Directors roles and responsibilities and those delegated to the Management. It acts as a reference in providing the Board members and Management insight into the functions of the Board of Directors. The core areas of the Board Charter are as follows:

1. Company Goals, Mission and Vision
2. Board Governance Process
3. Board and Management Relationship
4. Board and Shareholders Relationship
5. Stakeholders Relationship
6. Schedule of Board Matters

The Board Charter will be reviewed from time to time to ensure its consistency with the Board's objectives and current laws and practices.

The Board Charter is accessible through the Company's website at www.aisberhad.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (cont'd)

Duties and Responsibilities of the Board

The Board is dedicated to practice clear demarcation of duties, responsibilities and authority within the Company. Its key responsibilities pursuant to the recommendations of the Code include:

- Reviewing of the strategic direction of the Group, establishing goals for management and monitoring achievement of these goals;
- overseeing the conduct of the Group's business operations and performance;
- identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- reviewing the adequacy and integrity of the Group's internal controls system of the Company;
- implement succession planning for business and functional continuity; and
- overseeing the development and implementation of a policy to enable effective communication with its shareholders and other stakeholders.

There is a schedule of matters reserved specifically for the Board's decision, which includes approval of corporate plans and annual budgets, announcement of quarterly results, major capital expenditure, significant financial matters and the adequacy and integrity of internal controls, including risk assessment.

The Board delegated certain responsibilities to the Management or Board Committees namely the Nomination Committee, the Remuneration Committee, the Audit and Risk Management Committee. These Committees have the authority to examine specific issues and forward their recommendations to the Board. The final decisions on all matters, however, rest with the Board.

Separation of positions of Independent Non-Executive Chairman ("the Chairman") and Executive Directors

The Group practices and faithfully observed division of responsibilities between the Chairman and Executive Directors. The roles of the Chairman and Executive Directors are separate with clear distinctions of responsibilities between them to ensure balance of power and authority. The Chairman, Dato' Ghazali Bin Mat Ariff is primarily responsible for the orderly conduct of the Board meetings and ensure effectiveness of the Board and the Executive Directors, Dato' Ronnie Lim Yew Boon and Mr. Lim Chin Sean are responsible for the day-to-day operations of the Group whereby operational issues and problems are discussed, major transactions and matters relating to the Group are reviewed and also to formulate operational strategies.

The Independent Non-Executive Directors are independent of Management and free of any relationship which could materially interfere with the exercise of their independent judgement. They provide a check and balance on the performance of Management.

Code of Conducts and Ethics

Directors are expected to conduct themselves, as per the Directors' Code of Ethics ("the Directors' Code"), with the highest ethical standards, to behave ethically and professionally at all times to promote and protect reputation and performance of the Company.

The Directors' Code covers the principles of conflict of interest, insider dealings, integrity, compliance to law and etc. The Directors' Code, adopted by the Board in 2013, is accessible through the Company's website at www.aisberhad.com.my.

The Board believed that having a Whistle-Blowing Policy and Procedure in place will strengthen, supports good management and at the same time demonstrates accountability, good risk management and sound corporate governance practices. A Whistle-Blowing Policy, recommended by the ARMC, was adopted by the Board in year 2013. The Whistle-Blowing Policy is accessible through the Company's website at www.aisberhad.com.my.

The Board aimed to provide an avenue and to act as a mechanism for parties to channel their complaints or to provide information on fraud, wrongdoings or non-compliance to any rules or procedures by the employee or Management of the Company. The policy outlines when, how and to who a concern may be properly raised, distinguishes a concern from a personal grievance and allows the whistle-blower the opportunity to raise a concern outside their management line and in confidence. The identity of the whistle-blower is kept confidential and protection is accorded to the whistle-blower against any form of reprisal or retribution.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Diversity Policy on Gender Diversity

The Company takes diversity not only in Boardroom but also workplace as it is an essential measure of good governance, critically attributing to a well-functioning organisation and sustainable development of the Company. Diversity encapsulates not only gender but also age and ethnicity, if well-managed, can drive performance and strengthen governance.

As at the date of this statement, no gender diversity policies, targets and measures have been set by the Company. The Board through the Nomination Committee will take the necessary steps to ensure that women candidates are sought as part of its recruitment exercise.

Despite the importance of Boardroom diversity, the Board is of the view that the selection criteria of a Director, based on effective blend of competencies, skills, extensive experience and knowledge in areas identified by the Board, should remain a priority, not to compromise on qualification, experience and capabilities.

Sustainability

The Board recognises the importance of sustainability and its increasing significance in the business. The Board is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the need of the wider community, the requirements of shareholders and stakeholders and economic success.

In transition to implement the Code, the Company will consider formalising a Sustainability Policy which aims to endeavour to integrate the principles of sustainability into the Company's strategies, policies and procedures and ensure that the Board and Senior Management are involved in implementation of this policy, review the sustainability performance and create a culture of sustainability within the Company, and the community, with an emphasis on integrating the environmental, social and governance considerations into decision making and the delivery of outcomes.

The Non-Executive Directors are to deliberate and discuss policies and strategies formulated and proposed by Management with the view of the long-term interests of all stakeholders. They contributed to the formulation of policies, and decision making using their expertise and experience. They also provide guidance and promote professionalism to the Management. The Independent Non-Executive Directors fulfilled a pivotal role in corporate accountability, providing independent and unbiased view, advice and judgement to ensure a balanced and unbiased decision making process to ensure that the long term interests of all stakeholders and the community are well protected.

Succession Planning

The Board is responsible for reviewing candidates for key positions namely, the Non-Executive Chairman, Executive and Non-Executive Directors and all head of divisions; the succession planning to ensure all candidates appointed to Senior Management positions are of sufficient expertise. The Board had adopted a Succession Planning Policy to ensure that there are avenues in place to provide for the orderly succession of Senior Management.

Supply and Access to Information

The Directors are supplied with and have unrestricted access to information pertaining to the Group's business and affairs to enable them to discharge their duties effectively. The information provided includes both verbal and written details.

All scheduled meetings held during the year were preceded by a formal agenda issued by the Company Secretaries in consultation with the Management. Prior to meetings, appropriate documents which include the agenda and reports relevant to the issues of the meetings are circulated to all members. All Directors have full and timely access to information with board papers distributed in advance of meetings. This ensures that Directors have sufficient time to appreciate issues deliberated at meetings which in turn enhances the decision making process.

All Directors have access to further information which they may require in discharging their duties including seeking independent professional advice, if necessary, at the Company's expense. They also have access to the advice and services of the Company Secretaries who are experienced, competent and knowledgeable on the laws and regulations, as well as directives issued by the regulatory authorities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

I. Board Responsibilities (Cont'd)

Qualified and Competent Company Secretaries

The Board is supported by two (2) experienced and competent Company Secretaries, who are qualified to act under Section 235(2) of the CA 2016. The Company Secretaries are responsible to the Board for ensuring that all governance matters and Board procedures are followed and that applicable laws and regulations are complied with. These include obligations on Directors relating to disclosure of interests and disclosure of any conflicts of interest in transactions with the Group. The Company Secretaries also highlights all compliance and governance issues which they feel ought to be brought to the Board's attention. The Companies Secretaries had and will constantly keep themselves abreast, through continuous training on the regulatory changes and development in corporate governance.

The Company Secretaries provides support to the Chairman of the Company to ensure the effective functioning of the Board. The Company Secretaries and/or representative organise and attend all Board Meetings and Board Committees' Meetings ensuring that the accurate and proper record of deliberation of issues discussed, decisions made and conclusions taken. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Senior Management.

In ensuring the uniformity of Board conduct and effective boardroom practices throughout the Group, the Company Secretaries have oversight on overall corporate secretarial functions of the Group and maintains all secretarial and statutory records of the Group.

The Board is satisfied with the performances and support rendered by the Company Secretaries to the Board in the discharge of their functions.

II. Board Composition

Board Balance

The Board consists of five (5) principal directors and one (1) alternate director. Out of the five (5) principal directors, two (2) are Executive Directors and three (3) are Non-Executive Directors. Three (3) of the Directors are independent, which is in compliance with the Main LR of Bursa Securities in respect of the board composition.

The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors with a wide range of professional skills, which are relevant and necessary for the business direction of the Group. A brief profile of each Director is presented on pages 7 to 9 of this Annual Report.

Board Committees

The following Board Committees have acted within the framework specified by the Board. These committees have sporadically made proposals to improve and enhance the role of the Board in governance processes. The Chairman of each of these Board Committees will report to the Board on the outcome of the Committee Meetings.

Below is a general description of some of the basic functions of the respective Board Committees.

a. Audit and Risk Management Committee

On 14 December 2017, the Board had approved the merger of the Audit Committee and Risk Management Committee to be known as the "Audit and Risk Management Committee" effective from 1 January 2018. The Audit and Risk Management Committee, which comprises exclusively of Independent Non-Executive Directors, is responsible for reviewing and monitoring the Group's internal audit processes, its external auditors, and of the integrity of the Group's financial statements. It is also responsible for reviewing the effectiveness of internal controls system.

The full details of the composition, terms of reference and summary of the activities of the Audit and Risk Management Committee during the year are set out in the Audit and Risk Management Committee Report on pages 43 to 47 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

b. Nomination Committee

The Board established a Nomination Committee in May 2002, which consists exclusively of Independent Non-Executive Directors. The Chair of the Nomination Committee is the Independent Non-Executive Director identified by the Board.

Chairman :	Datuk Hew Lee Lam Sang (appointed on 29 January 2019)	Independent Non-Executive Director
Members :	Dato' Ghazali Bin Mat Ariff	Independent Non-Executive Director
	Tuan Haji Fauzi Bin Mustapha	Independent Non-Executive Director

The functions of the Nomination Committee are to assist the Board in discharging its responsibilities, particularly in:-

- assessing the effectiveness of the Board, respective Committees and contribution of each Director;
- identifying, appointing and orientating new directors;
- identifying the required mix of skills, experience and other core competencies the Board needs for it to function effectively and efficiently;
- developing, maintaining and reviewing the criteria to be used in the recruitment process and annual assessment of Directors;
- developing the criteria for annual assessment of independence of the Independent Directors of the Company by the Board and recommending to the Board for continuation in service of Independent Director(s) who have served the Board for a cumulative term of more than nine (9) years; and
- establishing measures to approach the boardroom diversity.

To carry out the tasks of reviewing on an annual basis the effectiveness of the Board as a whole, Independent Directors, Board Committees and the contribution of each individual Director, the Nomination Committee has adopted the following performance evaluation forms in assessing and evaluating the required mix of skills and experience, including core competences, which the Directors should bring to the Board:-

a. Audit Committee Evaluation Questionnaire;
b. Independent Directors' Self-Assessment Checklist;
c. Directors'/Key Officers' Self-Assessment Evaluation Form;
d. Board Skills Matrix Form; and
e. Board and Board committees Evaluation Form.

The Nomination Committee held one (1) meeting during the financial year ended 31 December 2018. The summary of activities of the Nomination Committee during the financial year ended 31 December 2018 is as follows:-

- Assessed the effectiveness of the Board as a whole and contribution of individual Directors for the financial year ended 31 December 2017;
- Reviewed and recommended to the Board, re-election of Directors who are retiring by rotation; and
- Assessed the independence of Independent Directors, who have served the Board for a cumulative term of more than nine (9) years.
- Assessed the term of office and performance of the Audit Committee and each of its members in respect of financial year ended 31 December 2017.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

c. Remuneration Committee

The Board established a Remuneration Committee in May 2002, which consists exclusively of Independent Non-Executive Directors:-

Chairman :	Dato' Ghazali Bin Mat Ariff	Independent Non-Executive Director
Members :	Tuan Haji Fauzi Bin Mustapha	Independent Non-Executive Director
	Datuk Hew Lee Lam Sang (appointed on 29 January 2019)	Independent Non-Executive Director

The Remuneration Committee is responsible to review the remuneration and benefits package to the Executive Directors, the Directors' fees and benefits to the Non-Executive Directors of the Company and also the meetings allowances to all Directors.

The Remuneration Committee held one (1) meeting during the financial year ended 31 December 2018. The summary of activities during the financial year ended 31 December 2018 is as follows:-

- Reviewed and recommended to the Board, payment of Directors' fees and benefits in-kind for the financial year ended 31 December 2017; and
- Reviewed and recommended to the Board, remuneration package of the Executive Directors of the Company.

The Remuneration Committee has written Terms of Reference which deals with its authority and duties and these Terms are disclosed on the company's website.

Appointment to the Board

The Board recognizes its responsibility to carefully appraise and consider the appointment of new and existing Directors so as to continue functioning effectively. Thus, whilst the initial appraisal of new candidates is delegated to the Nomination Committee, the Board will ensure that the appointment or reappointment of each Director will maintain the good balance of skills and experience in its composition. In assessing suitability of candidates, considerations will be given to the competencies, commitment, contribution and performance. Management will facilitate board induction by providing the new Director with relevant information about the Group.

The Nomination Committee is responsible for identifying, assessing and recommending to the Board, suitable nominees for appointment to the Board and Board Committees. Candidates are normally sourced through recommendations by existing Board members, Management or major shareholder. Nevertheless, the Nomination Committee is also open to utilise independent sources to identify suitable qualified candidates.

Retirement and Re-Election

The Company's Constitution requires a Director to retire at the Annual General Meeting ("AGM") following his appointment but he shall be eligible for re-election. The Company's Constitution also provides that one third (1/3) or the number nearest to one third (1/3) of the Directors in office are to retire by rotation at each AGM and the Directors may offer themselves for re-election.

Any person appointed by the Board either to fill a casual vacancy or as an addition to the existing Directors, shall hold office until the conclusion of the next Annual General Meeting and shall then be eligible for re-election.

With the enforcement of the CA 2016, there is no requirement for Directors who are of or over the age of seventy (70) years to seek for re-appointment to the Board annually.

In February 2019, the Board approved the recommendation of the Nomination Committee that Tuan Haji Fauzi Bin Mustapha, who is due for retirement by rotation at the Forty-Eighth AGM pursuant to Article 116 of the Company's Constitution, is eligible to stand for re-election at the Forty-Eighth AGM. Tuan Haji Fauzi Bin Mustapha had expressed his intention to seek for re-election at the Forty-Eighth AGM.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Annual Assessment of Independent Directors

The Independent Directors play a key role in corporate accountability and provide unbiased views and impartiality to the Board's deliberation and decision making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders in the Group.

Any Director who considers that he has or may have a conflict of interest or a material personal interest or a direct or indirect interest or relationship that could reasonably be considered to influence in a material way the Director's decisions in any matter concerning to the Company is required to immediately disclose to the Board and to abstain from participating in any discussion or voting on the respective matter.

The Nomination Committee has developed the criteria to assess independence of the Independent Directors. The Board will apply these criteria upon admission, annually and when any new interest or relationship develops.

The Board with assistance from the Nomination Committee will undertake to carry out annual assessment of the effectiveness of the Board as a whole, including Independent Non-Executive Directors and consider whether the Independent Directors can continue to bring independent and objective judgment to the Board deliberations.

For the financial year ended 31 December 2018, the Board assessed the independence of its Independent Non-Executive Directors based on the criteria developed by the Nomination Committee of the Company. The Board is satisfied with the level of Independence demonstrated by all the Independent Directors and their ability to act in the best interest of the Company.

Tenure of Independent Directors

The Board has not developed a policy which limits the tenure of its Independent Directors to nine (9) years. However, the Board is mindful that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years and upon completion of nine (9) years, to re-designate the director as Non-Independent Director if he continues to serve on the Board pursuant to the Code. If the Board intends to retain an Independent Director beyond nine (9) years, the Company should justify and seek shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12) year, the Board should seek shareholders' approval through a two-tier voting process and the manner to obtain the shareholders' approval on the resolution shall follow the recommendation of the Code.

The Board further recognises that the tenure is not the absolute indicator of a Director's independence and objectivity wherein the spirit, intention, purpose and attitude, background and current activities should also be considered.

Tuan Haji Fauzi Bin Mustapha has served the Board for more than nine (9) years as Independent Director. Thus, shareholders' approval will be sought to retain him as Independent Director of the Company. The Nomination Committee and the Board have performed an assessment on the independence of the Independent Directors based on the criteria approved by the Board. Upon the Nomination Committee's recommendation, the Board recommended for shareholders' approval the retention of Tuan Haji Fauzi Bin Mustapha as Independent Non-Executive Director, based on the following justifications:-

- he has fulfilled the criteria under the definition of an Independent Director as stated in the Main LR of Bursa Securities;
- he has vast experience in a diverse range of businesses which enable him to provide constructive and independent judgment in the best interest of the Company;
- he has ensured that there is effective check and balance in proceedings of the Board and Board Committees and have actively participated in Board's deliberations, provided objective and independent opinion to the Board; and
- he has devoted sufficient time and attention to his responsibilities as Independent Non-Executive Director of the Company and exercised due care in the interest of the Company and shareholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Number of Directorship

Pursuant to Paragraph 15.06 of the Main LR of Bursa Securities, Directors of the Company must not hold more than five (5) directorships in public listed companies.

The Directors of the Company are required to first notify the Chairman, prior to acceptance of new directorship in other public listed companies, including the estimated time commitment required, to ensure that such appointment would not affect their commitments and focus for an effective input to the Board.

As at the date of this statement, none of the Directors of the Company hold more than five (5) directorships in public listed companies. The directorships of each Director are set out in the Profile of Directors on pages 7 to 9 of this Annual Report.

Board Meetings

The Board of Directors meets on a quarterly basis with additional meetings convened as and when necessary, to inter-alia approve quarterly financial results, business plans, budgets, governance matters and other business development activities. Special Board meetings may be convened to consider urgent proposal or matters which require the expeditious review or consideration by the Board.

Senior Management, both external and internal auditors and/or advisers may be invited to attend the Board meetings, if required, to provide additional information on the relevant agenda tabled at the Board Meetings.

Strategic issues such as acquisition and disposal of the group's investments or assets; announcements to regulators; corporate and restructuring exercises are presented to the Board for its decision to ensure that the direction and control of the Group is firmly in the Board's control. Besides Board Meetings, the Board also exercises control on matters that require Board's approval through circulation of Directors' resolutions.

Where a transaction is required to be approved by the shareholders, interested directors will abstain from deliberations and voting in respect of their shareholdings in the Company and they will further undertake to ensure that persons connected to them will similarly abstain from voting.

Board meetings for the ensuing financial year are scheduled in advance to facilitate the Directors to plan ahead. All meetings are furnished with proper agendas with due notice issued. Board papers and reports are prepared by the Management, which provide updates on financial, operational, legal matters. These are circulated prior to the meetings to all Directors to allow sufficient time for review so as to ensure effective discussions and decision making during the meetings.

During the financial year ended 31 December 2018, five (5) board meetings were held. Except for Datuk Sulaiman who resigned on 21 Nov 2018 and Datuk Hew Lee Lam Sang who was appointed on 29 Jan 2019, all Directors in office have attended all the board meetings held and therefore, have complied with paragraph 15.05(3) of the Main LR of Bursa Securities. Details of the board meetings and their attendances at these meetings are set out below.

Name of Directors	Total Meetings Attended by Directors	Percentage
Dato' Ghazali Bin Mat Ariff	5/5	100%
Tuan Haji Fauzi Bin Mustapha	5/5	100%
Datuk Sulaiman Bin Salleh *	3/5	60%
Datuk Hew Lee Lam Sang #	N/A	N/A
Dato' Ronnie Lim Yew Boon	5/5	100%
Mr. Lim Chin Sean	5/5	100%

* *Resigned on 21 November 2018*

\# *Not applicable (N/A) as appointed on 29 January 2019*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

II. Board Composition (Cont'd)

Level of Time Commitment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by the attendance record of the Directors at Board Meetings as set out in the table above.

Directors' Training

The Directors have participated and continue to undergo the relevant training programmes to further enhance their skill and knowledge as well as the latest statutory and/or regulatory requirements in discharging their fiduciary duties to the Company.

During the financial year ended 31 December 2018, the Directors attended the following seminar or training programmes:-

Directors	Training / Seminar Attended	Date
Dato' Ghazali Bin Mat Ariff	• Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance ("MCCG") Reporting and Corporate Governance Guide - conducted by Bursa Malaysia Berhad	28.02.2018
Tuan Haji Fauzi Bin Mustapha	• Corporate Governance Briefing Sessions: Malaysian Code on Corporate Governance ("MCCG") Reporting and Corporate Governance Guide - conducted by Bursa Malaysia Berhad	15.03.2018
Dato' Ronnie Lim Yew Boon	• Key Amendments To Listing Requirements Arising from Companies Act, 2016 - conducted by CKM Advisory Sdn Bhd	29.03.2018
Mr. Lim Chin Sean	• Key Amendments To Listing Requirements Arising from Companies Act, 2016 - conducted by CKM Advisory Sdn Bhd	29.03.2018
Datuk Sulaiman Bin Salleh*	Not applicable	Not applicable
Dr. Goh Swee Por *(Alternate Director to Mr. Lim Chin Sean)*	• How to Manage and Lead Your Staff Successfully - conducted by LS Human Capital Sdn Bhd • The Blockchain Train - organised by LGB Group and Upnamics Sdn Bhd • Budget 2019 Tax Briefing - conducted by Deloitte Tax Services Sdn Bhd	13.03.2018 to 14.03.2018 16.08.2018 17.12.2018

* *Resigned on 21 November 2018*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

III. Remuneration

All Directors receive directors' fees determined by the Board based on the level of responsibilities. Meeting allowances are also paid to Directors at each Board and Committee meetings.

The Executive Directors' remuneration package comprises a fixed component which includes a monthly salary and benefits-in-kind or emoluments, and a variable component which includes performance-based bonus.

The details of Directors' fees and Directors' remuneration for the financial year ended 31 December 2018 including remuneration for services rendered to the Company and its subsidiaries are as follows:-

	Salaries & Bonus (RM)	Defined Contribution Benefits (RM)	Fees (RM)	Meeting Allowances (RM)	Benefits In-Kind (RM)	TOTAL (RM)
Executive Directors						
Dato' Ronnie Lim Yew Boon	287,700	34,524	-	6,000	14,710	342,934
Mr. Lim Chin Sean	205,500	24,660	24,000	6,000	-	260,160
Non-Executive Directors						
Dato' Ghazali Bin Mat Ariff	-	-	24,000	14,800	52,111	90,911
Datuk Sulaiman Bin Salleh	-	-	24,000	8,800	-	32,800
Tuan Haji Fauzi Bin Mustapha	-	-	24,000	13,000	-	37,000
Dr. Goh Swee Por *(Alternate Director to Lim Chin Sean)*	-	-	-	-	-	-

Set out below are directors' remuneration paid or payable by the Company for financial year ended 31 December 2018, in aggregation and analysed into bands of RM50,000:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	2
From RM50,001- RM100,000	-	1
From RM250,001 to RM300,000	1	-
From RM300,001 to RM350,000	1	-

The Board acknowledges the recommendation of the Code for transparency in the disclosure of its key Senior Management remuneration. For the financial year ended 31 December 2018, the top 5 Senior Management of the Company whose total remuneration (including benefits-in-kind and other emoluments) falls within the following bands are as follows:-

Range of Remuneration	Number of Senior Management
Less than RM50,000	-
From RM50,001- RM100,000	-
From RM100,001 to RM150,000	2
From RM150,001 to RM200,000	-
Above RM200,000	3

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit and Risk Management Committee

On 14 December 2017, the Board had approved the merger of the Audit Committee and Risk Management Committee to be known as the "Audit and Risk Management Committee" effective from 1 January 2018. The Audit and Risk Management Committee, which comprises exclusively of Independent Non-Executive Directors, is responsible for reviewing and monitoring the Group's internal audit processes, its external auditors, and of the integrity of the Group's financial statements. It is also responsible for reviewing the effectiveness of internal controls system.

The composition of the Audit and Risk Management Committee members, comprising exclusively of Independent Non-Executive Directors as compliance to the Bursa Malaysia Listing Requirements, are as follows: -

Chairman :	Datuk Hew Lee Lam Sang (appointed on 29 January 2019)	Independent Non-Executive Director
Members :	Dato' Ghazali Bin Mat Ariff	Independent Non-Executive Director
	Tuan Haji Fauzi Bin Mustapha	Independent Non-Executive Director

Further details of the Audit and Risk Management Committee are contained in the Audit and Risk Management Committee Report on pages 43 to 47 of this Annual Report.

Financial Reporting and Directors' Responsibility Statement

The Board is firmly resolved to present a proper and meaningful assessment of the Group's financial performance and prospects in every interim and annual report. In this connection, it is supported by the Audit and Risk Management Committee, which diligently ensures the accuracy, adequacy and reasonableness of information prior to reporting.

In preparing the financial statements for financial year ended 31 December 2018, as has been its unwavering practice, the Board has ensured full compliance with all applicable accounting standards and provisions of the CA 2016. It has also consistently selected and applied appropriate accounting policies and made reasonable and prudent judgment and estimates based on proper accounting records.

Internal Control

The Board has taken the responsibility of identifying and reviewing the adequacy of the Group's internal control systems in compliance with the applicable laws, regulations, rules, directives and guidelines. The Statement on Risk Management and Internal Control is presented on pages 41 to 42 of this Annual Report. The Board will ensure the continuous process of identifying, evaluating and managing the internal control systems within the Group for review by the Audit and Risk Management Committee.

Relationship with External Auditors

The role of the Audit and Risk Management Committee in relation to the external auditors may be found in the Audit and Risk Management Committee Report set out on pages 43 to 47 of this Annual Report. The Company has always maintained a transparent and appropriate relationship with its auditors in seeking professional advice and ensuring compliance with relevant accounting standards in Malaysia.

The Audit and Risk Management Committee undertakes an annual assessment of the suitability and independence of the external auditors. Upon satisfactory assessment of their performance, the Audit and Risk Management Committee will recommend their re-appointment to the Board, upon which shareholders' approval will be sought at the Annual General Meeting of the Company.

It is a policy of the Audit and Risk Management Committee that it meets with the external auditors at least twice (2) a year to discuss their audit plan, audit findings and the Company's financial statements as well as any other issues without the presence of the Executive Directors and Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

II. Risk Management and Internal Control Framework

Sound Framework to Manage Risk

The Board acknowledges its responsibility to maintain a sound Risk Management and Internal Control system covering not only financial controls but also operational and compliance controls to identify risks in operations and finance and to design measures to manage those risks. This system is designed to manage, rather than eliminate, the risk of failure to achieve the Group's corporate objectives, as well as to safeguard shareholders' investments and the Group's assets. The Board, through the Audit and Risk Management Committee, seeks regular assurance on the continuity and effectiveness of the internal control system through independent reviews by the Internal Auditors and the External Auditors.

As per its Terms of Reference, the Audit and Risk Management Committee has been explicitly accorded the power to appoint, and to decide on the remuneration and the resignation/dismissal of the Internal Auditors. It has also been empowered to ensure that the internal audit function reports directly to the Audit and Risk Management Committee, that it is independent of the functions it audits and has the authorities and resources necessary to carry out its responsibilities. It will also approve the Internal Audit Plan and review and assess the performance of the internal audit function.

Internal Audit Function

To assist the Board in maintaining a sound system of internal control for the purposes of safeguarding shareholders' investments and the Group's assets, the Board has outsourced the internal audit function to a professional internal audit service provider firm during the financial year.

The Internal Auditors conduct regular audits to review the adequacy and effectiveness of the Group's Risk Management and Internal Control system in identifying and managing principal risks, ensuring compliance with the law and regulations and preserving the quality of assets and the integrity of the management information system.

Please refer to the Audit and Risk Management Committee Report in this Annual Report for more details.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Group recognizes the importance of timely and thorough dissemination of information to shareholders and investors on all business matters. The Company is committed to keeping shareholders duly informed about the Group's performance, corporate governance and other matters affecting shareholders' interests, while always mindful of the laws and regulations governing the release of specific information.

The primary tool of communication with the shareholders of the Company is currently done through published annual reports and timely statutory periodic announcements to Bursa Securities. In order to enhance the Company's communication with the stakeholders, the Company has established a website at www.aisberhad.com.my as a channel of communication and information dissemination. Various announcements made by the Company during the year and annual reports are available on the Company's website. The Company also disseminates information through press releases on corporate events and business as well as any significant developments of the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

I. Communication with Stakeholders (Cont'd)

Corporate Disclosure Policy

The Board acknowledges the importance of timely and thorough dissemination of information to its investors and shareholders. The Board regards regular communications with the public via various announcements and the issuance of Annual Reports, circulars and press releases as key to building a good relationship with its shareholders.

In line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and best practices recommended by the Code, the Company must disclose to the public all material information necessary for informed investment decisions and take reasonable steps to ensure that all who invest in the Company's securities enjoy equal access to such information. The Board strives to disclose such information to the public as soon as practicable through Bursa Securities, the media and the Company's website at www.aisberhad.com.my, and to ensure that such information is handled properly to avoid leakage and improper use of such information.

The Company shall disclose all material information required to be disclosed under applicable securities laws, in accordance with a consistent procedure and in accordance with such laws, as per the disclosure principles listed below:

- Material information will be immediately announced to Bursa Securities first and later made available at the Company website;
- Material information will be kept confidential temporarily if the immediate release of such information would be unduly detrimental to the interests of the Company;
- Content of disclosure must be factual and non-speculative and include any information the omission of which would cause the rest of the disclosure misleading;
- The disclosure must be corrected immediately if the Company learns that an earlier disclosure by the Company contained a material error at the time it was originally disclosed;
- The Company does not comment, affirmatively or negatively, on rumours. This also applies to rumours on the internet. Should Bursa Securities request that the Company to make a definitive statement in response to a market rumour that is causing significant volatility in the price of the Company's securities, the Executive Directors will respond appropriately after consulting with the Board for advice if time permits, before a reply is given to Bursa Securities; and
- All investors must have equal access to material information. Selective disclosure is not allowed.

Information is considered material if it is reasonably expected to have a material effect on the price, value and market activity of the Company's securities or the decision of a holder of security or an investor in determining his/her choice of actions.

The Company Secretaries are assigned to compile such information for the approval of the Board as soon as possible and for releasing such information to the market as stipulated by Bursa Securities.

Leverage on Information Technology

The Company disseminates information in relation to its financial performance, operations and corporate developments through the Annual Reports, Quarterly Interim Financial Reports, circulars and various general announcements. The Company releases all material information publicly through Bursa Securities and via its IR portal at www.aisberhad.com.my.

Shareholders and investors are also encouraged to convey their queries and concerns to the Company via the Company's website at www.aisberhad.com.my or via email to admin@aisberhad.com.my. The queries will be attended by the Company's Senior Management or the Board, as the case may be.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

II. Conduct of General Meetings

Annual General Meetings or Extraordinary General Meetings ("General Meetings")

General Meetings remain the principal forum for dialogue between the Company and its shareholders, as the Company's General Meetings provide a means of communication with shareholders.

Notices of General Meetings, the related circulars and the Annual Reports of the Company are sent to the shareholders in accordance with the regulatory and statutory provisions. Where special business items appear in the Notices of General Meetings, an explanatory note will be included as a footnote to enlighten shareholders on the significance and impact when shareholders deliberate on such resolution. The Notices of General Meetings are advertised in a national English newspaper within the prescribed deadlines. Notice for an Annual General Meeting should be given to the shareholders at least 21 days prior to the meeting in accordance with the Company's Constitution and the CA 2016 .

The Board notes the recommendation of the Code that Notice for an Annual General Meeting should be given to the shareholders at least 28 days prior to the meeting, which is earlier than the minimum notice periods stipulated in the Company's Constitution and the CA 2016. In the past years, the Company serves the Notice for Annual General Meeting more than 28 days prior to the meeting.

The Company holds its General Meetings at places that are easily accessible and at a time convenient to the shareholders to encourage them to attend the meetings.

If a shareholder is unable to attend and vote in person at the General Meetings, the Company allows him/her to appoint any person, who may but need not be a member of the Company, to be his/her proxy without limitation and there shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the General Meetings shall have the same rights as the shareholder to speak at the General Meetings.

At the General Meetings, the Board encourages and gives sufficient opportunity for the shareholders to ask questions regarding the affairs of the Group, its financial performance and the resolutions being proposed at the meetings. The Chairman, when presenting the agenda items at the meetings, will give a brief background on the items to be voted on and shareholders are invited to give their views and raise question before voting takes place. Shareholders' suggestions received during the General Meetings are reviewed and considered for implementation, wherever possible.

All Directors attend the General Meetings. The Chairman of the Nomination, Remuneration and Audit and Risk Management Committees and Senior Management are also present at the General Meetings to respond to shareholders' queries addressed to them during the meetings. The external auditors and advisers of corporate exercises, where applicable, attend General Meetings upon invitation and are available to answer questions or clarify queries from shareholders relating to the subject matter.

Other than shareholders of the Company, representative from the Minority Shareholders Watchdog Group ("MSWG") will also be invited as observer at the Company's General Meetings if prior requests have been made. Queries raised by the MSWG and the Company's reply thereto are presented at the General Meetings, if any and if necessary.

All meetings are recorded by the Company Secretaries and the summary of key matters discussed at the general meetings is available for inspection at the Company's website.

Poll Voting

In compliance with the Main Market Listing Requirements of Bursa Securities, all resolutions that set out in the Notice of General Meetings will be voted via poll voting.

The polling process will be conducted by the share registrars as the Poll Administrator and an independent scrutineer will be appointed to oversee the conduct of the poll and verify the results of the poll.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ADDITIONAL COMPLIANCE INFORMATION

a. Audit and Non-Audit Fees

During the financial year ended 31 December 2018, the amount of audit fees paid or payable to the External Auditors, Crowe Malaysia PLT (LLP 0018817-LCA & AF 1018) by AISB and its subsidiaries were as follows:

Fees paid by AISB : RM40,000
Fees paid by AISB subsidiaries : RM57,000

For the financial year ended 31 December 2018, the non-audit fee of RM39,300 was paid by the Company to the External Auditors.

b. Recurrent Related Party Transactions ("RRPT") of a Revenue or Trading Nature

At the Annual General Meeting ("AGM") held on 27 June 2018, the Company had obtained a shareholders' mandate to allow the Company and/or its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature.

The RRPT Mandate is valid until the conclusion of the forthcoming Forty-Eighth AGM of the Company to be held on 19 June 2019. Details of the RRPT Mandate being sought is provided in the Circular to Shareholders dated 30 April 2018 sent together with the Annual Report. Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note 12 of the Listing Requirements of Bursa Securities, details of the recurrent related party transactions of a revenue or trading nature entered into during the financial year ended 31 December 2018 are as follows:

No	Transacting Parties		Nature of RRPT	Interested Directors/ Major Shareholders/ Persons connected to Directors or Major Shareholders	Actual value from 1 January 2018 to 31 December 2018
	Related Party	AISB Group			
1	Taliworks Construction Sdn. Bhd. ("TCSB")	AIS Manufacturing Sdn Bhd ("AISM")	Sales of Deformed Bar	• Dato' Lim Yew Boon is a Director of Amalgamated Industrial Steel Bhd ("AISB"), the holding Company of AISM and also a Director of TCSB and the Executive Director of Taliworks Corporation Bhd ("Taliworks"), the holding company of TCSB. • Dato' Lim Yew Boon holds 0.03% direct interest in Taliworks. • Dato' Lim Yew Boon is the cousin to both Mr. Lim Chin Sean and Dato' Lim Chee Meng. • Mr. Lim Chin Sean is a Director and an indirect major shareholder of AISB. • Mr. Lim Chin Sean is also a Director of Taliworks and holds 0.01% direct interest and 49.95% indirect interest in Taliworks. • Dato' Lim Chee Meng is an indirect major shareholder of AISB. • Dato' Lim Chee Meng also holds 2.22% direct interest and 49.95% indirect interest in Taliworks.	RM2,162,486

c. Material contracts

There were no material contracts entered into by the Company and/or the Group, which involved directors and shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

d. Utilisation of Proceeds

There were no corporate proposals during the financial year ended 31 December 2018.

CONCLUSION

The Board recognises the importance of the Group practising good corporate governance and has made it a corporate policy to continuously improve on its corporate governance practices and structure to achieve an optimal governance framework.

This Corporate Governance Overview Statement was approved by the Board of Directors of AISB on 17 April 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

1. INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors ("the Board") is pleased to issue this statement on risk management and internal control of the Group for the financial year ended 31 December 2018 in compliance with the Principles and Best Practices as stipulated in the Malaysian Code on Corporate Governance 2017.

2. BOARD'S RESPONSIBILITY

The Board acknowledges the importance of systems of internal control and recognises that it is their responsibility to maintain a sound system of internal control to safeguard shareholders' investment. In this connection, the Board confirms that there is on-going effort to identify risks and to introduce or improve controls in the functional areas.

In line with its responsibilities, the Audit Committee ("AC") and Risk Management Committee ("RMC") has been merged and to be known as the Audit and Risk Management Committee ("ARMC") effective from 1 January 2018.

The Board has established the ARMC to oversee the effective implementation of the risk management process and systems of internal control.

The role of ARMC is to provide an independent assessment of the effectiveness, adequacy and reliability of the risk management process, compliance with risk policies, applicable laws, regulations, rules, directives, guidelines and systems of internal control as established by management. These assessments are assisted by an independent internal audit function.

As there are limitations inherent in any systems of internal control, therefore, it shall be noted that the controls are designed and positioned to mitigate risks but not eliminating the present and future risks. In this connection, it shall also be noted that systems of internal control can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

3. RISK MANAGEMENT FRAMEWORK

The ARMC which was established to adopt the Risk Management Framework designed for the Group. This framework provides guidance and facilitates a structured approach for identifying, evaluating and managing significant risks that could inadvertently prevent the achievement of business objectives.

The Board has approved the following Terms of Reference for the ARMC:-

a. To review the Group's overall objectives by assessing the adequacy and effectiveness of the risk portfolio composition and risk mitigation controls in determining the desired exposures of each major area on a periodic basis.
b. To promote and ensure that the risk management process and culture are embedded.
c. To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks and their effectiveness.
d. To ensure adequate infrastructure, resources and systems are in place for managing risks.
e. To identify other corporate risk areas such as regulatory compliances, new business development and financial issues.
f. To establish a task force to oversee the proper conduct of regular review and control of risk in the functional activities.

The ARMC had approved the Risk Handbook, which was developed by the Risk Management Working Group ("RMWG"). The aim of the Risk Handbook is to introduce a standardised approach for Management to adopt and assist in identification, analysis and management of risks.

The RMWG has invited the Internal Auditors to observe the risk assessment exercise in 2018. In this exercise, a structured risk management framework was reviewed and key risks that could affect the achievement of the Group's objectives, the control and mitigating action plans were identified and documented. The risk report was presented to the Board for discussion and formalisation of actions plan and updated by the RWMG.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

4. INTERNAL AUDIT FUNCTION

The Internal Audit function of the Group was supported by in-house auditor and subsequently outsourced to a professional internal audit service provider firm ("Internal Auditor"), which includes performing regular reviews of the business processes, check compliance with policies/procedure, evaluate the adequacy and effectiveness of internal control, risk management and governance processes established by Management and/or the Board within the Group. The Internal Audit function highlights significant findings and corrective measures in respect of any non-compliance to Management and the ARMC on a timely basis. The annual audit plan is reviewed and approved by the ARMC. Further activities of the Internal Audit function are set out in the ARMC report on page 47.

The costs incurred by the Group in relation to the Internal Audit function for the financial year ended 31 December 2018 amounted to approximately RM80,000.

5. INTERNAL CONTROL

The Group's systems of internal control during the financial year ended 31 December 2018 and up to the date of approval of this statement for inclusion into the annual report encompasses interalia, the key elements as follows:

- A functional organisational structure that defines the level of authority and responsibilities of management.
- Policies and procedures, updated as necessary, are documented and communicated to personnel for compliance.
- An ARMC with defined responsibilities as set out on pages 43 to 47.
- An internal audit function, which is accountable to the ARMC, objectively reviews and reports on the effectiveness of control processes.
- An annual operating budget and strategic business plan approved by the Board.
- Appropriate human resource guidelines for hiring and terminating staff, formal training programmes, annual performance appraisals and other relevant procedures are in place to ensure employees' competency.
- The Group's performance is monitored by using key performance indicators, monthly management reports and periodic management meetings. These performance reports are benchmarked against budgets. Any exceptions noted will be investigated and reported.
- Quarterly monitoring of financial results by the Board.

In making this statement, the Board had considered the Bursa's Guidance on Statement on Internal Control for all subsidiaries. The Board is of the view that there has been no significant breakdown or weaknesses in the systems of internal control of the Group that may result in material losses incurred for the financial year ended 31 December 2018. Nevertheless, remedial actions and corrective measures have been or are being taken to address the weaknesses noted, if any.

6. MANAGEMENT RESPONSIBILITIES

The Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and systems of internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the Board that the processes have been carried out.

7. REVIEW OF THIS STATEMENT BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their review was conducted in accordance with Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in Annual Report, issued by the Malaysian Institute of Accountants ("MIA"). AAPG 3 does not require the external auditors to, and they did not, consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. AAPG 3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that the Statement on Risk Management and Internal Control is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of the Group's risk management and systems of internal control.

8. CONCLUSION

The Board is satisfied with the adequacy and effectiveness of the Group's risk management and systems of internal control. The Board has received assurance from the Executive Directors and CFO that the Group's risk management and systems of internal control, in all material aspects, is operating adequately and effectively. During the financial year under review up to the date of approval, there were no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

This Statement on Risk Management and Internal Control is made in accordance with the minutes of the Board meeting held on 17 April 2019.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

MEMBERSHIP

The Board had on 14 December 2017 approved the merger of the Audit Committee and the Risk Management Committee to be known as the "Audit and Risk Management Committee" effective from 1 January 2018. The rationale of the merger of the two (2) Board Committee is to enhance the efficiency of the Board Committee in discharging its duties and responsibilities.

Members of the Audit and Risk Management Committee, their respective designation and directorate are as follows:-

Name	Designation	Directorship
Datuk Hew Lee Lam Sang (appointed on 29 Jan 2019)	Chairman	Independent Non-Executive Director
Tuan Haji Fauzi Bin Mustapha	Member	Independent Non-Executive Director
Dato' Ghazali Bin Mat Ariff	Member	Independent Non-Executive Director

All Audit and Risk Management Committee members of the Company are Independent Non-Executive Directors.

SUMMARY OF TERMS OF REFERENCE

1. COMPOSITION, MEETINGS, MINUTES AND ACTIVITIES

The Audit and Risk Management Committee shall be appointed by the Board amongst the Directors and shall consist of not less than three (3) members. All Audit and Risk Management Committee members must be Non-Executive Directors, with a majority of them being Independent Directors. The Chairman shall be an Independent Non-Executive Director appointed by the Nomination Committee.

If a member of the Audit and Risk Management Committee resigns or for any reason ceases to be a member resulting in the number of members to be reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint a replacement to make up the minimum of three (3). The vacancy of the Independent Chairman of the Audit and Risk Management Committee must also be filled within three (3) months.

The Board shall review the terms of reference and performance of the Audit and Risk Management Committee and each of its members annually to determine whether the Audit and Risk Management Committee and its members have carried out their duties in accordance with their terms of reference.

The Audit and Risk Management Committee shall meet at least four (4) times annually or at more frequent intervals as required. The Audit and Risk Management Committee shall meet with the external auditors at least twice (2) a year and with internal auditors at least once (1) a year, without the Executive Directors and Management present. The Chief Operating Officer and the Chief Financial Officer are normally invited to attend the Audit and Risk Management Committee meetings. The presence of the external auditors shall be requested, if required. Other Board members and employees may attend Audit and Risk Management Committee meetings upon the invitation of the Audit and Risk Management Committee.

The Company Secretaries shall be the Secretary to the Audit and Risk Management Committee. Minutes of each meeting shall be distributed to each member prior to the meeting. The Chairman shall report to the Board, a summary of significant matters arising at each meeting.

The Audit and Risk Management Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Audit and Risk Management Committee is also authorised by the Board to seek and accept independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, whenever deemed necessary.

During the financial year ended 31 December 2018, the Audit and Risk Management Committee held a total of five (5) meetings. The members of the Audit and Risk Management Committee together with their attendance are set out below:-

Name	Attendance at Meetings
Datuk Hew Lee Lam Sang *	N/A
Datuk Sulaiman Bin Salleh #	3/5 (60%)
Tuan Haji Fauzi Bin Mustapha	5/5 (100%)
Dato' Ghazali Bin Mat Ariff	5/5 (100%)

* *Appointed on 29 January 2019*
\# *Resigned on 21 November 2018*

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF TERMS OF REFERENCE (CONT'D)

2. KEY FUNCTIONS, ROLE AND RESPONSIBILITIES

The Audit and Risk Management Committee's duties and responsibilities are as follow:-

- To consider the appointment and re-appointment of the external auditors and the audit fee.
- To recommend the nomination of a person or persons as external auditors.
- To discuss on the resignation or removal of external auditors and the reasons thereof.
- To discuss with the external auditors the nature and scope of any audit exercise prior to its commencement and to ensure coordination of such exercise where more than one audit firm is involved.
- To review the quarterly and annual financial statements of the Company and the Group, before submission to the Board whilst ensuring that they are prepared in an accurate manner focusing particularly on:

    i. Changes in or implementation of major accounting policies and principles changes.

    ii. Significant matters highlighted including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters are addressed.

    iii. Significant adjustments arising from the audit.

    iv. The going concern assumption.

    v. Compliance with accounting standards and relevant statutory and regulatory requirements.

- To discuss issues, concerns and reservations arising from interim and final external audits, and such other matters the external auditors may wish to raise.
- To review the external auditors' management letter and management's response to specific matters raise therein.
- To assess the suitability and independence of external auditors.
- To do the following in connection with the internal audit function:

    i. Review the adequacy of its scope, functions, competency and resources and that it has the necessary authority to carry out its work.

    ii. Review and discuss the nature and scope of the audit programme with internal auditors and the follow-up thereto, ensuring that appropriate actions are taken as recommended.

    iii. Review any performance appraisals or assessment of its staff.

    iv. Approve the appointment, resignation or termination of its senior members.

    v. Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning.

- To monitor any related-party transaction and conflict of interests situation which may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

SUMMARY OF TERMS OF REFERENCE (CONT'D)

2. KEY FUNCTIONS, ROLE AND RESPONSIBILITIES (CONT'D)

- To review the adequacy and efficacy of the Group's system of internal control.

  With the merger of the Audit Committee and Risk Management Committee on 1 January 2018, the functions of the Audit and Risk Management Committee shall include the functions of the Risk Management Committee to assist the Board in discharging its responsibilities, particularly in: -

- Reviewing the Group's overall objectives by assessing the adequacy and effectiveness of risk portfolio composition and risk mitigation controls to determine the desired exposures of each major area of risk on a periodic basis.
- Promoting and ensuring risk management process and culture are embedded throughout the Group.
- Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.
- Ensuring adequate infrastructure, resources and systems are established to make risk management effective.
- Identifying other corporate risks areas such as regulatory compliances, new business development and financial issues.
- Establishing a task force as the main risk management unit to oversee the proper operating, reviewing and controlling of risk pertaining to functional activities.

The Board has established a Risk Management Working Group ("RMWG"), which is headed by the Chief Operating Officer, Mr. Chan Keen Wai and comprise of all head of departments in ensuring that all risk classes particularly the Group strategic risks, risks related to the manufacturing and trading of steel products and project development businesses, are considered at an appropriately senior level in a consistent manner and that the Board through the Audit and Risk Management Committee receives periodic reporting on the risk environment and management's actions to mitigate and manage significant risks in a manner consistent with the Group's risk appetite.

The RMWG is responsible to oversee the risk management activities of the Group, approving appropriate risk management procedures and measurement methodologies across the Group as well as identifying and managing strategic business risks of the Group. In fulfilling the primary objectives, the RMWG is tasked to undertake the following responsibilities and duties:-

a. to promote good risk management practices and effective governance within the Group and in ensuring that roles, responsibilities and accountability in managing risks are clearly established, defined and communicated;

b. to create high level risk policies aligned with the Group's strategic business objectives;

c. to review the enterprise risk management framework for the effective identification, assessment, measurement, monitoring, reporting and mitigation of risks within the Group;

d. to identify and communicate existing and potential critical risk areas faced by the Group and the management action plans to mitigate such risks by working with the internal auditors in providing periodic reports and updates to the Audit and Risk Management Committee.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

SUMMARY OF ACTIVITIES OF AUDIT AND RISK MANAGEMENT COMMITTEE

In line with its terms of reference, the Audit and Risk Management Committee discharged its duties and responsibilities in the financial year ended 31 December 2018 through the following activities:-

a. External Audit

- Reviewed the Audit Planning Memorandum, which includes reporting responsibilities and deliverables, audit approach and scope for the statutory audits of the Group accounts for the financial year ended 31 December 2018 with the external auditors prior to the commencement of audit;
- Reviewed and discussed the results of their audit report and management letter together with Management's response to their findings;
- Reviewed the annual audited financial statements of the Group to ensure compliance with the CA 2016, Main Market LR of Bursa Malaysia Securities Berhad, applicable accounting standards and other legal and regulatory requirements prior to submission to the Board for consideration and approval;
- Carried out an annual review of the performance of the External Auditors, including assessment of their independence in performing their obligations, and then recommended to the Board for re-appointment as External Auditors and remuneration of the External Auditors; and
- Conducted independent meetings with the External Auditors during the year without the presence of the Executive Directors and Management.

b. Internal Audit

- Reviewed and approved the Internal Audit Plan of the Group with the selected auditable areas for each reporting quarter of 2018;
- Reviewed and deliberated on the Internal Audit reports, recommendations and management responses;
- Reviewed the corrective actions taken on the audit findings, outstanding audit issues from previous audits to ensure that actions have been taken timely and effectively; and
- Conducted independent meeting with the Internal Auditors during the year without the presence of the Executive Directors and Management.

c. Risk Management

- Reviewed the risk profiles of the Group, including action plans and strategies to address these risks identified; and
- Reviewed the risk policy and risk appetite of the Group and recommended to the Board for approval and inclusion in the Statement on Risk Management and Internal Control.

d. Financial Reporting

- Reviewed the unaudited quarterly reports before recommending for Board's approval for submission to Bursa Securities and Securities Commission Malaysia.

e. Related Party Transactions

- Reviewed, with the assistance of the Group Internal Audit Department, the related party transactions entered into by the Company and the Group to ensure that the transactions entered into were in adherence to Main Market Listing Requirements of Bursa Securities and the recurrent related party transactions entered were within the approved limits of the shareholders' mandate on recurrent related party transactions and also conflict of interest situations which arose within the Group during the year.

f. Annual Report

- Reviewed the Statement on Risk Management and Internal Control and recommended to the Board for approval and inclusion in the 2017 Annual Report; and
- Presented the Audit and Risk Management Committee Report to the Board for approval and inclusion in the 2017 Annual Report.

INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2018, the Audit and Risk Management Committee was supported by in-house internal auditor and subsequently outsourced to a professional internal audit service provider firm in the discharge of its duties and responsibilities.

The Internal Auditor reports directly to the Audit and Risk Management Committee and is independent of the activities it audits. The primary responsibility of the Internal Auditor is to undertake regular and systematic reviews of the risk management process, systems of internal controls and governance practices of the Company and the Group in conformance with the International Professional Practices Framework so as to provide reasonable assurance that the risk management process, systems of internal controls and governance practices are operating satisfactorily and effectively and are in line with the Group's goals and objectives. The results of the internal audits provided in the Internal Audit Reports together with the findings and recommendation for improvements were presented to the Audit and Risk Management Committee for deliberations. The resulting reports from the internal audits were also forwarded to the Management for attention and necessary corrective actions. The functions and responsibilities of the Internal Audit Function are embodied in the Internal Audit Charter.

All Internal Audit personnel in the service provider firm do not have family relationships with any Directors or major shareholders of the Company and the Group. They also do not have any conflicts of interest which could impair their objectivity and independence.

The internal audit authorities carried out by Internal Auditors for the financial year ended 31 December 2018 included, inter alia, the following:-

- reviewed and assessed the adequacy and integrity of control environment and systems of internal control of the Group.

- reported on findings noted from high level assessment and benchmarking on overall design of the Control Environment of AISB;

- reviewed and reported on the follow-up status of previous audit findings on the following areas:-

    i. Human Resource Function
    ii. Debtor Aging & Related Party Transactions
    iii. IFCA System (Accounting software system for property development)

- presented the Internal Audit Plan of the Group to the Audit and Risk Management Committee for review and approval.

The costs incurred by the Group in relation to the Internal Audit function for the financial year ended 31 December 2018 amounted to approximately RM80,000.

FINANCIAL STATEMENTS

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 2018.

PRINCIPAL ACTIVITIES

The Company is engaged in the businesses of investment holding and property development.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

RESULTS

	The Group RM	The Company RM
Loss after taxation for the financial year	(4,170,107)	(3,760,456)
Attributable to:-		
Owners of the Company	(4,170,107)	(3,760,456)

DIVIDENDS

No dividend was recommended by the directors for the financial year.

RESERVES AND PROVISIONS

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

TREASURY SHARES

As at 31 December 2018, the Company held as treasury shares a total of 6,797,300 of its 144,382,742 issued and fully paid-up ordinary shares. The treasury shares are held at a carrying amount of RM3,724,544. The details of the treasury shares are disclosed in Note 17 to the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year:-

(a) there were no changes in the issued and paid-up share capital of the Company; and

(b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that there are no known bad debts and that adequate allowance had been made for impairment losses on receivables.

At the date of this report, the directors are not aware of any circumstances that would require the writing off of bad debts, or the additional allowance for impairment losses on receivables in the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records of the Group and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

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

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS

The names of the directors of the Company who served during the financial year and up to the date of this report are as follows:-

Dato' Ghazali Bin Mat Ariff
Dato' Lim Yew Boon
Tuan Haji Fauzi Bin Mustapha
Lim Chin Sean
Dr. Goh Swee Por (Alternate director to Lim Chin Sean)
Datuk Hew Lee Lam Sang (Appointed on 29 January 2019)
Datuk Sulaiman Bin Salleh (Resigned on 21 November 2018)

The names of directors of the Company's subsidiaries who served during the financial year until the date of this report are similar to those disclosed above.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors holding office at the end of the financial year in shares of the Company during the financial year are as follows:-

	Number of Ordinary Shares			
	At 1.1.2018	Bought	Sold	At 31.12.2018
The Company				
Direct Interests				
Dato' Ghazali Bin Mat Ariff	317,125	-	-	317,125
Dato' Lim Yew Boon	10,000	-	-	10,000
Tuan Haji Fauzi Bin Mustapha	20,000	-	-	20,000
Indirect Interest				
Lim Chin Sean #	31,475,175	-	-	31,475,175

Deemed interest by virtue of his direct substantial shareholding in Telaxis Sdn. Bhd., a substantial shareholder of the Company.

By virtue of his shareholding in the Company, Lim Chin Sean is deemed to have interest in shares in its related corporations during the financial year to the extent of the Company's interests, in accordance with Section 8 of the Companies Act 2016.

The other directors holding office at the end of the financial year had no interest in shares of the Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has 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 shown in the financial statements, or the fixed salary of a full-time employee of the Company or related corporations) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to arise from transactions entered into in the ordinary course of business with companies in which certain directors have substantial financial interests as disclosed in Note 30 to the financial statements.

Neither during nor at the end of the financial year was the Group or the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

The details of the directors' remuneration paid or payable to the directors of the Group and of the Company during the financial year are disclosed in Note 29 to the financial statements.

INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Group and of the Company.

DIRECTORS' REPORT

SUBSIDIARIES

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The significant events during the financial year are disclosed in Note 34 to the financial statements.

AUDITORS

The auditors, Crowe Malaysia PLT (converted from a conventional partnership, Crowe Malaysia which was previously known as Crowe Horwath), have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 24 to the financial statements.

Signed in accordance with a resolution of the directors dated 17 April 2019.

Dato' Lim Yew Boon

Lim Chin Sean

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Lim Yew Boon and Lim Chin Sean, being two of the directors of Amalgamated Industrial Steel Berhad, state that, in the opinion of the directors, the financial statements set out on pages 57 to 101 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2018 and of their financial performance and cash flows for the financial year ended on that date.

Signed in accordance with a resolution of the directors dated 17 April 2019.

Dato' Lim Yew Boon **Lim Chin Sean**

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Choh Kim Chiew, (MIA Membership Number: 29057), being the officer primarily responsible for the financial management of Amalgamated Industrial Steel Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 101 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovementioned
Choh Kim Chiew, NRIC Number: 751009-08-5563,
at Kuala Lumpur
in the Federal Territory
on 17 April 2019

Choh Kim Chiew

Before me

Lai Din
Commissioner for Oaths
No. W668

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AMALGAMATED INDUSTRIAL STEEL BERHAD
(INCORPORATED IN MALAYSIA) COMPANY NO: 9118-M

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Amalgamated Industrial Steel Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 101.

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 2018, 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.

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.

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

Fair Value of Investment Properties
Refer to Note 6 to the financial statements

Key Audit Matter	How our audit addressed the key audit matter
The Group's investment properties are stated at fair value. The fair value of the investment properties were determined based on valuation performed by an independent firm of professional valuers. The carrying value of investment properties as at 31 December 2018 amounted to RM36.6 million. Significant judgement is required by directors in determining the fair value of investment properties. We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgement associated with determining the value.	Our procedures included, amongst others:- (a) Evaluating the objectivity, independence and capabilities of the professional valuers; (b) Assessing the appropriateness of the valuation model, property related data, including estimates used by the professional valuers; and (c) Assessing the reasonableness of the assumptions used in the valuation and judgements made.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AMALGAMATED INDUSTRIAL STEEL BERHAD (CONT'D)
(INCORPORATED IN MALAYSIA) COMPANY NO: 9118-M

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditor's 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 the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

(a) 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.

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

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF AMALGAMATED INDUSTRIAL STEEL BERHAD (CONT'D)
(INCORPORATED IN MALAYSIA) COMPANY NO: 9118-M

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also (Cont'd):

(d) 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.

(e) 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.

(f) 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.

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.

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.

Crowe Malaysia PLT
LLP0018817-LCA & AF 1018
Chartered Accountants

Ho Yen Ling
03378/06/2020 J
Chartered Accountant

Kuala Lumpur

17 April 2019

STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
ASSETS					
NON-CURRENT ASSETS					
Plant and equipment	5	671,072	573,242	443,442	483,041
Investment properties	6	36,600,000	76,500,000	36,600,000	76,500,000
Investments in subsidiaries	7	-	-	1,095,434	945,434
Club membership	8	11,818	12,182	11,818	12,182
Other assets		32,060	32,060	19,060	19,060
		37,314,950	77,117,484	38,169,754	77,959,717
CURRENT ASSETS					
Property development costs	9	59,922,511	21,015,509	37,100,000	-
Inventories	10	-	1,208,101	-	-
Trade and other receivables	11	375,915	709,384	181,675	394,512
Amount owing by subsidiaries	12	-	-	23,373,212	20,983,203
Current tax assets		2,246	18,857	-	-
Fixed deposit with licensed bank	13	20,000,000	-	20,000,000	-
Short-term investments	14	24,667,864	50,064,525	24,667,864	50,064,525
Cash and bank balances		2,411,339	1,607,193	1,347,075	516,772
		107,379,875	74,623,569	106,669,826	71,959,012
TOTAL ASSETS		144,694,825	151,741,053	144,839,580	149,918,729
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	19,566,458	19,566,458	19,566,458	19,566,458
Reserves	16	121,998,271	126,168,378	122,950,295	126,710,751
Treasury shares	17	(3,724,544)	(3,724,544)	(3,724,544)	(3,724,544)
TOTAL EQUITY		137,840,185	142,010,292	138,792,209	142,552,665
NON-CURRENT LIABILITIES					
Retirement benefit obligations	18	126,052	234,384	-	-
Deferred tax liabilities	19	1,681,070	5,479,899	1,524,628	5,323,457
		1,807,122	5,714,283	1,524,628	5,323,457
CURRENT LIABILITIES					
Trade and other payables	20	2,082,576	3,135,027	1,557,801	2,018,087
Amount owing to a related party	21	-	856,931	-	-
Current tax liabilities		2,964,942	24,520	2,964,942	24,520
		5,047,518	4,016,478	4,522,743	2,042,607
TOTAL LIABILITIES		6,854,640	9,730,761	6,047,371	7,366,064
TOTAL EQUITY AND LIABILITIES		144,694,825	151,741,053	144,839,580	149,918,729

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		The Group		The Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
REVENUE	22	4,258,882	19,740,432	1,940,940	-
COST OF SALES		(2,602,047)	(17,890,155)	(297,219)	-
GROSS PROFIT		1,656,835	1,850,277	1,643,721	-
OTHER INCOME	23	2,607,587	12,834,262	1,609,223	7,354,957
		4,264,422	14,684,539	3,252,944	7,354,957
SELLING AND DISTRIBUTION EXPENSES		-	(140,101)	-	-
ADMINISTRATIVE EXPENSES		(6,456,858)	(10,705,958)	(3,018,790)	(4,347,798)
NET IMPAIRMENT GAIN/ (LOSSES) ON FINANCIAL ASSETS	33.4	16,939	(408,332)	(2,000,000)	(2,503,619)
(LOSS)/PROFIT FROM OPERATIONS		(2,175,497)	3,430,148	(1,765,846)	503,540
FAIR VALUE (LOSS)/GAIN ON INVESTMENT PROPERTY		(2,800,000)	3,086,244	(2,800,000)	3,086,244
FINANCE COSTS		-	(591,120)	-	-
(LOSS)/PROFIT BEFORE TAXATION	24	(4,975,497)	5,925,272	(4,565,846)	3,589,784
INCOME TAX EXPENSE	25	805,390	348,021	805,390	(2,575,705)
(LOSS)/PROFIT AFTER TAXATION		(4,170,107)	6,273,293	(3,760,456)	1,014,079
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE (EXPENSES)/ INCOME FOR THE FINANCIAL YEAR		(4,170,107)	6,273,293	(3,760,456)	1,014,079
(LOSS)/PROFIT AFTER TAXATION ATTRIBUTABLE TO:-					
Owners of the Company		(4,170,107)	6,273,293	(3,760,456)	1,014,079
TOTAL COMPREHENSIVE (EXPENSES)/ INCOME ATTRIBUTABLE TO:-					
Owners of the Company		(4,170,107)	6,273,293	(3,760,456)	1,014,079
(LOSS)/EARNINGS PER SHARE (SEN)	26				
- Basic		(3.03)	4.74		
- Diluted		(3.03)	4.74		

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Group	Note	Share Capital RM	Treasury Share RM	← Non-distributable: Share Premium RM	Asset Revaluation Reserve RM	Capital Reserve RM →	Distributable: Retained Profits RM	Total Equity RM
Balance at 1.1.2017		13,187,497	(3,724,544)	2,655,217	60,925,540	48,208,750	8,166,271	129,418,731
Realisation of reserve on disposal of revalued property		-	-	-	(36,385,772)	-	36,385,772	-
Profit after taxation for the financial year		-	-	-	-	-	6,273,293	6,273,293
Contributions by owners of the Company								
- Issuance of ordinary shares pursuant to private placement	15	6,378,961	-	-	-	-	-	6,378,961
- Expenses related to share issue		-	-	(60,693)	-	-	-	(60,693)
Total transactions with owners		6,378,961	-	(60,693)	-	-	-	6,318,268
Balance at 31.12.2017/1.1.2018		19,566,458	(3,724,544)	2,594,524	24,539,768	48,208,750	50,825,336	142,010,292
Loss after taxation for the financial year		-	-	-	-	-	(4,170,107)	(4,170,107)
Balance at 31.12.2018		19,566,458	(3,724,544)	2,594,524	24,539,768	48,208,750	46,655,229	137,840,185

The Company	Note	Share Capital RM	Treasury Share RM	Share Premium RM	Asset Revaluation Reserve RM	Capital Reserve RM	Retained Profits RM	Total Equity RM
Balance at 1.1.2017		13,187,497	(3,724,544)	2,655,217	47,596,115	48,208,750	27,297,283	135,220,318
Realisation of reserve on disposal of revalued properties		-	-	-	(23,056,347)	-	23,056,347	-
Profit after taxation for the financial year		-	-	-	-	-	1,014,079	1,014,079
Contributions by owners of the Company								
- Issuance of ordinary shares pursuant to private placement	15	6,378,961	-	-	-	-	-	6,378,961
- Expenses related to share issue		-	-	(60,693)	-	-	-	(60,693)
Total transactions with owners		6,378,961	-	(60,693)	-	-	-	6,318,268
Balance at 31.12.2017/1.1.2018		19,566,458	(3,724,544)	2,594,524	24,539,768	48,208,750	51,367,709	142,552,665
Loss after taxation for the financial year		-	-	-	-	-	(3,760,456)	(3,760,456)
Balance at 31.12.2018		19,566,458	(3,724,544)	2,594,524	24,539,768	48,208,750	47,607,253	138,792,209

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
CASH FLOWS FOR OPERATING ACTIVITIES					
(Loss)/Profit before taxation		(4,975,497)	5,925,272	(4,565,846)	3,589,784
Adjustments for:-					
Amortisation of club membership		364	363	364	363
Depreciation of plant and equipment		112,588	173,756	63,202	60,536
Impairment loss:					
- amount owing by subsidiaries		-	-	2,000,000	2,503,619
- trade receivables		-	408,332	-	-
Interest expense		-	591,120	-	-
Inventories written down		-	487,747	-	-
Inventories written off		-	134,585	-	-
Plant and equipment written off		3,238	938,633	3,238	59,003
Retirement benefit obligations		33,492	33,492	-	-
Fair value loss/(gain) on investment properties		2,800,000	(3,086,244)	2,800,000	(3,086,244)
Gain on disposal of property, plant and machinery		(49,998)	(11,696,003)	(49,998)	(6,261,994)
Interest income		(1,559,336)	(1,067,947)	(1,558,704)	(1,066,779)
Reversal of allowance for impairment loss on trade receivables		(16,939)	-	-	-
Reversal of retirement benefit obligation not utilised		(70,000)	-	-	-
Operating loss before working capital changes		(3,722,088)	(7,156,894)	(1,307,744)	(4,201,712)
Increase in property development costs		(1,807,002)	(486,145)	-	-
Decrease in inventories		1,208,101	12,408,992	-	-
Decrease in trade and other receivables		350,408	21,147,317	212,837	1,406,736
Increase in amount owing by subsidiaries		-	-	(4,390,009)	(13,995,717)
Decrease in trade and other payables		(1,052,451)	(32,004,192)	(460,286)	(4,205,035)
(Decrease)/Increase in amount owing to a related party		(856,931)	856,931	-	-
CASH FOR OPERATIONS		(5,879,963)	(5,233,991)	(5,945,202)	(20,995,728)
Income tax refund		33,090	1,052	16,025	-
Income tax paid		(69,496)	(30,069)	(69,042)	(27,982)
Interest paid		-	(591,120)	-	-
Real property gains tax paid		-	(2,951,880)	-	(2,951,880)
Retirement benefits paid		(71,824)	(26,972)	-	-
NET CASH FOR OPERATING ACTIVITIES		(5,988,193)	(8,832,980)	(5,998,219)	(23,975,590)
BALANCE CARRIED FORWARD		(5,988,193)	(8,832,980)	(5,998,219)	(23,975,590)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
BALANCE BROUGHT FORWARD		(5,988,193)	(8,832,980)	(5,998,219)	(23,975,590)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary, net of cash in bank acquired	27	-	(675,999)	-	(709,435)
Additional investment in an existing subsidiary		-	-	(150,000)	(235,997)
Additional cost incurred for investment properties		-	(7,413,756)	-	(7,413,756)
Interest income received		1,559,336	1,067,947	1,558,704	1,066,779
Placement of fixed deposits with tenure more than 3 months		(20,000,000)	-	(20,000,000)	-
Proceeds from disposal of property, plant and equipment		50,000	74,205,344	50,000	67,965,349
Purchase of plant and equipment		(213,658)	(526,760)	(26,843)	(482,013)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(18,604,322)	66,656,776	(18,568,139)	60,190,927
CASH FLOWS FOR FINANCING ACTIVITIES					
Proceeds from issuance of shares pursuant to private placement, net of expenses		-	6,318,268	-	6,318,268
Drawdown of bank borrowings	28(a)	-	22,480,000	-	-
Repayment of bank borrowings	28(a)	-	(49,020,000)	-	(1,400,000)
NET CASH FOR FINANCING ACTIVITIES		-	(20,221,732)	-	4,918,268
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(24,592,515)	37,602,064	(24,566,358)	41,133,605
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		51,671,718	14,069,654	50,581,297	9,447,692
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	28(b)	27,079,203	51,671,718	26,014,939	50,581,297

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

1. GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office and principal place of business are at Unit 8-02, level 8, Menara LGB, No.1 Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 17 April 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally engaged in the businesses of investment holding and property development. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

3. BASIS OF PREPARATION

The financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

3.1 During the current financial year, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 140 – Transfers of Investment Property
Annual Improvements to MFRS Standards 2014 – 2016 Cycles
- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) did not have any material impact on the Group's financial statements other than the new classification of financial assets under MFRS 9 which is disclosed in Note 33.3 to the financial statements. This is because the measurement of financial assets under MFRS 9 is consistent to the Group's current practice.

3.2 The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty Over Income Tax Treatments	1 January 2019
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019

3. BASIS OF PREPARATION (CONT'D)

3.2 The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon its initial application except as follows:-

MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and will replace the current guidance on lease accounting when it becomes effective. Under MFRS 16, the classification of leases as either finance leases or operating leases is eliminated for lessees. All lessees are required to recognise their leased assets and the related lease obligations in the statement of financial positon (with limited exceptions). The leased assets are subject to depreciation and the interest on lease liabilities are calculated using the effective interest method. The Group anticipates that the application of MFRS 16 in the future may have an impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 16 until the Group performs a detailed review.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of plant and equipment as at the reporting date is disclosed in Note 5 to the financial statements.

(b) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amounts of current tax assets and current tax liabilities of the Group as at the reporting date are RM2,246 and RM2,964,942 (2017 - RM18,857 and RM24,520) respectively.

(c) Valuation of Investment Properties

Investment properties of the Group are reported at fair value which is based on valuations performed by independent professional valuers.

The independent professional valuers have exercised judgement in determining factors used in the valuation process as disclosed in Note 6 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Impairment of Property Development Costs

The Group determines whether its property development costs are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property development costs as at the reporting date is disclosed in Note 9 to the financial statements.

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment properties.

4.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-Controlling Interests

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes In Ownership Interests In Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 (2017 - MFRS 139) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.3 FUNCTIONAL AND PRESENTATION CURRENCIES

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

4.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 – Revenue from Contracts with Customers at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Company's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured initially at amortised cost using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.4 FINANCIAL INSTRUMENTS (CONT'D)

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

(i) Ordinary Shares

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(ii) Treasury Shares

When the Company's own shares recognised as equity are bought back, the amount of the consideration paid, including all costs directly attributable, are recognised as a deduction from equity. Own shares purchased that are not subsequently cancelled are classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

Where treasury shares are reissued by resale, the difference between the sales consideration received and the carrying amount of the treasury shares is recognised in equity.

Where treasury shares are cancelled, their costs are transferred to retained profits.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

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

<u>Accounting Policies Applied Until 31 December 2017</u>

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with the previous accounting policies as summarised below:-

- Unquoted trade receivables and other receivables with fixed or determinable payments were classified as loans and receivables financial assets, measured at amortised cost using the effective interest method, less any impairment loss. Interest income was recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

- Available-for-sale financial assets were non-derivative financial assets not classified in any of the other categories. After initial recognition, available-for-sale financial assets were remeasured to fair value at each reporting date with any gain and loss recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses. On derecognition, the cumulative gain or loss previously accumulated in the fair value reserve was reclassified from equity into profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.5 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

4.6 PLANT AND EQUIPMENT

All items of plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Land and buildings are revalued periodically, at least once in every five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Subsequent to initial recognition, all plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Plant and machinery	10%
Electrical installations	10%
Factory equipment, furniture and fittings	10%
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	25%
Office renovation	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the plant and equipment. Any changes are accounted for as a change in estimate.

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.7 INVESTMENT PROPERTIES

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequent to initial recognition, investment properties are stated at fair value with fair value changes recognised in profit or loss.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property or inventories, the fair value at the date of change becomes the cost for subsequent accounting purposes. If owner-occupied property becomes an investment property, such property shall be accounted for in accordance with the accounting policy for plant and equipment up to date of change in use.

4.8 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

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

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

Accounting Policy Applied Until 31 December 2017

The Group has applied MFRS 9 retrospectively with cumulative financial impacts recognised in the opening consolidated statement of financial position on 1 January 2018 (date of initial application of MFRS 9) and hence, the comparative information of its financial instruments is not restated. As a result, the comparative information of the Group's financial assets continues to be accounted for in accordance with the previous accounting policies as summarised below:-

- The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset (or group of financial assets) was impaired. Impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event(s) had an impact on the estimated future cash flows of the financial asset (or group of financial assets) that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the assets' fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.9 LAND HELD FOR PROPERTY DEVELOPMENT

Land held for property development represents land on which development activities are not expected to be completed within the normal operating cycle.

Land held for property development is stated at the lower of cost and net realisable value.

The cost comprises cost associated to the purchase of land, conversion fees and other relevant levies and an appropriate proportion of common infrastructure costs.

Net realisable value represents the estimated selling price of intended properties that to be developed less the estimated costs of completion and the estimated costs necessary in selling the properties. If future development layout plan is not available, the replacement cost of the properties held for future development will be the best available measure of the net realisable value.

Land held for property development is transferred to property development cost category when development activities have commenced and are expected to be completed within the normal operating cycle.

4.10 PROPERTY DEVELOPMENT COSTS

Property development costs are stated at the lower of cost and net realisable value.

The cost comprises specifically identified cost, including land cost associated to the purchase of land, conversion fees, aggregate cost of development, materials and supplies, wages and other direct expenses, an appropriate proportion of common infrastructure costs.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary in selling the property.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost method and comprises the purchase price, and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

4.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three month or less. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

4.13 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The unwinding of the discount is recognised as interest expense in profit or loss.

4.14 INCOME TAXES

(a) Current tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred tax

Deferred tax are recognised using the liability method of all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Where investment properties are carried at their fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodies in the property over time, rather than through sale.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.14 INCOME TAXES (CONT'D)

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

4.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

(c) Defined Benefit Plan

In addition to the statutory contribution to Employees' Provident Fund, the Group operates an unfunded benefit plan. Retirement gratuities are payable to eligible employees who have been in service for at least seven years upon their retirement or resignation.

(d) Termination Benefits

Employee termination benefits are recognised only either after an agreement is in place with the appropriate employee representatives specifying the terms of redundancy or after individual employees have been advised of the specific terms.

4.16 OPERATING SEGMENTS

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

4.17 EARNINGS PER ORDINARY SHARE

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

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.18 LEASED ASSETS

Operating Lease

All leases that do not transfer substantially to the Group all the risks and rewards incidental to ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position of the Group and of the Company.

Payments made under operating leases are recognised as an expense in the profit or loss on a straight-line method over the term of the lease. Lease incentives received are recognised as a reduction of rental expense over the lease term on a straight-line method. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

4.19 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, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

4.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time. The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.20 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(a) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Rental income

Rental income is accounted for on a straight-line method over the lease term.

4.21 OTHER OPERATING INCOME

Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

5. PLANT AND EQUIPMENT

The Group	Electrical installations RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Office renovation RM	Total RM
2018					
Cost					
At 1 January	151,377	825,397	276,833	101,590	1,355,197
Additions	28,793	181,585	-	3,280	213,658
Disposal	-	-	(276,833)	-	(276,833)
Written off	-	(2,143)	-	(1,265)	(3,408)
At 31 December	180,170	1,004,839	-	103,605	1,288,614
Accumulated depreciation					
At 1 January	7,569	462,474	276,831	5,080	751,954
Charge for the year	19,245	83,174	-	10,169	112,588
Disposals	-	-	(276,831)	-	(276,831)
Written off	-	(107)	-	(63)	(170)
At 31 December	26,814	545,541	-	15,186	587,541
Accumulated impairment loss					
At 1 January/31 December	-	30,001	-	-	30,001
Carrying Amount					
At 31 December	153,356	429,297	-	88,419	671,072

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. PLANT AND EQUIPMENT (CONT'D)

The Group	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Office renovation RM	Total RM
2017							
Cost							
At 1 January	16,064,467	1,213,566	2,086,044	883,915	442,543	-	20,690,535
Additions	-	151,377	-	273,793	-	101,590	526,760
Disposals	(13,931,982)	-	(171,987)	(169,793)	(165,710)	-	(14,439,472)
Written off	(2,132,485)	(1,213,566)	(1,914,057)	(162,518)	-	-	(5,422,626)
At 31 December	-	151,377	-	825,397	276,833	101,590	1,355,197
Accumulated depreciation							
At 1 January	15,952,056	967,980	1,380,468	658,959	442,538	-	19,402,001
Charge for the year	60,223	22,538	11,482	74,433	-	5,080	173,756
Disposals	(13,879,794)	-	(127,868)	(166,441)	(165,707)	-	(14,339,810)
Written off	(2,132,485)	(982,949)	(1,264,082)	(104,477)	-	-	(4,483,993)
At 31 December	-	7,569	-	462,474	276,831	5,080	751,954
Accumulated impairment loss							
At 1 January/ 31 December	-	-	-	30,001	-	-	30,001
Carrying Amount							
At 31 December	-	143,808	-	332,922	2	96,510	573,242

The Company	Electrical installations RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Office renovation RM	Total RM
2018					
Cost					
At 1 January	151,377	610,450	276,833	101,590	1,140,250
Addition	26,843	-	-	-	26,843
Disposal	-	-	(276,833)	-	(276,833)
Written off	-	(2,143)	-	(1,265)	(3,408)
At 31 December	178,220	608,307	-	100,325	886,852
Accumulated depreciation					
At 1 January	7,569	367,729	276,831	5,080	657,209
Charge for the year	19,164	34,006	-	10,032	63,202
Disposal	-	-	(276,831)	-	(276,831)
Written off	-	(107)	-	(63)	(170)
At 31 December	26,733	401,628	-	15,049	443,410
Carrying Amount					
At 31 December	151,487	206,679	-	85,276	443,442

5. PLANT AND EQUIPMENT (CONT'D)

The Company	Electrical installations RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Office renovation RM	Total RM
2017					
Cost					
At 1 January	299,721	713,715	442,543	-	1,455,979
Additions	151,377	229,046	-	101,590	482,013
Disposals	-	(169,793)	(165,710)	-	(335,503)
Written off	(299,721)	(162,518)	-	-	(462,239)
At 31 December	151,377	610,450	276,833	101,590	1,140,250
Accumulated depreciation					
At 1 January	298,626	590,893	442,538	-	1,332,057
Charge for the year	7,702	47,754	-	5,080	60,536
Disposals	-	(166,441)	(165,707)	-	(332,148)
Written off	(298,759)	(104,477)	-	-	(403,236)
At 31 December	7,569	367,729	276,831	5,080	657,209
Carrying Amount					
At 31 December	143,808	242,721	2	96,510	483,041

6. INVESTMENT PROPERTIES

	The Group/The Company 2018 RM	2017 RM
Carrying Amount		
At 1 January	76,500,000	66,000,000
(Loss)/Gain on changes in fair value	(2,800,000)	3,086,244
Addition	-	7,413,756
Transfer to property development costs (Note 9)	(37,100,000)	-
At 31 December	36,600,000	76,500,000

The following investment properties are held under lease terms:

Included in the above are:-

Leasehold land	25,500,000	62,600,000
Buildings	11,100,000	13,900,000
	36,600,000	76,500,000

Investment properties are stated at fair value, which have been determined based on valuation performed by an independent firm of professional valuers who have appropriate professional qualification. The fair values of the investment properties were determined using cost and sales comparison approach. This valuation approach seeks to determine the value of the property being valued by comparing and adopting as a yardstick recent sale evidences involving other similar properties in the vicinity. Sales price of comparable properties in close proximity are adjusted for difference in key attributes such as location, size, time and tenure.

The fair values of the investment properties are within level 2 of the fair value hierarchy.

There were no transfers between level 1 and level 2 during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

7. INVESTMENTS IN SUBSIDIARIES

	The Company 2018 RM	The Company 2017 RM
Unquoted shares, at cost	5,109,437	4,959,437
Allowance for impairment losses	(4,014,003)	(4,014,003)
	1,095,434	945,434

Allowance for impairment losses:-		
At 1 January/31 December	(4,014,003)	(4,014,003)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Percentage of Issued Share Capital held by Parent 2018 %	Percentage of Issued Share Capital held by Parent 2017 %	Principal Activities
AIS Manufacturing Sdn. Bhd.	Malaysia	100	100	Sales of steel-related products.
Parkwood Developments Sdn. Bhd.	Malaysia	100	100	The Company intends to engage in project management activities.
Parkwood Damansara Sdn. Bhd.	Malaysia	100	100	Dormant.
Parkwood Sdn. Bhd.	Malaysia	100	100	Property development.
Parkwood PJS Sdn. Bhd.#	Malaysia	100	-	Dormant.

Held through Parkwood Developments Sdn. Bhd

(a) On 9 July 2018, Parkwood Sdn. Bhd. increased its issued and paid-up share capital from RM100,000 to RM250,000 by way of an issuance of 150,000 new ordinary shares for a total cash consideration of RM150,000. The Company subscribed for the increase in share capital to retain the equity interest of 100%

(b) On 19 July 2018, Parkwood Developments Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed for 2 ordinary shares, representing 100% equity interest in Parkwood PJS Sdn. Bhd. for a total cash consideration of RM2.

(c) In the previous financial year, Parkwood Developments Sdn. Bhd. increased its issued and paid-up share capital from RM14,003 to RM250,000 by way of an issuance of 235,997 new ordinary shares for a total cash consideration of RM235,997. The Company subscribed for the increase in share capital to retain the equity interest of 100%.

(d) In the previous financial year, the Company acquired 100,000 ordinary shares for a total cash consideration of RM709,435, representing 100% of the total issued and paid up share capital of Parkwood Sdn. Bhd. The details of the acquisition are disclosed in Note 27 to the financial statements.

8. CLUB MEMBERSHIP

	The Group/The Company	
	2018	2017
	RM	RM
Transferable club membership, at cost (2017 - at available-for-sale)		
At 1 January/31 December	20,000	20,000
Accumulated amortisation:-		
At 1 January	(7,818)	(7,455)
Amortisation during the financial year (Note 24)	(364)	(363)
At 31 December	(8,182)	(7,818)
	11,818	12,182

9. PROPERTY DEVELOPMENT COSTS

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
At 1 January				
- leasehold land	19,488,172	-	-	-
- property development costs	1,527,337	-	-	-
	21,015,509	-	-	-
Acquisition of a subsidiary (Note 27):				
- leasehold land	-	19,488,172	-	-
- property development costs	-	1,041,192	-	-
	-	20,529,364	-	-
Transfer from investment properties (Note 6)				
- leasehold land	37,100,000	-	37,100,000	-
Property development costs incurred during the financial year	1,807,002	486,145	-	-
At 31 December	59,922,511	21,015,509	37,100,000	-
Represented by:-				
Leasehold land	56,588,172	19,488,172	37,100,000	-
Property development costs	3,334,339	1,527,337	-	-
At 31 December	59,922,511	21,015,509	37,100,000	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. INVENTORIES

	The Group 2018 RM	The Group 2017 RM
Consumable stocks	-	325,165
Finished goods	-	882,936
	-	1,208,101
Recognised in profit or loss:-		
Inventories recognised as cost of sales	2,304,828	17,890,155
Amount written down to net realisable value	-	487,747
Inventories written off	-	134,585

11. TRADE AND OTHER RECEIVABLES

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Gross trade receivables	844,654	1,056,671	57,659	-
Allowance for impairment losses	(786,592)	(803,531)	-	-
	58,062	253,140	57,659	-
Other receivables				
Third parties	29,571	89,497	29,167	88,169
Goods and services tax recoverable	58,659	31,886	-	-
	88,230	121,383	29,167	88,169
Deposits	180,942	263,812	59,322	248,812
Prepayments	48,681	71,049	35,527	57,531
	375,915	709,384	181,675	394,512

Allowance for impairment losses:-

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
At 1 January	(803,531)	(395,199)	-	-
Addition during the financial year (Note 33.4)	-	(408,332)	-	-
Reversal during the financial year (Note 33.4)	16,939	-	-	-
At 31 December	(786,592)	(803,531)	-	-

Included in trade receivables at the end of the previous reporting period was an amount of RM65,522 which represented an amount owing by a related party.

All customers are granted credit periods ranging from 7 to 60 days (2017 - 7 to 60 days). Late interest is charged at 1.5% (2017 - 1.5%) per annum on the overdue balances.

12. AMOUNT OWING BY SUBSIDIARIES

	The Company 2018 RM	The Company 2017 RM
Trade balances	2,054,890	2,054,890
Non-trade balances	26,660,840	22,270,831
	28,715,730	24,325,721
Allowance for impairment losses	(5,342,518)	(3,342,518)
	23,373,212	20,983,203

Allowance for impairment losses:-

	2018 RM	2017 RM
At 1 January	(3,342,518)	(838,899)
Addition during the financial year (Note 33.4)	(2,000,000)	(2,503,619)
At 31 December	(5,342,518)	(3,342,518)

The trade accounts are expected to be settled within the normal credit periods.

The non-trade balances are unsecured, interest-free and receivable on demand. The amounts owing are to be settled in cash.

13. FIXED DEPOSITS WITH LICENSED BANK

The fixed deposits with licensed bank of the Group and of the Company at the end of the reporting period bore an effective interest rate of 4.15% (2017 - NIL) per annum. The fixed deposits have a maturity period of 182 days (2017 - NIL) for the Group and the Company.

14. SHORT-TERM INVESTMENTS

The short-term investments represent investment in highly liquid money market. These investments are readily convertible to known amount of cash and are subject to an insignificant risk of changes in value. The short-term cash investments bore effective interest rates ranging from 2.72% to 3.31% (2017 - 2.55% to 3.48%) per annum.

15. SHARE CAPITAL

Issued and Fully Paid-Up	2018 Number of Shares	2017 Number of Shares	2018 RM	2017 RM
Ordinary Shares				
At 1 January	144,382,742	131,874,975	19,566,458	13,187,497
Issuance of shares pursuant to private placement	-	12,507,767	-	6,378,961
At 31 December	144,382,742	144,382,742	19,566,458	19,566,458

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

In the previous financial year, the Company increased its issued and paid-up share capital from RM13,187,497 to RM19,566,458 by way of an issuance of 12,507,767 new ordinary shares at an issue price of RM0.51 per ordinary share via a private placement for the purpose of working capital. The new ordinary shares were issued for cash consideration. The new ordinary shares issued rank pari passu in all respects with the existing shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. RESERVES

		The Group		The Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Share premium	16.1	2,594,524	2,594,524	2,594,524	2,594,524
Asset revaluation reserve	16.2	24,539,768	24,539,768	24,539,768	24,539,768
Capital reserve	16.3	48,208,750	48,208,750	48,208,750	48,208,750
Retained profits		46,655,229	50,825,336	47,607,253	51,367,709
		121,998,271	126,168,378	122,950,295	126,710,751

16.1 SHARE PREMIUM

The Company has adopted the transitional provisions set out in Section 618(3) of the Companies Act 2016 ("Act") where the sum standing to the credit of the share premium may be utilised within twenty four (24) months from the commencement date of 31 January 2017 in the manner as allowed for under the Act. Therefore, the Group and the Company have not consolidated the share premium into share capital until the expiry of the transitional period.

16.2 ASSET REVALUATION RESERVE

The asset revaluation reserve represents the increase in the fair value of leasehold land and buildings of the Group and the Company (net of deferred tax, where applicable).

16.3 CAPITAL RESERVE

The capital reserve represents the credit arising from the par value reduction by way of cancellation of RM0.40 from the par value of RM0.50 to RM0.10 of each existing ordinary share of the Company.

17 TREASURY SHARES

	The Group/The Company			
	2018	2017	2018	2017
	Number of Ordinary Shares		RM	RM
At 1 January/31 December	6,797,300	6,797,300	3,724,544	3,724,544

There were no ordinary shares repurchased during the year. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of Section 127(6) of the Companies Act 2016. Treasury shares have no rights to vote, dividends and participation in other distribution.

18. RETIREMENT BENEFIT OBLIGATIONS

The Group operates an unfunded defined retirement benefit plan for eligible employees.

The movements during the financial year and the amounts recognised in the statements of financial position are as follows:-

	The Group	
	2018	2017
	RM	RM
At 1 January	234,384	227,864
Charged to profit or loss	33,492	33,492
Reversal of amount not utilised	(70,000)	-
Retirement benefit paid	(71,824)	(26,972)
At 31 December	126,052	234,384

The amount recognised in the statements of financial position are determined as follows:

	The Group	
	2018	2017
	RM	RM
Present value of unfunded obligations	126,052	234,384

The amount recognised in the profit or loss are as follows:

	The Group	
	2018	2017
	RM	RM
Current service cost	10,995	10,995
Interest cost	22,497	22,497
Reversal of past service cost not required	(70,000)	-
	(36,508)	33,492

The above amount that have been recognised in profit or loss were included in administrative expenses.

The principal actuarial assumptions used in respect of the unfunded defined benefit plan were as follows:

	The Group	
	2018	2017
	RM	RM
Discount rate	5.00%	5.00%
Expected rate of salary increases	4.00%	4.00%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. DEFERRED TAX LIABILITIES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
At 1 January	5,479,899	8,689,094	5,323,457	5,765,128
Recognised in profit or loss (Note 25)	(3,798,829)	(3,365,637)	(3,798,829)	(441,671)
Acquisition of a subsidiary	-	156,442	-	-
At 31 December	1,681,070	5,479,899	1,524,628	5,323,457

The deferred tax liabilities/assets are attributable to the following:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deferred tax liabilities:-				
Excess of net carrying amount over tax written down value of property, plant and equipment, and investment properties	1,524,628	2,945,776	1,524,628	2,945,776
Asset revaluation surplus	-	1,794,254	-	1,794,254
Fair value gain on investment properties	-	583,427	-	583,427
Fair value adjustment on land held for property development through acquisition of a subsidiary	156,442	156,442	-	-
	1,681,070	5,479,899	1,524,628	5,323,457

20. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables	-	102,460	-	-
Other payables	914,120	1,106,787	623,485	854,844
Accruals	1,168,456	1,925,780	934,316	1,163,243
	2,082,576	3,135,027	1,557,801	2,018,087

In the previous financial year, the normal credit terms granted by suppliers range from 5 to 60 days.

21. AMOUNT OWING TO A RELATED PARTY

In the previous financial year, the amount owing represented advances made for goods purchased. The amount owing was to be set-off upon delivery of goods.

The amount owing was settled during the financial year.

22. REVENUE

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Sales of steel	2,317,942	19,740,432	-	-
Rental income	1,940,940	-	1,940,940	-
	4,258,882	19,740,432	1,940,940	-

The information on the disaggregation of revenue is disclosed in Note 32 to the financial statements.

23. OTHER INCOME

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Included in other income are the following items:-				
Gain on disposal of property, plant and equipment	49,998	11,696,003	49,998	6,261,994
Gain on disposal of scrap	984,000	-	-	-
Interest income on financial assets measured at amortised cost:				
- deposits with licensed banks	1,558,352	1,066,779	1,558,352	1,066,779
- others	984	1,168	352	-
Rental income from investment property	-	20,870	-	20,870

24. (LOSS)/PROFIT BEFORE TAXATION

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
In addition to those disclosed in Note 23 to the financial statements, (loss)/profit before taxation is arrived at after charging:-				
Amortisation of club membership	364	363	364	363
Auditors' remuneration:				
- audit fees	97,000	97,000	45,000	40,000
- non-audit fees:				
- auditors of the Company	5,000	3,000	5,000	3,000
Depreciation of plant and equipment	112,588	173,756	63,202	60,536
Directors' remuneration (Note 29)	696,984	696,485	696,984	696,485
Fees payable to a company in which a director has a substantial financial interest	24,000	24,000	24,000	24,000
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bankers' acceptances	-	449,069	-	-
- revolving credit	-	79,045	-	-
- others	-	63,006	-	-
Inventories written down	-	487,747	-	-
Inventories written off	-	134,585	-	-
Rental expense on				
- office	209,000	70,000	55,000	35,000
- office furniture	27,150	-	-	-
Plant and equipment written off	3,238	938,633	3,238	59,003
Realised loss on foreign exchange	-	23,495	-	-
Staff costs:				
- defined contribution plan	274,104	354,867	115,708	109,237
- retirement benefit obligations:				
- current financial year	33,492	33,492	-	-
- reversal of amount not utilised	(70,000)	-	-	-
- salaries and others benefits	2,292,053	3,119,350	1,011,073	963,514
- retrenchment benefit	260,949	2,641,954	-	53,422

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Company were RM66,821 (2017 - RM45,307).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. INCOME TAX EXPENSE

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Current tax expense	60,000	65,736	60,000	65,496
Real property gains tax ("RPGT")	2,933,439	2,951,880	2,933,439	2,951,880
Deferred tax expense (Note 19):				
- origination and reversal of temporary differences	(4,399,489)	(2,154,509)	(4,399,489)	(2,087,641)
- under/(over)provision in previous financial years	600,660	(1,211,128)	600,660	1,645,970
	(3,798,829)	(3,365,637)	(3,798,829)	(441,671)
	(805,390)	(348,021)	(805,390)	2,575,705

A reconciliation of income tax expense applicable to the (loss)/profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group and of the Company is as follows:-

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
(Loss)/Profit before taxation	(4,975,497)	5,925,272	(4,565,846)	3,589,784
Tax at the statutory tax rate of 24%	(1,194,119)	1,422,065	(1,095,803)	861,548
Tax effects of:				
Non-deductible expenses	2,146,632	1,046,252	2,311,806	1,482,767
Non-taxable gain	(369,653)	(2,549,467)	(369,653)	(1,753,873)
Crystalisation of deferred tax liabilities on amortisation of revalued properties	-	(29,656)	-	(29,656)
Utilisation of deferred tax assets previously recognised	(2,252,400)	-	(2,252,400)	-
Deferred tax asset not recognised during the year	263,490	1,560,301	-	955,337
Effects of differential in tax rates on fair value of investment property	-	(586,388)	-	(586,388)
Under/(Over)provision in previous financial years:				
- deferred tax	600,660	(1,211,128)	600,660	1,645,970
Income tax expense for the financial year	(805,390)	(348,021)	(805,390)	2,575,705

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial year.

No deferred tax assets are recognised in respect of the following items:

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Unutilised tax losses	28,334,000	35,375,000	16,242,000	24,477,000
Unabsorbed capital allowances	126,500	1,213,000	-	1,150,000
Excess of net carrying amount over tax written down value of plant and equipment	(78,000)	(63,000)	-	-
Others	1,045,000	1,190,000	132,000	132,000
	29,427,500	37,715,000	16,374,000	25,759,000

26. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The basic (loss)/earnings per share has been calculated based on the consolidated loss after taxation of RM4,170,107 (2017 - consolidated profit after taxation of RM6,273,293) and on 137,585,442 (2017 - 132,354,111) being the weighted average number of ordinary shares during the financial year after deducting treasury shares calculated as follows:

	The Group	
	2018	2017
Number of ordinary shares at 1 January	144,382,742	131,874,975
Add: Effect of private placement	-	7,276,436
Less: Treasury shares	(6,797,300)	(6,797,300)
Weighted average number of ordinary shares	137,585,442	132,354,111
Basic (loss)/earnings per share (sen)	(3.03)	4.74

The diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

27. ACQUISITION OF SUBSIDIARIES

(a) During the financial year, Parkwood Developments Sdn. Bhd., a wholly-owned subsidiary of the Company subscribed for 2 ordinary shares, representing 100% equity interest in Parkwood PJS Sdn. Bhd. for a total cash consideration of RM2.

(b) In the previous financial year, the Company completed the acquisition of 100% equity interests in Parkwood Sdn. Bhd. ("Parkwood"). The acquisition of this subsidiary is to enable the Group to expand its business into the property development segment.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	The Group 2017 RM
Land held for property development	20,529,364
Current tax assets	82
Cash at bank	33,436
Trade and other payables	(19,697,005)
Deferred tax liabilities	(156,442)
Fair value of net identifiable assets acquired	709,435
Add: Goodwill on acquisition	-
Total purchase consideration, to be settled by cash	709,435
Less: Cash at bank of subsidiary acquired	(33,436)
Net cash outflow from the acquisition of a subsidiary	675,999

The acquired subsidiary had contributed the following results to the Group:-

	The Group 2017 RM
Revenue	-
Profit after taxation	14,769

If the acquisition had taken place at the beginning of the previous financial year, the Group's revenue and loss after taxation would have been Nil and RM7,665 respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

28. CASH FLOW INFORMATION

(a) In the previous financial year, the reconciliations of liabilities arising from financing activities were as follows:-

The Group	Bank borrowings RM	Total RM
2017		
At 1 January	26,540,000	26,540,000
Changes in Financing Cash Flows		
Proceeds from drawdown	22,480,000	22,480,000
Repayment of borrowing principal	(49,020,000)	(49,020,000)
At 31 December	-	-
The Company		
2017		
At 1 January	1,400,000	1,400,000
Changes in Financing Cash Flows		
Repayment of borrowing principal	(1,400,000)	(1,400,000)
At 31 December	-	-

(b) The cash and cash equivalents comprise the following:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Fixed deposits with licensed bank	20,000,000	-	20,000,000	-
Short-term investments	24,667,864	50,064,525	24,667,864	50,064,525
Cash and bank balances	2,411,339	1,607,193	1,347,075	516,772
	47,079,203	51,671,718	46,014,939	50,581,297
Less: Fixed deposits with tenure of more than 3 months	(20,000,000)	-	(20,000,000)	-
	27,079,203	51,671,718	26,014,939	50,581,297

29. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group and of the Company include executive directors and non-executive directors of the Group and of the Company.

The key management personnel compensation during the financial year is as follows:-

	The Group/The Company	
	2018 RM	2017 RM
Directors		
Directors of the Company		
Executive Directors		
Short-term employee benefits:		
- fees	24,000	24,000
- salaries, bonuses and other benefits	505,200	490,425
	529,200	514,425
Defined contribution benefits	59,184	56,460
	588,384	570,885

29. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

The key management personnel compensation during the financial year is as follows (Cont'd):-

	The Group/The Company 2018 RM	The Group/The Company 2017 RM
Directors		
Directors of the Company (Cont'd)		
Non-executive Directors		
Short-term employee benefits:		
- fees	72,000	72,000
- salaries, bonuses and other benefits	36,600	53,600
	108,600	125,600
Total directors' remuneration (Note 24)	696,984	696,485

The estimated monetary value of benefits-in-kind provided by the Group and the Company to the directors of the Company were RM66,821 (2017 - RM45,307).

30. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

Parties are considered to be related to the Group 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.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year:-

	The Group 2018 RM	The Group 2017 RM	The Company 2018 RM	The Company 2017 RM
Transactions with related parties				
Taliworks Construction Sdn. Bhd.				
- Sales	(2,162,486)	(702,806)	-	-
LGB Taliworks Consortium Sdn. Bhd.				
- Sales	-	(121,825)	-	-
Synergy Estate Sdn. Bhd.				
- Office rental	110,000	70,000	55,000	35,000
- Water and electricity	5,432	-	863	-
LGB Holdings Sdn. Bhd.				
- Acquisition of a subsidiary	-	496,605	-	496,605

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

30. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances (Cont'd)

Other than those disclosed elsewhere in the financial statements, the Group and the Company also carried out the following significant transactions with the related parties during the financial year (Cont'd):-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Transactions with related parties				
Exitra Sdn. Bhd.				
- Office and office furniture rental	126,150	-	-	-
- Upkeep of office	22,350	-	-	-
- IT Related Services	59,853	-	-	-
- Electricity	3,545	-	-	-
Exitra Solutions Sdn Bhd				
- Telephone and administration charges	1,911	-	-	-
- IT Related Services	17,490	-	17,490	-
LGB Management Service Sdn Bhd				
- Rental of training room	15,249	-	10,807	-
LGB Engineering Sdn Bhd				
- Rental of training room	1,232	-	822	-
Transactions with a company in which a director has financial interests				
Telaxis Sdn. Bhd.				
- Director's fee	24,000	24,000	24,000	24,000
CSLim Holdings Sdn Bhd				
- Acquisition of subsidiary	-	212,830	-	212,830
Transactions with a legal firm in which a director is a Partner				
Messrs. Ghazali Ariff & Partners				
- Legal fee	69,962	67,924	69,962	67,924
Transactions with subsidiaries				
Parkwood Developments Sdn. Bhd.				
- Management fee	-	-	-	479,511

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

31. LEASE COMMITMENT

Leases as Lessor

The Group leases out its investment property under a non-cancellable operating lease. The leases have remaining lease periods of 9 years at the end of reporting period. All leases include a clause to enable upward revision of the rental charge on every 3 years based on the rate per square foot of the building as stipulated in the tenancy agreement.

The future minimum lease payments receivable under the non-cancellable operating leases are as follows:-

	The Group/The Company	
	2018	2017
	RM	RM
Not more than 1 year	1,940,940	1,940,940
Later than 1 year and not later than 5 years	8,583,268	8,281,344
Later than 5 years	7,149,825	9,392,689
	17,674,033	19,614,973

32. OPERATING SEGMENTS

Operating segments are prepared in a manner consistent with the internal reporting provided to the chief operating decision maker in order to allocate resources to segments and to assess their performance on a quarterly basis. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into 2 main reportable segments as follows:-

- Steel industry - selling of steel related products.
- Property development - property development activities and investment activities.

The property development activities and investment holding activities are managed by 2 different operating segments within the Group. These operating segments are aggregated to form a reported segment as Property Development due to the nature and economic characteristics of the products are similar and interrelated.

The accounting policies of operating segments are the same as those disclosed in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss from operations.

The directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and are based on negotiated and mutually agreed terms. The effects of such inter-segment transactions are eliminated on consolidation.

Segment assets exclude tax asset.

Segment liabilities exclude tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS

2018	Steel Industry RM	Property Development RM	Group RM
Revenue			
External revenue	2,317,942	1,940,940	4,258,882
Represented by:-			
Revenue recognised at a point of time			
- Sales of steel	2,317,942	-	2,317,942
Revenue recognised over time			
- Rental income	-	1,940,940	1,940,940
	2,317,942	1,940,940	4,258,882
Results			
Segment operating loss	(393,439)	(1,782,058)	(2,175,497)
Income tax expense			805,390
Fair value loss on investment properties			(2,800,000)
Consolidated profit after taxation			(4,170,107)
Segment loss includes the followings:-			
Depreciation and amortisation	25,782	87,170	112,952
Gain on disposal of plant and equipment	-	(49,998)	(49,998)
Interest income	(80)	(1,559,256)	(1,559,336)
Reversal of impairment of trade receivables	(16,939)	-	(16,939)
Assets			
Segment assets	293,226	144,399,353	144,692,579
Current tax assets			2,246
Consolidated total assets			144,694,825
Additions to non-current assets other than financial instruments are:-			
Plant and equipment	40,546	630,526	671,072
Investment properties	36,600,000	-	36,600,000
Club membership	-	11,818	11,818
Other assets	-	32,060	32,060
Liabilities			
Segment liabilities	298,181	1,910,447	2,208,628
Unallocated liabilities:			
- current tax liabilities			2,964,942
- deferred tax liabilities			1,681,070
Consolidated total liabilities			6,854,640

32. OPERATING SEGMENTS (CONT'D)

32.1 BUSINESS SEGMENTS (CONT'D)

2017	Steel Industry RM	Property Development RM	Group RM
Revenue			
External revenue	19,740,432	-	19,740,432
Represented by:-			
Revenue recognised at a point of time			
- Sales of steel	19,740,432	-	19,740,432
Results			
Segment operating loss	3,415,379	14,769	3,430,148
Finance costs			(591,120)
Income tax expense			348,021
Fair value gain on investment properties			3,086,244
Consolidated profit after taxation			6,273,293
Segment loss includes the followings:-			
Depreciation and amortisation	172,044	2,075	174,119
Gain on disposal of property, plant and equipment	11,696,003	-	11,696,003
Impairment of trade receivables	408,332	-	408,332
Interest expense	591,120	-	591,120
Interest income	(1,067,733)	(214)	(1,067,947)
Assets			
Segment assets	130,670,358	21,051,838	151,722,196
Current tax assets			18,857
Consolidated total assets			151,741,053
Additions to non-current assets other than financial instruments are:-			
Plant and equipment	573,242	-	573,242
Investment properties	76,500,000	-	76,500,000
Other assets	32,060	-	32,060
Liabilities			
Segment liabilities	3,914,922	311,420	4,226,342
Unallocated liabilities:			
- current tax liabilities			24,520
- deferred tax liabilities			5,479,899
Consolidated total liabilities			9,730,761

32. OPERATING SEGMENTS (CONT'D)

32.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments.

	Revenue		Non-current Assets	
	2018	2017	2018	2017
Group	RM	RM	RM	RM
Malaysia	4,258,882	19,740,432	37,314,950	77,117,484

The information on the disaggregation of revenue based on geographical region is summarised below:-

	At A Point in Time		Over Time		Group	
	2018	2017	2018	2017	2018	2017
	RM	RM	RM	RM	RM	RM
Malaysia	2,317,942	19,740,432	1,940,940	-	4,258,882	19,740,432

32.3 MAJOR CUSTOMER

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Revenue 2018 RM	Segment
Customer #1	2,162,486	Steel
Customer #2	1,940,940	Property Development

	2017 RM	
Customer #1	6,690,088	Steel

33. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

33.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk

(i) Foreign Currency Risk

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

32. FINANCIAL INSTRUMENTS (CONT'D)

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

The Group does not have any interest-bearing borrowings and hence, is not exposed to interest rate risk.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

(i) Credit Risk Concentration Profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

(ii) Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group and of the Company after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

At each reporting date, the Group assesses whether any of financial assets at amortised cost are credit impaired.

The gross carrying amounts of those financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite they are still subject to enforcement activities.

Trade Receivables

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group considers any receivables having financial difficulty or with significant balances outstanding for more than 90 days are deemed credit impaired.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The expected loss rates are based on the payment profiles of sales over a period of 12 months from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for both trade receivables and contract liabilities are summarised below:-

The Group	Gross Amount RM	Lifetime Loss Allowance RM	Carrying Amount RM
2018			
Current (not past due)	57,659	-	57,659
Over 90 days past due	403	-	403
	58,062	-	58,062
Credit impaired:			
- individually impaired	786,592	(786,592)	-
	844,654	(786,592)	58,062

Trade receivables of the Company are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

In the last financial year, the loss allowance on trade receivables was calculated under MFRS 139. The ageing analysis of trade receivables are as follows:-

	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
The Group				
2017				
Not past due	-	-	-	-
Past due:				
- less than 30 days	113,795	-	-	113,795
- between 30 to 90 days	65,399	-	-	65,399
- more than 90 days	877,477	(803,531)	-	73,946
	1,056,671	(803,531)	-	253,140

The movements in the loss allowances in respect of trade receivables are disclosed in Note 11 to the financial statements.

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Amount Owing By Subsidiaries

The Company applies the general approach to measuring expected credit losses for all intercompany balances. Generally, the Company considers loans and advances to subsidiaries have low credit risks. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when the subsidiary is unlikely to repay its loan or advance in full or the subsidiary is continuously loss making or the subsidiary is having a deficit in its total equity.

The Company determines the probability of default for these loans and advances individually using internal information available.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for amount owing by subsidiaries are summarised below:-

The Group	Gross Amount RM	Lifetime Loss Allowance RM	Carrying Amount RM
2018			
Low credit risk	22,732,706	-	22,732,706
Credit impaired	5,983,024	(5,342,518)	640,506
	28,715,730	(5,342,518)	23,373,212

In the last financial year, the loss allowance on amount owing by subsidiaries was calculated under MFRS 139.

The movements in the loss allowances are disclosed in Note 12 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. FINANCIAL INSTRUMENTS (CONT'D)

33.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and adequate working capital to meet its obligations as and when they fall due.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
The Group						
2018						
Non-derivative Financial Liabilities						
Trade and other payables	-	2,082,576	2,082,576	2,082,576	-	-
2017						
Non-derivative Financial Liabilities						
Trade and other payables	-	3,135,027	3,135,027	3,135,027	-	-
Amount owing to a related party	-	856,931	856,931	856,931	-	-
		3,991,958	3,991,958	3,991,958	-	-
The Company						
2018						
Non-derivative Financial Liabilities						
Trade and other payables	-	1,557,801	1,557,801	1,557,801	-	-
2017						
Non-derivative Financial Liabilities						
Trade and other payables	-	2,018,087	2,018,087	2,018,087	-	-

33. FINANCIAL INSTRUMENTS (CONT'D)

33.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

As the Group does not have any external borrowing, the debt-to-equity ratio is not presented as it does not provide a meaningful indicator of the risk of borrowings.

33.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	2018	
	The Group RM	The Company RM
Financial Assets		
Mandatorily at Fair Value Through Profit or Loss		
Short-term investments (Note 14)	24,667,864	24,667,864
Amortised Cost		
Trade and other receivables (Note 11)	87,633	86,826
Amount owing by subsidiaries (Note 12)	-	23,373,212
Fixed deposits with licensed bank (Note 13)	20,000,000	20,000,000
Cash and bank balances	2,411,339	1,347,075
	22,498,972	44,807,113
Financial Liability		
Amortised Cost		
Trade and other payables (Note 20)	2,082,576	1,557,801

	2017	
	The Group RM	The Company RM
Financial Assets		
Available-for-sale Financial Asset		
Club membership (Note 8)	12,182	12,182
Loans and Receivables Financial Assets		
Trade and other receivables (Note 11)	342,637	88,169
Amount owing by subsidiaries (Note 12)	-	20,983,203
Cash and bank balances	1,607,193	516,772
	1,949,830	21,588,144
Fair Value through Profit or Loss		
Short-term investments (Note 14)	50,064,525	50,064,525
Financial Liabilities		
Other Financial Liabilities		
Trade and other payables (Note 20)	3,135,027	2,018,087
Amount owing to a related party (Note 21)	856,931	-
	3,991,958	2,018,087

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. FINANCIAL INSTRUMENTS (CONT'D)

33.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	2018	
	The Group RM	**The Company RM**
Financial Assets		
Amortised Cost		
Net gain/(loss) recognised in profit or loss	1,576,275	(441,296)
Net impairment gain/(loss) on financial asset		
Impairment loss during the financial year:		
- addition under MFRS 9 (Note 12)	-	(2,000,000)
- reversal of impairment loss (Note 11)	16,939	-
	16,939	(2,000,000)

	2017	
	The Group RM	**The Company RM**
Financial Assets		
Loans and Receivables Financial Assets		
Net gain/(loss) recognised in profit or loss	659,615	(1,436,840)
Financial Liabilities		
Other Financial Liabilities		
Net loss recognised in profit or loss	(591,120)	-
Net impairment loss on financial asset		
Impairment losses during the financial year:		
- individually impaired on trade and other receivables under MFRS 139 (Notes 11)	(408,332)	-
- individually impaired on amount owing by subsidiaries under MFRS 139 (Notes 12)	-	(2,503,619)
	(408,332)	(2,503,619)

33.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group and of the Company which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The Group and the Company measures its short-term investments at fair values, determined at their quoted closing bid prices at the end of the reporting period. These financial assets belong to level 2 (2017 - level 2) of the fair value hierarchy and there were no transfers between level 1 and level 2 during the financial year.

34. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) On 9 July 2018, Parkwood Sdn. Bhd. increased its issued and paid-up share capital from RM100,000 to RM250,000 by way of an issuance of 150,000 new ordinary shares for a total cash consideration of RM150,000. The Company subscribed for the increase in share capital to retain the equity interest of 100%.

(b) On 19 July 2018, Parkwood Developments Sdn. Bhd., a wholly-owned subsidiary of the Company has subscribed for 2 ordinary shares, representing 100% equity interest in Parkwood PJS Sdn. Bhd. for a total cash consideration of RM2.

35. COMPARATIVE FIGURES

The following comparative figures have been reclassified to conform with the presentation of the current financial year:-

	As Restated RM	As Previously Reported RM
The Group		
Statements of Financial Position (Extract):-		
Short-term investments	50,064,525	-
Cash and bank balances	1,607,193	51,671,718
Statements of Profit or Loss and Other Comprehensive Income (Extract):-		
Administrative expenses	(10,705,958)	(11,114,290)
Net impairment loss on financial assets	(408,332)	-
The Company		
Statements of Financial Position (Extract):-		
Short-term investments	50,064,525	-
Cash and bank balances	516,772	50,581,297
Statement of Profit or Loss and Other Comprehensive Income (Extract):-		
Administrative expenses	(4,347,798)	(6,851,417)
Net impairment loss on financial assets	(2,503,619)	-
Statement of Cash Flow (Extract):-		
Net cash for operating activities	(23,975,590)	(9,979,873)
Net cash from investing activities	60,190,927	46,195,210

This page is intentionally left blank.

AMALGAMATED INDUSTRIAL STEEL BERHAD
COMPANY REGISTRATION NO. 9118-M

FORM OF PROXY

FORTY-EIGHTH ANNUAL GENERAL MEETING

[Please read notes carefully before completing this form.]

Number of Ordinary Shares held

*I/*We .... (NRIC No. ....) of

.... being the

registered holder of ordinary shares in **AMALGAMATED INDUSTRIAL STEEL BERHAD** hereby appoint

[1] .... (NRIC No. ....) of

.... and /or *[The next name and address should be completed if you wish to appoint two proxies.]*

*[2] .... (NRIC No. ....) of

....

or failing him/her, the Chairman of the Company as *my/*our proxy/proxies to attend and to vote for *me/*us and on *my/*our behalf at the Forty-Eighth Annual General Meeting of the Company, to be held at Level 3, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur on Wednesday, 19 June 2019 at 11.00 a.m. and at any adjournment thereof.

[The next paragraph should be completed only when two proxies are appointed.]

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

First Proxy [1] ____________% Second Proxy [2] ____________%
*[*Delete if not applicable]*

Resolution	Ordinary Business	For	Against
Ordinary Resolution 1	To approve the payment of Directors' fees		
Ordinary Resolution 2	To approve the payment of Directors' benefits (other than Directors' fees)		
Ordinary Resolution 3	To re-elect Mr Lim Chin Sean as Director		
Ordinary Resolution 4	To re-elect Datuk Hew Lee Lam Sang as Director		
Ordinary Resolution 5	To re-appoint Crowe Malaysia PLT (formerly known as Crowe Horwath) as the Company's Auditors		
	Special Business		
Ordinary Resolution 6	To authorise the allotment of shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
Ordinary Resolution 7	To retain Tuan Haji Fauzi Bin Mustapha as Independent Non-Executive Director		
Special Resolution	To approve the Proposed Amendments to the Company's Constitution		

Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

Dated this .... day of .... 2019.

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

NOTES:

1. *In regard of deposited securities, only members whose names appear in the Record of Depositors as at 13 June 2019 ("General Meeting Record of Depositors") shall be eligible to attend and vote at the Meeting.*
2. *A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote at the Meeting on his behalf. The proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and there shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.*
3. *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorised.*
4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
5. *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he may appoint at least one proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.*
6. *Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
7. *The instrument appointing a proxy must be deposited at the Company's registered office at Unit 8-02, Level 8, Menara LGB, No. 1, Jalan Wan Kadir, Taman Tun Dr. Ismail, 60000 Kuala Lumpur not less than 48 hours before the time appointed for holding the meeting or adjourned meeting, or in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll.*

Fold here to seal

STAMP

The Company Secretary

AMALGAMATED INDUSTRIAL STEEL BERHAD

(Company No: 9118-M)
Unit 8-02, Level 8, Menara LGB
No. 1, Jalan Wan Kadir
Taman Tun Dr. Ismail
60000 Kuala Lumpur

Fold here to seal

www.aisberhad.com.my

UNIT 8-02, LEVEL 8, MENARA LGB,
NO 1. JALAN WAN KADIR,
TAMAN TUN DR ISMAIL,
60000 KUALA LUMPUR MALAYSIA

TEL : +60 3 2788 9000