Masteel

MALAYSIA STEEL WORKS (KL) BHD

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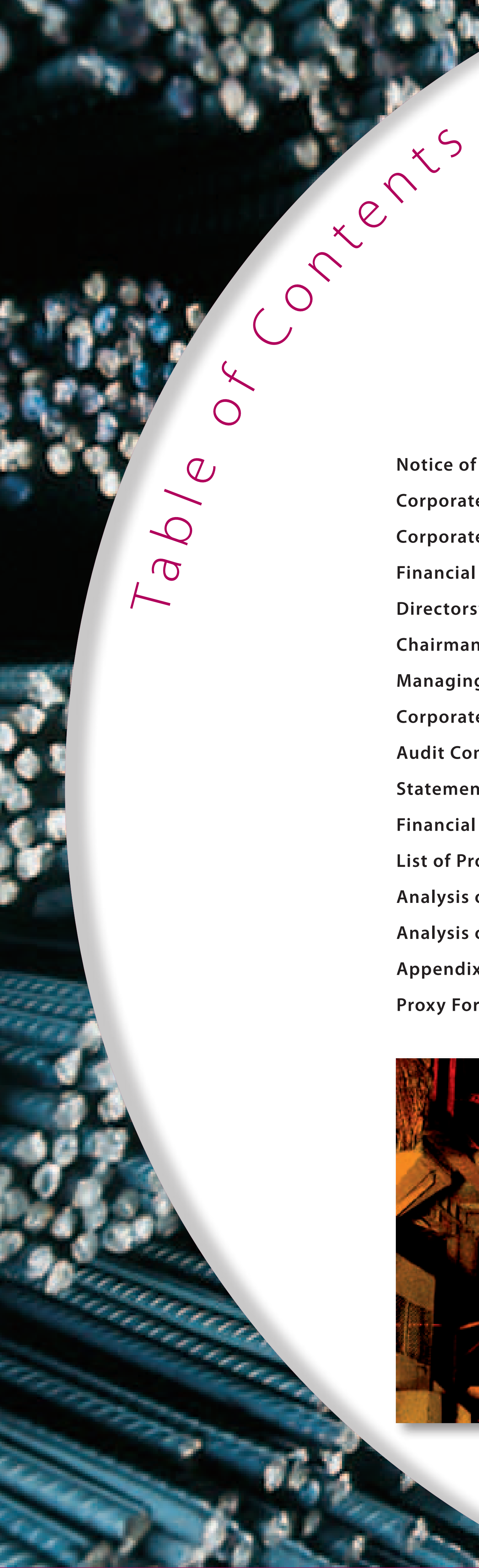
(7878-V)

ANNUAL REPORT 2012

Putting the steel into Malaysia's growth



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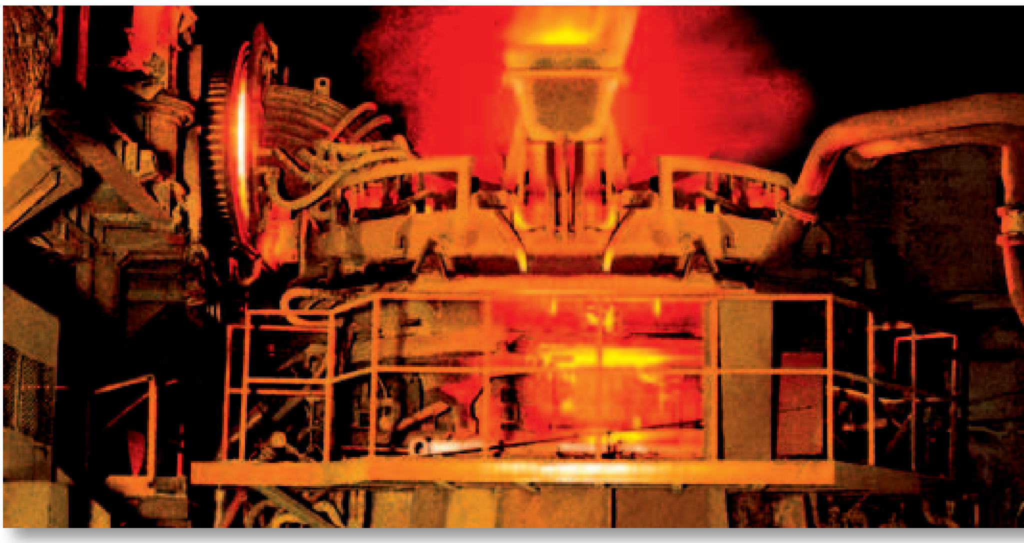

Notice of *Annual General Meeting*

NOTICE IS HEREBY GIVEN THAT the Forty-First Annual General Meeting of the Company will be held at Rebana Hall, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 27 June 2013 at 3.00 p.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1 of the Explanatory Notes)**

2. To declare a final single-tier dividend of 0.5 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2012. **(Ordinary Resolution 1)**

3. To approve the increase of Directors' Fees to RM84,000 in respect of the financial year ended 31 December 2012 and the payment thereof. **(Ordinary Resolution 2)**

4. To re-elect the Director, Mr Ng Wah Lok who is retiring under Article 79 of the Articles of Association of the Company. **(Ordinary Resolution 3)**

5. To re-elect the Director, Mr Lee Kean Binh who is retiring under Article 79 of the Articles of Association of the Company. **(Ordinary Resolution 4)**

6. To re-appoint Messrs Nexia SSY as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 5)**

As Special Business

To consider and, if thought fit, to pass the following resolutions:-

7. **Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director**

   "**THAT** authority be and is hereby given to Mr Ng Wah Lok who would have served as an Independent Non-Executive Director of the Company for a cumulative term of nine years on 29 July 2013, to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting in accordance with the Malaysian Code on Corporate Governance 2012." **(Ordinary Resolution 6)**

8. **Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares**

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and they are hereby authorised to issue shares in the Company at any time and from time to time until the conclusion of the next Annual General Meeting of the Company 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 ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such allotment and issue." **(Ordinary Resolution 7)**

9. Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")

"**THAT** subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with the Related Parties as stated in Section 3.3 of the Circular to Shareholders dated 4 June 2013 which are necessary for the day-to-day operations of the Company and its subsidiaries subject further to the following:-

(i) the Recurrent Transactions contemplated are in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public, and are not to the detriment of the minority shareholders of the Company; and

(ii) disclosure will be made in the Annual Report of the breakdown of the aggregate value of the Recurrent Transactions conducted pursuant to the Proposed Renewal of Shareholders' Mandate during the financial year on the type of Recurrent Transactions made, the names of the related parties involved in each type of Recurrent Transactions and their relationships with the Company.

AND THAT the approval is subject to annual renewal and shall only continue to be in force until:-

(a) the conclusion of the next Annual General Meeting of the Company following the Forty-First Annual General Meeting of the Company at which the Proposed Renewal of Shareholders' Mandate will be tabled;

(b) the expiration of the period within which the next Annual General Meeting of the Company after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extensions as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting,

whichever is the earlier.

AND FURTHER THAT the Directors of the Company be and are hereby authorised to do all acts and things to give full effect to the Recurrent Transactions contemplated and/or authorised by this resolution, as the Directors of the Company, in their absolute discretion, shall deem fit." **(Ordinary Resolution 8)**

10. Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares ("Proposed Renewal of Share Buy-Back Mandate")

"**THAT** subject to the Companies Act, 1965, the Memorandum and Articles of Association of the Company, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium of the Company as at 31 December 2012 of RM344.4 million and RM33.7 million respectively to purchase such amount of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Malaysia Securities Berhad upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

THAT an amount not exceeding the Company's share premium account and retained profits account be allocated by the Company for the Proposed Share Buy-Back;

THAT authority be and is hereby given to the Directors of the Company to decide at their absolute discretion to either retain the shares so purchased as treasury shares (as defined in Section 67A of the Companies Act, 1965) and/or to cancel the shares so purchased and if retained as treasury shares, may resell the treasury shares and/or to distribute them as share dividend and/or subsequently cancel them;

THAT the authority conferred by this resolution will be effective immediately upon the passing of this resolution and will expire at:

(i) the conclusion of the next Annual General Meeting of the Company (being the Forty-Second Annual General Meeting of the Company), at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the Forty-Second Annual General Meeting of the Company is required by law to be held; or

(iii) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;

whichever occurs first but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia Securities Berhad and/or any other relevant governmental and/or regulatory authorities (if any);

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Share Buy-Back as may be agreed or allowed by any relevant governmental and/or regulatory authority."

(Ordinary Resolution 9)

11. **Proposed Amendments to the Articles of Association**

"**THAT** the deletions, alterations, modifications, variations and additions to the Articles of Association of the Company as set out in Appendix I attached with the Annual Report for the financial year ended 31 December 2012 be and are hereby approved" **(Special Resolution)**

DATE OF ENTITLEMENT AND PAYMENT OF FINAL DIVIDEND

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the Forty-First Annual General Meeting, a final single-tier dividend of 0.5 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2012 will be paid on 26 July 2013. The entitlement date for the said dividend shall be 11 July 2013.

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

a. Shares transferred to the Depositor's securities account before 4.00 p.m. on 11 July 2013 in respect of transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
LIEW IRENE (MAICSA 7022609)
Company Secretaries

Selangor Darul Ehsan
Date: 4 June 2013

NOTES:

1. *A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint a maximum of two (2) proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.*

2. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each proxy.*

3. *Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*

4. *The Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.*

5. *The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at or by facsimile transmission to the Company's Share Registrar office at Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time set for the Meeting or any adjournment thereof.*

6. *In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 June 2013 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.*

EXPLANATORY NOTES:

(1) To receive the Audited Financial Statements

Agenda item no. 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 ("the Act") does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is not put forward for voting.

(2) Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director

In respect of Ordinary Resolution 6, the Board of Directors ("Board") has via the Nomination Committee conducted an evaluation on the re-appointment of Mr Ng Wah Lok who would have served as an Independent Non-Executive Director of the Company for a cumulative term of nine years on 29 July 2013, and recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

a. *He fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and therefore is able to bring independent and objective judgment to the Board.*
b. *He has contributed sufficient time and effort and attended all the Committee meetings and Board meetings.*
c. *The length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interests of the Company.*
d. *As he has been with the Company for almost 9 years, he therefore understands the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Committee meetings and Board meetings without compromising his independence and objective judgement.*

(3) Authority under Section 132D of the Act for the Directors to issue shares

The Company had, during its Fortieth Annual General Meeting held on 28 June 2012, obtained its shareholders' approval for the general mandate for issuance of shares pursuant to Section 132D of the Act.

Pursuant to the above mandate granted, the Company had placed out 7,190,000 shares in the Company on 7 November 2012. The proceeds raised of RM6,183,400 have been fully utilised for the Company's working capital expenditure as well as to defray expenses in relation to the private placement.

Ordinary Resolution 7 proposed under item 8 of the Agenda is a renewal of the general mandate for issuance of shares by the Company under Section 132D of the Act. The mandate, if passed, will provide flexibility for the Company and empower the Directors to allot and issue new shares speedily in the Company up to an amount not exceeding in total 10% of the issued share capital (excluding treasury shares, if any) of the Company for such purposes as the Directors consider would be in the interest of the Company. This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

The authority will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purposes of funding investment project(s), working capital and/or acquisition.

(4) Proposed Renewal of Shareholders' Mandate

Ordinary Resolution 8 proposed under item 9 of the Agenda, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such recurrent related party transactions occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Group or affecting the business opportunities available to the Group. The shareholders' mandate is subject to renewal on an annual basis.

Please refer to the Circular to Shareholders dated 4 June 2013 for further information.

(5) Proposed Renewal of Share Buy-Back Mandate

Ordinary Resolution 9 proposed under item 10 of the Agenda, if passed, will give the Directors of the Company authority to take all such steps as are necessary or expedient to implement, finalise, complete and/or to effect the purchase(s) of ordinary shares by the Company as the Directors may deem fit and expedient in the best interest of the Company. The authority will, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next Annual General Meeting of the Company or the expiry of the period within which the next Annual General Meeting of the Company following the Forty-First Annual General Meeting is required by law to be held.

Please refer to the Statement to Shareholders dated 4 June 2013 for further information.

(6) Proposed Amendments to the Articles of Association

The Special Resolution proposed under item 11 of the Agenda, if passed, will render the Articles of Association of the Company to be in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and to update the Articles of Association of the Company to further enhance administrative efficiency of the Company.

Corporate Information

BOARD OF DIRECTORS

Dato' Ikhwan Salim bin Dato' Haji Sujak
(Chairman – Independent Non-Executive)

Dato' Sri Tai Hean Leng @ Tek Hean Leng
(Managing Director/Chief Executive Officer)

Lee Kean Binh
(Executive Director)

Lau Yoke Leong
(Executive Director)

Lim Hoo Teck
(Independent Non-Executive Director)

Ng Wah Lok
(Independent Non-Executive Director)

Muhammad Hanizam bin Hj. Borhan
(Independent Non-Executive Director)

AUDIT COMMITTEE

Lim Hoo Teck *(Chairman)*
Ng Wah Lok
Muhammad Hanizam bin Hj. Borhan

NOMINATION COMMITTEE

Muhammad Hanizam bin Hj. Borhan *(Chairman)*
Ng Wah Lok
Lim Hoo Teck

REMUNERATION COMMITTEE

Dato' Ikhwan Salim bin Dato' Haji Sujak *(Chairman)*
Ng Wah Lok
Lim Hoo Teck

RISK MANAGEMENT COMMITTEE

Ng Wah Lok *(Chairman)*
Dato' Sri Tai Hean Leng @ Tek Hean Leng
Lee Kean Binh

COMPANY SECRETARIES

Tai Yit Chan *(MAICSA 7009143)*
Liew Irene *(MAICSA 7022609)*

REGISTERED OFFICE

Unit B-05-3A, 5th Floor
Block B (West Wing)
PJ8 Office Suite
No. 23, Jalan Barat
Seksyen 8
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7955 7889
Fax : 03-7956 0389

HEAD OFFICE

Wisma Masteel
Lot 29C, Off Jalan Tandang
Section 51
46050 Petaling Jaya
Selangor Darul Ehsan
Tel: 03-7781 1611
Fax : 03-7781 5435

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel: 03-2264 3883
Fax : 03-2282 1886

AUDITORS

Nexia SSY
Chartered Accountants
SSY Building @ Sentral
Level 1, 2A Jalan USJ Sentral 3
USJ Sentral, Persiaran Subang 1
47620 Subang Jaya
Selangor Darul Ehsan

PRINCIPAL BANKERS

Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

	Shares	Warrants
Stock Name :	Masteel	Masteel-WA
Stock Code :	5098	5098WA

Corporate **Structure**

Masteel

MALAYSIA STEEL WORKS (KL) BHD

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100%

METROPOLITAN COMMUTER NETWORK SDN BHD

(Company No. 776516-M)

Dormant

47.61%

BIO MOLECULAR INDUSTRIES SDN BHD

(Company No. 691229-K)

Principal activities – Manufacturing and research and development of radioisotopes and radiopharmaceuticals products

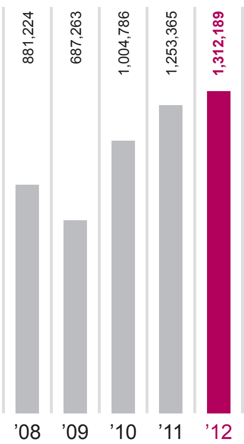
Financial **Highlights**

	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Revenue	**881,224**	**687,263**	**1,004,786**	**1,253,365**	**1,312,189**
Profit/(Loss) before taxation	**85,730**	**(8,542)**	**29,997**	**24,898**	**24,902**
Net Profit/(Loss) for the financial year	79,301	(8,092)	28,094	24,351	24,346
Total Assets Employed	734,521	749,615	826,171	888,700	929,905
Total Shareholders' funds	430,308	417,319	478,554	499,859	525,875
Paid-up Share Capital	97,333	97,333	105,393	105,393	108,988
No. of Ordinary Shares in Issue ('000)	194,667	194,667	210,787	210,787	217,977
Gearing Ratio	58.48%	63.46%	53.91%	58.17%	53.95%
Net Assets per Share (RM)	**2.21**	**2.14**	**2.27**	**2.37**	**2.41**
Earnings/(Loss) per Share (sen) *	40.74	(4.16)	13.58	11.56	11.51
Diluted Earnings per Share (sen)	N/A	N/A	11.34	9.47	9.95
Gross Dividend per Share (sen)	**2.50**	**1.00**	**1.35**	**1.00**	**1.50**

* - *In compliance with FRS 133, Earnings Per Share, the weighted average number of shares has been adjusted to account for the bonus issue as if it had occurred at beginning of 2007.*

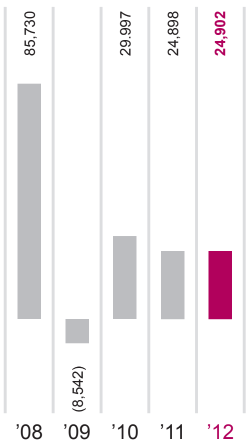
Revenue

(RM'000)



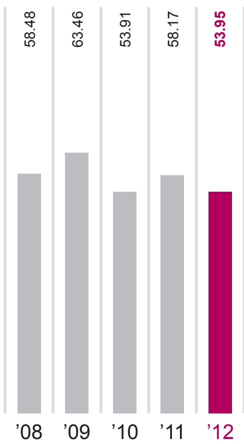
Profit/(Loss) Before Taxation

(RM'000)



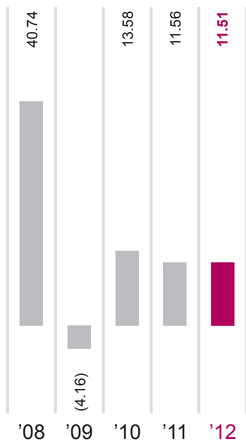
Gearing Ratio

(%)



Earnings Per Share

(Sen)



Directors' Profile

Dato' Ikhwan Salim
bin Dato' Haji Sujak
(Chairman – Independent Non-Executive)
(Chairman of Remuneration Committee)

Dato' Ikhwan Salim bin Dato' Haji Sujak, a Malaysian, aged 56, was appointed as Non-Executive Chairman since 22 May 2003 and a Non-Executive Director of Masteel since 23 July 1998. On 23 April 2012, he was re-designated as Independent Non-Executive Chairman. He obtained a Bachelor of Science degree in Economics/Accounting in 1977 from Queen's University, Belfast, Ireland. He joined Nestle (M) Sdn Bhd as a Finance Executive in 1979. In 1980, he joined Bandar Management Sdn Bhd, a subsidiary of General Corporation Berhad as the Group Finance Planning Manager and upon restructuring his family's varied business operations in 1981, he was made the Director for the holding company, Jaya Holdings Sdn Bhd. In 2000, he was appointed as Executive Chairman/ Director of Konsortium Jaringan Selangor Sdn Bhd and was also appointed as an Independent Director as well as Chairman of the audit committee of Glomac Berhad. Subsequently, he was appointed as Independent Director of Kumpulan Perangsang Selangor Berhad in 2001 to 2008. He was also appointed as a Director in Land and General Berhad on 1 December 2007. He was also a committee member of Automobile Association of Malaysia and the British Graduates Association of Malaysia. He is the Division Head of Petaling Jaya Utara Division of United Malay National Organisation (UMNO). Dato' Ikhwan Salim bin Dato' Haji Sujak also sits on the Board of several private companies in Malaysia.

Dato' Ikhwan Salim attended 4 out of 5 Board meetings of the Company held during the financial year ended 31 December 2012.

Dato' Sri Tai Hean Leng, a Malaysian, aged 49, was appointed as an Executive Director of Masteel on 25 April 1994. He is also the Managing Director/Chief Executive Officer of Masteel. He obtained a Bachelor of Science degree in Mechanical Engineering from the The University of Southern California in 1987 and a Master's degree in Finance from the University of Hull, United Kingdom in 1993. He began his practical training in 1987 as a Plant Manager in the manufacturing of Liquefied Petroleum Gas (LPG) pressure vessels for the oil and gas industries. He has been involved in the formulation and implementation of Masteel's corporate strategies including corporate planning, business expansion and operations. He has more than 20 years of business experience in the iron and steel industry. Dato' Sri Tai also sits on the Board of Metropolitan Commuter Network Sdn Bhd, which is a wholly owned subsidiary of Masteel. He also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia. Dato' Sri Tai is the Vice President of the Malaysia Steel Association (MSA).

Dato' Sri Tai attended all 5 Board meetings of the Company held during the financial year ended 31 December 2012.

Dato' Sri Tai Hean Leng
@ Tek Hean Leng
(Managing Director/Chief Executive Officer)
(Member of Risk Management Committee)

Directors' Profile (continued)

Lee Kean Binh
(Executive Director)
(Member of Risk Management Committee)

Lee Kean Binh, a Malaysian, aged 56, was appointed as an Executive Director of Masteel on 4 June 2003. He is a member of The Chartered Global Management Accountant (CGMA) (UK/USA) a Fellow Member of the Institute of Chartered Management Accountants (CIMA) (UK), an Associate Member of the Institute of Chartered Secretaries & Administrators (ICSA) (UK) and a member of the Malaysian Institute of Accountants (MIA). He has more than 27 years of extensive local and international experience in management, accounting and secretarial matters. Upon graduation in 1981, he joined Messrs. Porter Gee & Co, a public accounting firm in London, England as an auditor until 1983 when he returned to Malaysia and joined Transwater Engineering Sdn Bhd as an Accountant cum Office Manager until 1985. From 1985 to 1990, he was with Gas Pantai Timur Sdn Bhd as Group Accountant and from 1990 to 1993, he was with Sitt Tatt Berhad as Senior Manager in Finance and Administration cum Company Secretary. He joined Masteel in November 1993 as a Finance Manager. He also sits on the Board of Metropolitan Commuter Network Sdn Bhd, a wholly owned subsidiary of Masteel and several private companies in Malaysia.

Mr Lee attended all 5 Board meetings of the Company held during the financial year ended 31 December 2012.

Lim Hoo Teck
(Independent
Non-Executive Director)
(Chairman of Audit Committee and
Member of Nomination Committee and
Remuneration Committee)

Lim Hoo Teck, a Malaysian, aged 48, was appointed as an Independent Non-Executive Director of Masteel on 5 July 2006. He is a member of the Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM) and Malaysian Institute of Certified Public Accountants (MICPA). He is also a member of the Disciplinary Committee Panel (Lembaga Tatatertib Peguam-Peguam) pursuant to the Legal Profession Act, 1976. He acts as an Adjudicator for the 2012 National Annual Corporate Report Awards (NACRA) competition. Mr Lim started his accounting profession in 1984 as an Audit Assistant with Messrs Mustapha Law, where he served for 5 years. In 1989, he joined the international accounting firm of Price Waterhouse (now known as PricewaterhouseCoopers), Kuala Lumpur for about 2 years. He joined Coopers & Lybrand, Singapore as an Audit Manager in 1991. Currently, he is the Managing Partner in his two-partner audit practice, Messrs. Steven Lim & Associates. He has more than 22 years' experience in public accounting which includes, handling large audits of multinational and public-listed companies as well as small and medium-sized audits for companies engaged in trading, manufacturing, banking, plantation, hotel, construction, property holding and service industries. He has also been involved in initial public offer (IPO) assignments, acquisition reviews and investigation works. On 7 April 2008, he was appointed as a Non-Executive Director to YGL Convergence Berhad, a listed company on the ACE Market, and resigned on 1 January 2013.

Mr Lim attended all 5 Board meetings of the Company held during the financial year ended 31 December 2012.

Ng Wah Lok
(Independent Non-Executive Director)
(Chairman of Risk Management Committee and
Member of Audit Committee,
Nomination Committee and Remuneration Committee)

Ng Wah Lok, a Malaysian, aged 52, was appointed as an Independent Non-Executive Director of Masteel on 29 July 2004. He obtained his Bachelor of Engineering degree in 1984 and a Master degree in Engineering Science in 1989 from the University of Malaya. Upon graduation, he worked as a Project Engineer for a research project in the University of Malaya developing a hand pump to eradicate waterborne diseases in rural areas. In 1989, he joined Malaysian Industrial Products Sdn Bhd as a Project Engineer. In 1993, he was appointed as the General Manager of Masteel and was responsible for the upgrading of the rolling mill in Petaling Jaya and managed the expansion of the Bukit Raja plant in Klang. In 1999, he resigned as Senior General Manager and alternate Director of Masteel. He is currently a Director of a private limited company and 3 unlisted public companies in Malaysia.

Mr Ng attended all 5 Board meetings of the Company held during the financial year ended 31 December 2012.

Lau Yoke Leong, a Malaysian, aged 44 was appointed as an Executive Director of Masteel on 16 April 2007. He joined Masteel as an Accountant in July 2000 and was promoted as Chief Accountant in June 2004. He is a Fellow Chartered Certified Accountant and a member of the Malaysian Institute of Accountants. He has more than 15 years of experience in various fields of accounting, audit, taxation and management matters as well as in-house training instructor on updating of accounting standards and audit software program, corporate restructuring, corporate exercise and due diligence assignments. He started his accounting profession in 1994 as an auditor with Messrs Ong & Wong. He completed the professional qualification from The Association of Chartered Certified Accountants in late 1995. Upon graduation in 1995, he joined another public accounting firm, Messrs T.H.Liew & Gan as an auditor before moving on to Messrs Deloitte Touche Tohmatsu as an auditor from 1996 to 1999. From 1999 to 2000, he was an accountant with Bell Management Services Sdn Bhd before joining Masteel. Mr Lau also sits on the Board of Bio Molecular Industries Sdn Bhd, an associate company of Masteel and several private companies in Malaysia.

Mr Lau attended all 5 Board meetings of the Company held during his term in office for the financial year ended 31 December 2012.

Lau Yoke Leong
(Executive Director)

Directors' Profile (continued)

Muhammad Hanizam
bin Hj. Borhan
(Independent Non-Executive Director)
(Chairman of Nomination Committee and
Member of Audit Committee)

Muhammad Hanizam bin Haji Borhan, a Malaysian, aged 40, was appointed as an Independent Non-Executive Director on 12 November 2007. He is a member of the Malaysian Institute of Accountants (MIA). He obtained his Bachelor in Accountancy (Hons) Degree from The Universiti Teknologi MARA (UiTM) Shah Alam in 1997. He started his career in an accounting firm Messrs Ali Jaafar & Co, in Kuala Lumpur as an audit assistant between 1996 to 1999 before he moved on to become audit supervisor with Messrs. MNZ Associates, a Public Accountants firm between 1999 to 2000. He re-joined Messrs Ali Jaafar & Co in October, 2000 as Audit Assistant Manager and was subsequently promoted to become the Audit Manager from 2002 to 2004. He joined Messrs. Ismail Adam & Co as Tax Manager from May, 2004 to September, 2005. Thereafter, he started his own professional firm Messrs. My Accounting Services where he is currently offering accounting and business advisory services to a variety of clients. He has more than 15 years of experience in small and medium-sized firms involving in trading, manufacturing, marketing, plantation, construction, property development, quasi government agencies and services industries.

Encik Muhammad Hanizam bin Haji Borhan attended all 5 Board meetings during his term in office for the financial year ended 31 December 2012.

None of the Directors has family relationship with any other directors/major shareholders, except for the Managing Director/Chief Executive Officer, who is related to a major shareholder. None of the Directors have any conflict of interest with the Company. The members of the Board have no convictions for any offences within the past ten (10) years.

Chairman's **Statement**

Dear Shareholders,

On behalf of the Board of Malaysia Steel Works (KL) Bhd ("Masteel" or "the Group"), it is my pleasure to present to you the 2012 Annual Report and audited financial statements for the financial year ended 31 December 2012 ("FY2012").

FY2012 was a challenging year for the Malaysian steel sector as a whole, hampered as it was by issues like lower average selling prices, volatile raw material costs and overcapacity in many types of steel products. The sector was further compounded by the economic woes and/or slowdowns being experienced by many markets around the world.

Masteel, however, was able to withstand many of these challenges. In fact, we remained in positive territory when compared with our peers.

The Group's use of high-grade scrap metal - with its more stable pricing - and not iron ore as our feedstock meant that we were spared the fluctuations in the latter's prices. We were also not impacted by the steel dumping issue, which hurt many manufacturers here, as the contentious import of steel products are not steel bars.

Additionally, our strategic location within the Klang Valley meant that we benefited from the growing demand for steel bars for many Economic Transformation Programme ("ETP") projects - like the light rail transit ("LRT") extension and the Klang Valley Mass Rapid Transit ("MRT") train network - as well as for private sector property development projects.

Lastly, Masteel's astute and dynamic management - and continuing investments in new technologies and processes to lower costs and improve efficiencies - have allowed the Group to react to opportunities that presented themselves as well as to weather the worst storms of 2012.

FY2012 FINANCIAL HIGHLIGHTS

Masteel's fortitude during this challenging FY2012 has been rewarded by a historic milestone, the Group's highest-ever revenue to date since our foundation in 1971. We were able to record revenue of RM1.31 billion, up 4.7% from FY2011's RM1.25 billion, despite the lower average selling prices in the local market, which impacted many of our peers.

This success was mostly achieved on the back of increased volume sales domestically, which accounted for 83.1% of our total revenue, as we leveraged on our central location and solid reputation to provide steel bars for projects like the new Kuala Lumpur International Airport 2 ("KLIA2") and Klang Valley MRT, amongst others.

Chairman's Statement (continued)

As a result, Masteel was able to mitigate the adverse impact and, to a greater extent, reduce the negative market sentiments that hindered the domestic steel industry. This allowed the Group to sustain FY2012 profit before tax (''PBT'') and net profit of RM24.9 million and RM24.3 million respectively.

Basic earnings per share was 11.5 sen versus 11.6 sen previously.

Masteel's balance sheet remains in a robust state. Shareholders' equity rose 5.2% to RM525.9 million from RM499.9 million previously. The Group's FY2012 cash and cash equivalents stood at RM48.0 million, up 52.0% from FY2011's RM31.6 million. Total borrowings dropped 2.4% to RM283.7 million from RM290.8 million a year ago.

Our net gearing of 0.44 time - down from 0.49 time previously - allows Masteel the flexibility to undertake additional borrowings to fund further growth initiatives in the future.

In respect of the financial year ended 31 December 2012, the Group declared an interim dividend of 1 sen per share, or an 8.9% payout from our FY2012 net profit. This dividend was paid out to shareholders on 10 December 2012.

We have also proposed a final single tier dividend of 0.5 sen per share, subject to the approval of shareholders at Masteel's forthcoming Annual General Meeting ("AGM"). If approved, this will take the Group's dividend payout in respect of FY2012 to 1.5 sen per share, or RM3.27 million. This translates into a dividend payout ratio of 13.4%, one of the highest since our listing on the Main Market of Bursa Malaysia Securities in 2005.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

As an outstanding pillar of the community, Masteel believes in fostering, supporting and enhancing human dignity and welfare. We are a strong believer in upholding the fundamental principle that an all-encompassing holistic approach is needed to improve the well-being of our civil society.

As such, and as part of Masteel's CSR activities for FY2012, the Group contributed back to society by assisting in the 15th Anniversary Charity Dinner organised by the non-profit Ti-Ratana Welfare Society, which was attended by the Prime Minister Dato' Sri Mohammad Najib Tun Razak.

The gala dinner was undertaken to help raise funds for the construction of a four-storey, RM8.0 million centre for underprivileged children.

It is through efforts like these that Masteel hopes to make a difference to the society that we operate in.

CORPORATE GOVERNANCE

The Board of Masteel is fully committed to the best practices of good corporate governance. We see that such commitment is the only way to enhance and protect shareholder value.

Hence, we adhere diligently to the highest standards of transparency in our day-to-day operations. The steps undertaken by the Group to ensure this are highlighted in the Corporate Governance Statement of this Annual Report.

APPRECIATION

I would like to take this opportunity to thank my fellow Board members, the management team and the more than 600 employees working for Masteel that have worked steadfastly together to drive the Group to where it is today.

I would also like to extend my deepest gratitude to Masteel's valued shareholders, business associates, customers, regulatory bodies and many others who have supported the Group throughout FY2012. We hope that our strong relationship will continue to strengthen and prosper in FY2013 and beyond.

Thank you.

Dato' Ikhwan Salim Bin Dato' Haji Sujak
Chairman

Managing Director/CEO's Statement

The Group recorded a historical achievement, our best-ever revenue to date, when we posted a 4.7% increase in topline to RM1.3 billion.

FINANCIAL YEAR 2012 OVERVIEW

In a year impacted by lower selling prices and the import of cheaper steel products, Masteel remained one of the few domestic steel players who displayed resilience.

Furthermore, for FY2012, the Group recorded a historical achievement, our best-ever revenue to date, when we posted a 4.7% increase in topline to RM1.3 billion. This was achieved mainly due to higher sales volume in the local market.

The rollout of many Economic Transformation Programme ("ETP") initiatives during the year under review has been a growth catalyst for the local construction industry, which - in turn - spurred demand for steel bars.

Exports, however, remained challenging, contributing less to topline, RM221.7 million in FY2012 versus RM434.2 million previously. This was largely due to heavy competition in the overseas marketplace.

Masteel's continuing investments in new technologies and processes allowed us to weather the turbulence within the steel sector relatively well. Additionally, a strong management team has also helped us side-step issues that have impacted negatively on other peers.

This allowed the Group to sustain a commendable net profit at RM24.3 million in FY2012, compared to RM24.4 million previously.

GROWTH STRATEGIES

As Malaysia moves closer towards 2020, and its target of transforming itself into a developed nation, the demand for steel bars that are needed for nation-building projects can only trend upwards. As the countries around us continue to prosper and develop, steel bars will be needed for infrastructure upgrading works for some time to come.

To meet with this expected demand, Masteel invested approximately RM200.0 million to grow our meltshop capacity to 700,000 metric tonnes ("MT") of steel billets per year from 550,000 MT previously. The upgrading of this facility in Klang, Selangor, is scheduled for completion in December 2014. The Group is also building our second rolling mill adjacent to the meltshop. This new facility, which is slated to go operational in mid-2014, will boost Masteel's annual steel bar production capacity to 550,000 MT from 350,000 MT currently.

These new capacities will allow the Group the flexibility to both meet existing and expected future local and regional demand, as well as to seek out new export destinations for our steel products.

Lastly, for FY2013 and beyond, Masteel will continue to seek out other synergistic opportunities that can enhance the Group's core business so that we can bring additional value for our shareholders.

CORPORATE UPDATES

- **RM500.0 million Offtake Agreement with Trafigura Pte Ltd**

  On 27 June 2012, Masteel announced the signing of a RM500.0 million offtake agreement between the Group and the world's second-largest commodities trader, Trafigura Pte Ltd, which will see us selling steel products to the latter over a three year period.

  The agreement, which is expected to contribute positively to earnings from FY2013 onwards, will not only provide export income for Masteel but also see Trafigura taking up some of the Group's new excess capacity.

- **MCN Receives Depot Land Offer**

  Masteel remains committed to our joint-venture ("JV") with KUB Malaysia Berhad ("KUB Malaysia"), Metropolitan Commuter Network Sdn Bhd ("MCN"), to supply and operate a top-of-the-line rail transport network interlinking the various towns and cities within the Iskandar Malaysia economic corridor and Woodlands, Singapore.

  The Group believes strongly in this RM1.3 billion proposal, which is being considered by the relevant Malaysian Government bodies, as it is expected to generate recurring income for the JV partners over a 37-year concession period.

  A breakthrough was made on 6 November 2012 when MCN was offered a 14.3 hectare plot of land owned by Perbadanan Aset Keretapi ("PAK") in Kempas, Johor, by the Ministry of Transport Malaysia ("MOT") for the construction of the JV's proposed Iskandar Malaysia commuter train depot.

  MCN has submitted the necessary applications to PAK for the plot in question, which is seen as sufficient for the site of the depot.

  On 18 December 2012, MCN received a letter from MOT to confirm its agreement to our project in Iskandar Malaysia.

- **Private Placement of Shares**

  On 9 November 2012, Masteel announced the private placement of up to 31.6 million shares of RM0.50 each, or approximately 10% of the Group's issued and paid-up share capital.

  Around 7.2 million shares were issued under this corporate exercise at an issue price of RM0.86 per share, which raised RM6.2 million for our working capital needs.

PROSPECTS

Masteel is optimistic on the state of the local steel industry and the Group's own prospects in 2013.

The initiatives by the Malaysian Government to curb the importing of certain cheaper steel products into the country is expected to improve the pricing of the domestic steel sector and enhance the income of the Company.

The estimated RM150.0 billion worth of ETP projects slated to rollout this year - such as the KL MRT, the Tun Razak Exchange, the Light Rail Transit ("LRT") extension and the 1Malaysia People's Housing ("PR1MA") programmes - will drive the demand for high-tensile steel bars that is produced by Masteel.

For example, on 9 November 2012, Masteel won a RM6.7 million contract from the Mass Rapid Transport Corporation Sdn Bhd to supply Grade 500 high-tensile steel bars to several KL MRT sites - namely V1-Sungai Buloh, V2-Kota Damansara and V5-Cheras.

Managing Director/CEO's Statement (continued)

This was the Group's first order for this particular ETP initiative and, since then, given our exemplary track record in producing high-quality steel bars, we have continued to supply to the project.

Additionally, we are optimistic of the regional demand for steel bars, which are required by Malaysia's neighbours for their own nation-building initiatives. With Masteel's CAPEX initiatives in place to expand our steel billets and steel bars production capacities, the Group will have the flexibility to tap into more opportunities within both the domestic and regional markets.

Our strategic location within the Klang Valley - where many ETP projects are rolling out and where we are close to an established land, sea and air transportation network - accords to Masteel distinct advantages.

Notwithstanding the bright prospects in the local market, we are certainly circumspect of the challenges ahead. This includes the state of the global economy, which can have a negative trickle-down impact on steel bar consumption.

However, given the strategies we have implemented, the strong fundamentals of Masteel and the positive overall outlook, FY2013 is expected to be a promising year for the Group.

Dato' Sri Tai Hean Leng @ Tek Hean Leng
Managing Director/Chief Executive Officer

Corporate Governance **Statement**

Recognizing the importance of good governance as a fundamental part of discharging their responsibilities, the Board of Directors ("Board") has taken steps to evaluate and implement the Group's corporate governance policies and procedures. The Board is committed to ensure that good corporate governance is practised and complied with throughout the Group within the framework as expounded by the principles and recommendations promoted by the Malaysian Code on Corporate Governance 2012 ("MCCG 2012") to enhance shareholders' value.

This statement sets out the manner in which the Group has applied the principles and recommendations of MCCG 2012 and the Board will continue to further take measures to improve compliance with principles and recommended best practices in the ensuing years.

BOARD OF DIRECTORS

The Board has the overall responsibility for corporate governance, strategic direction, formulation of policies, implementing an appropriate system of risk management, ensuring the adequacy and integrity of the Group's system of internal control, overseeing the investment and addressing the sustainability of the business of the Group.

The Directors are to devote sufficient time and effort to carry out their responsibilities. It is also the Board's policy for Directors to notify the Chairman of the Board before accepting any new directorships notwithstanding that the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") allow a Director to sit on the boards of up to 5 listed issuers.

A brief description of each Director is presented in the profile of Directors on pages 11 to 14 of this Annual Report.

COMPOSITION AND BALANCE

The Board currently has seven (7) members, comprising three (3) Executive Directors and four (4) Independent Non-Executive Directors. The Chairman of the Board is an Independent Non-Executive Director. This composition satisfies the requirement of the MCCG 2012 and the Main Market Listing Requirements of Bursa Securities for the Chairman to be a non-executive member of the Board and Independent Non-Executive Directors to make up at least one third of the Board membership respectively.

The composition of the Board ensures that Independent Non-Executive Directors will be able to exercise independent judgment on the affairs of the Company. They play a strong and vital role in entrenching good governance practices in the affairs of the Group and through their participation in the Audit, Remuneration, Risk Management and Nomination Committees.

There is a clear division of responsibilities between the Chairman and Managing Director/Chief Executive Officer ("MD/CEO") to ensure that there is a balance of power and authority. The Chairman has the responsibility to ensure the Board's effectiveness and conduct while the MD/CEO is entrusted by the Board on the daily running of the business and implementation of the Board's policies and decisions.

The MD/CEO together with the Executive Directors, supported by the management staff, are closely involved in the Company's day-to-day operations. They also have the responsibility of reporting, clarifying and communicating matters to the Board.

Collectively, the Board brings a balance of skills and experience appropriate to the business owing to their diverse background in business, finance, political and commercial field.

The Board is satisfied that the current Board composition fairly reflects the interests of minority shareholders in the Company.

BOARD CHARTER AND CODE OF CONDUCT

The Company has established a Board Charter to promote high standards of corporate governance and the Board Charter is designed to provide guidance and clarity for Directors and management with regard to the role of the Board and its committees. Key matters reserved for the Board include the approval of strategic plans, monitoring of financial and operating performance, reviewing the procedures to identify principal risks and ensuring implementation of appropriate internal controls and mitigating measures, establishing succession planning, oversee the development and implementation of an investor relations programme and reviewing the adequacy and integrity of the management information system and risk management and internal controls system of the Group.

The Code of Conduct ("Code") has also been incorporated in the Board Charter to promote the corporate culture which engenders ethical conduct that permeates throughout the Company. The Code is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism.

A copy of the Board Charter and the Code can be found in the Company's website at www.masteel.com.my.

The Company has also put in place various policies such as Corporate Disclosure Policy and Procedure, Succession Planning Policy, Whistle-Blowing Policy, Risk Management Policy and Corporate Economic & Social Responsibility Policy and these policies will be reviewed periodically by the Board.

BOARD MEETING AND SUPPLY OF INFORMATION

The Board meets at least quarterly to review and approve the quarterly results of the Group for announcement. The Board also attends additional meetings to be convened on an ad-hoc basis as and when necessary to consider corporate proposals or business issues that require the urgent decision of the Board. The Directors are given due notice with the agenda and full set of Board papers prior to the meeting and are free to seek any further information they considered necessary. Senior management staff are invited to attend the Board meetings where necessary to provide the Board with detailed explanations and clarifications on issues that are being considered during the Board meetings.

In discharging the Board's duties and responsibilities, all pertinent issues discussed at the meetings in arriving at the decisions and conclusions are properly recorded by the Company Secretaries.

The Board has access to the advice and services of the Company Secretaries, who are experienced and capable of carrying out the duties to which the post entails and may upon a written request to the Chairman obtain independent professional advice at the Company's expense as and when necessary. The removal of Company Secretaries, if any, would be decided by the Board.

NUMBER OF MEETINGS HELD AND ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2012, five (5) board meetings were held and each Director with the exception of Dato' Ikhwan Salim bin Dato' Haji Sujak has attended 100% of the total Board meetings held during the financial year.

Directors	Number of Attendance Achieved	Percentage (%)
Dato' Ikhwan Salim bin Dato' Haji Sujak - Independent Non-Executive Chairman	4 / 5	80
Dato' Sri Tai Hean Leng @ Tek Hean Leng - MD/CEO	5 / 5	100
Lee Kean Binh - Executive Director	5/ 5	100
Lau Yoke Leong - Executive Director	5 / 5	100
Lim Hoo Teck - Independent Non-Executive Director	5 / 5	100
Ng Wah Lok - Independent Non-Executive Director	5 / 5	100
Muhammad Hanizam bin Hj. Borhan - Independent Non-Executive Director	5 / 5	100

BOARD COMMITTEES

The Board delegates certain functions to committees, namely Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee to support and assist in discharging its fiduciary duties and responsibilities. The respective committees report to the Board on matters considered and their recommendations thereon. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other committees delegated with specific authorities to act on their behalf. These committees operate under approved terms of reference or guidelines, whenever required.

i) Nomination Committee

For the financial year ended 31 December 2012, the Nomination Committee comprised three (3) members, all of whom are Independent Non-Executive Directors. The Nomination Committee is headed by Encik Muhammad Hanizam bin Hj. Borhan while the other two (2) members are Mr Lim Hoo Teck and Mr Ng Wah Lok.

The duties and responsibilities of the Nomination Committee are as follows:-

- Recommend to the Board, candidates for all directorships and to review the Board's policies and procedures for selection of Board Members. In making the recommendations the Committee should also consider candidates proposed by the MD/CEO, and within the bounds of practicability, by any other senior executive, Director or shareholder. In making its recommendations, the Committee shall consider the candidates':

  – skills, knowledge, expertise and experience;
  – professionalism;
  – character, integrity, commitment and competency;

  - boardroom diversity including gender diversity; and
  - in the case of candidates for the position of Independent Non-Executive Directors, the Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors.

- Recommend to the Board, Directors to fill the seats on Board Committees.

- To develop, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors. The nomination and election process should be disclosed in the Annual Report as appropriate.

- To facilitate Board induction programme for newly appointed Directors.

- To review the Board's succession plans.

- To review annually the required mix of skills and experience of the Board, including the core competencies which Non-Executive Directors should bring to the Board.

- To assess the Directors annually, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director including his/her time commitment to effectively discharge his/her role as a director, character, experience and integrity. All assessments and evaluations carried out by the Committee in the discharge of all its functions shall be properly documented.

- To review the character, experience, integrity, competence and time to effectively discharge the roles of MD/CEO and Chief Financial Officer.

- To assess annually the independence of its independent directors. This activity shall be disclosed in the Annual Report of the Company and in any notice of a general meeting for the appointment and re-appointment of independent directors.

- To review, recommend and ensure training needs/requirements for each individual Director.

- To recommend to the Board protocol for accepting new directorships.

During the financial year under review, the Nomination Committee had met once, which was attended by all members, where it reviewed and assessed the mix of skills, experience and size of the Board, level of independence of the Independent Directors, contribution of each Director and effectiveness of the Board as a whole and Board Committees. All assessments and evaluations carried out by the Nomination Committee were properly documented.

In its assessment, it was concluded that the Board's size is conducive for effective discussion and decision-making and the Board is satisfied that it has an appropriate balance of expertise, skills, and attributes among the Directors including relevant core competencies.

The Nomination Committee had conducted an evaluation on the re-appointment of Mr Ng Wah Lok who would have served as an Independent Non-Executive Director of the Company for a cumulative term of nine years on 29 July 2013, and recommended Mr Ng to continue in his capacity as a Independent Non-Executive Director of the Company based on the following justifications:-

a. He fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Securities, and therefore is able to bring independent and objective judgment to the Board.

b. He has contributed sufficient time and effort and attended all the Committee meetings and Board meetings.

c. The length of his service on the Board does not in any way interfere with his exercise of independent judgement and ability to act in the best interests of the Company.

d. As he has been with the Company for almost 9 years, he therefore understands the Company's business operations which enable him to participate actively and contribute during deliberations or discussions at Committee meetings and Board meetings without compromising his independence and objective judgement.

Therefore, based on the recommendation by the Nomination Committee, the Board recommended that Mr Ng Wah Lok continues to act as Independent Non-Executive Director of the Company subject to shareholders' approval at the Company's forthcoming 41st AGM as he has fulfilled the criteria under the definition on Independent Director as stated in the Main Market Listing Requirements of Bursa Securities.

ii) Remuneration Committee

The Remuneration Committee comprises three (3) members, all of whom are Independent Non-Executive Directors and is headed by Dato' Ikhwan Salim bin Dato' Haji Sujak with Mr Lim Hoo Teck and Mr Ng Wah Lok being the other two (2) members.

The duties and responsibilities of the Remuneration Committee are as follows:-

(a) To recommend to the Board the remuneration of the Executive Directors and Non-Executive Directors in all its forms.

The determination of remuneration packages of Executive Directors and Non-Executive Directors including Non-Executive Chairman, should be a matter for the Board as a whole where the individuals concerned shall abstain from discussion of their own remuneration.

(b) To review the Board remuneration policies and procedures which shall be disclosed in the Annual Report. Remuneration of the Board shall be aligned with the business strategy and long-term objectives of the Company, and to reflect the Board's responsibilities, expertise and complexity of the Company's activities.

(c) To review Executive Directors' scope of service contracts if any.

The Remuneration Committee met once during the financial year ended 31 December 2012, which were attended by two members i.e. Mr Lim Hoo Teck and Mr Ng Wah Lok.

iii) Audit Committee

The terms of reference of the Audit Committee are set out under the Audit Committee Report on pages 32 to 36 of this Annual Report.

iv) Risk Management Committee

The Risk Management Committee ("RMC") comprises three (3) members, of whom the Chairman, Mr Ng Wah Lok is an Independent Non-Executive Director and the other two (2) members being the MD/CEO, Dato' Sri Tai Hean Leng @ Tek Hean Leng and the Executive Director, Mr Lee Kean Binh.

The RMC assists the Board in establishing a sound internal control framework to manage risks with the overall responsibility for overseeing the risk management activities of the Group and approving the appropriate risk management procedures and measurement methodologies across the Group.

The principal roles and functions of the RMC are summarised as follows:

- reviewing the Group's risk philosophy/policy;
- reviewing the extent to which management has established an effective enterprise risk management framework;
- reviewing the Group's risk management framework and assessing the resources and knowledge of management and staff involved in the risk management process;
- reviewing the Group's risk profile, risk appetite and risk tolerance; and
- report to the Board on the effectiveness of the risk management framework and the Group's risk profile and appetite.

The RMC had met once during the financial year ended 31 December 2012 which was attended by all members.

RE-ELECTION OF DIRECTORS

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subjected to re-election by shareholders at the next Annual General Meeting ("AGM") following their appointment. The Articles of Association also provide that at least one-third (1/3) of the Directors shall retire by rotation at each AGM and are eligible to offer themselves for re-election at the AGM. In addition, all Directors are also to retire from office at least once in every three (3) years and the Directors to retire in each year shall be those who have been longest in office since their last election.

The profile of Directors seeking for re-election can be found in pages 11 to 14 of this Annual Report.

DIRECTORS' TRAINING AND DEVELOPMENT

All members of the Board have completed the Mandatory Accreditation Programme conducted by Bursatra Sdn Bhd as required by the Main Market Listing Requirements of Bursa Securities. In addition, an orientation programme will be held for newly appointed directors to enable them to familarise themselves with the Group's business and operation. During the year, no orientation programme was held as there was no appointment of new Director.

During the financial year under review, the Directors attended seminars or briefings conducted by the Regulatory Authorities or members of professional bodies or industries, in order to keep abreast with the latest developments and updates, and to enhance and fulfill their responsibilities as Directors of the Company.

Seminars or briefings attended by the Directors during the financial year under review were as follows:

- Accounting for Assets & Liabilities
- Key Amendments to Listing Requirements 2011 & Corporate Disclosure Guide 2011
- Corporate Governance and Risk Management
- Financial Impact of Adoption MFRS and Related Tax Implications
- Competition Act 2010 and Implications on the Malaysian Steel Industry
- National Tax Conference 2012

The Company Secretaries circulated the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefed the Board on these updates quarterly.

DIRECTORS' REMUNERATION

The objective of the Group is to ensure that the Group attracts and retains Directors of calibre needed to run the Group successfully. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors.

In respect of the financial year under review, the Remuneration Committee had reviewed the remuneration packages for the Executive Directors, which reflects the level of risk, responsibility as well as the performance of the Company and considered the packages are well within the industry norm.

In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

LEVEL AND MAKE UP

The transparency and accountability aspects of corporate governance as applicable to Directors' remuneration recommended by the best practices of the MCCG 2012 are deemed appropriately complied with the following disclosures:-

1. The Directors' fees for FY 2012 of RM84,000 is subject to the approval by shareholders at the forthcoming AGM of the Company.

2. Aggregate remuneration of Directors during the financial year under review can be categorized into the following components:-

	Directors' Fees (RM'000)	Directors' Bonus and Other Emoluments (RM'000)	Directors' Allowances (RM'000)	Total (RM'000)
Executive Directors	24	1,662	63	1,749
Non-Executive Directors	32	–	260	292

Directors' remuneration are broadly categorized as follows:-

	Number of Directors	
Range of remuneration	Executive Directors	Non-Executive Directors
RM50,001 – RM100,000	–	3
RM100,001 – RM150,000	–	1
RM300,001 – RM350,000	1	–
RM350,001 – RM400,000	1	–
RM1,050,001 – RM1,100,000	1	–

(Note: None of the Directors received remuneration other than the above range)

RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Board recognizes the importance of maintaining transparency and accountability to its shareholders as a key element of good corporate governance and thus, maintains a high level of disclosure and communication with its shareholders through disclosure to Bursa Securities and to the press.

The Board have put in place a Corporate Disclosure Policy and Procedure to ensure compliance with the disclosure requirements as stipulated in the Main Market Listing Requirements of Bursa Securities and also to set out the persons authorised and responsible to approve and disclose material information to shareholders and stakeholders.

The Company's website, www.masteel.com.my is accessible by the shareholders, investors and members of the public to obtain information on the Company's press releases, corporate information, operation activities and financial performance.

The AGM is the principal forum for dialogue with shareholders. Shareholders are provided with an opportunity to participate in the question and answer session in which shareholders may raise questions pertaining to the business activities of the Company. The Directors are available to respond to questions from shareholders at the AGM. The shareholders are also informed of their right to demand for a poll.

The Board has identified Mr Ng Wah Lok as the Senior Independent Non-Executive Director, to address any valid and appropriate issues raised by shareholders, via his email address at nwl@masteel.com.my.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The Board aims to present a balanced, clear and meaningful assessment of the Company's financial position and prospects in all their reports to the shareholders, investors and regulatory authorities. This assessment is primarily provided through the annual financial statements and quarterly announcements of financial results to the shareholders as well as the Chairman's statement and MD/CEO's statement on the review of the operations in the Annual Report.

The Board is assisted by the Audit Committee to oversee the Company's financial reporting process and the quality of its financial reporting.

INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining a sound system of internal control, which provides reasonable assurance of effective and efficient operations and compliance with laws and regulations as well as with the internal financial administration procedures and guidelines. The Board has established an internal audit function that reports directly to the Audit Committee.

The Statement on Risk Management and Internal Control is set out on pages 37 to 38 of this Annual Report.

RELATIONSHIP WITH THE AUDITORS

The Company has established and maintained an appropriate working relationship with the Company's external auditors, Messrs. Nexia SSY, in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The Audit Committee had met up with the external auditors twice during the financial year under review without the presence of the Executive Directors and the Management as part of good governance practice.

The Board upholds the integrity of financial reporting by the Company. As such, it has established procedures, via the Audit Committee, in assessing the suitability and independence of the external auditors. Such procedures entail the provision of written assurance by the external auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants. The Board has determined that the provision of non-audit service contracts which cannot be entered into with the external auditors include management consulting, strategic decision, internal audit and policy and standard operating procedures documentation.

COMPLIANCE WITH THE CODE

Unless otherwise stated, the Group has complied with the MCCG 2012 throughout the financial year ended 31 December 2012.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is required to present the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the Group has used the appropriate accounting policies and applied them consistently, adopted to include new and revised Malaysian Financial Reporting Standards (MFRs) where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

ADDITIONAL COMPLIANCE INFORMATION

1. CORPORATE EXERCISE

PRIVATE PLACEMENT

On 27 August 2012, the Company proposed a private placement of up to 31,586,299 new ordinary shares of RM0.50 each, representing not more than ten percent (10%) of the enlarged issued and paid-up share capital of the Company (excluding treasury shares) assuming the exercise of all outstanding warrants, for working capital purpose. The proposal was approved by Bursa Securities and MITI on 6 September 2012 and 7 September 2012 respectively.

The Company has completed the first tranche of the placement with a total of 7,190,000 new shares issued during the financial year at an issue price of RM0.86 per share.

2. UTILISATION OF PROCEEDS

As at 31 December 2012, the Group has fully utilised the proceeds from the private placement of 7,190,000 shares as follows:-

	Total Proceeds RM'000	Utilised RM'000	Unutilised RM'000
Working Capital			
- Raw Material	4,272	4,272	–
- Other operating expenses	1,831	1,831	–
Listing expenses	80	80	–
	6,183	6,183	–

3. SHARE BUY-BACK

During the financial year ended 31 December 2012, the Company repurchased a total of 100,000 ordinary shares of RM0.50 each as follows:-

Month	No. of shares purchased and retained as treasury shares	Lowest price paid per share (RM)	Highest price paid per share (RM)	Average price paid per share (RM)	Total consideration paid (RM)
July 2012	50,000	0.950	0.960	0.953	47,670
August 2012	50,000	0.910	0.915	0.914	45,700

The total 100,000 shares repurchased by the Company in the financial year ended 31 December 2012 were retained as treasury shares. As at 31 December 2012, the Company held 302,000 shares as treasury shares.

4. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

For the financial year ended 31 December 2012, there was no exercise of warrants.

No options and convertible securities were issued by the Company during the financial year under review.

5. DEPOSITORY RECEIPT PROGRAMME

During the financial year under review, the Company did not sponsor any depository receipts.

6. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company, Directors or management by regulatory authorities.

7. NON-AUDIT FEES

The amount of non-audit fees incurred for the services rendered to the Group by a company affiliated to the external auditors during the financial year under review was RM11,700 meant for tax consultation and advisory fees.

8. VARIATION IN RESULTS

No profit estimate, forecast or projection were issued by the Company for the financial year under review.

There was no deviation of 10% or more between the results of the financial year ended 31 December 2012 as per the audited financial statements and the unaudited results previously announced.

9. PROFIT GUARANTEE

No profit guarantee was given or received by the Company for the financial year under review.

10. MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries involving Directors and/or major shareholders either subsisting as at 31 December 2012 or entered into since the end of the previous financial year.

11. CONTRACTS RELATED TO LOANS

There were no contracts leading to a loan by the Company in respect of the preceding item.

12. RECURRENT RELATED PARTY TRANSACTIONS

At the Fortieth Annual General Meeting of the Company held on 28 June 2012, the Company had obtained a mandate from its shareholders to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business.

In accordance with Practice Note 12 of the Main Market Listing Requirements of Bursa Securities, the details of recurrent related party transactions conducted during the financial year ended 31 December 2012 pursuant to the shareholders' mandate are disclosed as follows:-

Type of Transactions	Mandated Related Party	Interested Director, Major Shareholder and Person Connected	Amount transacted during the financial year RM'000
Purchase of scrap metal, diesel / petroleum products, galvanized colour sheet and coils.	Soon Seng Co (Penang) Sdn Bhd	• Dato' Sri Tai Hean Leng @ Tek Hean Leng • TYY Resources Sdn Bhd • Tai May Chean • Lee Kean Binh • Tay Kwok Peng (Administrator of the Estate of Tai Chet Siang)	Nil

Notes:-

The nature and extent of the interest of the interested Directors, Major Shareholders and persons connected to them as stated in the preceding table are as follows:

(a) TYY Resources Sdn Bhd is a Major Shareholder holding 30.93% direct shareholding in MASTEEL.

(b) TYY Resources Sdn Bhd is a major shareholder in Soon Seng Co (Penang) Sdn Bhd.

(c) Dato' Sri Tai Hean Leng @ Tek Hean Leng, Tai May Chean and Tay Kwok Peng (Administrator of the Estate of Tai Chet Siang) are major shareholders in TYY Resources Sdn Bhd.

(d) Dato' Sri Tai Hean Leng @ Tek Hean Leng is the brother of Tai May Chean.

(e) Dato' Sri Tai Hean Leng @ Tek Hean Leng and Lee Kean Binh are Directors of TYY Resources Sdn Bhd.

Audit Committee **Report**

MEMBERS

The Audit Committee comprises the following members:-

Name	Designation	Directorship
Lim Hoo Teck*	Chairman	Independent Non-Executive Director
Ng Wah Lok	Member	Independent Non-Executive Director
Muhammad Hanizam bin Hj. Borhan*	Member	Independent Non-Executive Director

* *Member of the Malaysian Institute of Accountants (MIA).*

AUDIT COMMITTEE
(TERMS OF REFERENCE)

1. OBJECTIVES

The objective of the Audit Committee is to assist the Board in meeting its responsibilities relating to accounting and reporting practices of the Company and its subsidiary companies.

In addition, the Audit Committee shall:-

a) Oversee and appraise the quality of the audits conducted both by the Company's internal and external auditors;

b) Maintain open lines of communication between the Board, the internal auditors and the external auditors for the exchange of views and information, as well as to confirm their respective authority and responsibilities; and

c) Determine the adequacy of the Group's administrative, operating and accounting controls.

2. COMPOSITION

The Audit Committee shall be appointed by the Directors from among their number (pursuant to a resolution of the Board) which fulfils the following requirements:-

a) the Audit Committee must be composed of no fewer than 3 members;

b) all members of the Audit Committee must be non-executive directors;

c) a majority of the Audit Committee must be independent directors; and

d) All members of the Audit Committee should be financially literate and at least one member of the Audit Committee:-

   i) must be a member of the Malaysian Institute of Accountants; or

   ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

      - he must have passed the examinations specified in Part **I** of the 1st Schedule of the Accountants Act, 1967; or

      - he must be a member of one of the associations of accountants specified in Part **II** of the 1st Schedule of the Accountants Act, 1967, or

   iii) he must be a person who fulfills such other requirements as may be prescribed by or approved by Bursa Securities and/or such other relevant authorities from time to time.

(e) No alternate Director shall be appointed as a member of the Audit Committee.

The members of the Audit Committee shall elect a chairman from among their number who shall be an independent director.

In the event of any vacancy in the Audit Committee resulting in the non-compliance of item 2 (a) to (d) above, the vacancy must be filled within 3 months of that event.

The Board must review the term of office and performance of the Audit Committee and each of its members at least once every 3 years to determine whether the Audit Committee and members have carried out their duties in accordance with the terms of reference.

3. FUNCTIONS

The functions of the Audit Committee are as follows:-

a) to review the following and report the same to the Board of Directors:-

    i) with the external auditors, the audit plan;

    ii) with the external auditors, his evaluation of the system of internal controls;

    iii) with the external auditor, his audit report;

    iv) the assistance given by the Company's employees to the external auditors; and

    v) any related party transaction and conflict of interest situation that may arise within the Company or group including any transaction, procedure or course of conduct that raises questions of management integrity.

b) To consider the appointment and independence of the external auditor, the audit fee and any questions of resignation or dismissal;

c) To discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

d) To review the quarterly and year-end financial statements of the Company, focusing particularly on:-

    - Any changes in accounting policies and practices;
    - Significant adjustments arising from the audit;
    - The going concern assumption;
    - Compliance with applicable financial reporting standards and other legal requirements;

e) To discuss problems and reservations arising from the interim and final audits, and any matter the auditor may wish to discuss (in the absence of management where necessary);

f) To review the external auditor's management letter and management's response;

g) To discuss the contracts for the provision of non-audit services which can be enetered into and procedures that must be followed by the external auditors. The contracts that cannot be enetered into should include:-

    - Management consulting
    - Strategic decision
    - Internal Audit
    - Policy and Standard Operating Procedures documentation

h) To assess the effectiveness of internal controls by conducting the following:-

- Review the adequacy of the scope, functions, competency and resources of the internal audit function, and that it has the necessary authority to carry out its work;
- Review the internal audit programme and results of the internal audit process and where necessary, ensure that appropriate action is taken on the recommendations of the internal audit function;
- Review any appraisal or assessment of the performance of members of the internal audit function;
- Approve any appointments or termination of senior staff members of the internal audit function;
- Take cognisance of resignations of internal audit staff members (for in-house internal audit function) or change in internal audit function service provider (for outsourced internal audit function) and provide the resigning staff member/service provider an opportunity to submit his/their reasons for resigning.

i) To consider the major findings of internal investigations and management's response;

j) To consider related party transactions that may arise within the Company or Group;

k) To ensure the internal audit function established is independent of the activities it audits and to identify a head of internal audit who reports directly to the Audit Committee. The head of internal audit should have the relevant qualifications and be responsible for providing assurance to the Audit Committee that the internal controls are operating effectively. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.

l) To consider other areas as defined by the Board; and

m) To perform any other functions or responsibilities as may be required of them as prescribed by Bursa Securities or any other relevant authorities from time to time.

4. RIGHTS OF THE AUDIT COMMITTEE

The Audit Committee shall, wherever necessary and reasonable for the Company to perform its duties, in accordance with procedure to be determined by the Board and at the cost of the Company:-

a) have authority to investigate any matter within its terms of reference;

b) have the resources which are required to perform its duties;

c) have full and unrestricted access to any information pertaining to the Company;

d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;

e) be able to obtain independent professional or other advice; and

f) be able to convene meetings with the external auditors, internal auditors or both excluding the attendance of the other directors and employees of the Company, whenever deemed necessary.

5. MEETINGS

The Audit Committee shall meet at least 4 times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least twice a year the Audit Committee shall meet with the external auditors without executive Board members present.

In addition, the Chairman may call a meeting of the Audit Committee if a request is made by any committee member, the Company's Chief Executive, or the internal or external auditors.

The Company Secretary or other appropriate senior official shall act as secretary of the Audit Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to committee members prior to each meeting.

The Secretary shall also be responsible for keeping the minutes of meetings of the Audit Committee, and circulating them to committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

By invitation of the Audit Committee, the Company must ensure that other directors and employees attend any particular Audit Committee meeting specific to the relevant meeting.

During the financial year under review, five (5) Audit Committee meetings were held which recorded full attendance from all the members of the Audit Committee.

Directors	Attendance
Lim Hoo Teck	5 / 5
Ng Wah Lok	5 / 5
Muhammad Hanizam bin Hj. Borhan	5 / 5

SUMMARY OF AUDIT COMMITTEE ACTIVITIES

The Audit Committee carried out activities during the financial year ended 31 December 2012 in discharging its duties and responsibilities in accordance with its Terms of Reference which are as follows:-

Financial Results

Reviewed the quarterly reports and audited financial statements with the adoption of the new Malaysian Financial Reporting Standards for the Company before recommending to the Board for consideration and approval.

Internal Audit

Reviewed and assessed yearly internal audit plan, scope of audits, internal audit findings and areas for improvements and recommendations, if any.

With respect to the annual report, reviewed Audit Committee's Report, Statement of Corporate Governance, Directors' Responsibility Statement, Statement on Risk Management and Internal Control and Circular to Shareholders for the proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and the proposed Share Buy-Back Statement, before recommending to the Board for approval.

Corporate Governance

Conduct periodic reassessment and refinement on corporate governance before recommending to the Board for consideration and approval.

External Audit

Reviewed the statutory audit plan and scope of audit with the external auditors.

Related Party Transactions

Reviewed the related party transactions entered into by the Company.

TRAINING

The AC members had attended the following relevant training programmes to enhance their knowledge to enable them to discharge their duties more effectively:-

Accounting for Assets & Liabilities
National Tax Conference 2012

INTERNAL AUDIT FUNCTION

The internal audit department of the Group is independent of the operations of the respective operating units. The principal role of the department is to undertake independent regular and systematic reviews of the system and internal control so as to provide reasonable assurance that such system continue to operate satisfactorily and effectively. It is the responsibility of the internal audit department to provide the Audit Committee with independent and objective report on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements. The internal audit reports are presented together with the Management's response and proposed action plans to the Audit Committee quarterly.

Cost incurred for the Internal Audit Function of the Group in respect of the financial year ended 31 December 2012 amounted to RM132,000.

An overview of the state of internal control within the Company is set out in the Statement on Risk Management and Internal Control on pages 37 to 38 of this Annual Report.

Statement on Risk Management and **Internal Control**

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities, the Board is pleased to provide the following statement on the state of internal control of the Group for the financial year ended 31 December 2012, which has been prepared in accordance with the "Statement on Risk Management and Internal Control Guidelines for Directors of Listed Issuers" by The Institute of Internal Auditors Malaysia.

BOARD RESPONSIBILITIES

In discharging its stewardship responsibilities, the Board recognizes that the internal control system in the Group:-

- is a logical and systematic method of identifying, analyzing, assessing, treating and monitoring the Company's risk;
- is a continuous and ongoing process;
- should be an integral part of the Company's management practices; and
- enable the Company to not only minimize losses but maximize opportunities.

RISK MANAGEMENT

In dealing with its stewardship responsibilities, the Board of Directors recognizes that effective risk management is an integral part of good business management practice. The Board acknowledges that all areas of the Group's business activities involve some degree of risk and it is committed to ensure that the Group has an effective risk management framework, which allows the management to manage risk within defined risk parameters. All identified risks are dealt with and managed within limits and controls. These limits and controls are monitored closely and adjusted periodically, taking into account changes in market conditions, products and processes.

The Board has set up a risk management committee to oversee the implementation of the risk management framework and internal control device. Furthermore, the Board has received confirmation from the Managing Director/Chief Executive Officer that the Group's risk management and the internal control device is sound and effectively managed at periodic interval.

INTERNAL AUDIT

Internal Audit Report – Function

The Internal Audit Department ("IAD") reports directly to the Audit Committee ("AC"), to assist the AC in discharging its duties and responsibilities and to provide reports on the adequacy and effectiveness of risk management functions and internal controls in the Group.

Control and Monitoring Process

The IAD's scope covers audit planning, special investigations, liaison with the International Standard Organisation ("ISO") – the Germanisher Lloyd Certification GmbH for ISO 9001 certification to ensure the various procedures are followed strictly.

Meanwhile, the Board would advise the IAD to focus on the following key area of the Group's internal control system:-

- Documentation of the Group's processes in the Standard Operation Procedures ("SOP") which will be regularly reviewed and updated, and to be implemented through ISO and QA accreditation programs.

Internal audit reports, incorporating audit recommendations and management responses with regard to audit findings relating to the weaknesses in the systems and controls of the respective operations, were reviewed at every AC meeting before recommending to the Board, its discussion and deliberation of the strategic issues facing the businesses, and resolve on actions to mitigate such risk. The AC also review and approve the yearly Internal Audit plan.

Statement on Risk Management and Internal Control (continued)

Further, the external auditors conduct annual statutory audit on the financial statements. Areas for improvement, if any, identified during the course of the statutory audit by the external auditors are brought to the attention of the AC.

The Board further reviews the minutes of the AC to access the adequacy and effectiveness of the system of internal controls, financial and accounting control procedures, significant results, findings and the necessary recommendations made during AC meetings.

Besides that, the Board also entrusts the daily running of the business to the Managing Director/Chief Executive Officer ("MD/CEO") and his management team. The MD/CEO plays a pivotal role in communicating the Board's expectations of the system of internal control to the management, where a clear organizational structure with defined lines of responsibility, delegation of authority, segregation of duties and information flow exist, to ensure decisions are made and actions taken by the appropriate person. This is achieved on a day-to-day basis, through active participation by the MD/CEO in the operations of the business as well as various management and operational level meetings being conducted where operational, production and financial risk are discussed and dealt with respectively. The MD/CEO will update the Board of any significant matters that require the Board's attention and/or approval.

Risk Management Framework ("RMF")

Besides primary ownership over effectiveness of the Group's internal control systems, the Board recognizes its responsibility over the principal risk of various aspects of the Group's business. For long term viability of the Group, it is crucial to achieve a critical balance between risk incurred and potential returns.

The Board has a RMF to formalize the identification of principal risks which include both internal and external factors that will affect the achievement of the Group's business objectives. Such framework will provide a structured and focused approach in managing the business risk and enables the Group to adopt a risk based internal control system.

As part of the continual efforts to enhance the day-to-day management of operational risk exposures, an improved system of internal control supported by modern system and tightened procedures to monitor and analyse transaction positions and documentation to minimize risk and losses arising from fraud has been designed and implemented. Reviews are also conducted on potential areas of threat and controls procedures to mitigate any risk and losses.

Furthermore, the Group mitigates any potential risk by having appropriate insurance policies coverage.

Conclusion

The Board remains committed towards keeping abreast with the ever-changing business environment in order to support the Group's business and operation. Cognisant of this fact, the Board will put in place appropriate measures, when necessary, to further enhance the internal control system of the Group.

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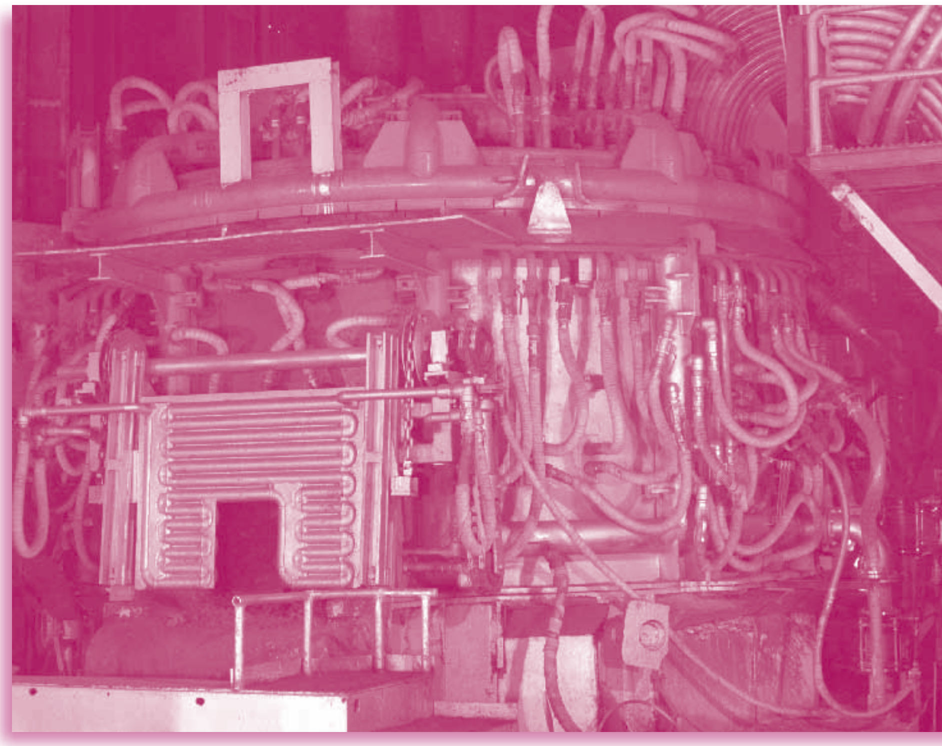

Directors' **Report**

for the financial year ended 31 December 2012

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

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

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the year	24,346	24,717
Attributable to equity holders of the Group and the Company	24,346	24,717

DIVIDENDS

Dividends paid by the Company since the end of the previous financial year are as follows:

In respect of the financial year ended 31 December 2011:

	Company RM'000
First and final single tier dividend of 1.0 sen per share on 210,584,666 ordinary shares of RM0.50 each, declared on 28 June 2012 and paid on 26 July 2012	2,106

In respect of the financial year ended 31 December 2012:

Interim single tier dividend of 1.0 sen per share on 217,674,666 ordinary shares of RM0.50 each, declared on 12 October 2012 and paid on 10 December 2012	2,177

At the forthcoming Annual General Meeting, a final single tier dividend in respect of the financial year ended 31 December 2012, of 0.5 sen per share on 217,677,233 ordinary shares of RM0.50 each, amounting to a dividend payable of RM1,088,386 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend as such dividends, if approved by shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2013.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 7,190,000 new ordinary shares of RM0.50 each through private placement at an average issue price of RM0.86 per ordinary share for cash for additional working capital purposes. The share premium of RM2,451,202 arising from issuance of ordinary shares after deducting share issue costs of RM137,198 have been included in share premium account.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

There were no issues of debentures during the financial year.

TREASURY SHARES

During the financial year, the Company repurchased its shares totalling 100,000 ordinary shares of RM0.50 at an average price of RM0.94 per ordinary share.

As at 31 December 2012, the Company held as treasury shares a total of 302,000 of its 217,976,666 issued ordinary shares at an average price of RM1.08 per ordinary share. The repurchase transactions were financed by internally generated funds. Such treasury shares are held at carrying amount of RM327,479 and further relevant details are disclosed in Note 16 to the financial statements.

WARRANTS

There were no issue of warrants during the financial year. The outstanding warrants are as disclosed in Note 17 to the financial statements.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Ikhwan Salim bin Dato' Haji Sujak
Dato' Sri Tai Hean Leng @ Tek Hean Leng
Lee Kean Binh
Ng Wah Lok
Lim Hoo Teck
Lau Yoke Leong
Muhammad Hanizam bin Hj. Borhan

In accordance with the Company's Articles of Association, Lee Kean Binh and Ng Wah Lok retire pursuant to Article 79 at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, particulars of interests in the shares and warrants of the Company and its related corporations during the financial year of those Directors who held office at the end of the financial year were as follows:

	Number of ordinary shares of RM0.50 each in the Company			
	At 1.1.2012	**Bought**	**Sold**	**At 31.12.2012**
Shareholdings in the name of the Directors:				
Dato' Ikhwan Salim bin Dato' Haji Sujak	7,349,999	–	(7,349,999)	–
Dato' Sri Tai Hean Leng @ Tek Hean Leng	4,983,200	–	–	4,983,200
Shareholdings in which the Director is deemed to have an interest:				
Dato' Sri Tai Hean Leng @ Tek Hean Leng *	67,276,219	–	–	67,276,219

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

Warrants in the name of the Directors:				
Dato' Ikhwan Salim bin Dato' Haji Sujak	5,099,999	–	(5,099,999)	-
Dato' Sri Tai Hean Leng @ Tek Hean Leng	2,041,000	-	-	2,041,000
Warrants in which the Director is deemed to have an interest:				
Dato' Sri Tai Hean Leng @ Tek Hean Leng *	32,038,109	-	-	32,038,109

* Deemed interest by virtue of his shareholdings in TYY Resources Sdn. Bhd., a body corporate holding warrants in the Company.

Pursuant to Section 6A of the Companies Act 1965, by virtue of his interests in the shares of the Company, Dato' Sri Tai Hean Leng @ Tek Hean Leng is also deemed to have an interest in the shares of the subsidiary of the Company to the extent the Company has an interest.

None of the other Directors in office at the end of the financial year held any interest in the shares or warrants 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 a benefit (other than Directors' remuneration as disclosed in Note 22 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company or any of its related corporations a party to any arrangement whose object was 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.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

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

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

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

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) except as disclosed in Note 28 to the financial statements, 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 will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

In the interval between the end of the financial year and the date of this report:

(a) no item, transaction or event of a material and unusual nature has arisen which, in the opinion of the Directors, would affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and

(b) no charge has arisen on the assets of the Group and of the Company which secures the liability of any other person nor has any contingent liability arisen in the Group and the Company.

SIGNIFICANT EVENTS

Significant events during the financial year are as disclosed in Note 35 to the financial statements.

SUBSEQUENT EVENTS

Subsequent events during the financial year are as disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, Messrs Nexia SSY, have indicated their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 April 2013.

Dato' Ikhwan Salim bin
Dato' Haji Sujak
Director

Dato' Sri Tai Hean Leng @
Tek Hean Leng
Director

Petaling Jaya

Statement by **Directors**

Pursuant to Section 169(15) of the Companies Act 1965

We, Dato' Ikhwan Salim bin Dato' Haji Sujak and Dato' Sri Tai Hean Leng @ Tek Hean Leng, being two of the Directors of Malaysia Steel Works (KL) Bhd., do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 48 to 96 are drawn up in accordance with the Companies Act 1965 and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their performance and cash flows for the financial year then ended.

The supplementary information set out in Note 37 has been prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants ("MIA Guidance"), and the directive of Bursa Malaysia Securities Berhad.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 25 April 2013.

Dato' Ikhwan Salim bin Dato' Haji Sujak
Director

Dato' Sri Tai Hean Leng @ Tek Hean Leng
Director

Petaling Jaya

Statutory **Declaration**

Pursuant to Section 169(16) of the Companies Act 1965

I, Lau Yoke Leong, being the Director primarily responsible for the financial management of Malaysia Steel Works (KL) Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 48 to 96 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Lau Yoke Leong at
Petaling Jaya in the state of
Selangor Darul Ehsan on
25 April 2013.

Lau Yoke Leong
Director

Before me,

R. Lakshmanan
No: B396

Commissioner for Oaths

Independent **Auditors' Report**

to the Members of Malaysia Steel Works (KL) Bhd

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Malaysia Steel Works (KL) Bhd., which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 48 to 96.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the Companies Act 1965 and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Our audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation of financial statements that give a true and fair view 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 Company's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the Companies Act 1965 and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which are indicated in Note 7 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiary that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit report on the financial statements of the subsidiary did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 37 is disclosed to meet the requirements of Bursa Malaysia Securities Berhad and does not form part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

1. As stated in Note 4 to the financial statements, Malaysia Steel Works (KL) Bhd. adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as of 31 December 2012 and financial performance and cash flows for the year then ended.

2. This report is made solely to the Members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Nexia SSY
AF: 2009
Chartered Accountants

Gary Yong Yoon Shing
No. 633/03/15 (J/PH)
Partner

Subang Jaya

25 April 2013

Statement of **Financial Position**

as at 31 December 2012

	Note	**Group** **31.12.2012** **RM'000**	31.12.2011 RM'000 (restated)	1.1.2011 RM'000	**Company** **31.12.2012** **RM'000**	31.12.2011 RM'000 (restated)	1.1.2011 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	6	**460,117**	470,273	436,195	**460,117**	470,273	436,195
Investment in subsidiary	7	**–**	–	–	*	*	*
Investment in associate	8	**8,008**	8,058	8,066	**8,388**	8,388	8,388
Other investments	9	**–**	–	4,000	**–**	–	4,000
		468,125	478,331	448,261	**468,505**	478,661	448,583
Current assets							
Inventories	10	**181,058**	160,769	147,838	**181,058**	160,769	147,838
Trade and other receivables	11	**222,203**	203,027	179,799	**222,703**	203,207	179,832
Tax recoverable		**3,844**	2,884	1,864	**3,844**	2,884	1,864
Fixed deposits with licensed banks	12	**25,100**	16,000	4,243	**25,100**	16,000	4,243
Cash and bank balances		**29,575**	27,689	44,166	**29,575**	27,689	44,160
		461,780	410,369	377,910	**462,280**	410,549	377,937
TOTAL ASSETS		**929,905**	888,700	826,171	**930,785**	889,210	826,520

* Carrying amount stated at RM2 (2011: RM4)

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

Statement of Financial Position (continued)

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000 (restated)	Group 1.1.2011 RM'000	Company 31.12.2012 RM'000	Company 31.12.2011 RM'000 (restated)	Company 1.1.2011 RM'000
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the Company							
Share capital	13	**108,988**	105,393	105,393	**108,988**	105,393	105,393
Share premium	14	**33,650**	31,198	31,198	**33,650**	31,198	31,198
Revaluation reserves	15	**–**	–	31,030	**–**	–	31,030
Treasury shares	16	**(327)**	(233)	(30)	**(327)**	(233)	(30)
Warrants reserves	17	**40,044**	40,044	40,044	**40,044**	40,044	40,044
Retained earnings	18	**343,520**	323,457	270,919	**344,402**	323,968	271,268
TOTAL EQUITY		**525,875**	499,859	478,554	**526,757**	500,370	478,903
Non-current liabilities							
Borrowings	19	**35,448**	54,312	86,488	**35,448**	54,312	86,488
Current liabilities							
Trade and other payables	20	**120,303**	98,087	89,360	**120,301**	98,086	89,360
Taxation		**–**	–	247	**–**	–	247
Borrowings	19	**248,279**	236,442	171,522	**248,279**	236,442	171,522
		368,582	334,529	261,129	**368,580**	334,528	261,129
TOTAL LIABILITIES		**404,030**	388,841	347,617	**404,028**	388,840	347,617
TOTAL EQUITY AND LIABILITIES		**929,905**	888,700	826,171	**930,785**	889,210	826,520

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

Statement of **Comprehensive Income**

for the year ended 31 December 2012

		Group		Company	
	Note	**2012 RM'000**	2011 RM'000	**2012 RM'000**	2011 RM'000
Revenue	32	**1,312,189**	1,253,365	**1,312,189**	1,253,365
Cost of sales		**(1,237,036)**	(1,170,587)	**(1,237,036)**	(1,170,587)
Gross profit		**75,153**	82,778	**75,153**	82,778
Other operating income		**3,956**	1,299	**3,956**	1,299
		79,109	84,077	**79,109**	84,077
Distribution costs		**(19,544)**	(15,692)	**(19,544)**	(15,692)
Administrative expenses		**(19,352)**	(27,450)	**(19,031)**	(27,296)
Profit from operations	23	**40,213**	40,935	**40,534**	41,089
Finance costs	24	**(15,261)**	(16,029)	**(15,261)**	(16,029)
Share of results of associate		**(50)**	(8)	**–**	–
Profit before taxation		**24,902**	24,898	**25,273**	25,060
Taxation	25	**(556)**	(547)	**(556)**	(547)
Profit for the year		**24,346**	24,351	**24,717**	24,513

Earnings per share (sen)	27		
- Basic		**11.51**	11.56
- Diluted		**9.95**	9.47

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

Statement of **Changes in Equity**

for the year ended 31 December 2012

Group	Note	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Treasury shares RM'000	Warrants RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2012 (as restated)		**105,393**	**31,198**	**–**	**(233)**	**40,044**	**323,457**	**499,859**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**24,346**	**24,346**
		105,393	**31,198**	**–**	**(233)**	**40,044**	**347,803**	**524,205**
Transactions with owners:								
Share buy-back	16	**–**	**–**	**–**	**(94)**	**–**	**–**	**(94)**
Issue of shares	13,14	**3,595**	**2,452**	**–**	**–**	**–**	**–**	**6,047**
Dividends paid	31	**–**	**–**	**–**	**–**	**–**	**(4,283)**	**(4,283)**
		3,595	**2,452**	**–**	**(94)**	**–**	**(4,283)**	**1,670**
At 31 December 2012		**108,988**	**33,650**	**–**	**(327)**	**40,044**	**343,520**	**525,875**
At 1 January 2011		105,393	31,198	31,030	(30)	40,044	270,919	478,554
Effect of transition to MFRS	3(b)	–	–	(31,030)	–	–	31,030	–
Profit for the year		–	–	–	–	–	24,351	24,351
As restated		105,393	31,198	–	(30)	40,044	326,300	502,905
Transactions with owners:								
Share buy-back	16	–	–	–	(203)	–	–	(203)
Dividends paid	31	–	–	–	–	–	(2,843)	(2,843)
At 31 December 2011		105,393	31,198	–	(233)	40,044	323,457	499,859

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

Statement of Changes in Equity (continued)

Company	Note	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Treasury shares RM'000	Warrants RM'000	Retained earnings RM'000	Total RM'000
At 1 January 2012 (as restated)		**105,393**	**31,198**	**–**	**(233)**	**40,044**	**323,968**	**500,370**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**24,717**	**24,717**
		105,393	**31,198**	**–**	**(233)**	**40,044**	**348,685**	**525,087**
Transactions with owners:								
Share buy-back	16	**–**	**–**	**–**	**(94)**	**–**	**–**	**(94)**
Issue of shares	13,14	**3,595**	**2,452**	**–**	**–**	**–**	**–**	**6,047**
Dividends paid	31	**–**	**–**	**–**	**–**	**–**	**(4,283)**	**(4,283)**
		3,595	**2,452**	**–**	**(94)**	**–**	**(4,283)**	**1,670**
At 31 December 2012		**108,988**	**33,650**	**–**	**(327)**	**40,044**	**344,402**	**526,757**
At 1 January 2011		105,393	31,198	31,030	(30)	40,044	271,268	478,903
Effect of transition to MFRS	3(b)	–	–	(31,030)	–	–	31,030	–
Profit for the year		–	–	–	–	–	24,513	24,513
As restated		105,393	31,198	–	(30)	40,044	326,811	503,416
Transactions with owners:								
Share buy-back	16	–	–	–	(203)	–	–	(203)
Dividends paid	31	–	–	–	–	–	(2,843)	(2,843)
At 31 December 2011		105,393	31,198	–	(233)	40,044	323,968	500,370

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

Statement of **Cash Flows**

for the year ended 31 December 2012

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Cash flows from operating activities				
Profit before taxation	**24,902**	24,898	**25,273**	25,060
Adjustments for:				
Amount due from subsidiary written off	**–**	–	31	–
Impairment of subordinated bond	**–**	4,000	**–**	4,000
Share of results of associate	**50**	8	**–**	–
Depreciation of property, plant and equipment	**21,833**	21,287	**21,833**	21,287
Interest expense	**15,261**	16,029	**15,261**	16,029
Gain on disposal of property, plant and equipment	**(116)**	–	**(116)**	–
Unrealised foreign exchange gain	**(1,121)**	(817)	**(1,121)**	(817)
Allowance for doubtful debts	**(340)**	(150)	**(340)**	(150)
Interest income	**(128)**	(97)	**(128)**	(97)
Operating profit before working capital changes	**60,341**	65,158	**60,693**	65,312
Increase in inventories	**(20,289)**	(12,931)	**(20,289)**	(12,931)
Increase in receivables	**(17,715)**	(22,261)	**(18,067)**	(22,408)
Increase in payables	**22,216**	8,727	**22,216**	8,726
Cash generated from operations	**44,553**	38,693	**44,553**	38,699
Interest paid	**(14,678)**	(15,297)	**(14,678)**	(15,297)
Tax paid	**(1,516)**	(1,814)	**(1,516)**	(1,814)
Net cash generated from operating activities	**28,359**	21,582	**28,359**	21,588
Cash flows from investing activities				
Interest received	**128**	97	**128**	97
Proceeds from disposal of property, plant and equipment	**142**	–	**142**	–
Purchase of property, plant and equipment (Note 26)	**(11,333)**	(54,767)	**(11,333)**	(54,767)
Net cash used in investing activities	**(11,063)**	(54,670)	**(11,063)**	(54,670)

Statement of Cash Flows (continued)

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from financing activities				
Bankers' acceptances	**20,397**	54,516	**20,397**	54,516
Repayment of revolving credit	**(6,131)**	(3,130)	**(6,131)**	(3,130)
Drawdown of revolving credit	**–**	25,000	**–**	25,000
Repayment of finance lease liabilities	**(1,927)**	(2,045)	**(1,927)**	(2,045)
Drawdown of term loans	**–**	10,000	**–**	10,000
Repayment of term loans	**(14,311)**	(51,940)	**(14,311)**	(51,940)
Payment of finance lease interest	**(583)**	(732)	**(583)**	(732)
Share buy-back	**(94)**	(203)	**(94)**	(203)
Net proceeds from issuance of shares	**6,047**	–	**6,047**	–
Dividends paid	**(4,283)**	(2,843)	**(4,283)**	(2,843)
Net cash (used in)/generated from financing activities	**(885)**	28,623	**(885)**	28,623
Net increase/(decrease) in cash and cash equivalents	**16,411**	(4,465)	16,411	(4,459)
Cash and cash equivalents at beginning of the year	**31,566**	36,031	31,566	36,025
Cash and cash equivalents at end of the year	**47,977**	31,566	47,977	31,566
Cash and cash equivalents comprise:				
Fixed deposits with licensed banks	**25,100**	16,000	**25,100**	16,000
Cash at banks	**20,660**	27,361	**20,660**	27,361
Cash at banks (USD)	**8,897**	305	**8,897**	305
Cash in hand	**18**	23	**18**	23
Bank overdrafts	**(6,698)**	(12,123)	**(6,698)**	(12,123)
	47,977	31,566	**47,977**	31,566

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

Notes to the *Financial Statements*

for the year ended 31 December 2012

1. CORPORATE INFORMATION

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

The registered office of the Company is located at Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite, No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia. The principal place of business of the Company is located at Wisma Masteel, Lot 29C, Section 51, Off Jalan Tandang, 46050 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

The principal activity of the Company is manufacturing of steel bars and steel billets.

The principal activities of the subsidiary are as stated in Note 7. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 April 2013.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements comply with the Companies Act 1965 and Malaysian Financial Reporting Standards ('MFRS") issued by the Malaysian Accounting Standards Board ("MASB").

The financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies (Note 3).

The preparation of financial statements in conformity with the Companies Act 1965 and Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

The financial statements are presented in Ringgit Malaysia (RM), which is the Group's functional currency. All financial information presented in RM has been rounded to the nearest thousand ("RM'000"), unless otherwise stated.

3. SIGNIFICANT ACCOUNTING POLICIES

All significant accounting policies set out below are consistent with those applied in the previous financial year other than as disclosed in Note 4.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the statement of financial position date. The financial statements of the subsidiary are prepared for the same reporting date as the date Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

Acquisition of subsidiaries is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the statement of comprehensive income.

(b) Property, plant and equipment, and depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

At beginning of the financial year, the Directors have elected the transitional exemptions under the MFRS 1 to use the previous revaluation of the property, plant and equipment at the date of transition to MFRS framework as deemed cost at the date of the revaluation.

Freehold land has an unlimited useful life and therefore is not depreciated. Capital work-in-progress are also not depreciated as these assets are not available for use.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Property, plant and equipment, and depreciation (continued)

Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful lives, at the following annual rates:

Factory	2.0% - 7.5%
Buildings	5.0%
Plant and machinery	3.0% - 10.0%
Factory and electrical equipment	10.0%
Motor vehicles	20.0%
Office equipment	15.0%
Furniture and fittings	15.0%
Electrical installation	7.5%

The residual values, useful lives and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in the statement of comprehensive income and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

(c) Investment in subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investment in subsidiaries is stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of comprehensive income.

(d) Investment in associates

Associates are those entities in which the Group exercises significant influence but not control, through participation in the financial and operating policy decisions of the entities.

Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting based on the audited or management financial statements of the associates. Under the equity method of accounting, the Group's share of profits less losses of associates during the financial year is included in the statement of comprehensive income. The Group's interest in associates is carried in the statement of financial position at cost plus the Group's share of post-acquisition retained profits or accumulated losses and other reserves.

Unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are eliminated unless cost cannot be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress includes cost of raw material, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(f) Receivables

Receivables are carried at anticipated realisable value. Bad debts are written off in the period in which they are identified. An estimate is made for doubtful debts on a review of all outstanding amounts at the statement of financial position date.

(g) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, fixed deposits, demand deposits, bank overdrafts 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.

(h) Provision for liabilities

Provision for liabilities is recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected which is required to settle the obligation.

(i) Leases

i Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification.

All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

- Property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

- Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Leases (continued)

ii Finance lease

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payment, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance cost and the reduction of the outstanding liabilities. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that of depreciation for property, plant and equipment as described in Note 3(b).

iii Operating lease

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of lease of land and buildings, the minimum lease payments or up-front payment made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings elements of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

(j) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

(k) Payables

Payables are stated at the fair value of the consideration to be paid in the future for goods and services received.

(l) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

The consideration paid, including attributable transaction costs on repurchased ordinary shares of the Company that have not been cancelled, are classified as treasury shares and presented as a deduction from equity. No gain or loss is recognised in the income statement on the sale, re-issuance or cancellation of treasury shares. When treasury shares are reissued by resale, the difference between the sales consideration and the carrying amount is recognised in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the statement of financial position date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and 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 taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises 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 is 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 tax rates that have been enacted or substantively enacted at the statement of financial position date. Deferred tax is recognised in the statement of comprehensive income, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

(n) Employee benefits

i Short term benefits

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

ii Defined contribution plan

As required by law, the Group makes contributions to the statutory provident fund, the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

iii Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits as a liability and an expense when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the statement of financial position date are discounted to present value.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the Company and the amount of the revenue can be measured reliably.

Revenue from sales of goods is recognised upon delivery and customer's acceptance. Revenue of the Group and the Company represents sale of steel bars and steel billets and is recognised when the goods are delivered and invoiced.

Gain on disposal of property, plant and equipment and other income is recognised on an accrual basis unless collectability is in doubt.

(p) Foreign currencies

i Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

ii Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the statement of financial position date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the statement of comprehensive income for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in the statement of comprehensive income.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in the income statement for the period. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in the statement of comprehensive income in the Group's financial statements or the individual financial statements of the foreign operation, as appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Foreign currencies (continued)

ii Foreign currency transactions (continued)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the statement of comprehensive income for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	**2012 RM**	2011 RM
1 United States Dollar	**3.103**	3.206
1 Euro	**4.104**	4.152
1 Australian Dollar	**3.226**	3.269
1 Renminbi	**0.497**	0.504

(q) Impairment of assets

The carrying amounts of assets, other than investment property, construction contract assets, property development costs, inventories, deferred tax assets and non-current assets (or disposal groups) held for sale, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each statement of financial position date or more frequently when indicators of impairment are identified.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Impairment of assets (continued)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(r) Financial instruments

Financial instruments carried on the statement of financial position include cash and bank balances, investments, receivables, payables and borrowings. The recognition methods adopted are disclosed in the respective accounting policy statements.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instruments classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in 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.

Financial assets

Financial assets are recognised in the statements of financial position when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting.

On initial recognition, financial assets are measured at fair value, plus transaction costs for financial assets not at 'fair value through profit or loss'. Effective interest method is a method of calculating the amortised cost of financial assets and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash receipts through the expected life of the financial assets or a shorter period to the net carrying amount of the financial assets.

After initial recognition, financial assets are classified into one of four categories: financial assets at 'fair value through profit or loss', 'held-to-maturity' investments, loans and receivables and 'available-for-sale' financial assets.

i Financial assets at 'fair value through profit or loss'

Financial assets are classified as at 'fair value through profit or loss' when the financial assets are either 'held for trading', or upon initial recognition, financial assets are designated as at 'fair value through profit or loss'.

A financial asset is classified as 'held for trading' if:

- it is acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Financial assets (continued)

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

Financial assets (other than 'held for trading') are designated as at 'fair value through profit or loss' upon initial recognition if:

- it eliminates or significant reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or recognising the gains and losses on them on different bases; or
- a group of financial assets is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as at 'fair value through profit or loss'.

After initial recognition, financial assets at 'fair value through profit or loss' are measured at fair value. Gains or losses on the financial assets at 'fair value through profit or loss' are recognised in profit or loss.

ii 'Held-to-maturity' investments

'Held-to-maturity' investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

After initial recognition, 'held-to-maturity' investments are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when 'held-to-maturity' investments are derecognised or impaired.

iii Loans and receivables

Loans and receivables are non-derivative financial assets (such as trade receivables, loans assets, unquoted debt instruments and deposits held in banks) with fixed or determinable payments that are not quoted in an active market.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method less any accumulated impairment losses. Gains or losses are recognised in profit or loss when loans and receivables are derecognised or impaired.

iv 'Available-for-sale' financial assets

Investment in quoted equity and debt instruments that are traded in active market and certain unquoted equity instruments (when the fair value can be determined using a valuation technique) are classified as 'available-for-sale' financial assets. 'Available-for-sale' financial assets are measured at fair value.

Gains or losses on 'available-for-sale' financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains or losses, until the 'available-for-sale' financial assets are derecognised.

At that time, the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Interest calculated using the effective interest method is recognised in profit or loss. Dividends on 'available-for-sale' equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Financial assets (continued)

v Investment in unquoted equity instruments carried at cost

Investment in equity instruments which do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such an unquoted equity instruments, are measured at cost less any accumulated impairment losses.

vi Reclassifications of financial assets

The Group does not reclassify derivative out of the 'fair value through profit or loss' category while they are held or in issue. Equally, the Group does not reclassify other financial assets out of the 'fair value through profit or loss' category if upon initial recognition, those financial assets were designated as at 'fair value through profit or loss'. Other financial assets are not reclassified into the 'fair value through profit or loss' category after initial recognition under another category.

When it is no longer appropriate to classify an investment as 'held-to-maturity' as a result of a change in intention and ability, the investment is reclassified as held for sale and re-measured at fair value. Any difference between the carrying amount and fair value of the investment is recognised in other comprehensive income.

vii Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is any objective evidence that financial assets held, other than financial assets at 'fair value through profit or loss', are impaired.

Financial assets are impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial assets which have an impact on the estimated future cash flows of the financial assets that can be reliably measured.

For investment in equity instruments classified as 'available-for-sale', objective evidence that the financial assets are impaired include the disappearance of an active market for the financial assets because of financial difficulties, or the decline of the market price below the cost.

For other financial assets, objective evidence could include:

- significant financial difficulty of the issuer; or
- a breach of contract; or
- the lender granting to the borrower a concession that the lender would not otherwise consider; or
- it becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial assets since the initial recognition of those assets.

Impairment losses, in respect of 'held-to-maturity' investments carried at amortised cost are measured as the differences between the assets' carrying amounts and the present values of their estimated future cash flows discounted at the 'held-to-maturity' investments' original effective interest rate.

For certain category of financial assets, such as trade receivables, if it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the assets are included in a group with similar credit risk characteristics and collectively assessed for impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Financial assets (continued)

vii Impairment of financial assets (continued)

The carrying amounts of the financial assets are reduced directly, except for the carrying amounts of trade receivables which are reduced through the use of an allowance account. Any impairment loss is recognised in profit or loss immediately.

If, in later periods, the amount of any impairment loss decreases, the previously recognised impairment losses are reversed directly, except for the amounts related to trade receivables which are reversed to write back the amount previously provided in the allowance account. The reversal is recognised in profit or loss immediately.

If there is objective evidence that impairment losses have been incurred on financial assets carried at cost, the amount of any impairment loss is measured as the differences between the carrying amounts of the financial assets and the present value of their estimated future cash flows discounted at the current market rate of return for a similar financial assets. Such impairment losses are not reversed.

For ‘available-for-sale’ financial assets, if a decline in fair value has been recognised in other comprehensive income and there is objective evidence that the assets are impaired, the cumulative losses that have been recognised are reclassified to profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as ‘available-for-sale’ financial assets are not reversed through profit or loss. If the fair value of a debt instrument classified as an ‘available-for-sale’ financial asset subsequently increases, and the increase can be objectively related to an event occurring after the impairment losses were recognised in profit or loss, the impairment losses are reversed and recognised in profit or loss.

viii Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or the Group transfers the financial assets and the transfer qualify for derecognition.

On derecognition of financial assets in their entirety, the differences between the carrying amounts and the sum of the consideration received and any cumulative gains or losses that have been recognised in other comprehensive income are recognised in profit or loss.

Financial liabilities

Financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument. On initial recognition, financial liabilities are measured at fair value, plus transaction costs for financial liabilities not at ‘fair value through profit or loss’. After initial recognition, financial liabilities are either classified as at ‘fair value through profit or loss’ or amortised cost using the effective interest method.

i Financial liabilities at ‘fair value through profit or loss’

Financial liabilities are classified as at ‘fair value through profit or loss’ when the financial liabilities are either ‘held for trading’ or upon initial recognition, the financial liabilities are designated as at ‘fair value through profit or loss’.

A financial liability is classified as ‘held for trading’ if:

- it is incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Financial liabilities (continued)

i Financial liabilities at ‘fair value through profit or loss’ (continued)

Financial liabilities (other than ‘held for trading’) are designated as at ‘fair value through profit or loss’ upon initial recognition if:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases; or
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- a contract contains one or more embedded derivatives, the entire hybrid contracts are designated as at ‘fair value through profit or loss’.

After initial recognition, financial liabilities at ‘fair value through profit or loss’ are measured at fair value. Gains or losses on the financial liabilities at ‘fair value through profit or loss’are recognised in profit or loss.

ii Financial liabilities at amortised cost using the effective interest method

Effective interest method is a method of calculating the amortised cost of financial liabilities and allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts.

Estimate future cash payments through the expected life of the financial liabilities or a shorter period to the net carrying amount of the financial liabilities. After initial recognition, financial liabilities other than financial liabilities at ‘fair value through profit or loss’ are measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities are derecognised or impaired.

iii Derecognition of financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Any difference between the carrying amounts of financial liabilities derecognised and the consideration paid is recognised in profit or loss.

(s) Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segments results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and measurement basis of segment information.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individual or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

4. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework. The MFRS Framework is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture ('MFRS 141') and IC Interpretation 15 Agreements for Construction of Real Estate ('IC 15'), including its parent, significant investor and venture (herein called 'Transitioning Entities'). Transitioning Entities will be allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, the adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2014.

The Group does not fall within the scope of the Transitioning Entities and thus, during the financial year, the Group has adopted the following new and revised Malaysian Financial Reporting Standards and Interpretations (collectively referred to as 'MFRSs'), issued by the Malaysian Accounting Standards Board ('MASB') and effective for the financial periods beginning on or after 1 January 2012:

MFRSs that do not have any or significant impacts on these financial statements

The following new and revised MFRSs issued by the MASB, effective for financial periods beginning on or after 1 January 2012, have been adopted, but the adoptions do not have any or significant impact on the financial statements:

MFRS 2:	Share-based Payment
MFRS 3:	Business Combinations
MFRS 4:	Insurance Contracts
MFRS 5:	Non-current Assets Held for Sale and Discontinued Operations
MFRS 6:	Exploration for and Evaluation of Mineral Resources
MFRS 7:	Financial Instruments: Disclosures
MFRS 8:	Operating Segments
MFRS 10:	Consolidated Financial Statements
MFRS 101:	Presentation of Financial Statements
MFRS 102:	Inventories
MFRS 107:	Statement of Cash Flows
MFRS 108:	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 110:	Events After the Reporting Period
MFRS 111:	Construction Contracts
MFRS 112:	Income Taxes
MFRS 116:	Property, Plant and Equipment
MFRS 117:	Leases
MFRS 118:	Revenue

4. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

MFRSs that do not have any or significant impacts on these financial statements (continued)

MFRS 119:	Employee Benefits
MFRS 120:	Accounting for Government Grants and Disclosure of Government Assistance
MFRS 121:	The Effects of Changes in Foreign Exchange Rates
MFRS 123:	Borrowing Costs
MFRS 124:	Related Party Disclosures
MFRS 126:	Accounting and Reporting by Retirement Benefit Plans
MFRS 127	Consolidated and Separate Financial Statements
MFRS 128:	Investments in Associates
MFRS 129:	Financial Reporting in Hyperinflationary Economies
MFRS 131:	Interests in Joint Ventures
MFRS 132:	Financial Instruments: Presentation
MFRS 133:	Earnings per Share
MFRS 134:	Interim Financial Reporting
MFRS 136:	Impairment of Assets
MFRS 137:	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138:	Intangible Assets
MFRS 139:	Financial Instruments: Recognition and Measurement
MFRS 140:	Investment Property
MFRS 141:	Agriculture

MFRSs that have been issued but are not yet effective

The Group has not adopted the following MFRSs that have been issued by the MASB but are not yet effective:

MFRS 9:	Financial Instruments
MFRS 10:	Consolidated Financial Statements
MFRS 11:	Joint Arrangements
MFRS 12:	Disclosure of Interest in Other Entities
MFRS 13:	Fair Value Measurement
Amendment to MFRS 7:	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 101:	Presentation of Items of Other Comprehensive Income
Amendment to MFRS 116:	Property, Plant and Equipment
Amendment to MFRS 119:	Employee Benefits
Amendment to MFRS 127:	Separate Financial Statements
Amendment to MFRS 128:	Investment in Associates and Joint Ventures
Amendment to MFRS 132:	Financial Instruments: Presentation
Amendment to MFRS 134:	Interim Financial Reporting

The new MFRSs will take effect on 1 January 2013, and the Group will adopt these MFRSs during the financial year beginning on 1 January 2013.

MFRS 9 requires all recognised financial assets that are within the scope of MFRS 139 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

4. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

MFRSs that have been issued but are not yet effective (continued)

The most significant effect of MFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at 'fair value through profit or loss') attributable to changes in the credit risk of that liability. Specifically, under MFRS 9, for financial liabilities that are designated as at 'fair value through profit or loss', the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

MFRS 10 replaces the parts of MFRS 127 Consolidated and Separate Financial Statements that deal with consolidated financial statements. IC Interpretation 112 Consolidation – Special Purpose Entities has been withdrawn upon the issuance of MFRS 10. Under MFRS 10, there is only one basis for consolidation, that is control. In addition, MFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in MFRS 10 to deal with complex scenarios.

MFRS 11 replaces MFRS 131 Interests in Joint Ventures. MFRS 11 deals with how a joint arrangement of which two or more parties have joint control shall be classified. IC Interpretation 113 Jointly Controlled Entities – Non-monetary Contributions by Venturers has been withdrawn upon the issuance of MFRS 11. Under MFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under MFRS 131, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under MFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under MFRS 131 can be accounted for using the equity method or proportionate consolidation accounting.

MFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiary, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in MFRS 12 are more extensive than those in the current standards.

MFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. MFRS 13 defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of MFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other MFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in MFRS 13 are more extensive than those required in the current standards.

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant changes relate to the accounting for defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of MFRS 119 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.

At the date the financial statements are authorised for issue, the impacts of the adoptions of these MFRSs are yet to be reasonably estimated. Hence, the impacts on the adoption of new accounting policies are not disclosed.

4. ADOPTION OF NEW AND REVISED MALAYSIAN FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS (continued)

MFRSs that have been issued but are not yet effective (continued)

The following revised MFRS will take effect on 1 January 2013, and the Group will adopt this MFRS during the financial year beginning on 1 January 2013:

Amendments to MFRS 101 Presentation of Financial Statements

The amendments to MFRS 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to MFRS 101 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that will be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

MFRSs that affect the reported results and / or financial position

MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards

The impact of the changes is disclosed, as follows:

<u>Transition to the Malaysian Financial Reporting Standards ('MFRS Framework')</u>

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the MFRS Framework. The financial statements of the Group and of the Company for the year ended 31 December 2012 are the first financial statements prepared in accordance with the MFRS Framework. Previously, the Group and the Company prepared their financial statements in accordance with the Financial Reporting Standards in Malaysia.

Accordingly, the Group and the Company have prepared financial statements which comply with MFRS applicable for periods beginning on or after 1 January 2012, together with the comparatives period data as at and for the year ended 31 December 2011, as described in the accounting policies. In preparing these financial statements, the Group and the Company's opening statements of financial position were prepared as at 1 January 2011, the Group and the Company's date of transition to MFRS.

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards ("FRSs") in Malaysia. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing the current year financial statements are consistent with those of audited financial statements for the year ended 31 December 2011.

5. SIGNIFICANT ACCOUNTING ESTIMATES

Key Sources of Estimation Uncertainty

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Impairment of inventories

Inventories are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the inventories have been determined based on their fair value less costs to sell. The fair value less costs to sell was arrived at by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market condition existing at each statement of financial position date.

(ii) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on straight-line basis over their useful lives. Management estimates the useful lives of the property, plant and equipment as stated in Note 3(b). These are common life expectancies applied in the industries. Change in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(iii) Income taxes

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

6. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and building RM'000	Leasehold land and buildings RM'000	Plant and machinery, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Electrical installation RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount								
At 1 January 2012	**92**	**98,720**	**369,682**	**916**	**537**	**75**	**251**	**470,273**
Additions	**–**	**–**	**269**	**486**	**128**	**–**	**10,820**	**11,703**
Disposals	**–**	**–**	**–**	**(26)**	**–**	**–**	**–**	**(26)**
Depreciation charge	**(5)**	**(1,777)**	**(19,486)**	**(356)**	**(202)**	**(7)**	**–**	**(21,833)**
At 31 December 2012	**87**	**96,943**	**350,465**	**1,020**	**463**	**68**	**11,071**	**460,117**
At 31 December 2012								
Cost [Note 6(c)]	**173**	**112,000**	**553,689**	**4,018**	**2,796**	**271**	**11,071**	**694,018**
Accumulated depreciation	**(86)**	**(15,057)**	**(203,224)**	**(2,998)**	**(2,333)**	**(203)**	**–**	**(223,901)**
Carrying amount	**87**	**96,943**	**350,465**	**1,020**	**463**	**68**	**11,071**	**460,117**
Carrying amount								
At 1 January 2011	97	100,498	323,176	570	644	81	11,129	436,195
Additions	–	–	54,291	683	140	–	251	55,365
Depreciation charge	(5)	(1,778)	(18,914)	(337)	(247)	(6)	–	(21,287)
Reclassification	–	–	11,129	–	–	–	(11,129)	–
At 31 December 2011	92	98,720	369,682	916	537	75	251	470,273
At 31 December 2011								
Cost [Note 6(c)]	173	112,000	553,420	4,020	2,668	271	251	672,803
Accumulated depreciation	(81)	(13,280)	(183,738)	(3,104)	(2,131)	(196)	-	(202,530)
Carrying amount	92	98,720	369,682	916	537	75	251	470,273

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land and building RM'000	Leasehold land and buildings RM'000	Plant and machinery, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Electrical installation RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount								
At 1 January 2012	**92**	**98,720**	**369,682**	**916**	**537**	**75**	**251**	**470,273**
Additions	**–**	**–**	**269**	**486**	**128**	**–**	**10,820**	**11,703**
Disposals	**–**	**–**	**–**	**(26)**	**–**	**–**	**–**	**(26)**
Depreciation charge	**(5)**	**(1,777)**	**(19,486)**	**(356)**	**(202)**	**(7)**	**–**	**(21,833)**
At 31 December 2012	**87**	**96,943**	**350,465**	**1,020**	**463**	**68**	**11,071**	**460,117**
At 31 December 2012								
Cost [Note 6(c)]	**173**	**112,000**	**553,689**	**4,018**	**2,796**	**271**	**11,071**	**684,018**
Accumulated depreciation	**(86)**	**(15,057)**	**(203,224)**	**(2,998)**	**(2,333)**	**(203)**	**–**	**(223,901)**
Carrying amount	**87**	**96,943**	**350,465**	**1,020**	**463**	**68**	**11,071**	**460,117**
Carrying amount								
At 1 January 2011	97	100,498	323,176	570	644	81	11,129	436,195
Additions	–	–	54,291	683	140	–	251	55,365
Disposals	(5)	(1,778)	(18,914)	(337)	(247)	(6)	–	(21,287)
Depreciation charge	–	–	11,129	–	–	–	(11,129)	–
At 31 December 2011	92	98,720	369,682	916	537	75	251	470,273
At 31 December 2011								
Cost [Note 6(c)]	173	112,000	553,420	4,020	2,668	271	251	672,803
Accumulated depreciation	(81)	(13,280)	(183,738)	(3,104)	(2,131)	(196)	–	(202,530)
Carrying amount	92	98,720	369,682	916	537	75	251	470,273

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Group and Company	
	2012	2011
	RM'000	RM'000
Plant and machinery	**14,843**	18,425
Motor vehicles	**1,015**	908
	15,858	19,333

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

	Group and Company	
	2012	2011
	RM'000	RM'000
Leasehold land and buildings	**96,943**	98,720
Plant and machinery	**343,755**	351,567
	440,698	450,287

(c) Property, plant and equipment stated at valuation have been included in Cost following the election of the transitional exemptions provided under MFRS 1 as disclosed in Note 3(b).

7. INVESTMENT IN SUBSIDIARY

	Company	
	2012	2011
	RM	RM
Unquoted shares, at cost		
At beginning of the year	**4**	2
Acquisition during the year	**–**	2
	4	4
Written off	**(2)**	–
At the end of the year	**2**	4

7. INVESTMENT IN SUBSIDIARY (CONTINUED)

Name of company	Equity interest held 2012	2011	Principal activities
Steel Dynamics (M) Sdn. Bhd. #	**–**	100%	Dormant
Metropolitan Commuter Network Sdn. Bhd.*	**100%**	100%	Supply and operation of rail linked assets

On 6 July 2012, the subsidiary was struck-off under Section 308(4) of the Companies Act 1965.

The struck-off subsidiary has no effect on the financial position of the Group and the Company.

* The subsidiary is incorporated in Malaysia and audited by a firm of auditors other than Nexia SSY.

8. INVESTMENT IN ASSOCIATE

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Unquoted shares, at cost				
At beginning of the year	**8,058**	8,388	**8,388**	8,388
Share of accumulated post-acquisition losses	**(50)**	(330)	**–**	–
At end of the year	**8,008**	8,058	**8,388**	8,388

Name of company	Equity interest held 2012	2011	Principal activities
Bio Molecular Industries Sdn. Bhd.	**45.34%**	45.34%	Manufacturing, research and development of radioisotopes and radiopharmaceuticals products

The associate is incorporated in Malaysia and audited by a firm of auditors other than Nexia SSY.

9. OTHER INVESTMENTS

Other investments represent the issuance of subordinated bonds with a financial institution as the asset-backed securities pursuant to the Primary Collateralised Loan Obligation ("CLO") Transaction.

Details of subordinated bonds are as follows:

Stock code	Issue No	Coupon rate % p.a.	Maturity date	Group and Company 2012 RM'000	2011 RM'000
DI070008	PRIMA UNO	No fixed rate	26.1.2012	**4,000**	4,000
Less:					
Written off / (2011: Impairment)				**(4,000)**	(4,000)
				–	–

The subordinated bonds which have been fully impaired and had matured on 26 January 2012 were written off during the year.

10. INVENTORIES

	Group and Company 2012 RM'000	2011 RM'000
Raw materials	**157,477**	150,483
Finished goods	**23,581**	10,286
	181,058	160,769

11. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Trade receivables				
Non related parties	**219,450**	202,944	**219,450**	202,944
Less: Allowance for doubtful debts	**(352)**	(692)	**(352)**	(692)
	219,098	202,252	**219,098**	202,252

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Other receivables				
Due from subsidiary	**–**	–	**500**	180
Due from associate	**1,030**	19	**1,030**	19
Deposits	**96**	100	**96**	100
Sundry receivables and prepayments	**1,979**	656	**1,979**	656
	3,105	775	**3,605**	955
	222,203	203,027	**222,703**	203,207

The normal trade credit terms of the Company ranged from 30 to 90 days (2011: 30 to 90 days). The amounts due from subsidiary and associate are unsecured, interest free and repayable on demand.

The currency exposure profile of trade receivables of the Group and of the Company are as follows:

	Group 2012 RM'000	Group 2011 RM'000	Company 2012 RM'000	Company 2011 RM'000
Malaysian Ringgit	**219,044**	151,988	**219,044**	151,988
Australian Dollar	**–**	482	**–**	482
United States Dollar	**54**	49,782	**54**	49,782
	219,098	202,252	**219,098**	202,252

The above foreign financial assets are exposed to foreign currency risk.

The ageing analysis of the Group's trade receivables is as follows:

	Group and Company 2012 RM'000	Group and Company 2011 RM'000
Neither past due nor impaired	**195,169**	173,082
Past due, not impaired		
- 1 to 30 days past due, not impaired	**23,862**	29,082
- 31 to 60 days past due, not impaired	**67**	88
	23,929	29,170
Past due and impaired	**352**	692
	219,450	202,944

11. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

12. FIXED DEPOSITS WITH LICENSED BANKS

The interest rate per annum of deposits that was effective as at the statement of financial position date were as follows:

	Group and Company	
	2012	2011
	%	%
Deposits with licensed banks	**2.20**	1.80 – 2.20

Deposits of the Group and the Company are unsecured and have an average maturity period of between 3 days and 1 month (2011: between 4 days and 1 month).

13. SHARE CAPITAL

	Group and Company	
	2012	2011
	RM'000	RM'000
<u>Authorised ordinary shares of RM0.50 each</u>		
1,000,000,000 ordinary shares	**500,000**	500,000
<u>Issued and fully paid ordinary shares of RM0.50 each</u>		
At 1 January – 210,786,666 (2011: 210,786,666) ordinary shares	**105,393**	105,393
Issued during the year – 7,190,000 (2011: Nil) ordinary shares	**3,595**	–
At 31 December – 217,976,666 (2011: 210,786,666) ordinary shares	**108,988**	105,393

During the financial year, the Company issued 7,190,000 new ordinary shares of RM0.50 each through private placement at an average issue price of RM0.86 per ordinary share for cash for additional working capital purposes. The share premium of RM2,451,202 arising from issuance of ordinary shares after deducting share issue costs of RM137,198 have been included in share premium account.

The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

14. SHARE PREMIUM

	Group and Company	
	2012	2011
	RM'000	RM'000
At 1 January	**31,198**	31,198
Add: Issue of shares during the financial year (Note 13)	**2,589**	–
Less: Share issue expenses	**(137)**	–
At 31 December	**33,650**	31,198

15. REVALUATION RESERVES

Revaluation reserves represent the net surplus based on valuation carried out by independent professional valuers of the Group's and the Company's freehold and leasehold lands as of 30 September 2005.

As disclosed in Note 3(b), the Directors have elected the transitional exemptions under the MFRS 1 to use the previous revaluation of the property, plant and equipment at the date of transition to MFRS framework as deemed cost at the date of the revaluation. Accordingly, the existing revaluation reserve has been reclassified to retained earnings.

16. TREASURY SHARES

	Group and Company	
	2012	2011
	RM'000	RM'000
At cost		
At 1 January	**(233)**	(30)
Acquired during the year	**(94)**	(203)
At 31 December	**(327)**	(233)

The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the interests of the Company and its shareholders. The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares as allowed under Section 67A of the Companies Act, 1965. The Company has the right to cancel these treasury shares, distribute these treasury shares as share dividends to the shareholders and/or resell these treasury shares on the Bursa Malaysia. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended.

None of the treasury shares held were resold or cancelled during the financial year.

At the balance sheet date, the number of outstanding shares in issue after setting off the treasury shares against equity was 217,674,666 (2011: 210,584,666).

17. WARRANTS RESERVES

	Group and Company	
	2012	2011
At Cost	**RM'000**	RM'000
At 1 January/31 December	**40,044**	40,044

During the financial year ended 31 December 2010, the Company issued 105,378,333 five (5) year new warrants on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.50 each held in the Company at an issue price of RM0.18 per warrant. The theoretical fair value of the above warrants was computed using the Black-Scholes Option Pricing Model at approximately RM0.38 per warrant.

Each warrant will entitle its registered holder to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.67 per share at any time within 5 years from the date of issue of the warrant. The last date to exercise the warrant rights is 26 October 2015.

As at 31 December 2012, the warrants remained unexercised.

18. RETAINED EARNINGS

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

19. BORROWINGS

	Group and Company	
	2012	2011
	RM'000	RM'000
Current		
Secured:		
Bank overdrafts	**6,698**	12,123
Bankers' acceptances	**217,443**	197,046
Revolving credit	**10,565**	11,131
Finance lease liabilities	**1,968**	1,882
Term loans	**11,605**	14,260
	248,279	236,442
Non-current		
Secured:		
Revolving credit	**13,000**	18,565
Finance lease liabilities	**4,155**	5,798
Term loans	**18,293**	29,949
	35,448	54,312

19. BORROWINGS (continued)

	Group and Company	
	2012	2011
	RM'000	RM'000
Total Borrowings		
Bank overdrafts	**6,698**	12,123
Bankers' acceptances	**217,443**	197,046
Revolving credit	**23,565**	29,696
Finance lease liabilities	**6,123**	7,680
Term loans	**29,898**	44,209
	283,727	290,754

The interest rates incurred during the financial year for borrowings, excluding finance lease liabilities, ranged from 1.71% to 8.25% (2011: 1.76% to 7.80%) per annum.

The bankers' acceptances, revolving credit and term loans are secured by the following:

(a) Negative pledge;
(b) Debenture over certain property, plant and equipment of the Company; and
(c) First fixed charge over all leasehold land and buildings of the Company.

The currency exposure profile of term loans of the Group and of the Company are as follows:

	Group and Company	
	2012	2011
	RM'000	RM'000
Secured:		
Malaysian Ringgit	**28,346**	39,400
United States Dollar	**1,552**	4,809
	29,898	44,209

19. BORROWINGS (continued)

	Group and Company	
	2012	2011
	RM'000	RM'000
Repayment terms		
Secured:		
Bank borrowings excluding finance lease liabilities		
- not later than 1 year	**246,312**	234,560
- later than 1 year and not later than 2 years	**12,553**	17,222
- later than 2 years and not later than 5 years	**18,739**	29,792
- later than 5 years	**–**	1,500
	277,604	283,074
Finance lease liabilities		
- not later than 1 year	**2,385**	2,455
- later than 1 year and not later than 2 years	**2,316**	2,328
- later than 2 years and not later than 5 years	**2,083**	4,017
- later than 5 years	**117**	183
	6,901	8,983
Future finance charges on finance lease	**(778)**	(1,303)
Present value of finance lease liabilities	**6,123**	7,680
Present value of finance lease liabilities		
- not later than 1 year	**1,968**	1,882
- later than 1 year and not later than 2 years	**2,067**	1,926
- later than 2 years and not later than 5 years	**1,973**	3,697
- later than 5 years	**115**	175
	6,123	7,680

The finance lease liabilities bear interest at the rates of between 1.62% to 4.90% (2011: 2.40% to 6.02%) per annum.

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Trade payables				
Non related parties	**93,672**	71,149	**93,672**	71,149
Other payables				
Accruals	**12,894**	12,034	**12,892**	12,033
Staff costs payable	**1,857**	1,714	**1,857**	1,714
Sundry payables	**11,880**	13,190	**11,880**	13,190
Deposits	*	*	*	*
	26,631	26,938	**26,629**	26,937
	120,303	98,087	**120,301**	98,086

* Negligible as the individual amount is below RM500

The normal trade credit terms of the Company ranged from 30 to 90 days (2011: 30 to 90 days).

21. STAFF COSTS

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Salaries, bonus, allowances and overtime	**22,926**	19,263	**22,926**	19,263
Social security costs	**149**	145	**149**	145
Employees Provident Fund	**1,398**	1,258	**1,398**	1,258
Other benefits	**32**	41	**32**	41
	24,505	20,707	**24,505**	20,707

Included in staff costs of the Group and of the Company are Directors' remuneration as disclosed in Note 22.

22. DIRECTORS' REMUNERATION

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	**1,662**	1,455	**1,662**	1,455
Fees	**24**	24	**24**	24
Allowances	**63**	53	**63**	53
	1,749	1,532	**1,749**	1,532
Non-executive:				
Fees	**32**	32	**32**	32
Allowances	**260**	234	**260**	234
	292	266	**292**	266
Total executive Directors' remuneration	**1,749**	1,532	**1,749**	1,532
Total non-executive Directors' remuneration	**292**	266	**292**	266
Grand total	**2,041**	1,798	**2,041**	1,798

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

	Number of Directors	
	2012	2011
Executive Directors:		
RM250,001 – RM300,000	**–**	1
RM300,001 – RM350,000	**1**	1
RM350,001 – RM400,000	**1**	–
RM1,050,001 – RM1,100,000	**1**	1
Non-executive Directors:		
Below RM50,000	**–**	1
RM50,001 – RM100,000	**3**	2
RM100,001– RM150,000	**1**	1

23. PROFIT FROM OPERATIONS

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Profit from operations arrived at after charging:				
Auditors' remuneration				
- statutory audit				
- current year	**81**	81	**80**	80
- overprovision in prior years	**(5)**	(10)	**(5)**	(10)
- other services	**5**	25	**(5)**	(10)
Hire of equipment	**2,166**	926	**2,166**	926
Depreciation of property, plant and equipment	**21,833**	21,287	**21,833**	21,287
Amount due from subsidiary written off	**–**	–	**31**	–
Impairment of subordinated bond	**–**	4,000	**–**	4,000
Rental of premises	**179**	135	**179**	135
Staff costs (Note 21)	**24,505**	20,707	**24,505**	20,707
and crediting:				
Fixed deposits interest	**128**	97	**128**	97
Rental income	**40**	–	**40**	–
Gain on disposal of property, plant and equipment	**116**	–	**116**	–
Reversal of allowance for doubtful debts	**340**	150	**340**	150
Unrealised foreign exchange gain	**1,121**	817	**1,121**	817
Realised foreign exchange gain	**2,551**	385	**2,551**	385

24. FINANCE COSTS

	Group and Company	
	2012	2011
	RM'000	RM'000
Interest expenses on borrowings:		
- Bankers' acceptances	**9,337**	9,262
- Bank overdrafts and revolving credit	**2,539**	1,699
- Finance leases	**583**	732
- Term loans	**2,802**	4,336
	15,261	16,029

25. TAXATION

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax				
Current year	**1,369**	1,802	**1,369**	1,802
Overprovision in prior years	**(813)**	(1,255)	**(813)**	(1,255)
	556	547	**556**	547

Reconciliations of income tax expense applicable to the results of the Group and of the Company at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Profit before taxation	**24,902**	24,898	**25,273**	25,060
Tax at Malaysian statutory tax rate of 25%	**6,226**	6,225	**6,318**	6,265
Tax effects of:				
- expenses not deductible for tax purposes	**854**	669	**762**	629
- utilisation of reinvestment allowances	**(5,711)**	(5,092)	**(5,711)**	(5,092)
Overprovision of income tax in prior years	**(813)**	(1,255)	**(813)**	(1,255)
Tax expense for the year	**556**	547	**556**	547

Subject to agreement with the Inland Revenue Board, the Company has unutilised reinvestment allowances amounting to approximately RM258,011,700 (2011: RM264,312,260) which are available for set off against future chargeable income.

Deferred tax assets have not been recognised in respect of the following items:

	Company	
	2012	2011
	RM'000	RM'000
Unutilised reinvestment allowances	**64,503**	66,078

Deferred tax liabilities have not been recognised as the Directors are of the opinion that the effects of the temporary differences are unlikely to reverse in the foreseeable future and due to the substantial amount of reinvestment allowance available to be utilised for set-off.

26. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM11,703,460 (2011: RM55,364,890) and RM11,703,460 (2011: RM55,364,890) respectively which were satisfied as follows:

	Group		Company	
	2012 RM'000	2011 RM'000	**2012 RM'000**	2011 RM'000
Finance leases	**370**	598	**370**	598
Cash payments	**11,333**	54,767	**11,333**	54,767
	11,703	55,365	**11,703**	55,365

27. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2012 RM'000	2011 RM'000
Profit attributable to ordinary shareholders	**24,346**	24,351
Weighted average number of ordinary shares in issue	**211,568**	210,585
Basic earnings per share (sen)	**11.51**	11.56

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, the weighted average number of shares in issue have been adjusted for the dilutive effects of all potential conversion of any convertible securities issued during the period as set out below:-

	Group	
	2012 RM'000	2011 RM'000
Profit attributable to ordinary shareholders	**24,346**	24,351
Weighted average number of ordinary shares in issue	**211,568**	210,585
Effects of dilution	**33,026**	46,664
Adjusted weighted average number of ordinary shares in issue and issuable	**244,594**	257,249
Diluted earnings per share (sen)	**9.95**	9.47

28. CONTINGENT LIABILITIES

The following litigation brought forward from the previous year in respect of claims instituted against the Company has been settled during the year:

(i) Claims of RM7.56 million for goods sold and delivered together with interest was made by the supplier. The solicitors of the Company were of the opinion that such a claim would fail in court since there appeared to be no agreements whatsoever, nor any prior demand or claim made by the supplier regarding the interests and that so long as the supplier had accepted periodical payments by the Company unequivocally, they cannot now insist that interest are due to them. The supplier had filed their Statement of Claim and Summary Judgement Application to which the Company had filed a Statement of Defence and Counterclaim.

On 13 August 2009, the High Court had dismissed Plaintiff's Summary Judgement Application with costs and the matter proceeded with trial on 20 and 21 October 2010. On 26 November 2010, the High Court gave judgement in favour of the Plaintiff for the amount of RM4,341,747 and on 18 February 2011, the Company filed and served the Record of Appeal at the Court of Appeal. The said appeal came up for Hearing on 28 March 2012 and the said appeal was allowed in part. The Judgement sum was reduced to approximately RM2,705,589 and this amount was accrued in the previous year's financial statements. However, both parties have finally agreed on settlement of the above said matter with payment of RM2,600,000 in five (5) equal instalments. On 19 November 2012, the parties have recorded the Consent Judgement at the Federal Court.

29. FINANCIAL RISK MANAGEMENT POLICIES

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

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

(i) Interest rate risk

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

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

Sensitivity analysis

The Group's floating rate borrowings in RM are exposed to variability in future interest payments. If the Bank's Base Lending Rate were to increase/decrease by 1%, it would impact the Group's profit by approximately RM2,776,040 (2011: RM2,830,740).

29. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(ii) Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, marketable securities and non-current investments, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

(iii) Foreign currency risk

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

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

Sensitivity analysis

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

	Group		Company	
	Profit after tax RM'000	Equity RM'000	Profit after tax RM'000	Equity RM'000
2012				
USD/RM				
– strengthened by 5%	**(370)**	**(370)**	**(370)**	**(370)**
– weakened by 5%	**370**	**370**	**370**	**370**
2011				
USD/RM				
– strengthened by 5%	(2,249)	(2,249)	(2,249)	(2,249)
– weakened by 5%	2,249	2,249	2,249	2,249

29. FINANCIAL RISK MANAGEMENT POLICIES (continued)

(iv) Liquidity risk

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

30. CATEGORIES OF FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ["L&R"]
(b) Other financial liabilities ["OFL"]

	Note	Carrying amount RM'000	L&R RM'000	OFL RM'000
Group				
2012				
Financial assets				
Trade and other receivables	11	**220,332**	**220,332**	**–**
Fixed deposits with licensed banks	12	**25,100**	**25,100**	**–**
Cash and bank balances		**29,575**	**29,575**	**–**
At 31 December 2012		**275,007**	**275,007**	**–**
Financial liabilities				
Trade and other payables	20	**120,302**	**–**	**120,302**
Bank borrowings	19	**283,727**	**–**	**283,727**
At 31 December 2012		**404,029**	**–**	**404,029**
2011				
Financial assets				
Trade and other receivables	11	203,027	203,027	–
Fixed deposits with licensed banks	12	16,000	16,000	–
Cash and bank balances		27,689	27,689	–
At 31 December 2011		246,716	246,716	–
Financial liabilities				
Trade and other payables	20	98,087	–	98,087
Bank borrowings	19	290,754	–	290,754
At 31 December 2011		388,841	–	388,841

30. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

	Note	Carrying amount RM'000	L&R RM'000	OFL RM'000
Company				
2012				
Financial assets				
Trade and other receivables	11	**220,832**	**220,832**	**–**
Fixed deposits with licensed banks	12	**25,100**	**25,100**	**–**
Cash and bank balances		**29,575**	**29,575**	**–**
At 31 December 2012		**275,507**	**275,507**	**–**
Financial liabilities				
Trade and other payables	20	**120,301**	**–**	**120,301**
Bank borrowings	19	**283,727**	**–**	**283,727**
At 31 December 2012		**404,028**	**–**	**404,028**
2011				
Financial assets				
Trade and other receivables	11	203,207	203,207	–
Fixed deposits with licensed banks	12	16,000	16,000	–
Cash and bank balances		27,689	27,689	–
At 31 December 2011		246,896	246,896	–
Financial liabilities				
Trade and other payables	20	98,087	–	98,087
Bank borrowings	19	290,754	–	290,754
At 31 December 2011		388,841	–	388,841

31. DIVIDENDS

	Group and Company	
	2012	2011
	RM'000	RM'000
Recognised during the year:		
First and final single tier dividend in respect of financial year ended 31 December 2011: 1.0 sen per share on 210,584,666 ordinary shares	**2,106**	–
Interim single tier dividend in respect of financial year ended 31 December 2012: 1.0 sen per share on 217,674,666 ordinary shares	**2,177**	–
First and final single tier dividend in respect of financial year ended 31 December 2010: 1.35 sen per share on 210,609,666 ordinary shares	**–**	2,843
	4,283	2,843

32. SEGMENT INFORMATION

(a) Primary reporting format – by business segment

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

(b) Secondary reporting format – by geography

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

Area	Sales		Total Assets		Capital Expenditure	
	2012	2011	**2012**	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Malaysia	**1,090,447**	819,179	**929,904**	888,700	**11,703**	55,365
Outside Malaysia	**221,742**	434,186	**–**	–	**–**	–
	1,312,189	1,253,365	**929,904**	888,700	**11,703**	55,365

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

33. CAPITAL COMMITMENTS

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	**1,919**	1,861	**1,919**	1,861
Approved but not contracted for:				
Property, plant and equipment	**87,545**	88,139	**87,545**	88,139

The amount of RM87.5 million is in respect of the proposed construction of a new rolling mill located at the existing leasehold industrial land of the Company at Bukit Raja. The cost of construction will be funded by a syndicated loan of RM65 million and internally generated funds. The syndicated loan has been approved during the year.

Operating lease commitments – as lessee

Future minimum rentals payable under non-cancellable operating leases (excluding land use rights) at the reporting date are as follows:

	Group		Company	
	2012	2011	**2012**	2011
	RM'000	RM'000	**RM'000**	RM'000
Not later than 1 year	**200**	162	**200**	162
Later than 1 year but not later than 5 years	**88**	100	**88**	100
	288	262	**288**	262

34. CAPITAL MANAGEMENT

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

The gearing ratios at 31 December 2012 and 2011 were as follows:

	Group	
	2012	2011
	RM'000	RM'000
Total borrowings (Note 19)	**283,727**	290,754
Total equity	**525,875**	499,859
Gearing ratio	**53.95%**	58.17%

35. SIGNIFICANT EVENTS

On 27 August 2012, ECM Libra Investment Bank Berhad had on behalf of the Company announced that the Company proposes to implement a private placement of up to 31.59 million new ordinary shares of RM0.50 each, representing not more than ten percent (10%) of the issued and paid up share capital of the Company, to investors and to be identified as Private Placement. The application was approved by Bursa Malaysia Securities Berhad and Ministry of International Trade and Industry on 6 September 2012 and 7 September 2012 respectively.

On 12 November 2012, the Company has completed the first tranche placement of 7.19 million new Company's shares under the Private Placement and the new shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

36. SUBSEQUENT EVENTS

a) On 6 March 2013, a total of 2,567 ordinary shares were subscribed by a warrant holder based on his entitlement at the exercise price of RM0.67 per share. As a result, the issued and paid-up share capital of the Company was increased from 217,976,666 ordinary shares to 217,979,233 ordinary shares.

b) On 18 March 2013, the issued and paid up capital of the associate was increased from RM18,500,000 to RM19,300,000 by the allotment and issuance of an additional 800,000 new ordinary shares of RM1.00 each in the share capital of the associate at par for consideration in cash.

   The Company's investment in the associate was increased from 8,388,000 ordinary shares to 9,188,000 ordinary shares resulting in the increase of the effective equity interest from 45.34% to 47.61%.

37. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2012 into realised and unrealised losses is presented in accordance with the directive of Bursa Malaysia Securities Berhad dated 25 March 2011 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants.

	Group	
	2012	2011
	RM'000	RM'000 (restated)
Total retained earnings of the Company and its subsidiary:		
- Realised	**311,749**	260,910
- Unrealised	**32,151**	31,847
	343,900	292,757
Less: Consolidation adjustment	**(380)**	(330)
Total Group retained earnings as per consolidated accounts	**343,520**	292,427

	Company	
	2012	2011
	RM'000	RM'000 (restated)
Total retained earnings of the Company		
- Realised	**312,251**	261,091
- Unrealised	**32,151**	31,847
Total the Company retained earnings as per accounts	**344,402**	292,938

The disclosure of realised and unrealised profits/(losses) above is presented solely for compliance with the directive issued by Bursa Malaysia Securities Berhad and should not be used for any other purpose.

List of Properties

as at 31 December 2012

Location	Existing Use	Approximate Age of Building (Years)	Tenure	Land Area (Built-up Area)	Net Book Value (RM'000)	Date of Revaluation/ Date of Acquisition
Wisma Masteel, Lot 29C, Off Jln Tandang, Section 51, 46050 Petaling Jaya, Selangor Darul Ehsan	Office, factory and warehouse	30 years	Leasehold for 99 years expiring on 15.04.2067	130,897 sq. ft. (63,187 sq. ft.)	Land – 9,272 Building – 2,471	30.09.2005
Lot 29B, Off Jln Tandang, Section 51, 46050 Petaling Jaya, Selangor Darul Ehsan	Factory	4 years	Leasehold for 99 years expiring on 15.04.2067	110,425 sq. ft. (69,960 sq. ft.)	Land – 8,364 Building – 4,202	22.12.2009
Lot PT 20299, Jln Waja, Bukit Raja Industrial Estate, 41050 Klang, Selangor Darul Ehsan	Office, factory and warehouse	12 years	Leasehold for 99 years expiring on 03.12.2111	1,562,266 sq. ft. (187,220 sq. ft.)	Land – 52,000 Building – 17,035	30.09.2005
Unit B-05-3, 5th Floor, Block B (West Wing), PJ8 Office Suite No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan	Office	3 years	Leasehold for 99 years expiring on 05.03.2106	(4,176 sq. ft.)	Building – 1,893	06.11.2008
Unit B-05-3A, 5th Floor, Block B (West Wing), PJ8 Office Suite No. 23, Jalan Barat, Seksyen 8, 46050 Petaling Jaya, Selangor Darul Ehsan	Office	3 years	Leasehold for 99 years expiring on 05.03.2106	(3,003 sq. ft.)	Building – 1,357	06.11.2008
GRN 33304 Lot 3780 Mukim of Pasir Panjang, District of Port Dickson, Negeri Sembilan Darul Khusus	Bungalow	28 years	Freehold	5,403 sq. ft. (1,334 sq. ft)	Land – 65 Building – 20	30.09.2005

Analysis of **Shareholdings**

as at 10 May 2013

Authorised Share Capital	:	RM500,000,000
Issued and Fully Paid-Up Capital	:	RM108,989,616.50 comprising 217,979,233 ordinary shares of RM0.50 each
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

ANALYSIS BY SHAREHOLDINGS

Size of holdings	No. of Holders	% of Holders	No. of Shares	% of Issued Capital [1]
1 - 99	405	8.62	13,380	0.01
100 – 1,000	369	7.85	219,360	0.10
1,001 – 10,000	2,714	57.73	13,125,735	6.03
10,001 – 100,000	1,062	22.59	31,163,274	14.32
100,001 – 10,880,295 [2]	150	3.19	105,744,465	48.61
10,880,296 and above [3]	1	0.02	67,276,219	30.93
TOTAL	**4,701**	**100.00**	**217,542,633**	**100.00**

Notes:-

[1] Excluding a total of 436,600 ordinary shares bought-back by the Company and retained as treasury shares as at 10 May 2013.

[2] Less than 5% of issued shares (excluding treasury shares)

[3] 5% and above of issued shares (excluding treasury shares)

LIST OF TOP 30 SHAREHOLDERS/DEPOSITORS

No.	Name of Shareholders/Depositors	No of Shares	% [1]
1	TYY RESOURCES SDN BHD	67,276,219	30.93
2	RAYA REKAJAYA SDN BHD	8,524,570	3.92
3	KEMAJUAN REKACEKAP SDN BHD	6,559,666	3.02
4	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOH SU SEE (8090733)	4,644,000	2.13
5	NG TENG SONG	3,344,900	1.54
6	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	3,225,200	1.48
7	KUMPULAN WANG SIMPANAN GURU-GURU	3,000,000	1.38
8	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING YAW	2,900,000	1.33
9	AMSEC NOMINEES (TEMPATAN) SDN BHD AMTRUSTEE BERHAD FOR PACIFIC PEARL FUND (UT-PM-PPF)	2,818,900	1.30
10	LIM CHIN SEAN	2,615,000	1.20
11	TAI HEAN LENG @ TEK HEAN LENG	2,582,000	1.19
12	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAI HEAN LENG @ TEK HEAN LENG	2,401,200	1.10
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO (8051654)	2,270,000	1.04
14	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	2,000,000	0.92
15	LEMBAGA TABUNG HAJI	1,968,700	0.90

No.	Name of Shareholders/Depositors	No of Shares	% [1]
16	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	1,948,800	0.89
17	SU MING KEAT	1,880,600	0.86
18	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOH KIN LIP	1,780,000	0.82
19	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR HSBC AMANAH LIFESELECT EQUITY FUND (PACIFIC6467-701)	1,767,600	0.81
20	MERCSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAYA REKAJAYA SDN BHD	1,690,800	0.78
21	KUMPULAN WANG SIMPANAN GURU-GURU	1,600,000	0.74
22	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TOH SU SEE	1,458,000	0.67
23	LIM KHUAN ENG	1,269,600	0.58
24	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR MAH SIEW SEONG	1,170,033	0.54
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD AMANAHRAYA INVESTMENT MANAGEMENT SDN. BHD. FOR NOORSHAH BINTI ISMAIL (C245-240115)	1,146,133	0.53
26	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	1,101,700	0.51
27	SBB NOMINEES (TEMPATAN) SDN. BHD. LEMBAGA TABUNG HAJI (CAFM)	1,098,100	0.50
28	TAI MAY CHEAN	1,062,333	0.49
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEOH SOON KEE	1,014,900	0.47
30	HSBC NOMINEE (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAAKL PROGRESS FUND (4082)	1,000,000	0.46
	TOTAL	**137,118,954**	**63.03**

Note:-

[1] Excluding a total of 436,600 ordinary shares bought-back by the Company and retained as treasury shares as at 10 May 2013.

DIRECTORS' SHAREHOLDINGS
as at 10 May 2013

Name of Director	Direct Interest No. of Shares	Direct Interest % of Issued Capital [1]	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital [1]
Dato' Sri Tai Hean Leng @ Tek Hean Leng	4,983,200	2.29	67,276,219 [2]	30.93

Analysis of Shareholdings (continued)

Notes:-

[1] Excluding a total of 436,600 ordinary shares bought-back by the Company and retained as treasury shares as at 10 May 2013.

[2] Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 by virtue of his interest in TYY Resources Sdn Bhd.

Pursuant to Section 6A of the Companies Act, 1965, by virtue of his interests in the shares of the Company, Dato' Sri Tai Hean Leng @ Tek Hean Leng is also deemed to have an interest in the shares of the subsidiaries of the Company to the extent the Company has an interest.

SUBSTANTIAL SHAREHOLDERS
as at 10 May 2013

Name of Substantial Shareholder	Direct Interest No. of Shares	Direct Interest % of Issued Capital [1]	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital [1]
TYY Resources Sdn Bhd	67,276,219	30.93	–	–
Dato' Sri Tai Hean Leng @ Tek Hean Leng	4,983,200	2.29	67,276,219 [2]	30.93
Datin Ng Pik Lian	–	–	73,835,885 [3]	33.94
Tay Kwok Peng (Administrator of the Estate of Tai Chet Siang) [4]	–	–	67,276,219 [2]	30.93

Notes:-

[1] Excluding a total of 436,600 ordinary shares bought-back by the Company and retained as treasury shares as at 10 May 2013.
[2] Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 by virtue of their interests in TYY Resources Sdn Bhd.
[3] Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 by virtue of her interest in TYY Resources Sdn Bhd and Kemajuan Rekacekap Sdn Bhd.
[4] Based on Record of Depositors.

Analysis of **Warrant Holdings**

as at 10 May 2013

No. of warrants in issue	:	105,375,766
Exercise price per warrant	:	RM0.67
Expiry date of the warrants	:	26 October 2015
Voting Rights	:	Every warrant holder present in person or by proxy at any Warrant holders' meeting shall be entitled on a show of hands to one (1) vote or on a poll, one (1) vote for each warrant held

ANALYSIS OF WARRANT HOLDINGS

Size of Holdings	No. of Holders	% of Holders	No. of Warrants	% of Issued Warrants
1 - 99	17	0.95	751	0.00
100 – 1,000	144	8.05	102,525	0.10
1,001 – 10,000	882	49.27	4,847,016	4.60
10,001 – 100,000	634	35.42	22,147,145	21.02
100,001 – 5,268,787 [1]	111	6.20	39,480,521	37.46
5,268,788 and above [2]	2	0.11	38,797,808	36.82
TOTAL	**1,790**	**100.00**	**105,375,766**	**100.00**

Notes:-

[1] Less than 5% of issued warrants
[2] 5% and above of issued warrants

LIST OF TOP 30 WARRANT HOLDERS

No.	Name of Warrant Holders	No. of Warrants	%
1	TYY RESOURCES SDN BHD	32,038,109	30.40
2	RAYA REKAJAYA SDN BHD	6,759,699	6.41
3	KEMAJUAN REKACEKAP SDN BHD	3,279,833	3.11
4	TAI HEAN LENG @ TEK HEAN LENG	2,041,000	1.94
5	ECML NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW YOON PECK	2,010,000	1.91
6	LEMBAGA TABUNG HAJI	1,404,250	1.33
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO	1,304,400	1.24
8	LIM JIT HAI	1,300,000	1.23
9	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	1,200,000	1.14
10	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING YAW	1,192,600	1.13
11	MAH SIEW SEONG	1,069,700	1.02
12	LIM CHIN SEAN	1,000,000	0.95
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOAY CHEE HONG (8069795)	925,000	0.88
14	DIONG SUK HWA	765,500	0.73
15	YEONG KOK WAH	700,000	0.67

Analysis of Warrant Holdings (continued)

No.	Name of Warrant Holders	No. of Warrants	%
16	TAN LIONG HUAT @ TAN SWEE HUAT	600,250	0.57
17	LIM CHEE MENG	600,000	0.57
18	ECML NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM AI LING	589,500	0.56
19	SU MING KEAT	560,000	0.53
20	TAN LAY PENG	560,000	0.53
21	LIM KEAT PHENG	540,400	0.51
22	YEO SOO SIA @ YEO SOO SENG	529,300	0.50
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NEOH SOON KEE	507,500	0.48
24	NG ENG KEONG	500,000	0.48
25	DEVARAJAH A/L C NAVARATNAM	459,800	0.44
26	CARTABAN NOMINEES (TEMPATAN) SDN BHD AXA AFFIN GENERAL INSURANCE BERHAD	450,000	0.43
27	EB NOMINEES (TEMPATAN) SENDIRIAN BERHAD PLEDGED SECURITIES ACCOUNT FOR CHAN CHEE LEONG	405,600	0.38
28	GAN AH HUAT	340,000	0.32
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD PROJOGO TIE SING HON	320,000	0.30
30	GEH SOK LAN @ GOAY SOOK LAN	304,300	0.29
	TOTAL	**64,256,741**	**60.98**

DIRECTORS' WARRANT HOLDINGS
as at 10 May 2013

Name of Director	Direct Interest No. of Warrants	 % of Issued Warrants	Indirect Interest No. of Warrants	 % of Issued Warrants
Dato' Sri Tai Hean Leng @ Tek Hean Leng	2,041,000	1.94	32,038,109 [1]	30.40

Note:-

[1] Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 by virtue of his interests in TYY Resources Sdn Bhd.

The Articles of Association of the Company are proposed to be amended in the following manner:

Article No.	Existing Articles		Amended Articles	
2.	WORDS	MEANINGS	WORDS	MEANINGS
	New definition		***Exempt Authorised Nominee***	***An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.***
	New definition		***Share Issuance Scheme***	***means a scheme involving a new issuance of shares to the employees.***
4.	Allotment of shares Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of these Articles and the Act and to the provisions of any resolution of the Company, every issue of shares or options in the Company shall be approved by the members in general meeting and such shares may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:- (d) no Director shall participate in a share scheme for employees unless the members in general meeting have approved of the specific allotment to be made to such Director.		Allotment of shares Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of these Articles and the Act and to the provisions of any resolution of the Company, every issue of shares or options in the Company shall be approved by the members in general meeting and such shares may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:- (d) no Director shall participate in a ***Share Issuance Scheme*** unless the members in general meeting have approved of the specific allotment to be made to such Director.	
59.	Chairman of general meeting The Chairman (if any) of the Board of Directors shall preside as Chairman at every general meeting of the Company. If there is no such Chairman or Deputy Chairman, or if at any meeting neither the Chairman nor the Deputy Chairman is present within fifteen (15) minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one (1) of their number to act, or if one (1) Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the persons present and entitled to vote on a poll shall elect one (1) of their number to be chairman. The election of the Chairman shall be by show of hands.		Chairman of general meeting The Chairman (if any) of the Board of Directors shall preside as Chairman at every general meeting of the Company. If there is no such Chairman or Deputy Chairman, or if at any meeting neither the Chairman nor the Deputy Chairman is present within ***thirty (30)*** minutes after the time appointed for holding the meeting, or if neither of them is willing to act as chairman, the Directors present shall choose one (1) of their number to act, or if one (1) Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, the persons present and entitled to vote shall elect one (1) of their number to be chairman.	

Appendix I (continued)

Article No.	Existing Articles	Amended Articles
59A.	*(new provision)*	***Chairman to promote orderly conduct of the business of all general meetings*** ***Without prejudice to any other power which the Chairman may have under the provisions of these Articles or at common law and subject to the Act and the Listing Requirements, the Chairman may take such action as he thinks fit to promote the orderly conduct of the business of all general meetings as specified in the notice of such meetings and the Chairman's decision on matters of procedure or arising incidentally from the business of such meetings shall be final, as shall be his determination as to whether any matter is of such a nature.***
69.	Proxy to be in writing The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company and the provisions of section 149(1)(b) of the Act shall not apply to the Company. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.	Proxy to be in writing The instrument appointing a proxy shall be in writing (in the common or usual form) under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. The Directors may but shall not be bound to require evidence of the authority of any such attorney or officer. A proxy may but need not be a member of the Company and the provisions of section 149(1)(b) of the Act shall not apply to the Company. ***There shall be no restriction as to the qualification of the proxy***. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.
70.	Number of proxy A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. Where a member of the Company is an authorised nominee <u>as defined under the Central Depository Act, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.</u>	Number of proxy ***A member entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint any person as his proxy to attend and vote instead of the member at the meeting***. A member may appoint not more than two (2) proxies to attend the same meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. ***A proxy appointed to attend and vote at a meeting shall have the same rights as the member to speak at the meeting***. Where a member of the Company is an ***Exempt A***uthorised ***N***ominee ***which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds***.

Appendix I (continued)

<table>
<tr><th>Article No.</th><th>Existing Articles</th><th>Amended Articles</th></tr>
<tr><td>71.</td><td>Form of proxy

The instrument appointing a proxy shall be in the following form with such variations as circumstances may require or the statutes permit or in such other form as the Directors may approve:-

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

I/We, (NRIC No./Company No.) of being a member of MALAYSIA STEEL WORKS (KL) BHD hereby appoint* the Chairman of the meeting or (NRIC No.) of , or failing whom (NRIC No.) of , as my/our Proxy(ies) to vote for me/us and act on my/our behalf at the Annual/ Extraordinary General Meeting of the Company to be held at on day of at and at any adjournment thereof for/against* the resolution(s) to be proposed thereat.

Dated this day of

Number of shares held

Signature/Common Seal of Shareholder(s)

*delete if not applicable.

Notes:

1. A member [other than an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint a maximum of two (2) proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each proxy.</td><td>Form of proxy

The instrument appointing a proxy shall be in the following form with such variations as circumstances may require or the statutes permit or in such other form as the Directors may approve:-

MALAYSIA STEEL WORKS (KL) BHD
(Company No. 7878-V)

I/We, (NRIC No./Company No.) of being a member of MALAYSIA STEEL WORKS (KL) BHD hereby appoint* the Chairman of the meeting or (NRIC No.) of , or failing whom (NRIC No.) of , as my/our Proxy(ies) to vote for me/us and act on my/our behalf at the Annual/Extraordinary General Meeting of the Company to be held at on day of at and at any adjournment thereof for/against* the resolution(s) to be proposed thereat.

Dated this day of

Number of shares held

Signature/Common Seal of Shareholder(s)

*delete if not applicable.

Notes:

1. A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint a maximum of two (2) proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.

2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each proxy.</td></tr>
</table>

Appendix I (continued)

Article No.	Existing Articles	Amended Articles
71.	(Cont'd) 3. <u>Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.</u> 4. The Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer. 5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited by hand at or by facsimile transmission to the Registered Office of the Company not less than 48 hours before the time set for the Meeting or any adjournment thereof.	(Cont'd) 3. ***Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds***. 4. The Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer. 5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited by hand at or by facsimile transmission to the Registered Office of the Company ***(or other address as specified)*** not less than 48 hours before the time set for the Meeting or any adjournment thereof.
111A.	*(New provision)*	***Meeting and proceedings of a committee*** ***The meetings and proceedings of any such committee shall be governed by the provisions herein contained for regulating the meetings and proceedings of the directors so far as the same are applicable thereto and are not superseded by any regulations made by the directors under the last preceding Article.***

– end of Appendix I –

Masteel

MALAYSIA STEEL WORKS (KL) BHD
www.masteel.com.my
(Company No. 7878-V)
(Incorporated in Malaysia)

No. of Shares	
CDS account No.	

PROXY FORM

I/We ....(NRIC No./Company No. ....)

of ....

being a member of **MALAYSIA STEEL WORKS (KL) BHD** hereby appoint the Chairman of the Meeting or

.... (NRIC No. ....)

of ....

failing whom..(NRIC No..)

of ....,

as my/our proxy(ies) to vote for me/us on my/our behalf at the Forty-First Annual General Meeting of the Company to be held at Rebana Hall, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 27 June 2013 at 3.00 p.m. and at any adjournment thereof for/against the resolutions to be proposed thereat.

* Please delete the word "Chairman of the Meeting" if you with to appoint other person(s) to be your proxy/proxies.

No.	RESOLUTIONS		FOR	AGAINST
1.	Declaration of final single-tier dividend of 0.5 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2012	Ordinary Resolution 1		
2.	Approval of the increase of Directors' Fees for the financial year ended 31 December 2012 and the payment thereof	Ordinary Resolution 2		
3.	Re-election of Mr Ng Wah Lok as Director	Ordinary Resolution 3		
4.	Re-election of Mr Lee Kean Binh as Director	Ordinary Resolution 4		
5.	Re-appointment of Auditors and to authorise the Directors to fix their remuneration	Ordinary Resolution 5		
6.	Authority for Mr Ng Wah Lok to continue in office as Independent Non-Executive Director	Ordinary Resolution 6		
7.	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares	Ordinary Resolution 7		
8.	Proposed Renewal of Shareholders' Mandate	Ordinary Resolution 8		
9.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 9		
10.	Proposed Amendments to the Articles of Association	Special Resolution		

(Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his (her) discretion.)

____
Signature/Common Seal

Date: _______________________________

Contact No: ___________________________

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

NOTES:

1. A member [other than an exempt authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991] entitled to attend and vote at the Meeting is entitled to appoint a maximum of two (2) proxies to attend and vote on his (her) behalf. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a member appoints two (2) proxies, the appointment shall be invalid unless he (she) specifies the proportions of his (her) holdings to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
4. The Proxy Form shall be signed by the appointer or his (her) attorney duly authorised in writing or, if the member is a corporation, must be executed under its common seal or by its duly authorised attorney or officer.
5. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority must be deposited by hand at or by facsimile transmission to the Company's Share Registrar office at TRICOR INVESTOR SERVICES SDN BHD, Level 17, The Gardens North Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur not less than 48 hours before the time set for the Meeting or any adjournment thereof.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 20 June 2013 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and/or vote on his (her) behalf.

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Stamp

The Share Registrar
TRICOR INVESTOR SERVICES SDN BHD (118401-V)
Level 17, The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia

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Masteel

MALAYSIA STEEL WORKS (KL) BHD

www.masteel.com.my

(7878-V)

Head Office

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

Tel : 603 7781 1611
Fax : 603 7781 5435