YUNG KONG GALVANISING INDUSTRIES BERHAD
(032939-U)

STRONG & SUSTAINABLE >>>

A Leading Steel Corporation
Creating and Delivering Excellent Value

< ANNUAL REPORT 2012 >

Our way of life by using steel and reducing carbon foot print

YUNG KONG GALVANISING INDUSTRIES BERHAD
(032939-U)

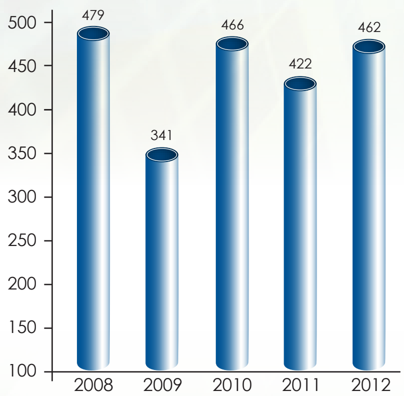
Financial Highlights

(RM'000)	2008	2009	2010	2011	2012
Revenue	479,278	341,483	466,399	422,159	461,744
Profit/(loss) before tax	4,800	15,575	17,266	-22,810	-20,722
Profit/(loss) attributable to owners of the Company	1,230	9,938	9,562	-17,969	-15,349
Issued and paid-up capital	97,767	97,767	108,630	108,630	108,630
Shareholders' funds	145,930	154,402	171,908	157,523	142,174
Total Assets	461,414	493,124	538,379	539,268	549,120
Weighted average number of ordinary share in issue (share)	172,722	195,535	195,535	195,535	195,535
Basic earnings/(loss) per share (sen)	1	5	5	(9)	(8)
Net assets per share of RM0.50 (sen)	75	79	88	77	73

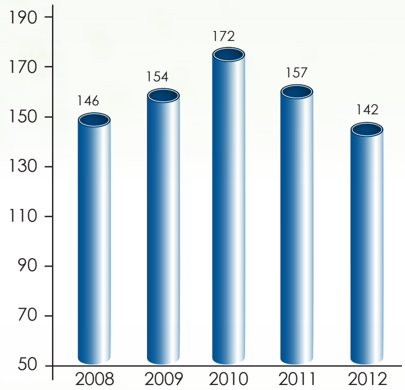
Dividends

Rate	2% Taxed	5% TE	2.5% TE	Nil	Nil
Net Amount (RM'000)	1,466.5	4,888.4	2,444.2	0.0	0.0

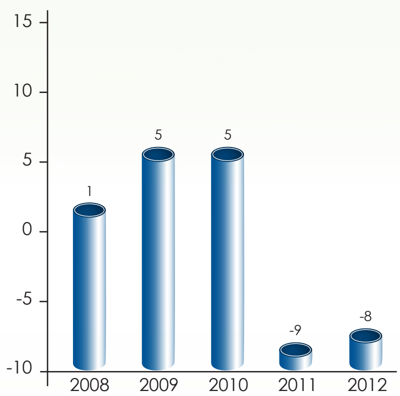
Group Revenue (RM Million)



Shareholders' Funds (RM Million)



Earnings Per Share (Sen)



YUNG KONG GALVANISING INDUSTRIES BERHAD
(032939-U)

Contents

Chairman's Statement

Let me take this opportunity to express my sincere thanks to all our stakeholders for their understanding and continued support accorded at all times.

My heartfelt appreciation and thanks also go to our management team and to our supporting staff for their sincere dedication, hard work and contribution with a very positive outlook during these difficult times.

INDUSTRY TREND

With prevailing uncertainties in the global economy, the global steel market recovery did not materialise as expected, dragging most steel entities into financial deficit caused by over-production and intense competition amidst surging raw material prices. It was a tough year for the industry in 2012, with demand remaining depressed and overcapacity everywhere and this continues to linger. Every mill was doing its best to take sensible steps to reduce cost and implement innovative measures to sustain its operation and increase competitiveness. In doing so, many steel-producing companies in many countries continue to find themselves under pressure from cheaper Chinese steel and the Chinese Government's more aggressive market policy.

Since the completion of a study, commissioned by the Government, on "Enhancing the Competitiveness of the Iron & Steel Industry in Malaysia" in July 2012 by an independent consultant, the Government adopted the recommendations of the study in forming Malaysia Steel Council ("MSC"), MSC Technical Committee and five (5) Working Groups and has committed various authorities/departments to work together with all the local steel producers in formalising policies and measures to establish a fair and level playing field across the whole value chain of the industry. Due to the complexity of the various issues brought up by the local industry players, it would need to be implemented in stages and resulting in a full restructuring of the domestic steel industry towards competitiveness in the long term. This "Roadmap" has to be achieved in a period of 24-36 months.

Chairman's Statement *(cont'd)*

PERFORMANCE

Our better performance much anticipated for 2012 did not materialise when compared to 2011. The scenario, however, remained very similar to the previous year without much significant variation. Even though we did record a better Group turnover of RM461.7 million for 2012, which was an increase of 9.4% over 2011's turnover of RM422.2 million (restated), we were able to make some improvement in marginally reducing the Group's losses, resulting in a loss of RM20.72 million for the financial year ended 31 December 2012. In the previous year, we recorded a pretax loss of RM22.81 million (restated). Not only had the results been greatly affected by the significant cost difference in our raw material, but the continuing high influx of imports of cheaper finished products further depressed our finished product prices in the local market.

DIVIDEND

The Board did not recommend any payment of dividend for the year under review due to unfavourable financial conditions.

DIRECTORATE

On behalf of the Board of Directors, I would like to take the opportunity to render my sincere appreciation to two (2) Independent Directors, Ms Huong Hie Hee and Mr Jee Hee Teck, both of whom resigned from the Board of Directors with effect from 31 December 2012. Ms Huong Hie Hee was appointed to the Board on 18 May 2001 while Mr Jee Hee Teck was appointed on 20 April 2005. On behalf of the Board and YKGI, I wish to express my sincere thanks to them and wish them all the best.

At the same time, we warmly welcome the appointments of the following three (3) new Directors to the Board, namely, Mr Fong Yoo Kaw @ Fong Yee Kow as Senior Independent Director with effect from 3 January 2013, Mr Lim Pang Kiam as an Independent Director with effect from 3 January 2013 and Mr Liew Jee Min @ Chong Jee Min as an Independent Director with effect from 28 February 2013.

Board of Directors

Chairman's Statement *(cont'd)*

DEVELOPMENT

1. Group operations

A real business turnaround is imperative for the Group. Since March 2012, the management had dedicated itself to the development of a 5-Years Business Transformation Plan that builds upon the actions taken by the Board in 2012 to begin the turnaround. This turnaround not only aims to return the Group to profitability, but also to transform the Group into a strong and sustainable corporation for the future. In line with the said plan, five (5) transformation steering committees have been formed to carry out the action plans outlined in the said plan.

In 2012, we also had undertaken a series of measures to raise RM43.95 million in cash through a corporate exercise to strengthen our cashflow position as announced on 9 January 2013.

2. Expansion programmes

In 2013, our plan will focus on revenue, profit and costs management. With the commissioning of the new "Continuous Colour Coating Line", and with the support of our committed employees and shareholders, we strongly believe that we will be able to achieve the goals we have set.

PROSPECTS

Increasing domestic demand and sustainable exports are expected to drive Malaysia's GDP growth at around 4.5% - 5% in 2013, after a strong 5.6% in 2012.

The construction domestic product is projected to remain robust at above double-digit growth in 2013. Large-scale infrastructure and property development projects, and investments in the oil and gas sector are expected to drive the building and construction industry. It will trigger a pick-up in demand for steel products.

Some of the initiatives under the Economic Transformation Programmes by the Government and their full scale implementation would record a moderate growth for the steel industry and its sustainability. However, the catalysts for the growth would be the quick award and implementation of these projects. The risks would be the bureaucracy that may delay the implementation of some of these mega-projects. We expect material prices to increase due to the growth and demand from the various sectors, and we will adopt the right strategies to ensure that we are profitable. We look forward to actively participate in the opportunities that are available through the aggressive promotion and usage of our materials and expertise.

APPRECIATION

Let me take this opportunity to express my sincere thanks to all our stakeholders for their understanding and continued support accorded at all times.

My heartfelt appreciation and thanks also go to our management team and to our supporting staff for their sincere dedication, hard work and contribution with a very positive outlook during these difficult times.

Thank you.

Dato' Dr Hii Wi Sing
Board Chairman
15 April 2013

Management Discussion and Analysis

BUSINESS AND OPERATIONS

YKGI Group is principally engaged in the manufacture of Pickled & Oiled Hot Rolled Coils, Cold Rolled Coils, Galvanized and Coated Steel products (PPGI and PPGL) while its subsidiaries are primarily involved: A) In the trading of galvanized iron products, coated steel products, flat products. B) Sales and manufacturing of tubes and pipes, roofing products. C) Providing processing service such as shearing and slitting of metal products.

The Group's products are distributed through the marketing arms namely Starshine Holdings Sdn Bhd and its subsidiaries for Peninsular Malaysia market and Magic Network Sdn Bhd for Sabah and Sarawak market. YKGI Group's products are mainly sold in domestic market with less than 2% are for export.

The main production lines of the Group are as follows:

Production Line	Products	Rated Capacity
Push-Pull Pickling Line	Pickled & Oiled Coils ("P&O")	250,000 MT p.a
Cold Rolling Mill	Cold Rolled Coils	200,000 MT p.a.
Continuous Galvanising Line	Galvanised Iron Coils	150,000 MT p.a.
Continuous Colour Coating Lines	Prepainted Galvanised Iron Coils	110,000 MT p.a.

Other downstream production facilities of the Group include the following:

- Shearing lines
- Slitting lines
- Roll-forming machines
- Recoiling lines
- Straightening machines
- Pipe lines

OBJECTIVES AND STRATEGIES

The vision of the Group is to be a leading steel corporation creating and delivering excellent value. The long term objective of the Group is to be strong and sustainable.

YKGI is one of the few companies that have full-fledged of production facilities ranging from pickling line to the downstream of shearing and slitting lines.

Strategic alliances are established with customers and suppliers in order to capitalize on bulk orders to achieve economy of scale.

REVIEW OF FINANCIAL RESULTS

During the financial year 2012, the Group achieved a total revenue of RM462 million, an increase of 9% as compared to RM422 million registered in the previous financial year. Gross profit margin has dropped from 5.4% in 2011 to 5.1% in 2012. Administrative expenses reduced by RM2.20 million, partly attributable to saving in certain expenses incurred in 2011 such as written off of the listing expenses incurred by a subsidiary and its group of companies amounted to RM0.90 million and written off of goodwill amounted to RM1.44 million.

Finance cost were RM0.92 million higher than previous financial year due to higher borrowings by the Group in financing the capital expenditure.

Other income was RM0.75 million higher than 2011, mainly attributed to the gain from disposal of property, plant and equipment amounted to RM1.75 million.

Total loss for the year was RM18.7 million, lower than 2011 which was RM19.9 million.

The accumulated loss for the past two (2) years has reduced the Group's working capital. This, together with the repayment of term loans for financing of capital expenditures in the recent years, has landed the Group at a net current liabilities position of RM72.4 million.

Management Discussion and Analysis *(cont'd)*

REVIEW OF OPERATING ACTIVITIES

The revenue of the Group can be further analyzed as follows:

	SBU 1 RM'000	SBU 2 RM'000	SBU 3 RM'000	Inter-segment RM'000	Total RM'000
2012					
Revenue from external customers	123,792	24,843	313,109	-	461,744
Inter-segment	-	265,848	4,408	(270,256)	-
	123,792	290,691	317,517	(270,256)	461,744
2011					
Revenue from external customers	138,252	19,495	264,412	-	422,159
Inter-segment	-	185,488	696	(186,184)	-
	138,252	204,983	265,108	(186,184)	422,159
Increase/(decrease)	(14,460)	85,708	52,409	(84,072)	39,585
	-3.4%	+20.3%	+12.4%	-19.9%	+9.4%

During the first half of the financial year 2012, the Group has achieved revenue of RM221.7 million. The losses incurred were RM4.0 million, which was due to low productivity at the beginning of the year resulted in high production cost. During the second half of the year, revenue has increased by 8% to RM240.1 million. However, the Group faced severe competition from the rampant imported products, which resulted depressed selling prices on the Group's products with thin margin. Gross profit ("GP") margin decreased from 7.44% in first half to 3.16% in second half. Overall, the GP margin was 5.1% for the financial year 2012.

As the Group is in the process of disposing its wholly owned subsidiary namely Integrated Coil Coating Industries Sdn Bhd ("ICCI") and its subsidiary (together referred to as ICCI Group), the financial performance of ICCI Group has been classified under discontinued operation.

OUTLOOK

The immediate focus of the Group is on the transformation of the Group from a loss making entity into profitability.

In order to strengthen the capital base and improve working capital position, the Group is also in the midst of raising additional capital by way of private placement and restricted issue which will raise gross proceeds of RM43.9 million. The proposals are expected to be completed by end of May 2013.

It was reported that for the Malaysian economy, the GDP growth forecast for 2012 is at the range of 4.5%-5% and for 2013, it is expected to be 4.5%-5.5%. The Construction Industry Development Board (CIDB) said the value of new construction jobs in the country is expected to reach at least RM90 billion in 2012 and RM91 billion in 2013, underpinned by the Economic Transformation Programme (ETP) initiatives and the 10th Malaysia Plan (10MP). Government-initiated mega infrastructure and property projects such as the Rubber Research Institute land redevelopment, Klang Valley MRT, LRT extension, Bandar Malaysia (redevelopment of Sungai Besi land) and Tun Razak Exchange enter full swing which would then trigger a pick-up in demand for steel products. These projects, together with private investments in housing and other non-residential and civil projects, will contribute significantly toward a private sector-driven construction sector and eventually helps to boost up local steel industry.

The issues the local steel industry is facing are competition against influx of imports, uncertainty and volatility of prices of raw materials and finished products. These issues have affected the Group's market and squeezed its profit margin. Currently, the government has implemented few trade measures to create a sustainable environment for a competitive iron and steel industry generally and a conducive business environment for the Group especially.

Moving forward, we anticipate that more regulatory policies will fall in place in order to regularise the condition of the steel industry. The management is cautiously optimistic in managing towards achieving the profitability of the Group with emphasis on short term and long term measures.

Corporate Information

BOARD OF DIRECTORS

Dato' Dr Hii Wi Sing *DIMP*
Executive Chairman

Mr Arthur Hii Lu Choon
Deputy Executive Chairman

Dato' Soh Thian Lai *DIMP*
Managing Director/Chief Executive Officer

Ir Michael Hii Ee Sing
Group Executive Director/Secretary

Mr Victor Hii Lu Thian
Executive Director

Mr Fong Yoo Kaw @ Fong Yee Kow
Senior Independent Director

Mr Lim Pang Kiam
Independent Director

Mr Philip Anak Dreba @ Philip Aso Dreba
Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

Mr Francis Hii Lu Sheng
Non-Independent Non-Executive Director

Mr Yoshiki Kaneko
Non-Independent Non-Executive Director

ALTERNATE DIRECTORS

Mr Christopher Hii Lu Ming
(to Dato' Dr Hii Wi Sing)

Mr Alexander Hii Lu Kwong
(to Mr Arthur Hii Lu Choon)

Mr Ong Soo Seng
(to Mr Yoshiki Kaneko)

COMPANY SECRETARIES

Ms Voon Jan Moi
Ir Michael Hii Ee Sing

BURSA LINK AGENT

Tengis Corporate Services Sdn Bhd

INCORPORATION

Incorporated on 29 April 1977
in Malaysia under the Companies Act, 1965

LISTING

Listed on Main Market
of Bursa Malaysia Securities Berhad
Sector: Industrial Products
Stock Code : **7020**
Stock Name : **YUNKONG**

CERTIFICATION

ISO 9001:2008
MS ISO 9001:2008
EN ISO 9001:2008
BS EN ISO 9001:2008

AUDIT COMMITTEE

Mr Fong Yoo Kaw @ Fong Yee Kow
Senior Independent Director

Mr Lim Pang Kiam
Independent Director

Mr Philip Anak Dreba @ Philip Aso Dreba
Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

BANKERS

Asian Finance Bank Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

MERCHANT BANKERS

AmInvestment Bank Berhad

LEGAL ADVISORS

Lim & Teo Advocates
J.M. Chong, Vincent Chee & Co.
Tang & Partners, Advocates

AUDITORS

KPMG (AF: 0758)

INTERNAL AUDITORS

Ernst & Young Advisory Services Sdn Bhd

SHARE REGISTRAR

Tricor Investor Services Sdn Bhd
Level 17 The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
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Phone : +60 3 2264 3883
Fax : +60 3 2282 1886

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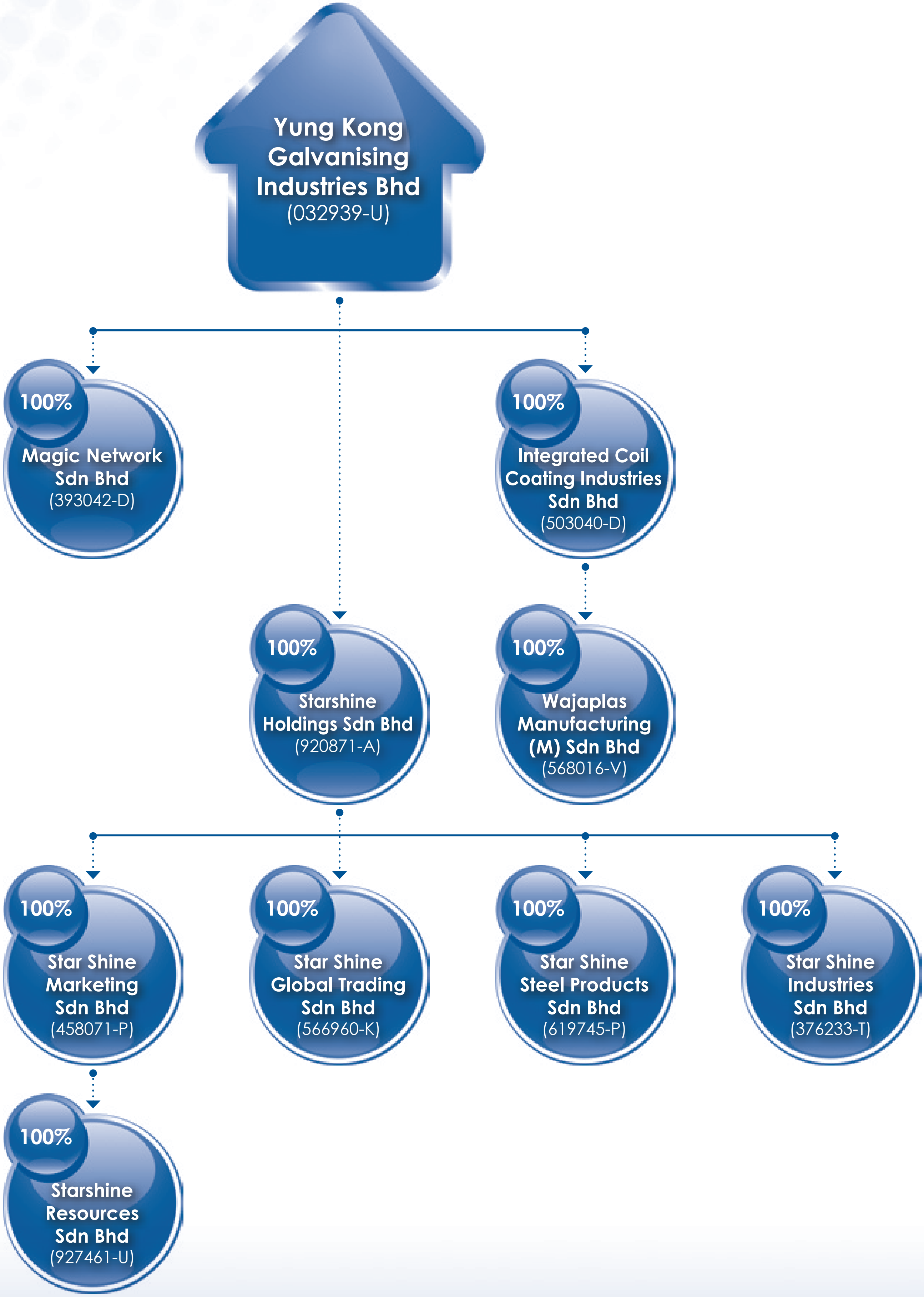
Email : **ykgi@ykgi.com.my**
Website : **http://www.ykgi.com.my**

Corporate Structure as at 25 April 2013



Directors' Profile

DATO' DR HII WI SING *DIMP*

63 Malaysian
Executive Chairman

Dato' Dr Hii was appointed to the Board of Directors ("Board") on 10 April 1980 and as the Managing Director of the Company on 29 June 1981. He was also appointed as the Group Chief Executive Officer on 13 March 2001 and was then appointed as the Executive Chairman on 8 January 2008. On 1 January 2010, he relinquished the posts of Managing Director and Group Chief Executive Officer but remained as Executive Chairman. He is a member of Employee Retirement Scheme Committee, which reports to the Board.

He studied Biochemistry in Swinburne Institute of Technology, Australia. He obtained the Bachelor of Commerce degree from University of Commerce, India and also holds a Doctor of Philosophy (PhD) in Commerce for Business Administration, at The International University, USA. He is a Member of Yayasan Pengurusan Malaysia (MMIM) and a fellow member of the Chartered Management Institute (FCMI), UK. Dato' Dr Hii has been involved in the steel industries business since early 1970s. Dato' Dr Hii is innovative and creative in the progression of the Group's growth. He does not hold any directorship in other public company.

He has attended all the eight (8) Board meetings held in the financial year ended 31 December 2012. As at 29 March 2013, his shareholdings in the Company and subsidiaries are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad ("YKGI")	19,700,198	10.08	62,938,781*	32.19
Starshine Holdings Sdn Bhd ("SSH")	18,149,592	4.97	198,884,181#	54.49

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and the interests of his spouse in the Company.*
\# *Deemed interested by virtue of his family's substantial interests in YKGI.*

Dato' Dr Hii Wi Sing is a brother of Dato' Hii Ngo Sing (major shareholder of YKGI) and Ir Michael Hii Ee Sing, and the father of Arthur Hii Lu Choon and Victor Hii Lu Thian, and uncle of Mr Francis Hii Lu Sheng, all of whom are also Directors and major shareholders of the Company. He has no conflict of interests with the Company.

ARTHUR HII LU CHOON

41 Malaysian
Deputy Executive Chairman

Mr Arthur Hii was first appointed to the Board on 6 December 1999. Arthur was appointed as the Deputy Managing Director of the Company on 22 October 2003 and subsequently appointed as the Managing Director of the Company with effect from 1 January 2010. He was appointed as the Deputy Executive Chairman on 15 March 2012. On 15 March 2012, he relinquished the posts of Managing Director and Chief Executive Officer.

He is a Chartered Accountant and holds a Bachelor of Commerce degree, New Zealand. He is a member of the Malaysian Institute of Accountants (MIA) and New Zealand Institute of Chartered Accountants. He does not hold directorship in any other public company.

During the financial year, he has attended all the eight (8) Board meetings.

Directors' Profile *(cont'd)*

As at 29 March 2013, his shareholdings in the Company and subsidiaries are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	1,534,600	0.79	59,034,491*	30.19
Starshine Holdings Sdn Bhd	10,408,986	2.85	198,884,181#	54.49

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.*
\# *Deemed interested by virtue of his family's substantial interests in YKGI.*

Mr Arthur Hii is a son of Dato' Dr Hii Wi Sing and a brother of Victor Hii Lu Thian, both are Directors and major shareholders of the Company. He has no conflict of interests with the Company.

DATO' SOH THIAN LAI *DIMP*

52 Malaysian
Managing Director / Chief Executive Officer

Dato' Soh was appointed to the Board as Managing Director and Chief Executive Officer on 15 March 2012 to provide long term strategic inputs and assist in achieving the vision and mission of YKGI.

Dato' Soh graduated from Tunku Abdul Rahman College with a Diploma in Technology (Materials Engineering) in 1985. He later obtained a Diploma in Management from Malaysian Institute of Management (MIM) in 1991 and a Master of Business Administration from the University of Bath, United Kingdom in 1994. Due to his vast experience in management, Dato' Soh was admitted as a Fellow Member of MIM in 2010.

Dato' Soh has accumulated over 28 years of experience in the steel industry since early 1980s. Over the years, Dato' Soh has been instrumental in the development and success of our Group as well as the Malaysian Steel Industry. He has served as the President of Malaysia Iron and Steel Industry Federation (MISIF), Council Member of Malaysian Steel Council (MSC), Council Member of ASEAN Iron and Steel Council, Council Member of the Federation of Malaysian Manufacturers (FMM), Chairman of FMM Selangor Branch, Chairman of FMM Logistics and the former President of Steel Wire Association of Malaysia (SWAM). He does not hold any directorship in other public company.

He has attended all the seven (7) Board meetings applicable to him during the financial year ended 31 December 2012. Dato' Soh has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

As at 29 March 2013, his shareholdings in the Company and subsidiaries are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	356,400	0.182	200,000	0.10
Starshine Holdings Sdn Bhd	8,671,044	2.38	50,180,077*	13.75

* *Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd.*

Directors' Profile *(cont'd)*

IR MICHAEL HII EE SING

58 Malaysian
Group Executive Director / Company Secretary

Ir Michael Hii was first appointed to the Board on 9 March 1983. A Civil Engineer by profession, Ir Hii is a member of the Institute of Engineers Malaysia and Lembaga Jurutera Malaysia. He holds degrees in Bachelor of Engineering (Civil) and Master of Engineering (Civil) from the University of Auckland, New Zealand. Ir Michael Hii is a Licensed Company Secretary. He also serves as director on the board of Yung Kong Co Bhd.

During the financial year ended 31 December 2012, he has attended all the eight (8) Board meetings held. He is a member of the Risk Management Committee and is a member and secretary of the Employee Retirement Scheme Committee. He also acts as the secretary to the Audit, Nomination and Remuneration Committees.

As at 29 March 2013, his shareholdings in the Company and subsidiaries are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	138,100	0.07	62,683,691*	32.06
Starshine Holdings Sdn Bhd	8,241,081	2.26	211,123,208#	57.84

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.*
\# *Deemed interested by virtue of his family's substantial interests in YKGI and Mt Sungai Sdn Bhd.*

Ir Michael Hii is a brother of Dato' Hii Ngo Sing (major shareholder of YKGI) and Dato' Dr Hii Wi Sing, and an uncle of Arthur Hii Lu Choon, Victor Hii Lu Thian and Francis Hii Lu Sheng, all of whom are Directors and major shareholders of the Company. He has no conflict of interests with the Company.

VICTOR HII LU THIAN

37 Malaysian
Executive Director

Mr Victor Hii joined the Board on 27 February 2006 and is a member of the Risk Management Committee and the Employee Retirement Scheme Committee. He sits on the board of Yung Kong Co. Bhd. He holds qualifications of Master of Business Administration in Management, Bachelor of Business Administration in Management and Diploma in Executive Secretaryship. He is a member of Malaysian Institute of Management (MMIM) and a member of Project Management Institute (MPMI). He is the Chairman of Persatuan Alumni AOTS Malaysia (PAAM) Sarawak Branch and Persatuan Industri Demak Laut (PIDE).

Directors' Profile *(cont'd)*

He attended all the eight (8) Board meetings held during the financial year ended 31 December 2012. As at 29 March 2013, his shareholdings in the Company and subsidiaries are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	1,485,800	0.76	59,007,091*	30.18
Starshine Holdings Sdn Bhd	10,408,986	2.85	198,884,181#	54.49

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.*
\# *Deemed interested by virtue of his family's substantial interests in YKGI.*

Mr Victor Hii is a son of Dato' Dr Hii Wi Sing and brother of Arthur Hii Lu Choon, both of whom are Directors and major shareholders of the Company. He has no conflict of interests with the Company.

FRANCIS HII LU SHENG

50 Malaysian
Non-Independent Non-Executive Director

Mr Francis Hii was appointed to the Board as a Non-Independent Non-Executive Director on 8 January 2008. He has qualification of Bachelor of Science (Second Class Honours) Engineering (Mechanical). He is a member of the Institution of Mechanical Engineering, United Kingdom and the Institution of Engineers, Malaysia. He holds directorships in Yung Kong Co. Bhd. and its Group of Companies, and Yung Kong Credit Corporation Bhd. He is also a member of the Nomination Committee.

He attended seven (7) out of eight (8) Board meetings, held during the financial year under review. As at 29 March 2013, his shareholdings in the Company and subsidiaries are as follows:

Name of Company	Direct		Indirect	
	Shareholding	%	Shareholding	%
Yung Kong Galvanising Industries Berhad	274,300	0.14	59,007,491*	30.18
Starshine Holdings Sdn Bhd	-	-	198,884,181#	54.49

* *Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd, and the interest of his spouse in the Company.*
\# *Deemed interested by virtue of his family's substantial interests in YKGI.*

Mr Francis Hii is a son of Dato' Hii Ngo Sing (major shareholder of YKGI), and nephew of Dato' Dr Hii Wi Sing and Ir Michael Hii Ee Sing, and a cousin of Arthur Hii Lu Choon and Victor Hii Lu Thian, all of whom are Directors and major shareholders of the Company. He has no conflict of interests with the Company.

Directors' Profile *(cont'd)*

YOSHIKI KANEKO

60 Japanese
Non-Independent Non-Executive Director

Mr Kaneko was appointed to the Board on 1 April 2011. He is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He holds a Degree in Bachelor of Law from Keio University, Tokyo, Japan and has worked with Marubeni-Itochu Steel (M) Sdn Bhd since 2010. He does not hold any directorship in other public company.

He has attended all the eight (8) Board meetings held during the financial year ended 31 December 2012. He also sits on the board of subsidiary of the public company, Ann Joo Resources Berhad. He does not have any direct or indirect shareholdings in the Company and subsidiaries. Mr Yoshiki Kaneko has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

FONG YOO KAW @ FONG YEE KOW

60 Malaysian
Senior Independent Director

Mr Fong was appointed to the Board on 3 January 2013. He is a Chartered Accountant and member of the New Zealand Institute of Chartered Accountants, a member of Malaysian Institute of Accountants and a member of the Malaysian Institute of Chartered Secretaries and Administrators. He was educated in Malaysia and New Zealand from which he holds a Bachelor's Degree in Commerce and Administration. He had worked both in New Zealand and in Malaysia in both the corporate and public sectors as well as in public practice. He was the Head of Finance of a local timber group and was the Director of Finance and Group Managing Director, Commercial Division, of the State Economic Development Corporation for a period of six (6) years. He has a total of 38 years' experience in business and finance management, government and in consulting and advisory services covering corporate finance, internal audit, tax planning, business strategy, corporate restructure, public sector finance and performance improvement. His clients included those in Indo-China, Indonesia, Papua New Guinea, China and various other countries. He retired as a Partner of Ernst & Young in 2010. He also sits on the board of another public listed company, namely Pansar Bhd and a number of other private companies.

He is a member of the Audit, Nomination and Remuneration Committees. As Mr Fong was only appointed to the Board on 3 January 2013, there was no Board meeting applicable to him in respect of the financial year ended 31 December 2012. He does not have any direct or indirect shareholdings in the Company and subsidiaries. He has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

Directors' Profile *(cont'd)*

LIM PANG KIAM

50 Malaysian
Independent Director

Mr Lim is our Independent Director and was appointed to our Board on 3 January 2013. He graduated from Universiti Sains Malaysia in 1988 with a Bachelor of Science with (Honours) and obtained his Master of Science from the same university in 1989.

In 1990, he began his career with several Banks in Malaysia and accumulated 15 years of banking experience before venturing into his own business. Mr Lim is also a Certified Financial Planner (CFP) and a Credit Risk Management specialist, whereby he obtained his Charter membership as a Certified Risk Professional (CRP) from the Bank Administrative Institute Center for Certification (BAI) in the United States of America in 2003. He is also a Member of the Council of The Institute of Bankers Malaysia (IBBM) since 1999.

Mr Lim was also the past Honorary Secretary General of the Malaysia Furniture Industry Council ("MFIC") from 2006 to 2009. During his tenure with MFIC, he represented the furniture industry to sit on the Board of the Malaysia Timber Council (MTC) and the Malaysia Furniture Promotional Council (MFPC) as Director and Trustee respectively. He does not hold any directorship in other public company.

He is a member of the Audit, Nomination and Remuneration Committees. As Mr Lim was only appointed to the Board on 3 January 2013, there was no Board meeting applicable to him in respect of the financial year ended 31 December 2012. He does not have any direct or indirect shareholdings in the Company and subsidiaries. He has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

PHILIP ANAK DREBA @ PHILIP ASO DREBA

62 Malaysian
Independent Director

Mr Philip joined the Board on 7 December 2006. He has qualification in Senior Cambridge, and had attended the Basic, Preliminary and Advanced Courses in Taxation. He joined Inland Revenue Department (now known as Inland Revenue Board "IRB"), Kuching in the year 1969 and has served with the Salary Sections, Business, Prosecution and Investigation and Intelligence Sections. He continued to serve with IRB after corporatisation in March 1996 until June 2006. He does not hold any directorship in other public company.

During the financial year ended 31 December 2012, he has attended all the eight (8) Board meetings. He is a member of the Audit, Nomination, Remuneration and Employee Retirement Scheme Committees.

Mr Philip Anak Dreba owns no share in the Company and has no family relationship with any of the Directors or major shareholders of the Company. He has no conflict of interests with the Company.

Directors' Profile *(cont'd)*

LIEW JEE MIN @ CHONG JEE MIN

54 Malaysian
Independent Director

Mr Chong was appointed to the Board on 28 February 2013 as an Independent Director of the Company. He is also appointed as a member of Audit Committee and Remuneration Committee.

He graduated from the University of Leeds, England in 1984 with an Honours degree in Law and obtained his Certificate of Legal Practice, Malaya in 1985. Mr Chong was admitted as an advocate and solicitor at the High Court of Malaya in 1986. He has been practicing law, concentrating on banking, property and corporate matters since 1986 when he established the firm, J.M. Chong, Vincent Chee & Co. He also sits on the board of three (3) public listed companies, namely, Lion Industries Corporation Berhad, Jaks Resources Berhad and Autoair Holdings Berhad.

Mr Chong is the Legal Committee Chairman for Klang Chinese Chamber of Commerce and Industry and Deputy Legal Committee Chairman for Kuala Lumpur, Selangor Chinese Chamber of Commerce and Industry. He is also the legal advisor for Sekolah Menengah Chung Hwa (PSDN) Klang.

As Mr Chong was only appointed to the Board on 28 February 2013, there was no Board meeting applicable to him in respect of the financial year ended 31 December 2012. He does not have any direct or indirect shareholdings in the Company and subsidiaries. He has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

Note :
All the Directors of the Company have no convictions for any offence within the past ten (10) years.

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Statement on Corporate Governance

The Board of Directors of the Company ("the Board") recognises the importance of Corporate Governance in increasing investors' confidence, enhancing stakeholders' values and establishing customers' trust while maintaining the stability and continuity of YKGI Group.

The Board and the top management fully support the implementation of all appropriate frameworks to develop high standards of corporate governance within the Group.

This statement, together with the Report of Audit Committee on pages 27 to 31 and Statement on Risk Management and Internal Control on pages 24 to 26 of this Annual Report set out how the Group has applied the principles and recommendations set out in the Malaysian Code on Corporate Governance 2012 ("Code").

1. BOARD OF DIRECTORS

The Board assumes overall responsibility and is committed in the stewardship of its direction, effective internal control systems which include the financial, operational, compliance and the risk management controls. This will ultimately enhance long-term shareholders' value.

1.1 Board Composition, Board Size and Board Balance

As at 31 December 2012, the Board consists of ten (10) members and is balanced, with one-third (1/3) of the Directors being independent. The details are as follows:
- one (1) Executive Chairman
- one (1) Deputy Executive Chairman
- one (1) Managing Director / Chief Executive Officer
- two (2) Executive Directors
- three (3) Independent Directors
- two (2) Non-Independent Non-Executive Directors

During the year, Arthur Hii Lu Choon has resigned from the position as Managing Director and Chief Executive Officer of the Company effective 15 March 2012. He was appointed as the Deputy Executive Chairman of the Board.

Dato' Soh Thian Lai was appointed as the new Managing Director and Chief Executive Officer (CEO) of YKGI Group of Companies.

The above restructuring was to strengthen the business organisation.

During the year under review, two (2) of the Independent Directors namely Ms Huong Hie Hee and Mr. Jee Hee Teck had tendered their resignation with effect from 31 December 2012 to comply with the Code and due to personal commitments.

On 3 January 2013, the Company appointed Mr Fong Yoo Kaw @ Fong Yee Kow as Senior Independent Director. The appointment of Independent Director, Mr Lim Pang Kiam also took effect from 3 January 2013. Another Independent Director, Mr Liew Jee Min @ Chong Jee Min was appointed with effect from 28 February 2013.

The Nomination Committee had conducted interview sessions with the recommended candidates before appointment to ensure that suitable candidates joined the Board of Directors. The Board also undertake an annual assessment of its independent directors.

There is a clear division of responsibility between the Chairman and the Managing Director/Chief Executive Officer to ensure that there is a balance of power and authority, such that no one individual dominates the decision-making process. The Chairman and Deputy Chairman are not independent directors. The Board believes that the interests of the shareholders are best served by Chairmen who are sanctioned by shareholders and who will act in the best interests of shareholders as a whole. As the Chairman and Deputy Chairman are founding members of YKGI and have significant relevant interests in YKGI, they are well placed to act on behalf of shareholders and in their best interests.

Independent Directors provide unbiased and independent views, advice and judgment, after taking into consideration the interests of all its stakeholders.

Statement on Corporate Governance *(cont'd)*

All directors are appointed with the understanding that they are able to commit adequate time to achieve overall interest of the Group and its shareholders.

The Board deems that it is effective with the right mix of skills, qualities and experiences of all the Board members.

The Board is currently in the midst of looking into the Board Charter and Code of Conducts which set out a list of specific functions that are reserved for the Board. Once they are finalized and adopted by the Board, the said charter and the code of conducts can be found on the Company's website at www.ykgi.com.my.

Recommendation 3.5 of the Code states that the Board must comprise a majority of independent directors where the Chairman of the Board is not an independent director. Compliance with Recommendation 3.5 would require an increase in the current size of the Board. The current size and composition of the Board are considered adequate to provide an optimum mix of skills and experience. Further, the Board is of the view that with the current Board size, there is no disproportionate imbalance of power and authority on the Board between the non-independent and independent directors. The Board will continue to monitor and review the Board size and composition from time to time.

The Board has yet to adopt a gender diversity policy or target. Board membership is dependent on each candidate's skills, experience, core competencies and other qualities as well as the needs of the Company for the time being, regardless of gender. The Board does not consider gender to be a bar to Board membership. The appointment of woman directors in the past reflects that the Board recognizes the value of woman member of the Board. While compliance with the Code is voluntary, the Board will continue to assess the needs to adopt a gender diversity policy or target.

The Board has yet to adopt corporate disclosure policies. The Board will formalize such policies in due course.

The Board acknowledges that its Directors may be invited to become directors of other companies and that exposure to other organisations can broaden the experience and knowledge of its Directors which will benefit the Group. Directors are therefore at liberty to accept other board appointments so long as such appointments are not in conflict with the business of the Group and do not adversely affect the Directors' performance and contributions as a member of the Board.

Thus far, the Board is satisfied with the level of time commitment given by all the Directors in fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by their attendance at the meetings of the Board and the Board Committees. All the Directors hold less than five (5) directorships in the public listed companies and less than 10 directorships in non-listed companies.

The Company Secretaries are qualified secretaries as required pursuant to the Companies Act 1965. They are competent in carrying out their work and play supporting and advisory roles to the Board and ensuring adherence and compliance to the procedures and regulatory requirements from time to time. They also ensure that meetings are properly convened and deliberations at meetings are accurately captured and minuted. They work closely with the Management.

Profile of the Directors, detailing their qualifications and working experiences are set out on pages 9 to15 of this Annual Report.

1.2 Appointments and re-elections of Directors

Identification and appointment of new Directors, as well as the proposed re-appointment/re-election at the annual general meeting undergo a process led by the Nomination Committee to the Board for approval. Upon appointment, the Company provides orientation on the Company and its subsidiaries, procedures, relevant regulatory information and education programme to the new Directors to allow them to better understand the businesses and ultimately to enable them to contribute effectively at the Board meetings. All newly appointed Directors are required to attend the Mandatory Accreditation Programme ("MAP") within the stipulated period, if so required.

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the Articles of Association of the Company, one-third (1/3) of the Directors for the

Statement on Corporate Governance *(cont'd)*

time being, including the Managing Director, together with those newly appointed shall retire from office at the annual general meeting but shall be eligible for re-election. All Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

Currently no director is of or over the age seventy (70) years and therefore Section 129 (6) of the Companies Act 1965 does not apply.

1.3 Board Meetings

The Directors met quarterly with additional meetings convened to deliberate on urgent and important matters in between the scheduled meetings. The Board met eight (8) times during the financial year ended 31 December 2012.

All Directors have complied with the attendance requirements in respect of the Board meetings as set out by Bursa Malaysia Securities Berhad. The detail of the attendance of each individual Director is outlined in their respective profile on pages 9 to 15 of this Annual Report.

All proceedings, matters arising, deliberations, in terms of the issue discussed, and resolutions of the Board meetings are recorded in the minutes by the Company Secretaries, confirmed by the Board and signed by the Chairman of the meeting. The Company Secretaries attend all the Board meetings.

The notice and agenda for every Board meeting, together with the necessary reports and documents are furnished to all Directors for their perusal in advance, to allow sufficient time for the Directors to review and consider matters to be deliberated at the meeting and to participate effectively in the Board meetings.

Upon invitation, Management representatives were present at the Board meetings to provide additional insight into matters to be discussed during the Board meetings.

Topics for deliberation and decision-making, amongst others, were review of strategic corporate plan, quarterly financial results, operational performance results, related party transactions, internal audit functions, financial decisions, corporate and control structure within the Group, as well as corporate exercises to be undertaken by the Company.

1.4 Access to and Supply of Information

The Directors are regularly updated and advised by the Company Secretaries on new statutory requirements as well as applicable regulatory requirements.

In furtherance to the Board's responsibilities, the Directors have unrestricted and timely access to the advice and services of the Company Secretaries, including all information pertaining to the Group's business affairs. They have the liberty to seek external professional advice, if so required at the Company's expense.

1.5 Board Committees

The Board, which is the ultimate authority in decision-making for all significant matters, delegates certain responsibilities to Board Committees to enhance business and operational efficiency.

The Board has formed several Board Committees in accordance with the principles and recommendations prescribed by the Code. Each Committee has defined function, authority and terms of reference for reporting and making necessary recommendations to the Board. Some Board Committees do not have executive power but have authority to examine issues at hand and report back to the Board with recommendations. The Chairman of the Board Committees will report to the Board the outcome of the Committee meetings and such reports are recorded in the minutes of the Board meetings.

All proceedings, matters arising, deliberations, in terms of the issue discussed, and resolutions of the Board Committees' meetings are recorded in the minutes by the Company Secretary, confirmed by the Board Committees and signed by the Chairman of the Board Committees' meeting. The Company Secretaries attends all the Board Committees' meetings.

Statement on Corporate Governance *(cont'd)*

Upon invitation, Management representatives were present at the Board Committees' meetings to provide additional insight into matters to be discussed during the Board Committees' meetings.

The Board has established clear function and responsibilities for itself and for its management. Where appropriate, some functions are delegated to Board Committees and report back to the Board with recommencation.

The following Board Committees have been established to assist the Board in discharging its duties :

a) ***Audit Committee ("AC"),*** formed on 25 April 1997 and is made up of three (3) Independent Directors. It is primarily responsible for the review of reporting financial information to shareholders, systems of internal control and risk management, the audit process and the related party transactions.

The Report of the AC is set out on pages 27 to 31 of this Annual Report.

b) ***Nomination Committee ("NC")***, set up on 13 March 2001, comprising three (3) Independent Directors and one (1) Non-Independent Non-Executive Director. The Chairman of the NC is the Senior Independent Director. The NC is responsible for the assessment and recommendation of new Directors to the Board, and for the annual review of the required mix of skills and experience, qualification and other core competencies and qualities to enable the Board to function efficiently. NC also oversees the appointment, management succession planning and performance evaluation of Key Personnel of the Group. Assessment and appraisal processes have also been implemented and properly documented, for the evaluation of the effectiveness of the Board as a whole, committees and individual contribution of each Board member. The NC also annually assess the Chief Financial Officer as required under the Listing Requirements and makes necessary recommendations to the Board.

The NC held three (3) meetings during the financial year ended 31 December 2012,

c) ***Remuneration Committee ("RC"),*** formed on 13 March 2001, comprises solely of three (3) Independent Directors, is responsible for making recommendations to the Board the remuneration of Executive Directors and Key Personnel based on an acceptable framework.

The RC met five (5) times during the financial year ended 31 December 2012.

d) ***Risk Management Committee ("RMC")*** was formed on 25 October 2002 to undertake the review of risks within the Group and to oversee the effective implementation of a risk management framework. The RMC met four (4) times during the financial year ended 31 December 2012.

e) ***The Employee Retirement Scheme Committee ("ERS"),*** formed on 16 July 2004 to undertake the management of retirement benefits of eligible retirees of the Company.

The ERS met one (1) time during the financial year ended 31 December 2012.

Details of the membership for each Board Committee as at 31 December 2012 are as follows :

Names	Designation	AC	NC	RC	RMC	ERS
Dato' Dr Hii Wi Sing	Executive Chairman					M
Arthur Hii Lu Choon	Deputy Chairman					
Dato' Soh Thian Lai^	Managing Director / Chief Executive Officer				C	
Ir Michael Hii Ee Sing	Group Executive Director				M	M
Victor Hii Lu Thian	Executive Director				M	M
Huong Hie Hee	Senior Independent Director	C	M	C		
Jee Hee Teck	Independent Director	M	C	M		

Statement on Corporate Governance *(cont'd)*

Philip Anak Dreba @ Philip Aso Dreba	Independent Director	M	M	M		M
Francis Hii Lu Sheng	Non–Independent Non–Executive Director		M			
Yoshiki Kaneko	Non–Independent Non–Executive Director					

Note:
C = Chairman/Chairperson; M = Member.
^ Dato' Soh was appointed as Managing Director/Chief Executive Officer of YKGI with effect from 15 March 2012.

1.6 Directors' Training

All the Directors have attended the MAP as required by Bursa Malaysia Securities Berhad. The Board acknowledges that continuous training is important to broaden the Directors' perspective and to keep them abreast with regulatory and corporate governance developments. The details of training/seminar attended by all the Directors during the financial year ended 31 December 2012 are as follows :

Title of Training/Seminar

1 Corporate Directors Training Programme (CDTP) Fundamental
2 Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP)
3 Licensed Secretaries Training Programme (LSTP)
4 Updates on Listing Requirements: Corporate Disclosure Guide and Malaysian Code on Corporate Governance 2012
5 10th Conference On Status & Outlook of the Malaysian Iron & Steel Industry
6 Ernst & Young 2013 Budget Seminar
7 KPMG Tax Budget Seminar 2013
8 Seminar Percukaian Kebangsaan 2012
9 Budget Seminar 2012
10 Budget 2013
11 The MIA Conference 2012

There were also technical briefings/updates on statutory and regulatory requirements from time to time at the Board meetings.

All Directors will continue to attend further trainings/seminars as and when required from time to time to equip themselves with the knowledge to discharge their duties more effectively and to keep abreast of developments in the marketplace.

2. DIRECTORS' REMUNERATION

The Remuneration Committee ("RC") carries out annual review and recommendations are submitted to the Board on the overall remuneration packages for Directors and Key Personnel. RC ensures that the levels of remuneration are sufficient to attract and retain suitable directors of the necessary caliber, qualifications, skill and experience needed to run the Group's operation effectively and successfully. The component parts of remuneration should be structured so as to link rewards to responsibilities, individual performance and Board Committee Membership for the Executive Directors.

In the case of Non-Executive Directors, the levels of remuneration reflect the experience and levels of responsibilities undertaken by the particular Director concerned. The Board as a whole determines the remuneration package of the Non-Executive Directors.

Each individual Director abstains from the Board discussion and decision-making on his own remuneration.

Statement on Corporate Governance *(cont'd)*

In line with this, the Company has adopted a remuneration structure that attempts to retain and attract the right Directors as follows :

- The RC carries out annual review on the performances and recommends the remuneration of Directors and Key Personnel to the Board of Directors;
- The Board as a whole, determines the remuneration of the Non-Executive Directors; and
- The Directors are paid directors' fees annually and allowances for attendance at Board meetings.

Meetings of the RC are held at least once a year, and as and when necessary. The Board is of the opinion that matters in relation to Directors' remuneration are of a personal nature. However, in compliance with the Listing Requirements, the fees and remuneration paid to the Directors during the financial year ended 31 December 2012, in aggregation and analysed into the respective bands of RM50,000, are as outlined below:-

	Executive Directors	Non-Executive Directors
	RM	RM
Fee	179,500	173,000
Salary	2,782,926	-
Ex-Gratia	246,530	-
Allowances	371,789	126,400
Benefits-in-kind	-	-
Commissions	-	-

	Executive Directors	Non-Executive Directors
	No.	No.
RM1,150,001 to RM1,200,000	1	-
RM1,050,001 to RM1,100,000	1	-
RM750,001 to RM800,000	1	-
RM500,001 to RM550,000	2	-
RM100,001 to RM150,000	-	1
RM 50,001 to RM100,000	-	1
RM 50,000 and below	-	3

3. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

The Group recognises the importance of transparency and accountability to all its stakeholders, particularly its shareholders and investors.

Publications and Corporate Announcements

A key channel of communication with shareholders and investors is the Annual Report of the YKGI Group of Companies. The Company maintains a regular policy of disseminating information that is material for shareholders' attention via announcements made through Bursa LINK.

Shareholders, investors and members of public can access to the Company's website at www.ykgi.com.my and Bursa Securities' website at www.bursamalaysia.com for the corporate and financial information as well as the relevant announcements and releases of Annual Reports, circular to shareholders, quarterly financial results and any other corporate announcements made through Bursa LINK.

Statement on Corporate Governance *(cont'd)*

The Group also places special importance on holding general meetings with shareholders. During such meetings, the Chairman and Managing Director use the forum to disseminate information in person to the meeting and endeavour to answer all questions. The Group has of late made regular use of the press as an avenue to inform the public of the Group's corporate performance and industry trends and developments.

Senior Independent Director's contact

Shareholders and the public can also convey their concerns and queries directly to the Senior Independent Director, Mr Fong Yoo Kaw @ Fong Yee Kow at email address sid@ykgi.com.my.

General Meetings

The Company uses the general meeting as principal forums for communication and dialogue with shareholders where shareholders are accorded both the opportunity and time to seek clarifications and raise questions on the agenda items of the general meeting.

At the general meeting, the Directors welcome the opportunity to gather the views of shareholders. Notices of each general meeting are issued on a timely manner in accordance to the Company's Articles of Association to all shareholders who are entitled to receive such notices, and in the case of special businesses, a statement explaining the effect of the proposed resolutions is provided.

Shareholders who are unable to attend the general meeting are allowed to appoint proxies to attend, speak and vote on their behalf.

The Board is of the view that with the current level of shareholders' attendance at general meetings, voting by show of hands continues to be efficient. The shareholders were informed of their rights to demand a poll vote at the commencement of the general meetings. The Board will evaluate the feasibility of carrying out electronic polling at its general meetings in future.

4. ACCOUNTABILITY AND AUDIT

4.1 *Financial Reporting*

Directors have implemented a quality control procedure to ensure that all financial reports have been prepared based on applicable Financial Reporting Standards, Guidelines and Policies. These financial reports also undergo a review process by the AC before approval by the Board. In compliance with statutory requirements, the annual financial statements are subjected to audit by an independent external auditor.

The Statement of Directors' Responsibilities in respect of the preparation of the annual audited financial statements of the Company is set out on page 37 of this Annual Report.

4.2 *Internal Control*

The Board understands that in order to strengthen the accountability aspect of financial reporting, the Company need to maintain a sound system of internal control to safeguard shareholders' investment and the Company's assets. Hence, the Company has developed a comprehensive system of internal control comprising of clear structures and accountabilities, well-understood policies and procedures, and budgeting and review process.

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within the Group, is set out on pages 24 to 26 of this Annual Report.

Statement on Corporate Governance *(cont'd)*

4.3 *Relationship With Auditors*

The Board, via the Audit Committee ("AC"), has established an independent professional and transparent relationship with the Company's external and internal auditors. The AC has explicit authority to communicate directly with both the external and internal auditors.

The AC met with both the external and internal auditors twice a year without the presence of other Directors and employees. The auditors will present their audit plans and highlight important issues to the AC. After the final audit, the external auditors will highlight to the AC their audit findings, which require the AC's attention, for the financial year under review.

Details of the activities carried out by the external and internal auditors are set out in the Report of Audit Committee on pages 27 to 31 of this Annual Report.

The Audit Committee assessed the suitability and independence of external auditors by obtaining affirmation from the external auditors, Messrs KPMG that they and their network firm, engagement partner and audit team's independence, integrity and objectivity comply with relevant ethical requirements. Messrs KPMG and the audit team are competent in carrying out their work and they have the necessary audit experience in the industry in which YKGI Group operates. Policies and procedures to assess the suitability and independence of external auditors will be put in place in due course.

The total amount of audit and non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2012 by the Company's external auditors, Messrs KPMG, and a firm or company affiliated to KPMG are set out below:

	RM
Audit fees	117,000
Non-audit fees	31,700

5. COMPLIANCE STATEMENT

With the introduction of the new Code, the Board remains committed to inculcating good corporate governance for the Group. As the Code has only been recently issued during the financial year under review, the Company has complied most of the principles and recommendations as outlined in the Code except for those disclosed in this statement. The Board will continuously look into the principles and recommendations which have yet to be adopted by the Group in 2013.

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Statement on Risk Management & Internal Control

INTRODUCTION

This Statement on Risk Management and Internal Control is made pursuant to Bursa Malaysia Securities Berhad Listing Requirements which requires the Board to include in its Annual Report a statement about the state of its risk management and internal control. The revised Malaysian Code on Corporate Governance (2007 & 2012) requires all listed companies to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the company's assets.

Accordingly, the Board of Directors ("The Board") of Yung Kong Galvanising Industries Berhad ("YKGI") is pleased to provide the Statement on Risk Management and Internal Control ("Statement") for the year ended 31 December 2012 that was prepared in accordance with the "Guidance for Directors of Public Listed Company" issued by Bursa Malaysia Securities Berhad which outlines the processes that the Board has adopted in reviewing the adequacy, effectiveness and integrity of the system of risk management and internal control of the Group.

RESPONSIBILITY

The Board of YKGI acknowledges its overall responsibility for the Group for maintaining sound risk management and internal control systems including the establishment of an appropriate control environment and framework as well as reviewing its effectiveness, adequacy and integrity. The system is designed to manage and mitigate the Group's risks within an acceptable and acknowledged risk profile, rather than eliminate the risks that may impede the achievement of business objectives and goals of the Group. Accordingly, such a system may only provide reasonable but not absolute assurance against willful misstatement of management and financial information and records or against financial losses and fraud.

The Board has established appropriate control structure and internal audit processes in identifying, evaluating, monitoring and managing the significant risks that may hinder the achievement of business objectives. The control structure and process which has been identified and instituted throughout the Group is updated and reviewed from time to time to suit the changes in the business environment and this on-going process were in place for the whole financial year under review.

CONTROL STRUCTURE

The key processes that the Board have established and put in place of the system of risk management and internal controls include the following:-

RISK MANAGEMENT

The Board has delegated the responsibility of reviewing the effectiveness of risk management to the Risk Management Committee ("RMC"). The RMC is tasked to identify, review, monitor, evaluate and update the Group Risk Register on an on-going basis. Risk owners are identified for the key business processes of the Group, who will be accountable for all aspects of risk management. This includes identification, assessment, evaluation, formulate measures to manage or mitigate such risk, monitoring and reporting of risks associated with the business processes.

Key performance indicators ("KPI") to monitor risks are formally identified for the respective key business processes and are compared against actual performance results. The RMC reviews the KPI quarterly and initiates action plans arising from the reviews when necessary.

The Group Risk Handbook summarises the governance structure, the risk management objectives, strategies, policies and procedures as well as the risk profiles associated with the Group's businesses.

INTERNAL AUDIT FUNCTION

The Group Internal Audit Function is outsourced to Ernst & Young Advisory Services Sdn. Bhd., an independent professional service firm for a period of three years from 2012 to 2014. The AC reviews its independence, scope and frequency of work and resources on an annual basis.

Statement on Risk Management & Internal Control *(cont'd)*

The Internal Audit Function reviews the Group's operations, the systems of internal control by performing regular reviews of the business processes to examine and evaluate the adequacy and efficiency of financial and operating controls and highlights significant risks and non compliance impacting the Group. An annual internal audit plan is presented to the AC for approval before being carried out. Audits are carried out on units that are identified based on a risk based approach, taking into consideration input of the senior management, the AC and the Board.

Following audits, the Internal Audit provides recommendations to improve on the effectiveness of risk management, control and governance processes. The AC considers the internal audit reports before reporting and making recommendations to the Board in strengthening the risk management, internal control and governance systems of the Group, on a quarterly basis or earlier as appropriate. Management and the AC will follow up and review the status of actions on recommendations made by both the internal and external auditors. Post audit examination may be carried out to test the effectiveness and implementation of audit recommendations adopted as well.

The details of the Internal Audit Function's activities are highlighted in the Audit Committee Report on page 31.

AUDIT COMMITTEE

The Audit Committee ("AC") meets on quarterly basis or as often as necessary to review the internal control issues identified in reports prepared by Internal Auditors, the external auditors and the management. AC ensures the internal audit's independence, reviews its scope of work and assesses adequacy of resources. AC also reviews the Internal Audit Plan, internal audit activities and external audit plan and findings. The details of the AC's activities are highlighted in the Audit Committee Report on page 30.

OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

The other key elements of risk management and internal control processes that have been established by the Board that provides effective risk management and internal control are:-

- Established an organisation structure which clearly defined the line of authority, responsibility and accountability to each strategic business unit and operation unit.

- Various Board Committees are set up to assist the Board to perform its oversight functions. These committees include the Nomination Committee, Remuneration Committee and Employee Retirement Scheme Committee. Specific responsibilities have been delegated to these Board Committees, all of which have formalized terms of reference. These Committees have the authority to examine all matters within their scope and report to the Board with their recommendations.

- Established standard operating procedures under ISO 9001:2000 Quality Management System that cover all major critical processes of the Group entities. The relevant operation manuals and guidelines are updated from time to time. Surveillance audits are conducted twice a year by a third party on the Group entities to ensure that the system is adequately implemented.

- Monthly management reports received and reviewed by the Executive Directors and the key management personnel of subsidiaries. The review by the latter covers annual and monthly budgets of revenue, expenses and production tonnage. Actual performances are assessed against approved budgets and explanations are provided for significant variances on a monthly or quarterly basis, as the case may be.

- Scheduled and ad-hoc meetings at the respective strategic business units to identify and resolve business and operational issues. The Board is informed of the status of resolution of any significant issues identified at these meetings.

- Proper guidelines for the hiring and termination of staff, formal training programmes, performance appraisal system and other relevant procedures to ensure staff are competent and adequately trained in carrying out their responsibilities.

Statement on Risk Management & Internal Control *(cont'd)*

EXCLUSION

The review of implementation of the Group's risk management and internal control system was not extended to cover its subsidiaries Integrated Coil Coating Industries Sdn. Bhd. and Wajaplas Manufacturing (M) Sdn. Bhd. which were held for disposal and pending completion.

BOARD REVIEW

The Board is of the view that, except for the subsidiaries which are held for disposal, the system of risk management and internal controls in place for the year under review and up to the date of issuance of the financial statements is sound and sufficient to safeguard the Group's assets, shareholders' investment, and the interests of customers, regulators and employees. There were no material losses during the financial year as a result of weaknesses in the Group's internal control.

The Board has also received assurance from the Chief Executive Officer and the Chief Financial Officer that the Group's risk management and internal control system is adequate and effective.

The Board will continue to take active measures to strengthen the internal control of the Group by taking into account the changes in the internal and external environment which we operated in.

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Report Of Audit Committee

The Audit Committee ("Committee") of Yung Kong Galvanising Industries Berhad was formed on 25 April 1997. The Board of Directors ("Board") of the Company is pleased to present the Report of the Committee for the financial year ended 31 December 2012.

1. MEMBERSHIP AND ATTENDANCE OF EACH MEMBER

The Committee comprises solely of three (3) Independent Directors. All members of the Committee are financially literate and the Chairperson is a member of Malaysian Institute of Accountants ("MIA").

During the financial year ended 31 December 2012, the Committee met seven (7) times. Details of the members and their attendance at Committee meetings held are as follows:

Names	Designation	Attendance
Ms Huong Hie Hee (MIA No. 18186)	Chairperson, Senior Independent Director	7/7
Mr Jee Hee Teck	Member, Independent Director	7/7
Mr Philip Anak Dreba @ Philip Aso Dreba	Member, Independent Director	7/7

The Executive Chairman, Managing Director / Group Chief Executive Officer, Chief Financial Officer, Group external and internal auditors attended some of these meetings upon invitation by the Chairperson of the Committee.

The Committee met once every quarter with due notice of issues being discussed. All proceedings, matters arising, deliberations, in terms of the issue discussed, and resolutions of the Committee's meetings are recorded in the minutes by the Company Secretaries, confirmed by the Committee and signed by the Chairperson of the Committee. The Company Secretaries attend all the Audit Committee's meetings.

The details of training / seminar attended by each of the Committee members are set out on page 20 of this Annual Report.

2. COMPOSITION AND TERMS OF REFERENCE

The Committee has no executive power but has authority to examine all the issues at hand and to report back to the Board of Directors with recommendations. The Committee shall be governed by the following terms of reference which have been approved by the Board of Directors and which may be amended by the Board of Directors from time to time by resolution.

The terms of reference of the Committee are as follows:

2.1 Members

a. The Committee shall be appointed by the Board of Directors from amongst the Directors of the Company and shall consist of not less than three (3) members, comprising all non-executive directors with a majority of them being Independent Directors.
b. Alternate Director shall not be eligible for appointment as member of the Committee.
c. All the Committee members should be financially literate.
d. At least one (1) member of the Committee must be a member of Malaysian Institute of Accountants ("MIA").
e. Fulfill such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

Report Of Audit Committee *(cont'd)*

2.2 Chairman/Chairperson

The Chairman/Chairperson of the Committee shall be an Independent Director elected among the members of the Committee.

2.3 Meetings, Quorum and Secretary

a. The Committee shall meet at least four (4) times a year. Directors, management, employees and representatives of the External Auditors and Internal Auditors may attend meetings upon the invitation of the Committee. The Chairman/Chairperson of the Committee at his/her discretion may convene additional meeting of the Committee if so requested by any Member, Internal Auditors or External Auditors to consider any matter within the scope and responsibilities of the Committee. At least twice a year, the Committee holds independent meetings with the External and Internal Auditors without the presence of the other Directors and employees.
b. Majority of members present for a meeting must be Independent Directors to constitute a quorum for a meeting of the Committee.
c. The Secretary of the Committee shall be the Company Secretary. Notice of Meeting and the Meeting Papers shall be made available to all members before the meeting. Minutes of each meeting shall be recorded by the Secretary, confirmed by the Chairman/Chairperson and kept by the Secretary.

2.4 Authorities

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

a. Have authority to investigate any matter within its terms of reference.
b. Have the adequate resources, which are required to perform its duties.
c. Have full and unrestricted access to any information and documents pertaining to the Company.
d. Have direct communication channels with the External and Internal Auditors.
e. Have power to obtain independent professional and other advices.
f. Have power to convene meetings with the External Auditors and Internal Auditors, without the presence of other Directors and employees, whenever deemed necessary.

2.5 Responsibilities and Duties

The responsibilities and duties of the Committee shall be to assist the Board of Directors in fulfilling its responsibilities on Corporate Governance and the sufficiency of auditing relating thereto. To discharge its responsibilities and duties, the Committee shall, among others, perform the following duties:

a. To review the following and report the same to the Board of Directors:

   (i) External Audit
   - The external audit plan.
   - The External Auditors' evaluation of the system of Internal Controls.
   - The Audit Report and recommendations made by the External Auditors.
   - The assistance given by the employees to the External Auditors.
   - Any letter of resignation from the External Auditors of the Company.
   - Whether there is reason to believe that the External Auditors are not suitable for re-appointment.
   - To recommend the appointment of the External Auditors, taking into consideration the adequacy of the experience and resources of the firm and the persons assigned to the audit.
   - To assess the suitability and independence of external auditors based on the policies and procedures.

Report Of Audit Committee *(cont'd)*

(ii) Internal Audit

- To review and assess the adequacy of scope, functions, competence and resources of the Internal Audit Function and that it has the necessary authority to carry out its work.
- The Internal Audit Programme, processes, the audit findings, processes or investigation undertaken whether or not appropriate action is taken on the recommendations of the Internal Audit Function.

(iii) Financial Reporting

- To review the quarterly results and yearend financial statements, before the approval by the Board of Directors, focusing particularly on:
  - Changes in or implementation of new accounting policies.
  - Significant and unusual events.
  - Compliance with the applicable financial reporting standards and other legal and regulatory requirements.
- To ensure the Committee Report be prepared and published together with the Annual Report of the Company, stating among others:
  - The composition of the Committee, with name, designation and directorship of the members.
  - The terms of reference.
  - Number of Committee meetings held during the year and details of attendance of each member.
  - Summary of the activities of the Committee to discharge its duties for the financial year.
  - Summary of the activities of the Internal Audit Function to discharge its functions and duties.

(iv) Related Party Transactions

- Any related party transactions and conflict of interests 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 ensure the co-ordination of external audit with internal audit.

c. Such other matters and duties as the Committee considers appropriate or as authorised by the Board of Directors.

2.6 Vacancy and Review

In the event of any vacancy in the Committee resulting in the non-compliance of the Listing Requirements, the Board shall fill the vacancy within three (3) months from the date the post is left vacant.

The Board shall review and determine at least once every three (3) years whether the Committee and each of its members have carried out their duties in accordance with the terms of reference. The performance of the Committee with its members are appraised annually by the Nomination Committee and approved by the Board of Directors.

2.7 Reporting of Breaches to Bursa Securities

Where the Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactory resolved resulting in a breach of the Listing Requirements, the Committee shall promptly report such matter to Bursa Securities.

Report Of Audit Committee *(cont'd)*

3. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

In line with the terms of reference of the Committee, the following activities were carried out during the financial year ended 31 December 2012:

3.1 Financial Reporting

a. Reviewed the quarterly unaudited/audited financial results of the Company and the Group with the Group Executive Chairman/Managing Director / Group Chief Executive Officer and Chief Financial Officer before recommending them for approval by the Board of Directors.
b. Reviewed the annual audited financial statements of the Group with the external auditors and the Group Executive Chairman /Managing Director / Group Chief Executive Officer and Chief Financial Officer prior to submission to the Board of Directors for approval.
c. Discussed and updated on the disclosure requirements of the new accounting standards and Listing Requirements.
d. Review of the Statement on Internal Control, Statement of Corporate Governance and Audit Committee Report prior to the Board's approval for inclusion in the Company's Annual Report.

3.2 Internal Audit

a. Reviewed the internal audit plans to ensure adequate scope and coverage on the key business processes of the Group.
b. Reviewed the internal audit reports which include audit findings, audit recommendations made and management responses to these recommendations therein.
c. Reviewed and monitored the implementation status of the audit recommendations made by auditors to ensure that key risks and controls have been addressed. This includes any improvement on the system of the internal controls and procedures.
d. Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function.
e. Met with the internal auditors excluding the attendance of the Directors and employees twice during the year under review.

3.3 External Audit

a. Reviewed the auditors' scope of work and external audit plans. Prior to the annual audit, the Committee discussed and agreed with the external auditors on audit strategy, audit planning, review memorandum, audit approach and audit scope.
b. Assessment of the performance of the auditors and made recommendations to the Board of Directors for approval on their appointment and remuneration.
c. Update on the statutory and regulatory requirements including the implementation of the accounting standards applicable in the preparation of financial statements.
d. Met with the external auditors excluding the attendance of the other Directors and employees twice during the year under review.
e. To set up policies and procedures to assess the suitability and independence of external auditors.

3.4 Related Party Transactions

Reviewed the related party transactions entered into by the Company and the Group on a quarterly basis and as and when required.

3.5 Risk Management

Identified and reviewed the principal risk factors and controls existed to mitigate those risks pertaining to the key business processes of the Group. This function is under the purview of Risk Management Committee. This committee meets quarterly and revisits the risks factors regularly when needs arise. Risk factors identified form the basis of an internal audit programme which function is outsourced to Ernst & Young Advisory Services Sdn Bhd.

Report Of Audit Committee *(cont'd)*

4. INTERNAL AUDIT FUNCTION

On 18 April 2001, the Company established an internal audit function, which is independent from the activities of the Company and reports directly to the Committee, who in turn decides on the remit of the internal audit function.

Ernst & Young Advisory Services Sdn Bhd was engaged as the internal auditors of the Group for a three (3) years period. The 3-Year Internal Audit Plan was prepared based on the risk assessment exercise conducted by the internal auditors in order to determine the area of processes. The said plan was reviewed by the Committee and approved by the Board. As the services engaged had expired in Year 2011, the AC had engaged the respective services for another three (3) years cycle (i.e. Year 2012 to Year 2014). Ernst & Young Advisory Services Sdn Bhd also conducted an Enterprise Risk Assessment Exercise in the 2nd quarter of 2012. The primary objectives were to:

- Identify, assess and establish the risk priorities of the YKGI group;
- Identify KRIs for the key risks identified to measure and monitor the level of each key risk; and
- Use the results of the risk assessment as a basis for the development of the YKGI Group's 3-Year Internal Audit Plan.

The said Results and the Internal Audit Plan for years 2012 to 2014 were presented to the Audit Committee on 27 July 2012.

During the financial year ended 31 December 2012, the internal auditors had carried out two (2) audit visits for the Group after the Enterprise Risk Assessment Exercise. The Committee had also met the external auditors and internal auditors, without the presence of other Directors and employees, twice during the financial year under review.

The reports for internal audits undertaken during the financial year were forwarded to the Management for necessary corrective and preventive actions as recommended. The Management is responsible for ensuring that the agreed action plans are implemented within the required time frame.

The Partner-in-charge of the Internal Audit Services of Ernst & Young Advisory Services Sdn Bhd was identified as the Head of Internal Audit who shall report directly to the Committee and shall be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Group.

The total costs incurred for the internal audit function of the Company in respect of the financial year ended 31 December 2012 was RM 71,906.

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Corporate Social Responsibilities

HIGHLIGHTS OF CSR INITIATIVES

LOST TIME INJUIRY

-82%

Lost Time Injury significantly drops after the previous financial year safety and health campaign.

GREEN PURCHASE

+10%

Non-lead paint purchase efforts continue to increase to improve green environment responsibilities.

STEEL RECYCLING

-48%

Process streamline effort in bring efficiency and effectiveness is generating less wastage.

SCHEDULE WASTE

-35%

Schedule waste efficiency is increased by ratio, ensuring lesser impact to the community.

WATER CONSUME

-47%

Water saving initiatives continues water conservation effort in bringing sustainable environment.

ENERGY CONSUME

-29%

Energy saving initiatives continues to help indirectly reducing Greenhouse Effect.

Corporate Social Responsibilities *(cont'd)*

YKGI strives to have a community of jolly people, who labour with joy and rejoice in a job well done. The Company is committed to providing a pleasant working "home" for the people. They are helpful, courteous and professional to each other.

CSR at Workplace

Being A Better Employer

The jolly people are the most important asset and YKGI demonstrates the commitment by employing high practices and standards. An appropriately qualified workforce is vital to the ongoing success of the business, providing training and development to equip the jolly people with the skills they need to perform their roles effectively, safely and joyfully. YKGI promotes flexibility in the approach to both work styles and lifestyles, investing in programs and tools that help employees to balance job, family, and other personal responsibilities.

Employee Development

For leaders, school never ends. There has never been a time when it was so critical for leaders and organisations to continue learning. Because of this permanent need for learning organisations and leaders, the idea of a coaching organisation is taking hold.

Category	2008	2009	2010	2011	2012
Training Hours per Employee	56 hours	72 hours	147 hours	142 hours	88 hours

Recreations and Sports

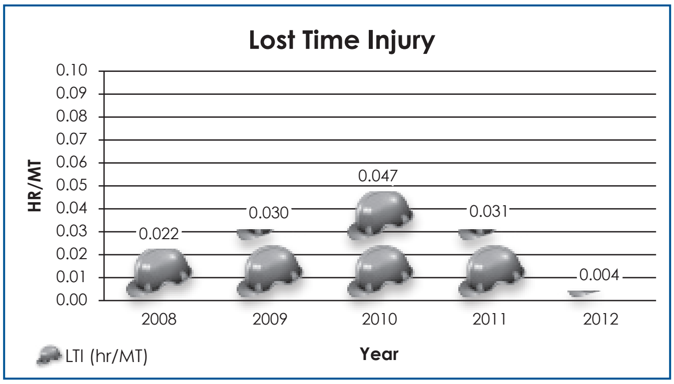
In YKGI, life could never be wonderous with annual family day, sports day and numerous recreation activities. The Recreation Organising Committee (ROC) is doing marvelous job to make the jolly people in freshing mind and supporting sportsmanship. YKGI believes the sustainable achievement is supported by healthy work force, therefore aggresively promoting balance lifestyles and healthy mind.

Category	2008	2009	2010	2011	2012
Recreation & Sports Activities	5 Days	7 Days	14 Days	17 days	8 days

Corporate Social Responsibilities *(cont'd)*

Safety & Health

YKGI continuous effort in creating a conducive workplace is realising. Safety and health awareness campaign has bring down LTI significantly and shall initiate more improvement measures to ensure TLI is further down the consecutive year.



Category	2008	2009	2010	2011	2012
Lost Time Injury	23.5 Days	21.17 Days	37 Days	29 Days	5 Days

CSR at Environment

Anyone with children has a stake in future generations and the ability of the environment to support life. But environmental good practice is also about business efficiency - it's about the best use of valuable raw materials, and feeding the benefits of action straight through to the bottom line.

Recycling Initiatives

Category	2008	2009	2010	2011	2012
Steel Recycle Per Tonne Product	14.35 kg	28.88 kg	30.17 kg	15.71 kg	8.10 kg

Schedule Waste (SW) Initiatives

Category	2008	2009	2010	2011	2012
SW Output Per Tonne Product	0.335 kg	0.298 kg	0.489 kg	0.403 kg	0.26 kg

YKGI energy consumption efficiency has come to another optimum point, making the process greener and environmental friendly.

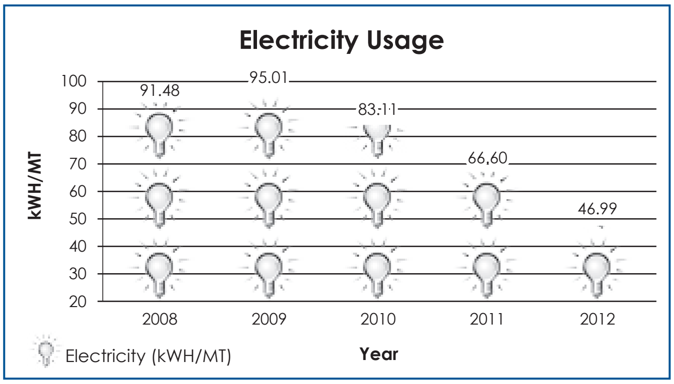
Electricity Consumption Initiatives

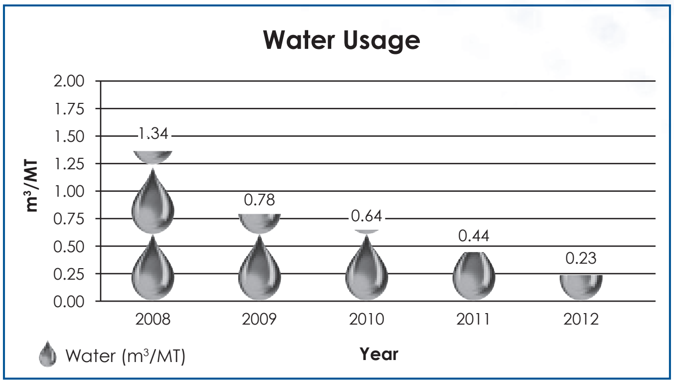
Category	2008	2009	2010	2011	2012
Consumption Per Tonne Product	91.48 kWH	95.01 kWH	83.11 kWH	66.60 kWH	47.00 kWH

Water Consumption Initiatives

Category	2008	2009	2010	2011	2012
Consumption Per Tonne Product	1.34 m^3	0.78 m^3	0.64 m^3	0.44 m^3	0.23 m^3

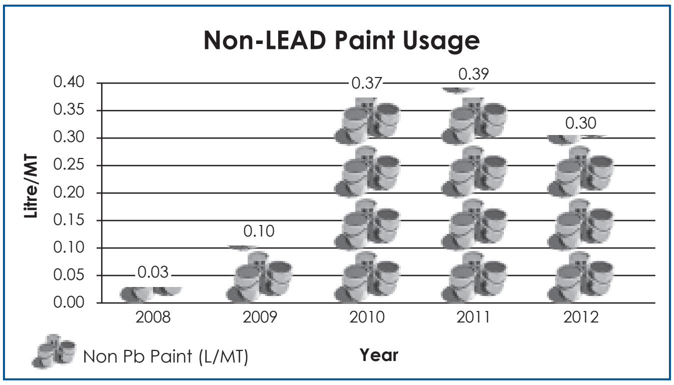
Corporate Social Responsibilities *(cont'd)*





CSR at Marketplace

Environmental issues are increasingly becoming important in managing any business today. Green purchase is the affirmative selection and acquisition of products and services that most effectively minimize negative environmental impacts over their life cycle of manufacturing, transportation, use and recycling or disposal. Thus, the Company is increasing the purchase of non-lead paint in the effort to conceptual the green purchase. Drastically, the non-lead paint consumption is showing significant growth and is continuous growing every year.



Green Purchase – Non-Lead

Category	2008	2009	2010	2011	2012
Non-Lead Paint Usage	1200 litres	3000 litres	7000 litres	9000 litres	9900 litres

CSR at Communities

Many companies now view CSR as a strategic investment and perhaps this is why some are focusing less on donations and more on CSR investments. YKGI is seeing more focus on CSR activities that are directly related to Company core activities and is seeing more direct investment on internal CSR, such as workplace activities. YKGI still maintain the current needy organisation with the annual donation, focusing on less fortunate and academics.

Community Aids

Category	Cases 2012	Contribution
Assistance Fund	- Children Education Assistance Fund - National Kidney Foundation - Kuching Autistic Association - PERKATA - Persatuan Bagi Orang Buta Sarawak - Sarawak Heart Foundation - Majlis Kebajikan Sosial - Sarawak Children's Cancer Society - Salvation Army - others	RM26,399.60
Blood Donation	- Blood Donation	56 pints

Contacts of YKGI Group of Companies

Yung Kong Galvanising Industries Berhad (032939-U)

Head Office & Factory 1
Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +6082 433 888 Fax: +6082 433 889

Klang Office & Factory 2
Lot 6479 Lorong Sg. Puluh Batu 6 Jalan Kapar
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +603 3291 5189 Fax: +603 3291 6193

Website: http://www.ykgi.com.my
E-mail: ykgi@ykgi.com.my

Subsidiary (Marketing – Sabah & Sarawak)

Magic Network Sdn Bhd (393042-D)

Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +6082 433 888 Fax: +6082 433 833
E-mail: ykgi@ykgi.com.my

Subsidiaries (Manufacturing/Marketing & Export - Peninsular Malaysia)

Starshine Holdings Sdn Bhd (920871-A)
Star Shine Marketing Sdn Bhd (458071-P)
Star Shine Global Trading Sdn Bhd (566960-K)
Star Shine Steel Products Sdn Bhd (619745-P)
Star Shine Industries Sdn Bhd (376233-T)
Starshine Resources Sdn Bhd (927461-U)

Wisma Star Shine
Lot 6472 Lorong Sungai Puloh/KU06
Kawasan Perindustrian Sungai Puloh
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +603 3297 5555 Fax: +603 3297 5678

Website: http://www.starshinegroup.com
E-mail: sales@starshinegroup.com

Subsidiary (Manufacturing & Trading Peninsular Malaysia)

Integrated Coil Coating Industries Sdn Bhd (503040-D)

Lot 121 & 122, Tingkat 1 & 2, Kampung Chekok,
17060 Pasir Mas, Kelantan, Malaysia
Tel: +609 794 1686 Fax: +609 794 3689
E-mail: sales@icci.com.my

Financial Statements

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia and the Main Market Listing Requirements.

The Directors are responsible to ensure that the financial statements for each financial year give a true and fair view of the state of the affairs of the Group and the Company at the end of the financial year, and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Board of Directors is also responsible for the adoption of suitable accounting policies and their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

The Board of Directors hereby confirms that suitable accounting policies have been consistently applied in respect of preparation of the financial statements. The Board of Directors also confirms that the Group maintains adequate accounting records and sufficient internal controls to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities. These are described more fully in the Statement on Corporate Governance outlined on pages 16 to 23 of this Annual Report.

Directors' Report
for the year ended 31 December 2012

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

PRINCIPAL ACTIVITIES

The Company is principally engaged in the manufacture and sale of galvanised and coated steel products, pickled and oiled hot rolled coils and cold rolled coils while the principal activities of the subsidiaries are as stated in Note 5 to the financial statements. Except for the cessation of the operation of furniture hardware and accessories manufacturing division of the Group, there has been no significant change in the nature of these activities during the year.

RESULTS

	Group RM	Company RM
Loss for the year attributable to:		
Owners of the Company	15,349,224	10,430,173
Non-controlling interests	3,393,909	-
	18,743,133	10,430,173

DIVIDENDS

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

RESERVES AND PROVISIONS

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

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Director	**Alternate**
Dato' Dr. Hii Wi Sing	Christopher Hii Lu Ming
Dato' Soh Thian Lai	-
Ir. Michael Hii Ee Sing	-
Arthur Hii Lu Choon	Alexander Hii Lu Kwong
Yoshiki Kaneko	Ong Soo Seng
Victor Hii Lu Thian	-
Philip Anak Dreba @ Philip Aso Dreba	-
Francis Hii Lu Sheng	-
Fong Yoo Kaw @ Fong Yee Kow (appointed on 3.1.2013)	-
Lim Pang Kiam (appointed on 3.1.2013)	-
Liew Jee Min @ Chong Jee Min (appointed on 28.2.2013)	-
Huong Hie Hee (resigned on 31.12.2012)	-
Jee Hee Teck (resigned on 31.12.2012)	-

Directors' Report
for the year ended 31 December 2012 *(cont'd)*

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors (including where applicable the interests of their spouses or children who themselves are not Directors of the Company) in the shares and warrants over ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares *							
	Direct interests				Deemed interests			
	At 1.1.2012/date of appointment	Bought	Sold	At 31.12.2012	At 1.1.2012/date of appointment	Bought	Sold	At 31.12.2012
Interests in the Company								
Dato' Dr. Hii Wi Sing	19,609,448	90,750	-	19,700,198	62,938,781	-	-	62,938,781
Ir. Michael Hii Ee Sing	138,100	-	-	138,100	62,683,691	-	-	62,683,691
Dato' Soh Thian Lai	356,400	-	-	356,400	-	200,000	-	200,000
Arthur Hii Lu Choon	1,522,100	12,500	-	1,534,600	59,034,491	-	-	59,034,491
Alexander Hii Lu Kwong	2,278,100	12,500	-	2,290,600	59,022,091	-	-	59,022,091
Victor Hii Lu Thian	1,473,300	12,500	-	1,485,800	59,007,091	-	-	59,007,091
Huong Hie Hee	142,000	-	-	142,000	89,000	-	-	89,000
Francis Hii Lu Sheng	274,300	-	-	274,300	59,157,491	-	150,000	59,007,491
Christopher Hii Lu Ming	1,431,900	12,500	-	1,444,400	59,007,091	-	-	59,007,091
Interests in Starshine Holdings Sdn. Bhd. ("SSH")								
Dato' Dr. Hii Wi Sing	18,149,592	-	-	18,149,592	209,293,167	-	10,408,986	198,884,181
Ir. Michael Hii Ee Sing	8,241,081	-	-	8,241,081	211,123,208	-	-	211,123,208
Dato' Soh Thian Lai	8,671,044	-	-	8,671,044	50,180,077	-	-	50,180,077
Arthur Hii Lu Choon	10,408,986	-	-	10,408,986	198,884,181	-	-	198,884,181
Alexander Hii Lu Kwong	10,408,986	-	-	10,408,986	198,884,181	-	-	198,884,181
Victor Hii Lu Thian	10,408,986	-	-	10,408,986	198,884,181	-	-	198,884,181
Christopher Hii Lu Ming	10,408,986	-	-	10,408,986	198,884,181	-	-	198,884,181

* *The nominal value of the ordinary shares of the Company and SSH are RM0.50 per share and RM0.10 per share respectively.*

Directors' Report
for the year ended 31 December 2012 *(cont'd)*

DIRECTORS' INTERESTS IN SHARES *(cont'd)*

	Number of warrants of 2008/2013							
	Direct interests				Deemed interests			
	At 1.1.2012/date of appointment	Sold	Exercised	At 31.12.2012	At 1.1.2012/date of appointment	Sold	Exercised	At 31.12.2012
Interests in the Company								
Dato' Dr. Hii Wi Sing	4,212,500	-	-	4,212,500	4,033,999	1,841,400	-	2,192,599
Ir. Michael Hii Ee Sing	48,100	-	-	48,100	3,860,399	1,739,400	-	2,120,999
Arthur Hii Lu Choon	250,000	250,000	-	-	2,621,199	1,748,800	-	872,399
Alexander Hii Lu Kwong	-	-	-	-	2,611,799	1,739,400	-	872,399
Victor Hii Lu Thian	-	-	-	-	2,616,799	1,739,400	-	877,399
Christopher Hii Lu Ming	-	-	-	-	2,611,799	1,739,400	-	872,399

Save as disclosed, none of the Directors had any interests in the shares of the Company and of its related corporations during and at the end of the financial year.

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Directors' Report
for the year ended 31 December 2012 *(cont'd)*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in certain companies which traded with certain companies in the Group in the ordinary course of business (see Note 29) and certain Directors who are eligible to participate in the Company's retirement benefits scheme.

Save for the warrants disclosed in the preceding page, there were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were neither changes in the authorised, issued and paid-up capitals of the Company, nor issuances of debentures by the Company, during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

The number of outstanding warrants as at 31 December 2012, issued in conjunction with the rights issue undertaken by the Company on 9 July 2008 and exercisable at RM0.50 for each ordinary share in the Company over a period of five years to 8 July 2013, is 65,178,300 (2011: 65,178,300). None of the said warrants have been exercised during the financial year.

OTHER STATUTORY INFORMATION

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

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

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

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

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

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

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

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

Directors' Report
for the year ended 31 December 2012 *(cont'd)*

OTHER STATUTORY INFORMATION *(cont'd)*

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

(a) Proposed share issue exercises

During the year, the Company announced the following corporate proposals:

(i) proposed acquisition of the remaining 45.51% equity interest in Starshine Holdings Sdn. Bhd. not already owned by the Company, for a purchase consideration of RM16,611,579, to be satisfied via the issuance of 33,223,158 new ordinary shares of the Company at an issue price of RM0.50 per share;

(ii) proposed private placement of up to 39,106,980 new ordinary shares of the Company, representing up to twenty percent (20%) of the existing issued and paid-up share capital of the Company;

(iii) proposed restricted issue of 48,799,998 new ordinary shares of the Company to a substantial foreign shareholder;

(iv) proposed bonus issue of up to 38,184,333 new ordinary shares of the Company on the basis of one (1) bonus share for every ten (10) existing shares held on an entitlement date to be determined later; and

(v) proposed bonus issue of up to 114,553,000 new warrants of the Company on the basis of three (3) free warrants for every ten (10) existing ordinary shares held on an entitlement date to be determined later.

The above corporate proposals were approved by the shareholders of the Company during the Extraordinary General Meeting held on 16 April 2013 and are expected to be completed by the first half of 2013.

(b) Proposed disposal of subsidiaries

On 5 January 2012, the Company entered into a shareholder agreement with a third party, Tecstun (M) Sdn. Bhd. ("TMSB") to use Integrated Coil Coating Industries Sdn. Bhd. ("ICCI") as the joint venture to embark on new business activities principally comprising the manufacture, sale and installation of metal roofing and related products, PVC pipes and wire mesh via the acquisition of various business undertakings. Upon completion of the agreement, the Group's shareholding in ICCI would reduce from 100% to 60%.

Later, on 15 May 2012, both the Company and TMSB agreed to terminate the said shareholder agreement, and at the same time, entered into a share sale agreement to dispose of the Company's entire equity interest in ICCI and its subsidiary (together referred to as ICCI Group) to TMSB for a consideration of RM7,421,500. As at 31 December 2012, the Company has received payments of RM6,071,500 (see Note 17.2) from TMSB on the proposed sale.

The sale of ICCI Group is expected to be completed by June 2013 pending the discharge of all corporate guarantees given to banks for the banking facilities of ICCI Group as well as the receipt of the remainder sum of the sale consideration. As a consequence, the assets and liabilities of ICCI Group as at 31 December 2012 are classified as a disposal group held for sale (see Note 13.1 to the financial statements).

Directors' Report
for the year ended 31 December 2012 *(cont'd)*

SIGNIFICANT EVENTS *(cont'd)*

(c) Cessation of non-core business operations

During the year, the Group ceased the operations of its furniture hardware and accessories manufacturing division. The Group has entered into sale and purchase agreements with third parties to dispose of certain property, plant and equipment relating to this division. The sale is subject to fulfillment of certain conditions precedent which are expected to be completed by the end of 2013. As a consequence, these property, plant and equipment are classified as property held for sale as at 31 December 2012 (see Note 13.2 to the financial statements).

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

....

Dato' Dr. Hii Wi Sing

....

Dato' Soh Thian Lai

Kuching,

Date: 17 April 2013

Statements of Financial Position
as at 31 December 2012

		Group			Company		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Assets							
Property, plant and equipment	3	303,747,493	324,497,204	291,637,319	227,918,297	227,134,454	212,171,583
Investment property	4	-	-	-	-	3,703,107	4,073,177
Investment in subsidiaries	5	-	-	-	18,716,977	26,416,977	20,472,500
Goodwill	6	-	-	1,437,871	-	-	-
Other investments	7	9,775	23,515	23,515	-	-	-
Deferred tax assets	8	-	83,000	107,000	-	-	-
Total non-current assets		303,757,268	324,603,719	293,205,705	246,635,274	257,254,538	236,717,260
Inventories	9	101,345,717	117,537,139	137,930,337	67,686,892	86,524,359	88,630,483
Trade and other receivables	10	79,538,071	71,402,764	82,610,858	107,877,146	57,959,658	73,292,921
Deposits and prepayments	11	4,030,769	2,316,197	4,980,185	3,276,262	1,441,087	2,058,560
Current tax recoverable		764,082	1,194,036	441,639	190,960	395,047	324,864
Cash and cash equivalents	12	33,023,280	21,891,308	26,297,620	2,895,357	2,306,120	1,816,577
		218,701,919	214,341,444	252,260,639	181,926,617	148,626,271	166,123,405
Assets classified as held for sale	13.1	24,692,160	-	-	7,500,000	-	-
Property held for sale	13.2	1,968,840	322,810	322,810	-	-	-
Total current assets		245,362,919	214,664,254	252,583,449	189,426,617	148,626,271	166,123,405
Total assets		549,120,187	539,267,973	545,789,154	436,061,891	405,880,809	402,840,665

Statements of Financial Position

as at 31 December 2012 *(cont'd)*

		Group			Company		
	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Equity							
Share capital	14.1	101,786,779	101,786,779	101,786,779	101,786,779	101,786,779	101,786,779
Reserves	14.2	40,387,220	55,736,444	76,625,160	43,443,151	53,873,324	64,269,955
Total equity attributable to owners of the Company		142,173,999	157,523,223	178,411,939	145,229,930	155,660,103	166,056,734
Non-controlling interests		11,305,568	14,699,477	16,520,831	-	-	-
Total equity		153,479,567	172,222,700	194,932,770	145,229,930	155,660,103	166,056,734
Liabilities							
Loans and borrowings	15	65,757,561	91,079,503	85,732,361	38,799,628	51,626,506	54,767,775
Deferred tax liabilities	8	8,337,000	12,180,000	17,511,000	7,692,000	10,803,000	14,773,000
Employee benefits	16	3,740,302	3,246,816	2,920,245	3,740,302	3,246,816	2,920,245
Total non-current liabilities		77,834,863	106,506,319	106,163,606	50,231,930	65,676,322	72,461,020
Trade and other payables	17	76,877,371	45,285,354	25,155,290	69,770,584	30,607,344	11,378,543
Loans and borrowings	15	223,510,757	215,156,600	219,117,480	170,829,447	153,937,040	152,944,368
Current tax payables		28,259	97,000	420,008	-	-	-
		300,416,387	260,538,954	244,692,778	240,600,031	184,544,384	164,322,911
Liabilities classified as held for sale	13.1	17,389,370	-	-	-	-	-
Total current liabilities		317,805,757	260,538,954	244,692,778	240,600,031	184,544,384	164,322,911
Total liabilities		395,640,620	367,045,273	350,856,384	290,831,961	250,220,706	236,783,931
Total equity and liabilities		549,120,187	539,267,973	545,789,154	436,061,891	405,880,809	402,840,665

The notes on pages 51 to 127 are an integral part of these financial statements.

Statements of Profit or Loss and other Comprehensive Income

for the year ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Continuing operations					
Revenue					
- sale of galvanised, coated and uncoated steel products, building and construction materials		461,744,329	422,158,571	388,378,597	299,853,635
Cost of sales		(438,300,775)	(399,399,942)	(377,873,082)	(296,320,942)
Gross profit		23,443,554	22,758,629	10,505,515	3,532,693
Other income		2,277,225	1,527,473	563,823	10,640,129
Selling and distribution expenses		(6,108,854)	(5,285,842)	(3,668,094)	(2,190,484)
Administrative expenses		(25,234,540)	(27,433,558)	(11,145,737)	(13,749,138)
Results from operating activities	18	(5,622,615)	(8,433,298)	(3,744,493)	(1,766,800)
Finance income	19	647,498	452,161	1,293,039	314,139
Finance costs	19	(15,747,135)	(14,829,230)	(11,096,496)	(10,041,237)
Net finance costs		(15,099,637)	(14,377,069)	(9,803,457)	(9,727,098)
Loss before tax		(20,722,252)	(22,810,367)	(13,547,950)	(11,493,898)
Tax expense	21	3,394,063	4,508,792	3,117,777	3,840,183
Loss from continuing operations		(17,328,189)	(18,301,575)	(10,430,173)	(7,653,715)
Discontinued operation					
Loss from discontinued operation, net of tax	22	(1,414,944)	(1,649,110)	-	-
Total comprehensive loss for the year		(18,743,133)	(19,950,685)	(10,430,173)	(7,653,715)
Total comprehensive loss attributable to:					
Owners of the Company		(15,349,224)	(17,969,076)	(10,430,173)	(7,653,715)
Non-controlling interests		(3,393,909)	(1,981,609)	-	-
Total comprehensive loss for the year		(18,743,133)	(19,950,685)	(10,430,173)	(7,653,715)
Basic loss per ordinary share from *(sen)*:	23				
- continuing operations		(7.1)	(8.3)		
- discontinued operation		(0.7)	(0.9)		
Diluted loss per ordinary share from *(sen)*:	23				
- continuing operations		(7.1)	(8.1)		
- discontinued operation		(0.7)	(0.8)		

The notes on pages 51 to 127 are an integral part of these financial statements.

Consolidated Statements of Changes in Equity
for the year ended 31 December 2012

		Attributable to owners of the Company							
		Non-distributable				*Distributable*			
Group	**Note**	**Ordinary share RM**	**Redeemable convertible preference share RM**	**Warrant reserve RM**	**Share premium RM**	**Retained earnings RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2011	32	90,923,729	10,863,050	6,843,721	1,968,881	67,812,558	178,411,939	16,520,831	194,932,770
Total comprehensive loss for the year		-	-	-	-	(17,969,076)	(17,969,076)	(1,981,609)	(19,950,685)
Changes arising from group restructuring	33.2	-	-	-	-	(176,724)	(176,724)	160,255	(16,469)
Distribution to owners of the Company - Dividends paid	24	-	-	-	-	(2,742,916)	(2,742,916)	-	(2,742,916)
At 31 December 2011/ 1 January 2012		90,923,729	10,863,050	6,843,721	1,968,881	46,923,842	157,523,223	14,699,477	172,222,700
Total comprehensive loss for the year		-	-	-	-	(15,349,224)	(15,349,224)	(3,393,909)	(18,743,133)
At 31 December 2012		90,923,729	10,863,050	6,843,721	1,968,881	31,574,618	142,173,999	11,305,568	153,479,567
		(Note 14)	(Note 14)	(Note 14)	(Note 14)				

The notes on pages 51 to 127 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 31 December 2012

		Non-distributable				Distributable	
Company	**Note**	**Ordinary share RM**	**Redeemable convertible preference share RM**	**Warrant reserve RM**	**Share premium RM**	**Retained earnings RM**	**Total equity RM**
At 1 January 2011	32	90,923,729	10,863,050	6,843,721	1,968,881	55,457,353	166,056,734
Total comprehensive loss for the year		-	-	-	-	(7,653,715)	(7,653,715)
Distribution to owners of the Company - Dividends paid	24	-	-	-	-	(2,742,916)	(2,742,916)
At 31 December 2011/1 January 2012		90,923,729	10,863,050	6,843,721	1,968,881	45,060,722	155,660,103
Total comprehensive loss for the year		-	-	-	-	(10,430,173)	(10,430,173)
At 31 December 2012		90,923,729	10,863,050	6,843,721	1,968,881	34,630,549	145,229,930
		(Note 14)	(Note 14)	(Note 14)	(Note 14)	(Note 14)	

The notes on pages 51 to 127 are an integral part of these financial statements.

Statements of Cash Flows
for the year ended 31 December 2012

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Cash flows from operating activities				
Loss before tax from:				
- continuing operations	(20,722,252)	(22,810,367)	(13,547,950)	(11,493,898)
- discontinued operation (Note 22)	(1,433,644)	(1,881,846)	-	-
	(22,155,896)	(24,692,213)	(13,547,950)	(11,493,898)
Adjustments for:				
Amortisation of investment property (Note 4)	-	-	-	370,070
Depreciation of property, plant and equipment (Note 3)	18,743,057	20,177,586	13,222,945	13,441,798
Dividend income	(375)	(375)	-	(1,175,000)
Finance income	(647,498)	(452,214)	(1,293,039)	(314,139)
Finance costs	16,358,314	15,279,802	11,096,496	10,041,237
Gain on disposal of:				
- property, plant and equipment	(1,761,948)	(222,609)	(155,804)	(176,915)
- subsidiary (Note 33.2)	-	-	-	(8,444,477)
Impairment loss on:				
- investment in subsidiaries	-	-	200,000	2,500,000
- goodwill	-	1,437,871	-	-
- other investments	12,960	-	-	-
Goodwill written off (Note 33.1)	104,886	-	-	-
Unrealised foreign exchange gain	(460,749)	-	(460,749)	-
Provision for retirement benefits (Note 16)	542,966	367,091	542,966	367,091
Operating profit before changes in working capital	10,735,717	11,894,939	9,604,865	5,115,767
Changes in inventories	8,059,482	20,393,198	18,837,467	2,106,124
Changes in trade and other receivables, deposits and prepayments	(17,767,937)	11,389,008	(51,752,663)	15,887,151
Changes in trade and other payables	33,095,216	20,130,064	39,623,304	19,228,801
Cash generated from operations	34,122,478	63,807,209	16,312,973	42,337,843
Income tax (paid)/refunded	(293,958)	(1,639,676)	210,864	-
Interest paid	(11,264,400)	(9,303,299)	(8,621,653)	(6,776,682)
Interest received	163,610	39,884	1,245,154	275,027
Retirement benefits paid (Note 16)	(49,480)	(40,520)	(49,480)	(40,520)
Net cash from operating activities	22,678,250	52,863,598	9,097,858	35,795,668
Cash flows from investing activities				
Acquisition of:				
- property, plant and equipment [Note (i)]	(18,725,053)	(45,116,654)	(10,344,076)	(28,813,924)
- subsidiary, net of cash acquired (Note 33.1)	(358,009)	-	-	-
Proceeds from disposal of property, plant and equipment	15,351,343	953,256	321,199	729,755
Interest received	483,888	412,330	47,885	39,112
Dividends received	375	375	-	975,000
Increase in deposits pledged to banks	(4,689,919)	(568,110)	-	-
Net cash used in investing activities	(7,937,375)	(44,318,803)	(9,974,992)	(27,070,057)

Statements of Cash Flows

for the year ended 31 December 2012 *(cont'd)*

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Cash flows from financing activities				
Net (repayment of)/proceeds from term loans	(21,763,231)	10,695,167	(11,717,635)	3,741,986
Net proceeds from bankers' acceptances and revolving credits	30,829,615	1,318,130	22,606,000	6,803,743
Repayment of finance lease liabilities	(9,008,514)	(8,574,518)	(4,987,605)	(5,733,116)
Dividends paid to owners of the Company (Note 24)	-	(2,742,916)	-	(2,742,916)
Interest paid	(5,093,914)	(5,976,503)	(2,474,843)	(3,264,555)
Net cash (used in)/from financing activities	(5,036,044)	(5,280,640)	3,425,917	(1,194,858)
Net increase in cash and cash equivalents	9,704,831	3,264,155	2,548,783	7,530,753
Effect of exchange rate fluctuations on cash held	685	-	685	-
Cash and cash equivalents at beginning of year	483,162	(2,780,993)	(3,811,452)	(11,342,205)
Cash and cash equivalents at end of year [Note (ii)]	10,188,678	483,162	(1,261,984)	(3,811,452)

Notes

(i) Acquisition of property, plant and equipment

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

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Paid in cash	18,725,053	45,116,654	10,344,076	28,813,924
In the form of finance lease assets	555,000	6,186,060	125,000	80,000
Deposits paid in prior years	-	2,465,404	-	63,585
Total (see Note 3)	19,280,053	53,768,118	10,469,076	28,957,509

(ii) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statement of financial position:

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Term deposits placed with licensed banks	19,404,005	14,672,397	1,340,900	1,299,211
Cash and bank balances	15,169,705	7,218,911	1,554,457	1,006,909
	34,573,710	21,891,308	2,895,357	2,306,120
Less: Bank overdrafts	(6,321,927)	(8,034,960)	(4,157,341)	(6,117,572)
Less: Deposits pledged	(18,063,105)	(13,373,186)	-	-
	10,188,678	483,162	(1,261,984)	(3,811,452)

The notes on pages 51 to 127 are an integral part of these financial statements.

Notes to the Financial Statements

Yung Kong Galvanising Industries Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The addresses of the principal places of business and registered office of the Company are as follows:

Principal places of business

- Kuching branch Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak.

- Klang branch Lot 6479, Lorong Sg. Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan.

Registered office

Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2012 do not include other entities.

The Company is principally engaged in the manufacture and sale of galvanised and coated steel products, pickled and oiled hot rolled coils and cold rolled coils while the principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 17 April 2013.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirement of Companies Act, 1965 in Malaysia. These are the Group's and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied in the preparation thereof.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards in Malaysia. The financial impacts on transition to MFRSs are disclosed in Note 32.

The Group and the Company have early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRS/Amendment/Interpretation	**Effective Date**
MFRS 10, *Consolidated Financial Statements*	1 January 2013
MFRS 11, *Joint Arrangements*	1 January 2013
MFRS 12, *Disclosure of Interest in Other Entities*	1 January 2013
MFRS 13, *Fair Value Measurement*	1 January 2013
MFRS 119, *Employee Benefits* (2011)	1 January 2013
MFRS 127, *Separate Financial Statements* (2011)	1 January 2013
MFRS 128, *Investments in Associates and Joint Ventures* (2011)	1 January 2013
IC Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
Amendments to MFRS 7, *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards - Government Loans*	1 January 2013

Notes to the Financial Statements *(cont'd)*

1. BASIS OF PREPARATION *(cont'd)*

(a) Statement of compliance *(cont'd)*

MFRS/Amendment/Interpretation	Effective Date
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 101, *Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 132, *Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*	1 January 2013
Amendments to MFRS 10, *Consolidated Financial Statements: Transition Guidance*	1 January 2013
Amendments to MFRS 11, *Joint Arrangements: Transition Guidance*	1 January 2013
Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Transition Guidance*	1 January 2013
Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*	1 January 2014
Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*	1 January 2014
Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*	1 January 2014
Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*	1 January 2014
MFRS 9, *Financial Instruments* (2009)	1 January 2015
MFRS 9, *Financial Instruments* (2010)	1 January 2015
Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*	1 January 2015

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2013 those standards, amendments or interpretations that are effective for annual periods beginning on 1 January 2013, except for MFRS 11, MFRS 12, MFRS 128, Amendments to MFRS 101, Amendments to MFRS 11, Amendments to MFRS 12 and IC Interpretation 20 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2014 those standards, amendments or interpretations that are effective for annual periods beginning on 1 January 2014.

- from the annual period beginning on 1 January 2015 those standards, amendments or interpretations that are effective for annual periods beginning on 1 January 2015.

Material impacts of initial application of those standards, amendments or interpretations which are or are likely to be applicable to the Group are discussed below:

(i) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. The adoption of MFRS 9 will result in a change in accounting policy. The adoption of MFRS 9 is not expected to have material impact to the Group/Company.

(ii) MFRS 10, Consolidated Financial Statements

MFRS 10 introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation - Special Purpose Entities.* There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

Notes to the Financial Statements *(cont'd)*

1. BASIS OF PREPARATION *(cont'd)*

(a) Statement of compliance *(cont'd)*

(iii) MFRS 13, Fair Value Measurement

MFRS 13 establishes the principles for fair value measurement and replaces the existing guidance in different MFRSs.

(iv) MFRS 119, Employee Benefits (2011)

The amendments to MFRS 119 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligation and in fair value of plan assets when they occur, and hence eliminate the 'corridor method' 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.

The amendments to MFRS 119 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application. The employee benefits of the Group/Company are expected to increase by RM476,680 and RM1,466,612 as at 31 December 2011 and 2012 respectively. Retained earnings as at the same date will decrease by the same corresponding amounts.

(v) Amendment to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009 - 2011 Cycle)

The amendments to MFRS 116 clarify that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. Otherwise, such items are classified as inventory.

Currently, the Group/Company classifies spare parts as inventory. Upon adoption of the amendments to MFRS 116, the Group/Company will classify those spare parts that meet the definition of property, plant and equipment from inventory to property, plant and equipment.

The Group/Company will apply the amendments to MFRS 116 retrospectively. Inventory balance is expected to decrease by RM5,747,220 and RM6,420,237 as at 31 December 2011 and 2012 respectively. Property, plant and equipment balance as at the same date will increase by the same corresponding amounts.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the financial statements for current and prior periods upon their first adoption.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

The Group and the Company have prepared their financial statements on a going concern basis, notwithstanding that they have incurred net losses of RM18,743,133 and RM10,430,173 respectively during the year ended 31 December 2012, and as of that date, their current liabilities exceeded their current assets by RM72,442,838 and RM51,173,414 respectively.

The Company's proposal of raising funds through private placement and restricted issue of shares, which are among the various corporate proposals as disclosed in Note 31(a) to the financial statements, has been approved by the shareholders of the Company during the Extraordinary General Meeting held on 16 April 2013. In addition, certain entities of the Group have entered into agreements prior to 31 December 2012 to dispose of their non-core assets as disclosed in Note 13 to the financial statements which, subject to the fulfillment of the conditions precedent, are expected to be completed in 2013.

Notes to the Financial Statements *(cont'd)*

1. BASIS OF PREPARATION *(cont'd)*

(b) Basis of measurement *(cont'd)*

In view of the above, the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful completion of the proposed fund raising, completion of the disposals of the non-core assets, continued support of the stakeholders, and achieving future profitable operations. Accordingly, the financial statements of the Group and of the Company do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to additional amounts and classification of liabilities that may be necessary should the aforesaid matters are not forthcoming or achieved.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected thereby.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:
- Note 1(b), going concern assumption used in the preparation of the financial statements; and
- Note 3, impairment assessment of property, plant and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (being the Group's transition date to the MFRS framework), unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(a) Basis of consolidation *(cont'd)*

(ii) Business combinations (cont'd)

Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(a) Basis of consolidation *(cont'd)*

(v) Non-controlling interests (cont'd)

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment to the underlying assets.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at the exchange rate at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period (reporting date) are retranslated to the functional currency at the exchange rates at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising from the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

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

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Financial instruments *(cont'd)*

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

Financial assets *(cont'd)*

(a) Financial assets at fair value through profit or loss *(cont'd)*

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(k)(i)).

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(c) Financial instruments *(cont'd)*

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) the derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) Derecognition

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

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

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour and for qualifying assets, capitalised borrowing costs.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(d) Property, plant and equipment *(cont'd)*

(i) Recognition and measurement (cont'd)

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and is recognised net within "other income" and "administrative expenses" respectively in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value, if any. Significant components of the individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	48, 52 and 58 years
• Buildings	10, 20 and 50 years
• Plant and machinery	5, 7, 10, 15, 20 and 25 years
• Furniture, fittings and equipment	2, 4, 5 and 10 years
• Motor vehicles	5 and 7 years
• Moulds, loose tools and implement	10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(e) Leased assets *(cont'd)*

(i) Finance lease (cont'd)

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

(ii) Operating lease

Leases in terms of which the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases, and the leased assets are not recognised in the statement of financial position.

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

(f) Intangible asset - goodwill

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses.

Goodwill with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment property

Investment property is a property which is owned to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

(i) Recognition and measurement

Investment property is measured at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy Note 2(d).

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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

(ii) Amortisation

Depreciation on buildings is charged to profit or loss on a straight-line basis over its estimated useful life of 50 years.

(iii) Determination of fair value

The Directors estimate the fair values of investment property without the involvement of independent valuers.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of raw materials, manufactured inventories and work-in-progress is measured based on weighted average cost formula. For trading inventories, cost is based on the specific identification basis.

The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal groups, are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less and are used by the Group and the Company in the management of their short- term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

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

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Impairment *(cont'd)*

(i) ***Financial assets*** *(cont'd)*

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) ***Other assets***

The carrying amounts of other assets [except for inventories, deferred tax assets and non-current assets (or disposal groups) classified as held for sale] are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill with indefinite useful lives, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purpose. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amount of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(k) Impairment *(cont'd)*

(ii) Other assets (cont'd)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expense

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(m) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries and annual bonuses are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

Contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(m) Employee benefits *(cont'd)*

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the end of the reporting period on high quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed every two years by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

In calculating the Group's obligation in respect of the scheme, to the extent that any cumulative unrecognised actuarial gain or loss at the end of the previous reporting period exceeds the greater of ten percent of the present value of the defined benefit obligation and the fair value of any plan assets at that date, that excess portion is recognised in the profit or loss over the expected average remaining working lives of the directors and employees participating in the scheme. Actuarial gains and losses that fall within the range of ten percent are not recognised.

The Group recognises all actuarial gains and losses arising from defined benefit plans and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation and any related actuarial gains and losses and past service cost that had not previously been recognised.

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group (see Note 28), the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(o) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances and trade discount. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(iv) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest method except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(p) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(q) Income tax

Income tax expense comprises current and deferred tax and is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Notes to the Financial Statements *(cont'd)*

2. SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

(q) Income tax *(cont'd)*

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill and the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

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

(r) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(s) Earnings per ordinary share

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

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

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

(t) Operating segments

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

Notes to the Financial Statements *(cont'd)*

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM	Short-term leasehold land RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Furniture, fittings and equipment Outright purchase RM	Furniture, fittings and equipment Under finance lease RM	Motor vehicles Outright purchase RM	Motor vehicles Under finance lease RM	Moulds, loose tools and implement RM	Assets under construction RM	Total RM
Cost													
At 1 January 2011		37,760,000	4,048,328	100,749,825	227,848,506	38,737,458	9,726,822	2,583,519	5,447,877	4,864,381	1,514,931	5,327,201	438,608,848
Additions		9,982,928	-	1,436,555	-	484,703	2,397,480	-	789,206	-	47,000	38,630,246	53,768,118
Disposals		-	-	(595,272)	(471,765)	-	(12,695)	-	(865,287)	-	-	(180)	(1,945,199)
Transfers		-	-	(168,000)	152,761	(152,761)	6,614,226	-	6,000	-	-	(6,452,226)	-
At 31 December 2011/ 1 January 2012		47,742,928	4,048,328	101,423,108	227,529,502	39,069,400	18,725,833	2,583,519	5,377,796	4,864,381	1,561,931	37,505,041	490,431,767
Acquisition of a subsidiary	33.1	-	-	-	269,383	-	9,800	-	-	-	-	-	279,183
Additions		-	1,340,000	215,720	2,703,457	740,408	741,293	-	3,000,077	295,202	26,546	10,217,350	19,280,053
Disposals		(10,953,771)	-	-	(5,360,439)	(930,775)	(64,828)	-	(1,559,563)	(1,305,165)	-	-	(20,174,541)
Transfers		970,843	-	370,343	17,121,611	5,802,840	(9,069,092)	-	32,042	50,977	-	(15,279,564)	-
Transfer to assets held for sale	13	-	(2,088,828)	(1,187,608)	(2,624,817)	-	(791,181)	-	(2,733,443)	(119,035)	-	-	(9,544,912)
At 31 December 2012		37,760,000	3,299,500	100,821,563	239,638,697	44,681,873	9,551,825	2,583,519	4,116,909	3,786,360	1,588,477	32,442,827	480,271,550

Notes to the Financial Statements *(cont'd)*

3. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

					Plant and machinery		Furniture, fittings and equipment		Motor vehicles				
Group (cont'd)	Note	Freehold land RM	Short-term leasehold land RM	Buildings RM	Outright purchase RM	Under finance lease RM	Outright purchase RM	Under finance lease RM	Outright purchase RM	Under finance lease RM	Moulds, loose tools and implement RM	Assets under construction RM	Total RM
Depreciation													
At 1 January 2011		-	691,405	21,994,901	104,177,465	7,383,302	5,478,561	483,144	4,492,774	1,280,989	988,988	-	146,971,529
Depreciation for the year		-	76,937	4,034,436	12,320,142	1,351,957	990,766	193,238	172,361	893,708	144,041	-	20,177,586
Disposals		-	-	(108,423)	-	-	(811,255)	-	(294,874)	-	-	-	(1,214,552)
Transfers		-	-	-	-	-	-	-	695,062	(695,062)	-	-	-
At 31 December 2011/ 1 January 2012		-	768,342	25,920,914	116,497,607	8,735,259	5,658,072	676,382	5,065,323	1,479,635	1,133,029	-	165,934,563
Depreciation for the year		-	98,147	4,056,651	10,922,648	1,391,485	860,855	77,323	638,531	592,125	105,292	-	18,743,057
Disposals		-	-	-	(4,544,485)	(113,975)	(16,501)	-	(1,278,384)	(631,801)	-	-	(6,585,146)
Transfers		-	-	(201,804)	496,042	(294,238)	-	-	2,935	(2,935)	-	-	-
Transfer to assets held for sale	13	-	(180,271)	(251,444)	(417,495)	-	(320,877)	-	(382,134)	(16,196)	-	-	(1,568,417)
At 31 December 2012		-	686,218	29,524,317	122,954,317	9,718,531	6,181,549	753,705	4,046,271	1,420,828	1,238,321	-	176,524,057
Carrying amounts													
At 1 January 2011		37,760,000	3,356,923	78,754,924	123,671,041	31,354,156	4,248,261	2,100,375	955,103	3,583,392	525,943	5,327,201	291,637,319
At 31 December 2011 / 1 January 2012		47,742,928	3,279,986	75,502,194	111,031,895	30,334,141	13,067,761	1,907,137	312,473	3,384,746	428,902	37,505,041	324,497,204
At 31 December 2012		37,760,000	2,613,282	71,297,246	116,684,380	34,963,342	3,370,276	1,829,814	70,638	2,365,532	350,156	32,442,827	303,747,493

Notes to the Financial Statements *(cont'd)*

3. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company	Note	Freehold land RM	Short-term leasehold land RM	Buildings RM	Plant and machinery: Outright purchase RM	Plant and machinery: Under finance lease RM	Furniture, fittings and equipment: Outright purchase RM	Furniture, fittings and equipment: Under finance lease RM	Motor vehicles: Outright purchase RM	Motor vehicles: Under finance lease RM	Assets under construction RM	Total RM
Cost												
At 1 January 2011		27,020,000	3,299,500	55,637,400	193,673,324	26,697,595	5,774,309	11,700	3,499,125	2,465,714	4,678,693	322,757,360
Additions		-	-	1,342,853	2,199,312	-	607,702	-	-	98,187	24,709,455	28,957,509
Disposals		-	-	(595,272)	(12,695)	-	(822,057)	-	(162,620)	-	(180)	(1,592,824)
Transfers		-	-	(168,000)	6,614,226	-	-	-	260,000	(260,000)	(6,446,226)	-
At 31 December 2011/ 1 January 2012		27,020,000	3,299,500	56,216,981	202,474,167	26,697,595	5,559,954	11,700	3,596,505	2,303,901	22,941,742	350,122,045
Additions		-	-	167,646	138,751	-	342,049	-	59,050	151,152	9,610,428	10,469,076
Disposals		-	-	-	-	-	-	-	(901,206)	(348,014)	-	(1,249,220)
Transfers		-	-	370,343	-	-	-	-	-	-	(370,343)	-
Transfer from investment property	4	-	-	7,401,433	-	-	-	-	-	-	-	7,401,433
At 31 December 2012		27,020,000	3,299,500	64,156,403	202,612,918	26,697,595	5,902,003	11,700	2,754,349	2,107,039	32,181,827	366,743,334

Notes to the Financial Statements *(cont'd)*

3. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

Company *(cont'd)*	Note	Freehold land RM	Short-term leasehold land RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Furniture, fittings and equipment Outright purchase RM	Furniture, fittings and equipment Under finance lease RM	Motor vehicles Outright purchase RM	Motor vehicles Under finance lease RM	Assets under construction RM	Total RM
Depreciation												
At 1 January 2011		-	559,315	17,311,167	81,320,639	4,292,257	3,424,279	1,454	3,392,403	284,263	-	110,585,777
Depreciation for the year	18	-	63,451	2,727,183	9,123,936	306,053	548,898	562	94,730	393,076	183,909	13,441,798
Disposals		-	-	(108,423)	-	-	(768,941)	-	(162,620)	-	-	(1,039,984)
Transfers		-	-	166,013	17,896	-	-	-	225,333	(225,333)	(183,909)	-
At 31 December 2011/ 1 January 2012		-	622,766	20,095,940	90,462,471	4,598,310	3,204,236	2,016	3,549,846	452,006	-	122,987,591
Depreciation for the year	18	-	63,451	3,166,451	7,450,224	1,559,601	557,353	563	38,248	387,054	-	13,222,945
Disposals		-	-	-	-	-	-	-	(901,206)	(182,619)	-	(1,083,825)
Transfer from investment property	4	-	-	3,698,326	-	-	-	-	-	-	-	3,698,326
At 31 December 2012		-	686,217	26,960,717	97,912,695	6,157,911	3,761,589	2,579	2,686,888	656,441	-	138,825,037
Carrying amounts												
At 1 January 2011		27,020,000	2,740,185	38,326,233	112,352,685	22,405,338	2,350,030	10,246	106,722	2,181,451	4,678,693	212,171,583
At 31 December 2011 / 1 January 2012		27,020,000	2,676,734	36,121,041	112,011,696	22,099,285	2,355,718	9,684	46,659	1,851,895	22,941,742	227,134,454
At 31 December 2012		27,020,000	2,613,283	37,195,686	104,700,223	20,539,684	2,140,414	9,121	67,461	1,450,598	32,181,827	227,918,297

Notes to the Financial Statements *(cont'd)*

3. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

3.1 Security

The following property, plant and equipment are charged as security for certain loans and borrowings (see Note 15).

Group	Carrying amounts 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Fixed legal charges			
Freehold land	10,740,000	20,722,928	10,740,000
Short-term leasehold land	-	603,252	616,738
Buildings	34,016,030	35,695,542	36,355,513
	44,756,030	57,021,722	47,712,251
Under debentures			
Plant and machinery	9,522,866	2,866,702	4,537,300
	54,278,896	59,888,424	52,249,551

Assets under finance leases also secure the lease obligations of the Group and the Company.

3.2 Assets under construction

These comprise plant and machinery under installation.

Included in assets under construction of the Group and of the Company is interest capitalised of RM950,317 (31.12.2011: RM447,561; 1.1.2011: Nil) and RM634,907 (31.12.2011: RM312,138; 1.1.2011: Nil) respectively. The interest is charged at the rates ranging from 4.00% to 7.42% (31.12.2011: 4.00% - 6.30%; 1.1.2011: Nil) per annum.

3.3 Impairment review of property, plant and equipment

Due to operating losses of the Group and of the Company, they have evaluated whether the underlying buildings and plant and machineries are stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by professional valuation firms by reference to the market values of similar assets and after taking into accounts the age and physical condition of the assets. The valuation by its nature entails a critical judgement. The carrying amount of the affected assets is not impaired as at year end as their estimated fair value less costs to sell is higher than their carrying amount.

3.4 Certain buildings (previously classified as investment property) with carrying amount of RM3,333,107 as at 31 December 2012 are constructed on a parcel of land leased from a related party.

Notes to the Financial Statements *(cont'd)*

3. PROPERTY, PLANT AND EQUIPMENT *(cont'd)*

3.5 Allocation of depreciation

Depreciation for the year is allocated as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Results from operating activities (Note 18)	17,829,181	18,486,507	13,222,945	13,441,798
Discontinued operation (Note 22)	913,876	1,691,079	-	-
	18,743,057	20,177,586	13,222,945	13,441,798

4. INVESTMENT PROPERTY – COMPANY

	Factory building RM
Cost	
At 1 January 2011 and 31 December 2011/1 January 2012	7,401,433
Transfer to property, plant and equipment (Note 3)	(7,401,433)
At 31 December 2012	-
Amortisation	
At 1 January 2011	3,328,256
Amortisation for the year (Note 18)	370,070
At 31 December 2011/1 January 2012	3,698,326
Transfer to property, plant and equipment (Note 3)	(3,698,326)
At 31 December 2012	-
Carrying amounts	
At 1 January 2011	4,073,177
At 31 December 2011/1 January 2012	3,703,107
At 31 December 2012	-
Estimated fair value	
At 1 January 2011	7,927,000
At 31 December 2011/1 January 2012	7,927,000
At 31 December 2012	-

Notes to the Financial Statements *(cont'd)*

4. INVESTMENT PROPERTY – COMPANY *(cont'd)*

This comprised a factory building previously leased by the Company to its subsidiaries. During the year, the building has been transferred from investment property to property, plant and equipment as the building is no longer leased by the subsidiaries.

5. INVESTMENT IN SUBSIDIARIES - COMPANY

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Unquoted shares, at cost	18,716,977	28,916,977	20,472,500
Less: Impairment loss	-	(2,500,000)	-
	18,716,977	26,416,977	20,472,500

Details of the subsidiaries, all of which were incorporated in Malaysia, and the Company's interests therein are as follows:

Subsidiary	Principal activities	Effective ownership interest 31.12.2012 %	31.12.2011 %	1.1.2011 %
Direct				
Magic Network Sdn. Bhd.	Marketing and sale of galvanised products	100.00	100.00	100.00
Integrated Coil Coating Industries Sdn. Bhd. ("ICCI")	Manufacture, sale and installation of metal roofing and related products, PVC pipes and wire mesh and trading in paints and hardware	100.00 #	100.00	100.00
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	54.49	54.49	-
Star Shine Marketing Sdn. Bhd. ("SSM")	Trading of galvanised iron and prepainted galvanised iron steel sheets in coils	-	-	65.00
Indirect through SSH				
SSM	Trading of galvanised iron and prepainted galvanised iron steel sheets in coils	54.49	54.49	-
Star Shine Global Trading Sdn. Bhd. ("SSGT")	Trading of flat steel products	54.49	54.49	-
Star Shine Steel Products Sdn. Bhd. ("SSSP")	Manufacture and sale of steel products and trading of other building and construction materials	54.49	54.49	-
Star Shine Industries Sdn. Bhd. ("SSI")	Manufacture and trading of steel tubes and pipes	54.49	54.49	-

Notes to the Financial Statements *(cont'd)*

5. INVESTMENT IN SUBSIDIARIES - COMPANY *(cont'd)*

Subsidiary	Principal activities	31.12.2012 %	Effective ownership interest 31.12.2011 %	1.1.2011 %
Indirect through SSM				
Starshine Resources Sdn. Bhd. ("SSR")	Manufacture, process and sale of general construction and building materials	54.49	54.49	-
SSGT	Trading of flat steel products	-	-	33.15
SSSP	Manufacture and sale of steel products and trading of other buildings and construction materials	-	-	49.08
SSI	Manufacture and trading of steel tubes and pipes	-	-	47.45
Indirect through ICCI				
Wajaplas Manufacturing (M) Sdn. Bhd.	Manufacture and retailing polyvinyl chloride based products and trading of building materials	100.00 #	-	-

\# *These subsidiaries have been classified as an investment held for sale during the year (see Notes 13 and 31).*

The auditors' reports on the financial statements of the subsidiaries (except for Integrated Coil Coating Industries Sdn. Bhd., Magic Network Sdn. Bhd., Star Shine Global Trading Sdn. Bhd. and Starshine Resources Sdn. Bhd.) were modified as set out below:

Emphasis of matter

The ability of the subsidiaries to continue as a going concern and meet their obligations is therefore dependent on the financial support of holding company and the achievement of future profitable operations by the subsidiaries.

The holding company has undertaken to provide continued financial support to the subsidiaries and is of the opinion that the subsidiaries will be able to achieve future profitable operations. Without such financial support and the achievement of future profitable operations, the subsidiaries may not be able to continue as a going concern and adjustments may have to be made to reflect the situation that assets may need to be realised other than the amounts at which they are currently recorded in the statement of financial position. In addition, the subsidiaries may have to provide for further liabilities that might arise and to reclassify non-current assets to current.

6. GOODWILL – GROUP

	RM
Cost	
At 1 January 2011, 31 December 2011/1 January 2012 and 31 December 2012	1,437,871

Notes to the Financial Statements *(cont'd)*

6. GOODWILL – GROUP *(cont'd)*

	RM
Impairment loss	
Impairment loss during the 2011 year (Note 18) and balance at 31 December 2011/1 January 2012 and 31 December 2012	1,437,871
Carrying amounts	
At 1 January 2011	1,437,871
At 31 December 2011/1 January 2012 and 31 December 2012	-

Goodwill arose on the acquisition of the non-controlling interest in a subsidiary during the year ended 31 December 2005.

The goodwill of RM1,437,871 was fully impaired during the last financial year upon the cessation of operation by that subsidiary (see Note 18).

7. OTHER INVESTMENTS

		Group	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Non-current			
Available-for-sale financial assets			
- quoted shares in Malaysia	21,400	42,200	42,200
Less: Impairment loss	(11,625)	(18,685)	(18,685)
	9,775	23,515	23,515
Representing items:			
Market value of quoted shares (Note 25.4)	9,775	23,515	23,515

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Notes to the Financial Statements *(cont'd)*

8. DEFERRED TAX

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 31.12.2012 RM	Assets 31.12.2011 RM	Assets 1.1.2011 RM	Liabilities 31.12.2012 RM	Liabilities 31.12.2011 RM	Liabilities 1.1.2011 RM	Net 31.12.2012 RM	Net 31.12.2011 RM	Net 1.1.2011 RM
Property, plant and equipment	-	-	-	(29,996,000)	(29,714,000)	(28,175,000)	(29,996,000)	(29,714,000)	(28,175,000)
Retirement benefits	935,000	812,000	730,000	-	-	-	935,000	812,000	730,000
Capital allowance carry-forwards	19,959,000	15,929,000	9,769,000	-	-	-	19,959,000	15,929,000	9,769,000
Tax loss carry-forwards	764,000	871,000	165,000	-	-	-	764,000	871,000	165,000
Other items	1,000	5,000	107,000	-	-	-	1,000	5,000	107,000
Tax assets/(liabilities)	21,659,000	17,617,000	10,771,000	(29,996,000)	(29,714,000)	(28,175,000)	(8,337,000)	(12,097,000)	(17,404,000)
Set off of tax	(21,659,000)	(17,534,000)	(10,664,000)	21,659,000	17,534,000	10,664,000	-	-	-
Net tax assets/(liabilities)	-	83,000	107,000	(8,337,000)	(12,180,000)	(17,511,000)	(8,337,000)	(12,097,000)	(17,404,000)

Company	Assets/(Liabilities) 31.12.2012 RM	Assets/(Liabilities) 31.12.2011 RM	Assets/(Liabilities) 1.1.2011 RM
Property, plant and equipment	(29,350,000)	(27,224,000)	(25,087,000)
Retirement benefits	935,000	812,000	730,000
Capital allowance carry-forwards	19,959,000	14,949,000	9,584,000
Tax loss carry-forwards	764,000	660,000	-
Deferred tax liabilities	(7,692,000)	(10,803,000)	(14,773,000)

Notes to the Financial Statements *(cont'd)*

8. DEFERRED TAX *(cont'd)*

Movements in deferred tax during the year are as follows:

Group	At 1.1.2011 RM	Recognised in profit or loss RM	At 31.12.2011/ 1.1.2012 RM	Recognised in profit or loss RM	At 31.12.2012 RM
Property, plant and equipment	(28,175,000)	(1,539,000)	(29,714,000)	(282,000)	(29,996,000)
Retirement benefits	730,000	82,000	812,000	123,000	935,000
Capital allowance carry-forwards	9,769,000	6,160,000	15,929,000	4,030,000	19,959,000
Tax loss carry-forwards	165,000	706,000	871,000	(107,000)	764,000
Other items	107,000	(102,000)	5,000	(4,000)	1,000
	(17,404,000)	5,307,000	(12,097,000)	3,760,000	(8,337,000)
		(Notes 21 and 22)		(Notes 21 and 22)	

Company	At 1.1.2011 RM	Recognised in profit or loss RM	At 31.12.2011/ 1.1.2012 RM	Recognised in profit or loss RM	At 31.12.2012 RM
Property, plant and equipment	(25,087,000)	(2,137,000)	(27,224,000)	(2,126,000)	(29,350,000)
Retirement benefits	730,000	82,000	812,000	123,000	935,000
Capital allowance carry-forwards	9,584,000	5,365,000	14,949,000	5,010,000	19,959,000
Tax loss carry-forwards	-	660,000	660,000	104,000	764,000
	(14,773,000)	3,970,000	(10,803,000)	3,111,000	(7,692,000)
		(Note 21)		(Note 21)	

Unrecognised deferred tax

No deferred tax assets have been recognised in respect of the following temporary differences (stated at gross) because it is uncertain if future taxable profits will be available against which the group entities concerned can utilise the benefits therefrom:

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Property, plant and equipment	(9,763,000)	-	-	-	-	-
Capital allowance carry- forwards	8,156,000	-	-	-	-	-
Tax loss carry-forwards	3,652,000	-	-	-	-	-
Reinvestment allowance carry-forwards	132,716,000	125,203,000	117,896,000	121,541,000	119,033,000	111,726,000
	134,761,000	125,203,000	117,896,000	121,541,000	119,033,000	111,726,000
Deferred tax assets	33,690,000	31,301,000	29,474,000	30,385,000	29,758,000	27,932,000

Unabsorbed capital/reinvestment allowance carry-forwards and unutilised tax loss carry-forwards do not expire under the current tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

Notes to the Financial Statements *(cont'd)*

9. INVENTORIES

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
At cost						
Raw materials	11,526,461	16,045,609	28,761,158	11,313,188	15,422,010	12,436,455
Manufactured inventories	42,077,947	49,296,820	42,402,244	25,033,939	33,268,702	23,827,581
Trading products	14,606,634	15,614,584	11,780,258	-	-	-
Consumables	17,082,302	17,212,316	15,308,146	17,082,302	17,212,316	15,034,417
Work-in-progress	14,200,622	17,066,009	36,243,143	12,658,135	18,319,530	34,885,153
	99,493,966	115,235,338	134,494,949	66,087,564	84,222,558	86,183,606
At net realisable value						
Manufactured inventories	1,599,328	2,301,801	3,435,388	1,599,328	2,301,801	2,446,877
Trading products	252,423	-	-	-	-	-
	1,851,751	2,301,801	3,435,388	1,599,328	2,301,801	2,446,877
Total	101,345,717	117,537,139	137,930,337	67,686,892	86,524,359	88,630,483
Recognised in profit or loss:						
Write-down to net realisable value	930,287	1,448,445	391,430	867,001	1,448,445	253,360

The Group and the Company evaluated their inventories as at the end of the reporting period to determine if any of them would not be saleable at or above their cost. Following the evaluation, the Group and the Company wrote down certain inventories (comprising mainly low-grade inventories) to their net realisable value. The write down is included in the cost of sales for the year.

10. TRADE AND OTHER RECEIVABLES

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Trade						
Trade receivables	82,709,906	74,031,811	84,901,238	2,562,520	1,752,853	2,074,428
Less: Allowance for impairment loss	(3,944,866)	(3,057,053)	(2,538,849)	(124,814)	(124,814)	(124,814)
	78,765,040	70,974,758	82,362,389	2,437,706	1,628,039	1,949,614
Subsidiaries	-	-	-	105,334,471	56,072,095	71,282,638
	78,765,040	70,974,758	82,362,389	107,772,177	57,700,134	73,232,252
Non-trade						
Other receivables	773,031	428,006	248,469	104,969	259,524	60,669
Total	79,538,071	71,402,764	82,610,858	107,877,146	57,959,658	73,292,921

Notes to the Financial Statements *(cont'd)*

10. TRADE AND OTHER RECEIVABLES *(cont'd)*

The trade balances due from subsidiaries are unsecured and repayable on demand.

Included in the trade balances due from subsidiaries is an amount of RM86,568,775 (31.12.2011: RM41,201,819; 1.1.2011: RM54,062,783) of which any balances if not paid within the agreed credit term bears interest at 6.00% (31.12.2011: 4.00%; 1.1.2011: 3.00%) per annum.

11. DEPOSITS AND PREPAYMENTS

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Deposits	1,766,068	813,765	3,585,847	1,258,888	914,799	1,474,003
Prepayments	2,264,701	1,502,432	1,394,338	2,017,374	526,288	584,557
	4,030,769	2,316,197	4,980,185	3,276,262	1,441,087	2,058,560

Deposits of the Group and of the Company include an amount of RM1,110,233 (31.12.2011: RM713,523; 1.1.2011: RM2,465,404) and RM1,110,233 (31.12.2011: RM713,523; 1.1.2011: RM702,374) respectively paid for the purchase of materials, plant and equipment.

12. CASH AND CASH EQUIVALENTS

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Term deposits placed with licensed banks	19,404,005	14,672,397	14,069,517	1,340,900	1,299,211	1,264,439
Cash in hand and at banks	13,619,275	7,218,911	12,228,103	1,554,457	1,006,909	552,138
	33,023,280	21,891,308	26,297,620	2,895,357	2,306,120	1,816,577

Term deposits of the Group include an amount of RM18,063,105 (31.12.2011: RM13,373,186; 1.1.2011: RM12,805,076) pledged for banking facilities granted to certain subsidiaries (Note 15).

13. NON-CURRENT ASSETS HELD FOR SALE

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Investment in subsidiaries [Note 31.(b)]	-	-	-	7,500,000	-	-
Disposal group held for sale (Note 13.1)	24,692,160	-	-	-	-	-
Property held for sale (Note 13.2)	1,968,840	322,810	322,810	-	-	-
	26,661,000	322,810	322,810	7,500,000	-	-

Notes to the Financial Statements *(cont'd)*

13. NON-CURRENT ASSETS HELD FOR SALE *(cont'd)*

13.1 Disposal group held for sale

Following the Group's commitment to sell Integrated Coil Coating Industries Sdn. Bhd. and its subsidiary (together referred to as ICCI Group) in May 2012 [see Note 31 (b)], the entire operations of ICCI Group are presented as a disposal group held for sale. Efforts to sell the disposal group have commenced prior to the year end and the sale is expected to be completed by June 2013.

At 31 December 2012, the assets and liabilities of the disposal group are as follows:

	Note	Group 2012 RM
Assets classified as held for sale		
Property, plant and equipment	(i)	6,330,465
Other investment	(ii)	780
Inventories	(iii)	8,346,388
Trade and other receivables	(iv)	6,744,223
Deposits and prepayments	(v)	1,285,500
Current tax recoverable		434,374
Cash and cash equivalents		1,550,430
		24,692,160
Liabilities classified as held for sale		
Trade and other payables		1,521,748
Loans and borrowings	(vi)	15,867,622
		17,389,370

(i) Property, plant and equipment held for sale comprise the following:

	Group 2012 RM
Cost	7,233,120
Accumulated depreciation	(902,655)
Carrying amount	6,330,465

A private caveat has been filed by a third party on one parcel of leasehold land (with a carrying amount of RM1,317,667 as at 31 December 2012) against the former vendor of the land. The titles to the land and motor vehicles have not been transferred to the subsidiary as at year end.

(ii) Other investment held for sale comprise available-for sale financial assets, which are measured at their fair value at the reporting date.

Notes to the Financial Statements *(cont'd)*

13. NON-CURRENT ASSETS HELD FOR SALE *(cont'd)*

13.1 Disposal group held for sale (cont'd)

(iii) Inventories held for sale are stated at cost and comprise the following:

	Group 2012 RM
Manufactured inventories	814,252
Raw materials	4,346,863
Trading inventories	3,185,273
	8,346,388

(iv) Receivables held for sale are carried at cost less impairment loss.

(v) Included in the deposits as at 31 December 2012 is an amount of RM1,278,000 paid for the acquisition of leasehold land and buildings.

(vi) Loans and borrowings held for sale comprise the following:

	Group 2012 RM
Bank overdrafts	2,164,586
Bankers' acceptances	13,584,000
Finance lease liabilities	119,036
	15,867,622

These loans and borrowings are covered by a corporate guarantee of the Company. The finance lease liabilities are secured on the respective finance lease assets of the subsidiary (with a carrying amount of RM102,839 as at 31 December 2012).

13.2 Property held for sale

	Group RM
At 1 January 2011 and 31 December 2011/1 January 2012	322,810
Transfers from property, plant and equipment (Note 3)	1,646,030
At 31 December 2012	1,968,840

(a) Included in property held for sale is a building costing RM322,810 (31.12.2011 and 1.1.2011: RM322,810) which arose from settlement of trade receivables in kind. During the year, the Group has entered into a sale and purchase agreement with a third party to dispose of the building and the disposal is subject to certain conditions precedent which are expected to be fulfilled by the end of 2013.

The title to the said building has yet to be transferred to the Group as at the year end.

Notes to the Financial Statements *(cont'd)*

13. NON-CURRENT ASSETS HELD FOR SALE *(cont'd)*

13.2 Property held for sale (cont'd)

(b) Additions to property held for sale consist of three parcels of short-term leasehold land and the buildings erected thereon, which have been classified as held for sale after the cessation of the operations of the furniture hardware and accessories manufacturing division of a subsidiary during the year.

The Group has then entered into sale and purchase agreements with third parties to dispose of these assets and the sale is subject to certain conditions precedent which are expected to be fulfilled by the end of 2013. As a consequence, these assets are transferred from property, plant and equipment and classified as held for sale as at 31 December 2012.

	Group RM
Cost	2,311,792
Accumulated depreciation	(665,762)
	1,646,030

The leasehold land and buildings are charged as security for certain loans and borrowings of a subsidiary (see Note 15).

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14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company					
	Amount			Number of shares		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012	31.12.2011	1.1.2011
Authorised						
Ordinary shares of RM0.50 each	450,000,000	450,000,000	450,000,000	900,000,000	900,000,000	900,000,000
Redeemable convertible preference shares of RM0.50 each	50,000,000	50,000,000	50,000,000	100,000,000	100,000,000	100,000,000
	500,000,000	500,000,000	500,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Issued and fully paid up						
Ordinary shares of RM0.50 each						
Opening and closing balances	90,923,729	90,923,729	90,923,729	195,534,900	195,534,900	195,534,900
Redeemable convertible preference shares of RM0.50 each						
Opening balance	10,863,050	10,863,050	-	21,726,100	21,726,100	-
Issued for cash	-	-	10,863,050	-	-	21,726,100
Closing balance	10,863,050	10,863,050	10,863,050	21,726,100	21,726,100	21,726,100
Total	101,786,779	101,786,779	101,786,779	217,261,000	217,261,000	217,261,000

Notes to the Financial Statements *(cont'd)*

14. CAPITAL AND RESERVES *(cont'd)*

14.1 Share capital (cont'd)

Redeemable convertible preference shares ("RCPS")

The holders of RCPS are entitled to receive non-cumulative dividends as declared from time to time. The RCPS rank equally with regards to the Company's residual assets, except that RCPS holders participate only to the extent of the par value of the preference shares.

The RCPS confer the holders thereof the following rights and privileges and is subject to the following conditions:

i) Each RCPS shall be convertible, at the option of the holder thereof, at any time after its date of issue ("original date of issue") but prior to redemption, and without the payment of additional consideration by the holder thereof, into such number of fully paid and non-assessable shares as is determined by dividing the issue price by the RCPS conversion price in effect at the time of conversion. The RCPS conversion price shall initially be equal to the issue price per RCPS.

ii) No fractional shares shall be issued upon conversion of the RCPS. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall pay cash equal to such fraction multiplied by:

(1) where the shares are listed and quoted on Bursa Malaysia at the conversion time, the arithmetic mean of the daily volume weighted average price of the ordinary shares during the period of 5 market days immediately preceding the conversion time; or

(2) where the shares cease to be listed and quoted on Bursa Malaysia at the conversion time, the fair market value of the shares as determined in good faith by the Board.

Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of RCPS the holder is at the time converting into shares and the aggregate number of shares issuable upon such conversion.

iii) The RCPS shall rank ahead both as regards payment of dividend and repayment of capital in priority to all classes of shares of the Company and are not transferable.

iv) The holder of RCPS are not entitled to participate in the profits or assets of the Company beyond such rights as are expressly set out in the Memorandum and Article and except in the event of the winding-up of the Company as hereinafter provided.

v) The RCPS shall carry the right to receive a non-cumulative dividend at a rate to be determined by the Board provided always that such rate shall not be less than 10% above that declared on the ordinary shares in issue in any financial year.

vi) The RCPS will not be listed on Bursa Malaysia and/or any other foreign stock exchange.

vii) The holder of the RCPS will be entitled to vote in each of the following circumstances and in no others:

(1) when a dividend (or part of a dividend) in respect of the RCPS is in arrears;
(2) to reduce the Company's share capital or share premium account;
(3) to vary, modify, abrogate or otherwise effect the rights and privileges attached to the RCPS;
(4) to wind up, dissolve, amalgamate, merge or consolidate the Company with any other body corporate;
(5) to dispose the whole or a substantial part of the Company's property, business and undertakings;
(6) during the winding up of the Company; and
(7) to alter the Memorandum and Articles of the Company.

Notes to the Financial Statements *(cont'd)*

14. CAPITAL AND RESERVES *(cont'd)*

14.1 Share capital *(cont'd)*

Redeemable convertible preference shares ("RCPS") *(cont'd)*

viii) Whenever a holder of a RCPS has the right to vote at a general meeting of the Company, that holder has the same right to vote (both on a show of hands and on a poll) as a holder of ordinary shares and has the same rights as the holder of ordinary shares in respect of all proceedings at that general meeting.

ix) A holder of a RCPS has the same rights as a holder of ordinary shares in relation to receiving notices, reports and audited accounts and attending meetings of the Company.

14.2 Reserves

		Group			Company	
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
	RM	RM	RM	RM	RM	RM
Retained earnings	31,574,618	46,923,842	67,812,558	34,630,549	45,060,722	55,457,353
Warrant reserve	6,843,721	6,843,721	6,843,721	6,843,721	6,843,721	6,843,721
Share premium	1,968,881	1,968,881	1,968,881	1,968,881	1,968,881	1,968,881
	40,387,220	55,736,444	76,625,160	43,443,151	53,873,324	64,269,955

Warrant reserve

This represents the reserve arising from the rights issue with free detachable warrants during 2008. The warrant reserve amount is determined based on the estimated fair value of the warrants immediately upon the listing and quotation of thereof.

Retained earnings – Section 108 tax credit

Subject to agreement with the Inland Revenue Board, the Company has sufficient Section 108 tax credit and incentive-based exempt income (such as reinvestment allowance) at 31 December 2012 to distribute all of its retained earnings as franked dividends and normal exempt dividends, as the case may be.

The Company may however elect for early migration to the single-tier company income tax system enacted via the Finance Act 2007, under which retained earnings are distributable as single-tier exempt dividends. The system, which is effective from 1 January 2008, allows for a transitional period of six years. Unless so migrated to the system, the Section 108 tax credit will be available to the Company until such time the credit is fully utilised or upon the expiry of the transitional period on 31 December 2013, whichever is earlier.

The incentive-based exempt income will be available to the Company until it is fully distributed as dividends.

Share premium

This arose from the issuance of RCPS at a price above its par value of RM0.50 each in prior year.

Notes to the Financial Statements *(cont'd)*

15. LOANS AND BORROWINGS

	Group			Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**
Non-current						
Term loans						
- secured	20,792,698	30,224,671	23,822,936	-	-	-
- unsecured	38,008,101	49,837,499	48,172,532	38,008,101	49,837,499	48,172,532
Finance lease liabilities						
- secured	6,956,762	11,017,333	13,736,893	791,527	1,789,007	6,595,243
	65,757,561	91,079,503	85,732,361	38,799,628	51,626,506	54,767,775
Current						
Term loans						
- secured	3,567,093	4,180,716	2,629,270	-	-	-
- unsecured	14,690,782	14,579,019	13,502,000	14,690,782	14,579,019	12,502,000
Finance lease liabilities						
- secured	4,185,567	8,697,546	8,366,444	1,018,324	4,883,449	5,730,329
Bankers' acceptances and revolving credits						
- secured	42,946,974	40,810,359	40,382,972	-	-	-
- unsecured	153,963,000	138,854,000	137,963,257	150,963,000	128,357,000	121,553,257
Bank overdrafts						
- unsecured	4,157,341	8,034,960	16,273,537	4,157,341	6,117,572	13,158,782
	223,510,757	215,156,600	219,117,480	170,829,447	153,937,040	152,944,368
Total	289,268,318	306,236,103	304,849,841	209,629,075	205,563,546	207,712,143

(i) Security

Overdrafts, term loans and bankers' acceptances

Subsidiaries

- Secured by a pledge of term deposits (see Note 12).
- Secured by fixed charges over certain subsidiaries' freehold land, short-term leasehold land and buildings (erected thereon) [see Notes 3 and 13.2].
- Secured by debentures over certain plant and equipment (see Note 3).
- Covered by a negative pledge over certain subsidiaries' present and future assets.
- Covered by corporate guarantees from the Company and two subsidiaries.
- Joint and several guarantees of certain Directors of the Company.

Finance leases liabilities

Company and subsidiaries

Finance lease liabilities are secured on the respective finance lease assets. In addition, the finance lease liabilities of certain indirect subsidiaries amounting to RM2,289,865 (31.12.2011: RM6,710,267; 1.1.2011: RM4,066,143) are also guaranteed by an indirect subsidiary whereas the finance lease liabilities of another indirect subsidiary of RM4,475,410 (31.12.2011: Nil; 1.1.2011: Nil) are jointly and severally guaranteed by certain Directors of the Company.

Notes to the Financial Statements *(cont'd)*

15. LOANS AND BORROWINGS *(cont'd)*

(ii) Significant covenants on loans and borrowings

The Group and the Company are required to maintain a gearing ratio not exceeding 2.25 times and 2.00 times respectively in respect of the banking facilities granted by a licensed bank to the Company. The total outstanding loans and borrowings of the Company with the said bank as at 31 December 2012 are RM27,768,702 (31.12.2011: RM38,934,702; 1.1.2011: RM50,179,892).

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Notes to the Financial Statements *(cont'd)*

15. LOANS AND BORROWINGS *(cont'd)*

(i) Finance lease liabilities

Finance lease liabilities are payable as follows:

	31.12.2012			31.12.2011			1.1.2011		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Group									
Less than one year	4,832,297	646,730	4,185,567	9,773,050	1,075,504	8,697,546	9,556,734	1,190,290	8,366,444
Between one and five years	7,569,126	612,364	6,956,762	11,873,797	1,165,053	10,708,744	14,842,170	1,105,277	13,736,893
More than five years	-	-	-	312,000	3,411	308,589	-	-	-
	12,401,423	1,259,094	11,142,329	21,958,847	2,243,968	19,714,879	24,398,904	2,295,567	22,103,337
Company									
Less than one year	1,088,450	70,126	1,018,324	5,100,195	216,746	4,883,449	6,258,396	528,067	5,730,329
Between one and five years	833,816	42,289	791,527	1,889,805	100,798	1,789,007	6,901,418	306,175	6,595,243
	1,922,266	112,415	1,809,851	6,990,000	317,544	6,672,456	13,159,814	834,242	12,325,572

Notes to the Financial Statements *(cont'd)*

16. EMPLOYEE BENEFITS

Retirement benefits

	Group and Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Present value of unfunded obligations	5,206,914	3,723,496	3,406,640
Unrecognised actuarial loss	(1,466,612)	(476,680)	(486,395)
Recognised liability for defined benefit obligations	3,740,302	3,246,816	2,920,245

Liability for defined benefit obligations

The Group/Company operates an unfunded defined benefit plan for eligible directors and employees. The benefits payable on retirement are based on length of service, input factor and base pay. The retirement age is 65 for directors and 55 for employees other than directors.

Movement in present value of the defined benefit obligations

	Group and Company	
	2012 RM	2011 RM
Defined benefit obligations at 1 January	3,246,816	2,920,245
Benefits paid by the plan	(49,480)	(40,520)
Current service costs and interest (see below)	536,486	357,376
Actuarial losses recognised (see below)	6,480	9,715
Defined benefit obligations at 31 December	3,740,302	3,246,816

Expenses recognised in profit or loss

	Group and Company	
	2012 RM	2011 RM
Administrative expenses		
Current service costs	333,055	179,263
Interest on obligation	203,431	178,113
Actuarial losses	6,480	9,715
Total benefit expense recognised in profit or loss (Note 18)	542,966	367,091

Actuarial assumptions

Principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):

	Group and Company	
	2012 RM	2011 RM
Discount rate at 31 December	5.5	6
Average age of Directors	46	49
Average years of service of Directors	16	13
Average age of employees	32	33
Average years of service of employees other than Directors	5	7

Notes to the Financial Statements *(cont'd)*

16. EMPLOYEE BENEFITS *(cont'd)*

Historical information

Group and Company	**31.12.2010 RM**	**31.12.2009 RM**	**31.12.2008 RM**
Present value of the defined benefit obligation	3,406,640	3,068,372	2,586,460
Unrecognised actuarial loss	(486,395)	(499,221)	(297,892)

17. TRADE AND OTHER PAYABLES

	Group			Company		
	31.12.2012 RM	**31.12.2011 RM**	**1.1.2011 RM**	**31.12.2012 RM**	**31.12.2011 RM**	**1.1.2011 RM**
Trade						
Trade payables	65,933,116	41,118,496	20,246,824	61,788,970	28,916,531	9,357,775
Subsidiary	-	-	-	2,421	-	-
	65,933,116	41,118,496	20,246,824	61,791,391	28,916,531	9,357,775
Non-trade						
Other payables	7,799,102	1,362,988	1,355,496	6,189,780	25,700	20,000
Accrued expenses	3,145,153	2,803,870	3,552,970	1,789,413	1,665,113	2,000,768
	10,944,255	4,166,858	4,908,466	7,979,193	1,690,813	2,020,768
Total	76,877,371	45,285,354	25,155,290	69,770,584	30,607,344	11,378,543

17.1 Trade payables of the Group/Company include an amount of RM37,134,530 (31.12.2011: RM24,729,093; 1.1.2011: Nil) due to a substantial foreign shareholder of the Company, which bears interest ranging from 1.00% to 1.04% (31.12.2011: 1.01%; 1.1.2011: Nil) per annum. Included in trade payables of the Group/Company is an amount of RM17,917,489 (31.12.2011: Nil; 1.1.2011: RM7,066,409) due to a company in which a substantial foreign shareholder of the Company has interests and bears interest at 7.75% (31.12.2011: 7.75%; 1.1.2011: 7.50%) per annum.

17.2 Included in other payables of the Group/Company is a sum of RM6,071,500 (31.12.2011 and 1.1.2011: Nil) being deposits received for the proposed disposal of a subsidiary during the year [see Note 31(b)].

17.3 The amount due to subsidiary is unsecured, interest free and repayable on demand.

Notes to the Financial Statements *(cont'd)*

18. RESULTS FROM OPERATING ACTIVITIES

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Results from operating activities are arrived at after charging:					
Auditors' remuneration:					
- Audit fees					
- KPMG		117,000	102,000	40,000	36,000
- Non-audit fees					
- KPMG		23,000	31,200	18,000	11,500
- Local affiliates of KPMG		8,700	8,700	6,700	6,700
Amortisation of investment property	4	-	-	-	370,070
Bad debts written off		-	9,300	-	-
Depreciation of property, plant and equipment	3.5	17,829,181	18,486,507	13,222,945	13,441,798
Impairment loss on					
- goodwill	6	-	1,437,871	-	-
- investment in subsidiaries		-	-	200,000	2,500,000
- receivables		887,813	518,204	-	-
- other investments		11,625	-	-	-
Inventories written off		26,233	-	-	-
Inventories written down	9	930,287	1,448,445	867,001	1,448,445
Personnel expenses (including key management personnel):					
- contributions to state plans		2,197,779	2,216,320	1,357,843	1,114,234
- expenses related to defined benefit plan	16	542,966	367,091	542,966	367,091
- wages, salaries and others		22,067,470	21,874,375	14,228,501	13,747,890
Rental of premises and land		566,450	646,139	565,250	624,759
Realised foreign exchange loss		142,473	-	143,430	-
Rental of equipment		1,960	-	-	-
and after crediting:					
Dividend income from:					
- subsidiaries (unquoted)		-	-	-	1,175,000
- shares quoted in Malaysia		375	375	-	-
Gain on disposal of:					
- property, plant and equipment		1,746,173	222,609	155,804	176,915
- a subsidiary	33.2	-	-	-	8,444,447
Foreign exchange gain					
- realised		-	125,125	-	125,125
- unrealised		460,749	-	460,749	-
Rental income from property leased out		96,519	39,900	90,700	615,900

Notes to the Financial Statements *(cont'd)*

19. FINANCE INCOME AND COSTS

Recognised in profit or loss

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Finance income				
Interest income of financial assets that are not at fair value through profit or loss				
- term deposits and other interest income	647,498	452,161	1,293,039	314,139
Finance costs				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- loans and borrowings	15,747,135	14,829,230	11,096,496	10,041,237

20. COMPENSATIONS TO KEY MANAGEMENT PERSONNEL

Compensations paid/payable to key management personnel are as follows:

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Directors of the Company				
- Fees	352,500	410,500	273,500	260,000
- Other short-term employee benefits	3,998,605	3,702,352	3,441,811	2,664,164
	4,351,105	4,112,852	3,715,311	2,924,164
Directors of subsidiaries				
- Fees	37,000	167,500	-	-
- Other short-term employee benefits	2,283,201	2,957,376	-	-
	2,320,201	3,124,876	-	-
Other key management personnel				
- Short-term employee benefits	985,404	1,575,818	738,584	1,575,818
Total	7,656,710	8,813,546	4,453,895	4,499,982

Other key management personnel comprise persons, other than the Directors of the Company, having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

Notes to the Financial Statements *(cont'd)*

21. TAX EXPENSE

Recognised in profit or loss

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Current tax expense				
Malaysian - current year	242,700	215,000	22,000	17,000
- prior years	(20,202)	165,208	(28,777)	112,817
	222,498	380,208	(6,777)	129,817
Deferred tax expense (Note 8)				
- current year	(3,286,000)	(4,715,000)	(2,927,000)	(4,032,000)
- prior year	(457,000)	(174,000)	(184,000)	62,000
	(3,743,000)	(4,889,000)	(3,111,000)	(3,970,000)
Real property gain tax	126,439	-	-	-
Total tax expense	(3,394,063)	(4,508,792)	(3,117,777)	(3,840,183)

Reconciliation of tax expense

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Loss for the year	(18,743,133)	(19,950,685)	(10,430,173)	(7,653,715)
Total tax expense				
- continuing operations	(3,394,063)	(4,508,792)	(3,117,777)	(3,840,183)
- discontinued operation	(18,700)	(232,736)	-	-
Loss excluding tax	(22,155,896)	(24,692,213)	(13,547,950)	(11,493,898)
Income tax calculated using Malaysian tax rate of 25% (2011: 25%)	(5,539,000)	(6,173,000)	(3,387,000)	(2,873,000)
Non-deductible expenses/ (Non-taxable income)	88,000	(386,736)	(145,000)	(857,000)
Tax exempt income	-	-	-	(2,111,000)
Effect of deferred tax assets not recognised (Note 8)	2,389,000	1,827,000	627,000	1,826,000
	(3,062,000)	(4,732,736)	(2,905,000)	(4,015,000)
(Over)/Under-provision in prior years	(477,202)	(8,792)	(212,777)	174,817
Real property gain tax	126,439	-	-	-
Less: Tax expense from discontinued operation (Note 22)	18,700	232,736	-	-
Total tax expense	(3,394,063)	(4,508,792)	(3,117,777)	(3,840,183)

Notes to the Financial Statements *(cont'd)*

22. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARY

In May 2012, the Group committed itself to a plan to sell Integrated Coil Coating Industries Sdn. Bhd. ("ICCI") and its subsidiary (together referred to as ICCI Group). Efforts to sell the disposal group have commenced prior to the year end and the sale is expected to be completed by June 2013.

The operation from ICCI Group was not a discontinued operation or classified as held for sale as at 31 December 2011. The comparative consolidated statement of profit or loss and other comprehensive income has now been represented, for comparability purposes, to show the discontinued operation separately from continuing operations, as if ICCI Group was a discontinued operation in the year ended 31 December 2011.

Loss attributable to the discontinued operation was as follows:

	Group	
	2012	**2011**
<u>Results from discontinued operation</u>	**RM**	**RM**
Revenue	26,330,912	101,814,529
Expense	(27,764,556)	(103,696,375)
	(1,433,644)	(1,881,846)
Tax expense (Note 21)		
- current tax	1,700	(185,264)
- deferred tax	17,000	418,000
	18,700	232,736
Loss for the year	(1,414,944)	(1,649,110)

The loss from discontinued operation of RM1,414,944 (2011: RM1,649,110) is attributable entirely to the owners of the Company.

The loss from discontinued operation is arrived at after charging/(crediting) the following:

	Group	
	2012	**2011**
	RM	**RM**
Allowance for impairment loss on receivables	113,742	-
Allowance for impairment loss on other investments	1,335	-
Audit fee	29,000	14,000
Depreciation of property, plant and equipment (Note 3.5)	913,876	1,691,079
Goodwill written off (Note 33.1)	104,886	-
Personnel expenses		
- contributions to state plans	352,938	111,495
- wages, salaries and others	3,134,496	3,237,511
Rental expense of premises	660,200	4,200
Rental of vehicles	850	-
Realised foreign exchange gain	-	(4,422)
Gain on disposal of property, plant and equipment	(15,775)	-
Finance income - other interest income	- (53)	
Finance costs - interest expenses on loans and borrowings	611,179	450,572

Notes to the Financial Statements *(cont'd)*

22. DISCONTINUED OPERATION/DISPOSAL OF SUBSIDIARY *(cont'd)*

Cash flows from discontinued operation

	Group 2012 RM	Group 2011 RM
Net cash from operating activities	2,310,553	8,530,531
Net cash used in investing activities	(7,079,203)	(5,056)
Net cash from/(used in) financing activities	6,304,944	(7,317,458)
Effect on cash flows	1,536,294	1,208,017

23. LOSS PER ORDINARY SHARE - GROUP

Basic loss per ordinary share

The calculation of basic loss per ordinary share at 31 December 2012 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2012 RM	2011 RM
Loss attributable to ordinary shareholders		
- continuing operations	(13,934,280)	(16,319,966)
- discontinued operation	(1,414,944)	(1,649,110)
	(15,349,224)	(17,969,076)
Weighted average number of shares at 31 December	195,534,900	195,534,900
Basic loss per ordinary share (sen)		
- continuing operations	(7.1)	(8.3)
- discontinued operation	(0.7)	(0.9)
	(7.8)	(9.2)

Diluted loss per ordinary share

The calculation of diluted loss per ordinary share at 31 December 2012 was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	2012 RM	2011 RM
Loss attributable to ordinary shareholders		
- continuing operations	(13,934,280)	(16,319,966)
- discontinued operation	(1,414,944)	(1,649,110)
	(15,349,224)	(17,969,076)

Notes to the Financial Statements *(cont'd)*

23. LOSS PER ORDINARY SHARE - GROUP *(cont'd)*

Diluted loss per ordinary share *(cont'd)*

Weighted average number of ordinary shares (diluted)

	2012	2011
Weighted average number of ordinary shares at 31 December (basic)	195,534,900	195,534,900
Effect of outstanding warrants	- *	6,680,454
Weighted average number of ordinary shares at 31 December (diluted)	195,534,900	202,215,354
Diluted loss per ordinary share (sen)		
- continuing operations	(7.1)	(8.1)
- discontinued operation	(0.7)	(0.8)
	(7.8)	(8.9)

* *The exercise price of the warrants issued in 2008 is higher than the average market price of the ordinary shares of the Company during the year ended 31 December 2012. As the warrants are anti-dilutive in nature, they have been ignored for the purposes of the computation of the diluted earnings per share for the year ended 31 December 2012.*

24. DIVIDENDS

No dividend was paid for the current financial year.

Total dividends recognised in the statement of changes in equity relating to the year ended 31 December 2011 comprised:

	Sen per share (net of tax)	Total RM	Date of payment
2011			
Final 2010 - ordinary share	1.25	2,444,183	31 May 2011
- RCPS	1.375	298,733	31 May 2011
		2,742,916	

25. FINANCIAL INSTRUMENTS

25.1 Categories of financial instruments

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

(i) Loans and receivables ("L&R");
(ii) Available-for-sale financial assets ("AFS"); and
(iii) Other financial liabilities measured at amortised cost ("FL").

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.1 *Categories of financial instruments (cont'd)*

Financial assets/(liabilities)	Carrying amount RM	L&R/ (FL) RM	AFS RM
1.12.2012			
Group			
Quoted investments	9,775	-	9,775
Trade and other receivables	79,538,071	79,538,071	-
Cash and cash equivalents	33,023,280	33,023,280	-
Loans and borrowings	(289,268,318)	(289,268,318)	-
Trade and other payables	(76,877,371)	(76,877,371)	-
Company			
Trade and other receivables	107,877,146	107,877,146	-
Cash and cash equivalents	2,895,357	2,895,357	-
Loans and borrowings	(209,629,075)	(209,629,075)	-
Trade and other payables	(69,770,584)	(69,770,584)	-
31.12.2011			
Group			
Quoted investments	23,515	-	23,515
Trade and other receivables	71,402,764	71,402,764	-
Cash and cash equivalents	21,891,308	21,891,308	-
Loans and borrowings	(306,236,103)	(306,236,103)	-
Trade and other payables	(45,285,354)	(45,285,354)	-
Company			
Trade and other receivables	57,959,658	57,959,658	-
Cash and cash equivalents	2,306,120	2,306,120	-
Loans and borrowings	(205,563,546)	(205,563,546)	-
Trade and other payables	(30,607,344)	(30,607,344)	-
1.1.2011			
Group			
Quoted investments	23,515	-	23,515
Trade and other receivables	82,610,858	82,610,858	-
Cash and cash equivalents	26,297,620	26,297,620	-
Loans and borrowings	(304,849,841)	(304,849,841)	-
Trade and other payables	(25,155,290)	(25,155,290)	-
Company			
Trade and other receivables	73,292,921	73,292,921	-
Cash and cash equivalents	1,816,577	1,816,577	-
Loans and borrowings	(207,712,143)	(207,712,143)	-
Trade and other payables	(11,378,543)	(11,378,543)	-

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net gains/(losses) on:				
Available-for-sale financial assets	(11,625)	-	-	-
Loans and receivables	647,498	452,161	1,293,039	314,139
Financial liabilities measured at amortised cost	(15,747,135)	(14,829,230)	(11,096,496)	(10,041,237)
	(15,111,262)	(14,377,069)	(9,803,457)	(9,727,098)

25.3 Financial risk management

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk

The Group has established a Risk Management Committee (RMC) tasked with formulating and implementing management policies and guidelines which set out the overall business strategies, tolerance to risk and general risk management philosophy. Policies are reviewed annually by the Board of Directors and periodic reviews are undertaken by the RMC to ensure that the Group policies and guidelines are adhered to.

(a) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers. The Company's exposure to credit risk arises principally from customers and subsidiaries and financial guarantees given to banks for banking facilities granted to subsidiaries.

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk, especially that on receivables from external customers, is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Collaterals are obtained from some customers to mitigate the credit risk exposure.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts of the receivables in the statements of financial position. Cash and cash equivalents are only placed with licensed banks.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers of the Group. The Group monitors each receivable individually and uses ageing analysis to monitor the credit quality of the receivables.

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 *Financial risk management* (cont'd)

a) Credit risk *(cont'd)*

Receivables *(cont'd)*

Exposure to credit risk, credit quality and collateral *(cont'd)*

As at the end of the reporting period, there are no significant concentrations of credit risk other than the following:

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Amount due from four (31.12.2011: four; 1.1.2011: three) subsidiaries	-	-	-	105,333,714	52,285,417	59,184,501

The exposure of credit risk of receivables as at the end of the reporting period by geographic region is:

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Malaysia	78,711,546	71,321,939	81,634,255	107,050,621	57,959,658	72,974,736
Asia	826,525	80,825	976,603	826,525	-	318,185
	79,538,071	71,402,764	82,610,858	107,877,146	57,959,658	73,292,921

Impairment losses

The ageing of receivables as at the end of the reporting period was:

Group	Gross RM	Impairment RM	Net RM
31.12.2012			
Not past due	54,650,913	-	54,650,913
Past due 0-30 days	16,777,705	-	16,777,705
Past due 31-120 days	5,393,905	-	5,393,905
Past due 121-180 days	2,682,084	(219,622)	2,462,462
Past due more than 180 days	3,978,330	(3,725,244)	253,086
	83,482,937	(3,944,866)	79,538,071

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 *Financial risk management* *(cont'd)*

a) Credit risk *(cont'd)*

Receivables *(cont'd)*

Impairment losses *(cont'd)*

Group (cont'd)	Gross RM	Impairment RM	Net RM
31.12.2011			
Not past due	46,423,702	-	46,423,702
Past due 0-30 days	14,664,954	-	14,664,954
Past due 31-120 days	8,483,296	-	8,483,296
Past due 121-180 days	1,356,162	-	1,356,162
Past due more than 180 days	3,531,703	(3,057,053)	474,650
	74,459,817	(3,057,053)	71,402,764
1.1.2011			
Not past due	54,322,532	-	54,322,532
Past due 0-30 days	19,716,254	-	19,716,254
Past due 31-120 days	7,971,327	(115,072)	7,856,255
Past due 121-180 days	686,417	(219,622)	466,795
Past due more than 180 days	2,453,177	(2,204,155)	249,022
	85,149,707	(2,538,849)	82,610,858

Company	Gross RM	Impairment RM	Net RM
31.12.2012			
Not past due	83,168,913	-	83,168,913
Past due 0-30 days	20,225,383	-	20,225,383
Past due 31-120 days	2,468,833	-	2,468,833
Past due 121-180 days	2,014,017	-	2,014,017
Past due more than 180 days	124,814	(124,814)	-
	108,001,960	(124,814)	107,877,146
31.12.2011			
Not past due	42,218,034	-	42,218,034
Past due 0-30 days	5,166,557	-	5,166,557
Past due 31-120 days	10,575,067	-	10,575,067
Past due more than 180 days	124,814	(124,814)	-
	58,084,472	(124,814)	57,959,658

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 Financial risk management (cont'd)

a) Credit risk *(cont'd)*

Receivables *(cont'd)*

Impairment losses *(cont'd)*

Company (cont'd)	Gross RM	Impairment RM	Net RM
1.1.2011			
Not past due	48,002,579	-	48,002,579
Past due 0-30 days	15,191,526	-	15,191,526
Past due 31-120 days	10,098,816	-	10,098,816
Past due more than 180 days	124,814	(124,814)	-
	73,417,735	(124,814)	73,292,921

The movements in the allowance for impairment losses of receivables during the financial year were:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	3,057,053	2,538,849	124,814	124,814
Recognised	887,813	518,204	-	-
At 31 December	3,944,866	3,057,053	124,814	124,814

An allowance account in respect of receivables is used to record impairment losses. Unless the Group is satisfied that recovery is possible, the amount considered irrecoverable is written off against the receivables directly.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors on an on-going basis the performances and financial positions of the subsidiaries to ensure they are able to meet their obligations when due.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk from unsecured financial guarantees to banks amounts to RM79,378,684 (31.12.2011: RM79,378,684; 1.1.2011: RM60,855,851), representing the outstanding banking facilities of subsidiaries guaranteed by the Company as at the end of the reporting period.

There is no indication that any subsidiary would default on repayments of its loans and borrowings. The financial guarantees have not been recognised as their fair value on initial recognition was not material and the probability of the subsidiaries defaulting on the credit lines is remote.

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 Financial risk management *(cont'd)*

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

In addition to the proposed share issue exercises to raise funds for working capital purposes [see Note 31(a)], the Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to finance the operations and to mitigate the effects of fluctuations in cash flows.

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

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Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 Financial risk management (cont'd)

(b) Liquidity risk *(cont'd)*

Maturity analysis

The table below and the ensuing pages summarise the maturity profile of the Group's and the Company's financial liabilities (which are non-derivatives) as at the end of the reporting period based on undiscounted contractual payments:

<u>Group</u>	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
31.12.2012							
Trade and other payables							
- interest free	21,825,352	-	21,825,352	21,825,352	-	-	-
- interest bearing	55,052,019	1.00 - 7.75	55,052,019	55,052,019	-	-	-
Loans and borrowings							
- finance lease liabilities	11,142,329	4.55 - 8.47	12,401,423	4,832,297	3,783,289	3,785,837	-
- secured bankers' acceptances	42,946,974	4.13- 5.20	42,946,974	42,946,974	-	-	-
- unsecured bankers' acceptances and revolving credits	153,963,000	3.24 - 7.35	154,196,124	154,196,124	-	-	-
- secured term loans	24,359,791	3.80 - 7.40	30,669,449	5,440,823	4,517,737	8,747,072	11,963,817
- unsecured term loans	52,698,883	4.60 - 5.48	58,019,383	17,089,137	16,193,025	21,284,235	3,452,986
- unsecured bank overdrafts	4,157,341	7.05 - 8.35	4,157,341	4,157,341	-	-	-
	366,145,689		379,268,065	305,540,067	24,494,051	33,817,144	15,416,803

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 *Financial risk management* *(cont'd)*

(b) Liquidity risk *(cont'd)*

Maturity analysis *(cont'd)*

Group (cont'd)	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
31.12.2011							
Trade and other payables							
- interest free	20,556,261	-	20,556,261	20,556,261	-	-	-
- interest bearing	24,729,093	1.01 - 7.75	24,729,093	24,729,093	-	-	-
Loans and borrowings							
- finance lease liabilities	19,714,879	4.19 - 9.49	21,958,847	9,773,050	4,675,270	7,198,527	312,000
- secured bankers' acceptances	40,810,359	3.40 - 5.69	40,810,359	40,810,359	-	-	-
- unsecured bankers' acceptances and revolving credits	138,854,000	3.46 - 5.98	139,086,050	139,086,050	-	-	-
- secured term loans	34,405,387	3.80 - 7.10	50,677,366	6,406,800	6,241,824	9,919,717	28,109,025
- unsecured term loans	64,416,518	4.60 - 9.55	72,074,297	17,407,926	16,788,110	31,831,915	6,046,346
- unsecured bank overdrafts	8,034,960	7.05 - 8.35	8,034,960	8,034,960	-	-	-
	351,521,457		377,927,233	266,804,499	27,705,204	48,950,159	34,467,371
1.1.2011							
Trade and other payables							
- interest free	18,088,881	-	18,088,881	18,088,881	-	-	-
- interest bearing	7,066,409	7.50	7,066,409	7,066,409	-	-	-
Loans and borrowings							
- finance lease liabilities	22,103,337	3.49 - 9.49	24,398,904	9,556,734	9,163,833	5,678,337	-
- secured bankers' acceptances	40,382,972	3.50 - 5.38	40,382,972	40,382,972	-	-	-
- unsecured bankers' acceptances and revolving credits	137,963,257	1.20 - 4.33	138,123,351	138,123,351	-	-	-
- secured term loans	26,452,206	3.80 - 7.10	36,183,950	4,229,297	4,229,297	10,815,453	16,909,903
- unsecured term loans	61,674,532	3.91 - 9.75	67,526,884	16,119,420	29,327,376	19,930,880	2,149,208
- unsecured bank overdrafts	16,273,537	6.55 - 7.55	16,273,537	16,273,537	-	-	-
	330,005,131		348,044,888	249,840,601	42,720,506	36,424,670	19,059,111

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 *Financial risk management* (cont'd)

(b) Liquidity risk *(cont'd)*

Maturity analysis *(cont'd)*

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
31.12.2012							
Trade and other payables							
- interest free	14,718,565	-	14,718,565	14,718,565	-	-	-
- interest bearing	55,052,019	1.00 - 7.75	55,052,019	55,052,019	-	-	-
Loans and borrowings							
- finance lease liabilities	1,809,851	5.10 - 6.09	1,922,266	1,088,450	466,662	367,154	-
- unsecured bankers' acceptances and revolving credits	150,963,000	3.24 - 7.35	151,196,124	151,196,124	-	-	-
- unsecured term loans	52,698,883	4.60 - 5.48	58,019,383	17,089,137	16,193,025	21,284,235	3,452,986
- unsecured bank overdrafts	4,157,341	7.10 - 8.35	4,157,341	4,157,341	-	-	-
	279,399,659		285,065,698	243,301,636	16,659,687	21,651,389	3,452,986
31.12.2011							
Trade and other payables							
- interest free	5,878,251	-	5,878,251	5,878,251	-	-	-
- interest bearing	24,729,093	1.01 - 7.75	24,729,093	24,729,093	-	-	-
Loans and borrowings							
- finance lease liabilities	6,672,456	4.92 - 6.13	6,990,000	5,100,195	1,126,933	762,872	-
- unsecured bankers' acceptances and revolving credits	128,357,000	3.46 - 5.98	128,589,050	128,589,050	-	-	-
- unsecured term loans	64,416,518	4.60 - 9.55	72,074,297	17,407,926	16,788,110	31,831,915	6,046,346
- unsecured bank overdrafts	6,117,572	7.05 - 8.35	6,117,572	6,117,572	-	-	-
	236,170,890		244,378,263	187,822,087	17,915,043	32,594,787	6,046,346

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 ***Financial risk management*** *(cont'd)*

(b) Liquidity risk *(cont'd)*

Maturity analysis *(cont'd)*

<u>Company</u> *(cont'd)*	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
1.1.2011							
Trade and other payables							
- interest free	4,312,134	-	4,312,134	4,312,134	-	-	-
- interest bearing	7,066,409	7.50	7,066,409	7,066,409	-	-	-
Loans and borrowings							
- finance lease liabilities	12,325,572	4.92 - 6.13	13,159,814	6,258,396	5,981,921	919,497	-
- unsecured bankers' acceptances and revolving credits	121,553,257	1.20 - 4.33	121,713,351	121,713,351	-	-	-
- unsecured term loans	60,674,532	4.74 - 9.75	66,498,262	15,090,797	29,327,376	19,930,880	2,149,209
- unsecured bank overdrafts	13,158,782	6.55 - 7.55	13,158,782	13,158,782	-	-	-
	219,090,686		225,908,752	167,599,869	35,309,297	20,850,377	2,149,209

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Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 Financial risk management (cont'd)

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on sales, purchases as well as loans and borrowings that are denominated in currencies other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily United States Dollar (USD).

Risk management objectives, policies and processes for managing the risk

The Group occasionally uses forward foreign exchange contracts to hedge its foreign currency risk. Most of the foreign exchange forward contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency risk attributable to a currency which is other than the functional currency of the Group entities, based on carrying amounts as at the end of the reporting period was:

	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Denominated in USD			
Group			
Trade receivables	826,525	80,825	976,603
Cash and cash equivalents	404,405	-	-
Trade payables	(37,134,530)	(24,729,093)	-
Unsecured bankers' acceptances	-	-	(8,292,257)
Net exposure in the statement of financial position	(35,903,600)	(24,648,268)	(7,315,654)
Company			
Trade receivables	826,525	-	318,185
Cash and cash equivalents	404,405	-	-
Trade payables	(37,134,530)	(24,729,093)	-
Unsecured bankers' acceptances	-	-	(8,292,257)
Net exposure in the statement of financial position	(35,903,600)	(24,729,093)	(7,974,072)

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 *Financial risk management* *(cont'd)*

(c) Market risk *(cont'd)*

(i) *Currency risk* *(cont'd)*

Currency risk sensitivity analysis

A 10% (31.12.2011: 10%; 1.1.2011: 10%) strengthening of the RM against USD at the end of the reporting period would have decreased post-tax loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

		Profit or loss	
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
In USD			
- Group	3,590,000	2,465,000	731,000
- Company	3,590,000	2,473,000	797,000

A 10% (31.12.2011: 10%; 1.1.2011: 10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

Foreign exchange forward contracts are used to hedge foreign exchange risk associated with the purchases of raw materials. The outstanding contracted principal amounts of the foreign exchange forward contracts falling due within a year as at 31 December 2012 are RM11,933,038 (31.12.2011 and 1.1.2011: Nil) and the fair value changes are immaterial to be recognised in profit or loss.

(ii) *Interest rate risk*

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group is also exposed to interest rate risk on the term deposits placed with licensed banks. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk, except for the interest bearing balances due to certain related parties (see Note 17.1).

Risk management objectives, policies and processes for managing the risk

Borrowings with floating interest rates expose the Group to certain elements of risk when there are unexpected adverse interest rate movements.

The Group's policy is to manage its interest rate risk on an on-going basis, working within an agreed framework, to ensure that there are no undue exposures to this risk. The management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the situation and the outlook of the financial market.

The investment in interest-bearing assets is mainly short-term in nature and they are not held for speculative purposes but have been mostly placed as term deposits and cash funds.

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 *Financial risk management* (cont'd)

(c) Market risk *(cont'd)*

(ii) Interest rate risk *(cont'd)*

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on their carrying amounts as at the end of the reporting period was:

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Fixed rate instruments						
Financial assets	19,404,005	14,672,397	14,069,517	87,909,675	42,501,030	55,327,222
Financial liabilities	(263,104,322)	(224,108,331)	(207,515,975)	(207,824,870)	(159,758,549)	(140,945,238)
	(243,700,317)	(209,435,934)	(193,446,458)	(119,915,195)	(117,257,519)	(85,618,016)
Floating rate instruments						
Financial liabilities	(81,216,015)	(106,856,865)	(104,400,275)	(56,856,224)	(70,534,090)	(73,833,314)

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.3 Financial risk management (cont'd)

(c) Market risk *(cont'd)*

(ii) Interest rate risk *(cont'd)*

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) post-tax loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
Group	**100bp increase RM**	**100bp decrease RM**
Floating rate instruments		
- 31.12.2012	812,000	(812,000)
- 31.12.2011	1,069,000	(1,069,000)
Company		
Floating rate instruments		
- 31.12.2012	569,000	(569,000)
- 31.12.2011	705,000	(705,000)

(iii) Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management monitors the equity investments on an individual basis.

The carrying amount of quoted investments as at the end of the reporting period is RM9,775 (31.12.2011: RM23,515; 1.1.2011: RM23,515) (see Note 7).

Equity price risk sensitivity analysis

The exposure to equity price risk is not material and hence, sensitivity analysis is not presented.

25.4 Fair value of financial instruments

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

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.4 Fair value of financial instruments (cont'd)

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows:

	31.12.2012		31.12.2011		1.1.2011	
Non-current	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Group						
Quoted shares	9,775	9,775	23,515	23,515	23,515	23,515
Finance lease liabilities	6,956,762	6,956,762	11,017,333	11,017,333	13,736,893	13,736,893
Term loans						
- secured	20,792,698	20,792,698	30,224,671	30,224,671	23,822,936	23,822,936
- unsecured	38,008,101	38,008,101	49,837,499	49,837,499	48,172,532	48,172,532
Company						
Finance lease liabilities	791,527	791,527	1,789,007	1,789,007	6,595,243	6,595,243
Unsecured term loans	38,008,101	38,008,101	49,837,499	49,837,499	48,172,532	48,172,532

The following summarises the methods used in determining the fair value of financial instruments reflected in the table of the preceding page:

- ***Investments in equity securities***

  Fair values of financial assets that are quoted in an active market are determined by reference to their quoted closing bid price at the end of the reporting period.

- ***Non-derivative financial liabilities***

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

- ***Interest rates used to determine fair value***

  The interest rates used to discount estimated cash flows, when applicable, are as follows:

	31.12.2012 %	31.12.2011 %	1.1.2011 %
Finance leases liabilities	5.10 - 6.09	4.19 - 9.49	3.49 - 9.49
Secured term loans	3.80 - 7.40	6.80 - 7.10	3.80 - 7.10
Unsecured term loans	4.40 - 5.48	4.60 - 9.55	3.91 - 9.75

Notes to the Financial Statements *(cont'd)*

25. FINANCIAL INSTRUMENTS *(cont'd)*

25.4 *Fair value of financial instruments* (cont'd)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The Group has applied Level 1 of the fair value hierarchy to measure its financial assets categorised as available-for-sale as disclosed in Note 7.

26. CAPITAL MANAGEMENT

As in the previous financial year, the Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain the confidence of investors, creditors and other stakeholders in the Group and to sustain the future development of the business. The Directors monitor and ensure that the Group and the Company maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the year, the Group's and the Company's strategy, which was unchanged from 2011, was to maintain the debt-to-equity ratio at not more than 2.25 times and 2.00 times respectively. The debt-to-equity ratios of the Group and of the Company as at 31 December 2012, 31 December 2011 and 1 January 2011 were as follows:

	Group			Company		
	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Total loans and borrowings	289,268,318	306,236,103	304,849,841	209,629,075	205,563,546	207,712,143
Total equity	153,479,567	172,222,700	194,932,770	145,229,930	155,660,103	166,056,734
Debt-to-equity ratio	1.88	1.78	1.56	1.44	1.32	1.25

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group and the Company are also required to maintain a maximum gearing level of 2.25 times and 2.00 times respectively to comply with certain bank covenants, failing which the affected banking facilities as well as loans and borrowings are subject to recall. The Group and the Company have not breached this covenant.

Notes to the Financial Statements *(cont'd)*

27. CAPITAL EXPENDITURE COMMITMENTS

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Property, plant and equipment						
- Authorised but not contracted for	-	1,988,000	14,070,000	-	1,443,000	10,470,000
- Contracted but not provided for and payable within one year	2,761,000	1,484,000	38,683,000	2,761,000	1,484,000	19,899,000
	2,761,000	3,472,000	52,753,000	2,761,000	2,927,000	30,369,000

28. CONTINGENCIES - UNSECURED

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

	Group 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM	Company 31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
Corporate guarantees granted:						
- to suppliers of subsidiaries	3,300,000	2,300,000	1,000,000	-	-	-
- for banking facilities of certain subsidiaries	-	-	-	79,378,684	79,378,684	60,855,851
	3,300,000	2,300,000	1,000,000	79,378,684	79,378,684	60,855,851

29. RELATED PARTIES

Identity of related parties

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

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

Notes to the Financial Statements *(cont'd)*

29. RELATED PARTIES *(cont'd)*

Identity of related parties *(cont'd)*

The Group and the Company have related party relationship with the substantial shareholders, subsidiaries and its key management personnel.

Significant related party transactions, other than compensations to key management personnel (see Note 20) and those disclosed elsewhere in the financial statements, are as follows:

Transactions with subsidiaries

	Company 2012 RM	Company 2011 RM
Nature of transaction		
Sale of galvanised and other steel products	(362,536,650)	(279,370,960)
Income from rental of premises	-	(576,000)
Shearing and slitting charges	(160,275)	(43,841)
Tolling charges expense	206,230	88,295
Purchase of steel related products	843,197	692,995
Interest income	(1,242,502)	(230,684)
Purchase of property, plant and equipment	20,000	-

Transactions with substantial shareholders of the Company

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Nature of transaction				
Purchase of consumables and raw materials	96,349,013	95,933,176	96,349,013	95,933,176
Freight and handling charges	141,495	501,767	141,495	501,767
Sale of galvanised and other steel products	(3,068,304)	(2,805,710)	-	-
Interest expense	804,719	124,161	804,719	124,161

Transactions with companies in which certain substantial shareholders, Directors and close members of their families have or are deemed to have substantial interests

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Nature of transaction				
Repair and maintenance charges	103,764	430,430	103,764	430,430
Insurance premium paid	803,256	888,946	773,528	722,823
Purchase of consumables and raw materials	68,779,344	34,542,426	68,769,731	34,340,729
Sale of galvanised and other steel products	(47,290,958)	(45,328,756)	(6,849,165)	(6,847,668)
Purchase of property, plant and equipment	-	-	-	680,000
Secretarial service	10,000	10,000	10,000	10,000
Rental of premises and land	658,680	658,680	658,680	658,680
Income from rental of premises	(57,800)	(26,400)	(57,800)	(26,400)
Repayment of finance leases for acquisition of property, plant and equipment *	992,691	836,646	384,994	513,429
Tolling and transportation fee	(22,084)	-	(20,578)	-

* *Interest is charged at fixed rates of 2.90% to 3.0% (2011: 2.90% to 3.30%) flat per annum.*

Notes to the Financial Statements *(cont'd)*

29. RELATED PARTIES *(cont'd)*

Transactions with certain Directors of the Company

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
<u>Nature of transaction</u>				
Sale of property, plant and equipment	-	700,000	-	700,000

The amount due from subsidiaries is disclosed in Note 10 to the financial statements. The outstanding balances with other related parties are as follows:

	31.12.2012	**31.12.2011**	**1.1.2011**
Group	**RM**	**RM**	**RM**
Amount due from	9,706,242	7,449,981	9,178,475
Amount due to	(56,531,728)	(25,231,002)	(3,758,542)
Company			
Amount due from	1,362,830	938	1,332,216
Amount due to	(55,236,259)	(24,869,318)	(1,641,217)

The above transactions are based on negotiated terms. All the amounts outstanding are unsecured and expected to be settled in cash.

30. OPERATING SEGMENTS

The Group has three reporting segments, as described below, which are the Group's strategic business units ("SBU"). The Managing Director, being the Chief Operating Decision Maker of the Group, reviews internal management reports for resource allocation and decision making on a monthly basis.

The following summary describes the operations in each of the Group's reportable segments:

- SBU 1:
  Manufacture and sale of galvanised and coated steel products in East Malaysia

- SBU 2:
  Manufacture galvanised, coated and uncoated steel products in West Malaysia

- SBU 3:
  - Trading of galvanised, coated and uncoated steel products in West Malaysia and overseas and manufacture and sale of steel tubes, pipes, flat and long steel products as well as trading of other building and construction materials in West Malaysia.

Geographical segments and major customers

Group sales were mostly to customers in Malaysia and there were very limited export sales. None of the customers individually accounted for 10% or more of Group revenue.

Notes to the Financial Statements *(cont'd)*

30. OPERATING SEGMENTS *(cont'd)*

2012	SBU 1 RM	SBU 2 RM	SBU 3 RM	Inter-segment RM	Total RM
Revenue					
External customers	123,791,984	24,843,238	313,109,107	-	461,744,329
Inter-segment	-	265,847,814	4,408,043	(270,255,857)	-
	123,791,984	290,691,052	317,517,150	(270,255,857)	461,744,329
Segment profit/(loss)	(176,840)	(12,654,427)	(7,910,491)	19,506	(20,722,252)
Tax expense					3,394,063
Total comprehensive loss for the year					(17,328,189)
Loss from discontinued operation					(1,414,944)
Non-controlling interests					3,393,909
Total comprehensive loss attributable to the owners of the Company					(15,349,224)
Included in the measure of segment profit/(loss) are:					
Depreciation and amortisation	(2,228,208)	(11,121,323)	(4,479,650)	-	(17,829,181)
Finance costs	(2,583,417)	(8,533,030)	(5,951,487)	1,320,799	(15,747,135)
Finance income	274,333	1,249,862	444,102	(1,320,799)	647,498
Inventories written down/written off	-	(867,001)	(89,519)	-	(956,520)

Notes to the Financial Statements *(cont'd)*

30. OPERATING SEGMENTS *(cont'd)*

2011	SBU 1 RM	SBU 2 RM	SBU 3 RM	Inter-segment RM	Total RM
Revenue					
External customers	138,251,778	19,494,469	264,412,324	-	422,158,571
Inter-segment	-	185,488,493	695,640	(186,184,133)	-
	138,251,778	204,982,962	265,107,964	(186,184,133)	422,158,571
Segment profit/(loss)	4,447,248	(14,520,474)	(5,287,807)	(7,449,334)	(22,810,367)
Tax expense					4,508,792
Total comprehensive loss for the year					(18,301,575)
Loss from discontinued operation					(1,649,110)
Non-controlling interests					1,981,609
Total comprehensive loss attributable to the owners of the Company					(17,969,076)
Included in the measure of segment profit/(loss) are:					
Depreciation and amortisation	(3,041,170)	(10,916,325)	(4,473,027)	(55,985)	(18,486,507)
Finance costs	(2,520,643)	(7,550,374)	(4,988,897)	230,684	(14,829,230)
Finance income	49,171	273,512	360,162	(230,684)	452,161
Inventories written down/written off	-	(1,448,445)	-	-	(1,448,445)

Notes to the Financial Statements *(cont'd)*

31. SIGNIFICANT EVENTS

(a) Proposed share issue exercises

During the year, the Company announced the following proposals:

(i) proposed acquisition of the remaining 45.51% equity interest in Starshine Holdings Sdn. Bhd. not already owned by the Company, for a purchase consideration of RM16,611,579, to be satisfied via the issuance of 33,223,158 new ordinary shares of the Company at an issue price of RM0.50 per share;

(ii) proposed private placement of up to 39,106,980 new ordinary shares of the Company, representing up to twenty percent (20%) of the existing issued and paid-up share capital of the Company;

(iii) proposed restricted issue of 48,799,998 new ordinary shares of the Company to a substantial foreign shareholder;

(iv) proposed bonus issue of up to 38,184,333 new ordinary shares of the Company on the basis of one (1) bonus share for every ten (10) existing shares held on an entitlement date to be determined later; and

(v) proposed bonus issue of up to 114,553,000 new warrants of the Company on the basis of three (3) free warrants for every ten (10) existing ordinary shares held on an entitlement date to be determined later.

The above corporate proposals were approved by the shareholders of the Company during the Extraordinary General Meeting held on 16 April 2013 and are expected to be completed by the first half of 2013.

(b) Proposed disposal of subsidiaries

On 5 January 2012, the Company entered into a shareholder agreement with a third party, Tecstun (M) Sdn. Bhd. ("TMSB") to use Integrated Coil Coating Industries Sdn. Bhd. ("ICCI") as the joint venture to embark on new business activities principally comprising the manufacture, sale and installation of metal roofing and related products, PVC pipes and wire mesh via the acquisition of various business undertakings. Upon completion of the agreement, the Group's shareholding in ICCI would reduce from 100% to 60%.

Later, on 15 May 2012, both the Company and TMSB agreed to terminate the said shareholder agreement, and at the same time, entered into a share sale agreement to dispose of the Company's entire equity interest in ICCI and its subsidiary (together referred to as ICCI Group) to TMSB for a consideration of RM7,421,500. As at 31 December 2012, the Company has received payments of RM6,071,500 (see Note 17.2) from TMSB on the proposed sale.

The sale of ICCI Group is expected to be completed by June 2013 pending the discharge of all corporate guarantees given to banks for the banking facilities of ICCI Group as well as the receipt of the remainder sum of the sale consideration. As a consequence, the assets and liabilities of ICCI Group as at 31 December 2012 are classified as disposal group held for sale (see Note 13.1).

(c) Cessation of non-core business operations

During the year, the Group ceased the operations of its furniture hardware and accessories manufacturing division. The Group has entered into sale and purchase agreements with third parties to dispose of certain property, plant and equipment relating to this division. The sale is subject to fulfillment of certain conditions precedent which are expected to be completed by the end of 2013. As a consequence, these property, plant and equipment are classified as properties held for sale as at 31 December 2012 (see Note 13.2 to the financial statements).

Notes to the Financial Statements *(cont'd)*

32. EXPLANATION OF TRANSITION TO MFRSS

As stated in Note 1(a), these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the year ended 31 December 2012, the comparative information presented in these financial statements for the year ended 31 December 2011 and in the preparation of the opening MFRS statement of financial position at 1 January 2011 (being the Group's date of transition to MFRSs).

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted certain amounts reported previously in the financial statements prepared in accordance with FRSs. An explanation of how the transition from FRSs to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as in the ensuing pages.

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Notes to the Financial Statements *(cont'd)*

32. EXPLANATION OF TRANSITION TO MFRSS *(cont'd)*

32.1 Reconciliation of financial position

	1.1.2011			31.12.2011		
Group	**FRSs RM**	**Effect of transition to MFRSs RM**	**MFRSs RM**	**FRSs RM**	**Effect of transition to MFRSs RM**	**MFRSs RM**
Assets						
Property, plant and equipment	284,227,319	7,410,000	291,637,319	317,087,204	7,410,000	324,497,204
Goodwill	1,437,871	-	1,437,871	-	-	-
Deferred tax assets	107,000	-	107,000	83,000	-	83,000
Other investments	23,515	-	23,515	23,515	-	23,515
Total non-current assets	285,795,705	7,410,000	293,205,705	317,193,719	7,410,000	324,603,719
Inventories	137,930,337	-	137,930,337	117,537,139	-	117,537,139
Trade and other receivables	82,610,858	-	82,610,858	71,402,764	-	71,402,764
Deposits and prepayments	4,980,185	-	4,980,185	2,316,197	-	2,316,197
Current tax recoverable	441,639	-	441,639	1,194,036	-	1,194,036
Cash and cash equivalents	26,297,620	-	26,297,620	21,891,308	-	21,891,308
	252,260,639	-	252,260,639	214,341,444	-	214,341,444
Property held for sale	322,810	-	322,810	322,810	-	322,810
Total current assets	252,583,449	-	252,583,449	214,664,254	-	214,664,254
Total assets	538,379,154	7,410,000	545,789,154	531,857,973	7,410,000	539,267,973

Notes to the Financial Statements *(cont'd)*

32. EXPLANATION OF TRANSITION TO MFRSS *(cont'd)*

32.1 *Reconciliation of financial position* (cont'd)

Group (cont'd)	1.1.2011 FRSs RM	1.1.2011 Effect of transition to MFRSs RM	1.1.2011 MFRSs RM	31.12.2011 FRSs RM	31.12.2011 Effect of transition to MFRSs RM	31.12.2011 MFRSs RM
Equity						
Share capital	101,786,779	-	101,786,779	101,786,779	-	101,786,779
Reserves	70,120,809	6,504,351	76,625,160	49,232,093	6,504,351	55,736,444
Total equity attributable to owners of the Company	171,907,588	6,504,351	178,411,939	151,018,872	6,504,351	157,523,223
Non-controlling interests	15,615,182	905,649	16,520,831	13,793,828	905,649	14,699,477
Total equity	187,522,770	7,410,000	194,932,770	164,812,700	7,410,000	172,222,700
Liabilities						
Loans and borrowings	85,732,361	-	85,732,361	91,079,503	-	91,079,503
Deferred tax liabilities	17,511,000	-	17,511,000	12,180,000	-	12,180,000
Employee benefits	2,920,245	-	2,920,245	3,246,816	-	3,246,816
Total non-current liabilities	106,163,606	-	106,163,606	106,506,319	-	106,506,319
Trade and other payables	25,155,290	-	25,155,290	45,285,354	-	45,285,354
Loans and borrowings	219,117,480	-	219,117,480	215,156,600	-	215,156,600
Current tax liabilities	420,008	-	420,008	97,000	-	97,000
Total current liabilities	244,692,778	-	244,692,778	260,538,954	-	260,538,954
Total liabilities	350,856,384	-	350,856,384	367,045,273	-	367,045,273
Total equity and liabilities	538,379,154	7,410,000	545,789,154	531,857,973	7,410,000	539,267,973

Notes to the Financial Statements *(cont'd)*

32. EXPLANATION OF TRANSITION TO MFRSS *(cont'd)*

32.1 *Reconciliation of financial position (cont'd)*

	1.1.2011			31.12.2011		
Company	**FRSs RM**	**Effect of transition to MFRSs RM**	**MFRSs RM**	**FRSs RM**	**Effect of transition to MFRSs RM**	**MFRSs RM**
Assets						
Property, plant and equipment	206,751,583	5,420,000	212,171,583	221,714,454	5,420,000	227,134,454
Investment property	4,073,177	-	4,073,177	3,703,107	-	3,703,107
Investment in subsidiaries	20,472,500	-	20,472,500	26,416,977	-	26,416,977
Total non-current assets	231,297,260	5,420,000	236,717,260	251,834,538	5,420,000	257,254,538
Inventories	88,630,483	-	88,630,483	86,524,359	-	86,524,359
Trade and other receivables	73,292,921	-	73,292,921	57,959,658	-	57,959,658
Deposits and prepayments	2,058,560	-	2,058,560	1,441,087	-	1,441,087
Current tax recoverable	324,864	-	324,864	395,047	-	395,047
Cash and cash equivalents	1,816,577	-	1,816,577	2,306,120	-	2,306,120
Total current assets	166,123,405	-	166,123,405	148,626,271	-	148,626,271
Total assets	397,420,665	5,420,000	402,840,665	400,460,809	5,420,000	405,880,809

32. EXPLANATION OF TRANSITION TO MFRSS *(cont'd)*

32.1 *Reconciliation of financial position* (cont'd)

	1.1.2011			31.12.2011		
Company (cont'd)	**FRSs RM**	**Effect of transition to MFRSs RM**	**MFRSs RM**	**FRSs RM**	**Effect of transition to MFRSs RM**	**MFRSs RM**
Equity						
Share capital	101,786,779	-	101,786,779	101,786,779	-	101,786,779
Reserves	58,849,955	5,420,000	64,269,955	48,453,324	5,420,000	53,873,324
Total equity attributable to owners of the Company	160,636,734	5,420,000	166,056,734	150,240,103	5,420,000	155,660,103
Liabilities						
Loans and borrowings	54,767,775	-	54,767,775	51,626,506	-	51,626,506
Deferred tax liabilities	14,773,000	-	14,773,000	10,803,000	-	10,803,000
Employee benefits	2,920,245	-	2,920,245	3,246,816	-	3,246,816
Total non-current liabilities	72,461,020	-	72,461,020	65,676,322	-	65,676,322
Trade and other payables	11,378,543	-	11,378,543	30,607,344	-	30,607,344
Loans and borrowings	152,944,368	-	152,944,368	153,937,040	-	153,937,040
Total current liabilities	164,322,911	-	164,322,911	184,544,384	-	184,544,384
Total liabilities	236,783,931	-	236,783,931	250,220,706	-	250,220,706
Total equity and liabilities	397,420,665	5,420,000	402,840,665	400,460,809	5,420,000	405,880,809

32. EXPLANATION OF TRANSITION TO MFRSS *(cont'd)*

32.2 Reconciliation of profit or loss and other comprehensive income for the year ended 31 December 2011

There are no material differences between the statements of profit or loss and other comprehensive income presented under MFRSs and FRSs.

No reconciliation is presented for the year ended 31 December 2011 for the Group and the Company.

The FRS figures for the year ended 31 December 2011 has been restated arising from the discontinued operation as discussed in Note 22.

32.3 Material adjustments to the statements of cash flows for 2011

There are no material differences between the statements of cash flows presented under MFRSs and FRSs.

32.4 Notes to reconciliations

(a) Property, plant and equipment - Deemed cost exemption - previous revaluation

Under FRSs, certain buildings and leasehold land were measured at valuation. The valuation was carried out in 1997 for the sole purpose of the listing of the Company on Bursa Malaysia Securities Berhad. No later valuation has been performed for these assets.

Upon transition to MFRSs, the Group/Company elected to apply the optional exemption to use that previous revaluation as deemed cost under MFRSs.

The aggregate fair value of the buildings and leasehold land of the Group/Company at 1 January 2011 was not materially different from the carrying amounts under FRSs of RM4,803,893.

(b) Property, plant and equipment - Deemed cost exemption - fair value

Under FRSs, the Group and the Company measured their freehold land at valuation. The last valuation was carried out in 2007.

The Group and the Company elected to apply the optional exemptions to measure its freehold land at fair value at the date of transition to MFRSs and use that fair value as deemed cost under MFRSs.

The aggregate fair value of the freehold land at 1 January 2011 was determined to be RM37,760,000 compared to the then carrying amount of RM30,350,000 under FRSs. The fair value of RM37,760,000 was taken up in the accounts during the transition to MFRS.

Notes to the Financial Statements *(cont'd)*

32. EXPLANATION OF TRANSITION TO MFRSS *(cont'd)*

32.4 *Notes to reconciliations (cont'd)*

(b) *Property, plant and equipment - Deemed cost exemption – fair value* *(cont'd)*

The revaluation reserve for the Group and for the Company at 1 January 2011 and 31 December 2011 was reclassified to retained earnings.

The impact arising from the change is summarised as follows:

	Group		Company	
	1.1.2011	**31.12.2011**	**1.1.2011**	**31.12.2011**
	RM	**RM**	**RM**	**RM**
Statement of financial position				
Property, plant and equipment	7,410,000	7,410,000	5,420,000	5,420,000
Revaluation reserve	6,057,826	6,057,826	4,441,694	4,441,694
	13,467,826	13,467,826	9,861,694	9,861,694
Share of non-controlling interests	(905,649)	(905,649)	-	-
Adjustment to retained earnings	12,562,177	12,562,177	9,861,694	9,861,694

(c) *Retained earnings*

The changes that affected the retained earnings are as follows:

	Group		Company	
	1.1.2011	**31.12.2011**	**1.1.2011**	**31.12.2011**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment (Note a and b)	6,504,351	6,504,351	5,420,000	5,420,000
Revaluation reserve (Note b)	6,057,826	6,057,826	4,441,694	4,441,694
Capital reserve	1,792,700	1,792,700	-	-
Adjustment to retained earnings	14,354,877	14,354,877	9,861,694	9,861,694

Notes to the Financial Statements *(cont'd)*

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

33.1 Acquisition of a subsidiary

On 31 January 2012, the Group acquired the entire equity interest in Wajaplas Manufacturing (M) Sdn. Bhd. ("WMMSB") for a total consideration of RM360,000, satisfied in cash. The acquisition had the following effect on the Group's assets and liabilities on acquisition date:

	2012 RM
Property, plant and equipment (Note 3)	279,183
Current assets	454,544
Current liabilities	(478,613)
Net identifiable assets acquired	255,114
Goodwill on acquisition (Note 22)	104,886
Consideration paid, satisfied in cash	360,000
Less: Cash acquired	(1,991)
Net cash outflow on acquisition *	358,009

* *Included as part of the net cash flows used in investing activities for discontinued operation (see Note 22).*

If the acquisition had occurred on 1 January 2012, management estimates that the consolidated loss for the year would have been RM18,743,133. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2012.

The goodwill of RM104,886 arising from the acquisition of WMMSB, not identifiable to any cash-generating unit, is written off to the profit or loss and disclosed as part of the results from discontinued operation (see Note 22).

33.2 Restructuring exercise within group

During the last financial year, Star Shine Marketing Sdn. Bhd. ("SSM") had entered into several share sale agreements with the non-controlling interest holders to acquire the remaining equity interest in the following subsidiaries not already owned by SSM for a total consideration of RM5,555,674:

(i) The acquisition of 1,078,000 ordinary shares of Star Shine Steel Products Sdn. Bhd. ("SSSP"), representing the remaining 24.50% of the equity interest in SSSP for a consideration of RM1,874,277;

(ii) The acquisition of 980,000 ordinary shares of Star Shine Global Trading Sdn. Bhd. ("SSGT"), representing the remaining 49.00% of the equity interest for a consideration of RM1,748,379 to be satisfied; and

(iii) The acquisition of 1,620,000 ordinary shares of Star Shine Industries Sdn. Bhd. ("SSI"), representing the remaining 27.00% of the equity interest in SSI for a consideration of RM1,933,018.

The above acquisitions were satisfied by way of the issuance of 3,472,296 new shares of SSM at an issue price of RM1.60 per share.

Notes to the Financial Statements *(cont'd)*

33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(cont'd)*

33.2 Restructuring exercise within group (cont'd)

As part of the group restructuring, SSM had simultaneously entered into a Share Swap and Reorganisation Agreement with Starshine Holdings Sdn. Bhd. ("SSH") and the shareholders of SSM ("Swap Vendors") to:

(i) acquire from the Swap Vendors all the 21,472,296 shares of SSM ("Swap Shares") held by the Swap Vendors, representing the entire equity interest of SSM after the acquisitions; and

(ii) accept the transfer from SSM of all its equity stake in SSSP, SSGT and SSI after the acquisitions for a total consideration of RM36,499,998, to be satisfied by the issuance of 364,999,980 new SSH shares at an issue price of RM0.10 per SSH Share.

The entire restructuring was completed on 21 October 2011 and the entire shareholdings of SSM, SSSP, SSGT and SSI have since been held by SSH, which in turn is a 54.49% owned subsidiary of the Company.

The restructuring entailed equity transactions between the Group and its non-controlling interest holders. The difference between the Group's share of net assets before and after the change and any consideration received or paid, was adjusted to/against Group reserves.

A gain of RM8,444,447 was recognised in profit or loss upon the above deemed disposal of SSM (see Note 18).

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Notes to the Financial Statements *(cont'd)*

34. SUPPLEMENTARY FINANCIAL 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 into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirement, is as follows:

	Group		Company	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Total retained earnings of the Company and its subsidiaries				
- realised	22,535,005	48,297,305	32,460,855	46,002,028
- unrealised	6,152,851	286,546	2,169,694	(941,306)
	28,687,856	48,583,851	34,630,549	45,060,722
Less: Consolidation adjustments	2,886,762	(1,660,009)	-	-
Total retained earnings as per statement of changes in equity (also see Note 14)	31,574,618	46,923,842	34,630,549	45,060,722

The determination of realised and unrealised profits or losses is based on 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 on 20 December 2010, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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Statement by Directors pursuant to
Section 169(15) of the Companies Act, 1965

In the opinion of the Directors,

a) the financial statements set out on pages 44 to 127 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Companies Act, 1965 in Malaysia, so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended, and

b) the information set out in Note 34 on page 128 to the financial statements has been compiled 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, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' Dr. Hii Wi Sing

Dato' Soh Thian Lai

Kuching,

Date: 17 April 2013

Statutory declaration pursuant to
Section 169(16) of the Companies Act, 1965

I, **Aw Chiew Lan**, the officer primarily responsible for the financial management of Yung Kong Galvanising Industries Berhad, do solemnly and sincerely declare that the financial statements set out on pages 44 to 128 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
in Kuching in the State of Sarawak
on 17 April 2013

Aw Chiew Lan

Before me:

Independent Auditors' Report To
The Members Of Yung Kong Galvanising Industries Berhad

Report on the Financial Statements

We have audited the financial statements of Yung Kong Galvanising Industries Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 127.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An 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 entity'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 entity's internal control. An 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following:-

1. As disclosed in Note 1(b) to the financial statements, the Group and the Company have incurred net losses of RM18,743,133 and RM10,430,173 respectively, for the year ended 31 December 2012, and as of that date, their current liabilities exceeded their current assets by RM72,442,838 and RM51,173,414 respectively; and

2. The Company's proposal of raising funds through private placement and restricted issue of shares, which are among the various corporate proposals as disclosed in Note 31(a) to the financial statements, has been approved by the shareholders of the Company during the Extraordinary General Meeting held on 16 April 2013. In addition, certain entities of the Group have entered into agreements prior to 31 December 2012 to dispose of their non-core assets as disclosed in Note 13 to the financial statements which, subject to the fulfillment of the conditions precedent, are expected to be completed in 2013.

In view of the above, the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful completion of the proposed fund raising, completion of the disposals of the non-core assets, continued support of the stakeholders, and achieving future profitable operations.

Independent Auditors' Report To
The Members Of Yung Kong Galvanising Industries Berhad *(cont'd)*

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 and the subsidiaries have been properly kept in accordance with the provisions of the Act.

b) We are satisfied that the accounts of the subsidiaries 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.

c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act, except as disclosed in Note 5 to the financial statements.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 34 on page 128 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, 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 and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

As stated in Note 32 to the financial statements, Yung Kong Galvanising Industries Berhad adopted Malaysian Financial Reporting Standards and International Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the 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 profit or loss and other comprehensive income, changes in equity and cash flows for the year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information that is prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and hence 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.

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.

KPMG
Firm Number: AF 0758
Chartered Accountants

Tai Yoon Foo
Approval Number: 2948/05/14(J)
Chartered Accountant

Kuching,

Date: 17 April 2013

Analysis Of Shareholdings
as at 29 March 2013

Class of Shares : (1) Ordinary Share of RM0.50 each
(2) Redeemable Convertible Preference Share ("RCPS") of RM0.50 each
Voting rights is one (1) vote per ordinary share.
Total number of ordinary shareholders is 1,887.
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
	59	Less than 100 shares	3,770	0.00*
	192	100 - 1,000 shares	77,685	0.04
	883	1,001 - 10,000 shares	4,755,323	2.43
	627	10,001 - 100,000 shares	19,262,454	9.85
	123	100,001 to less than 5% of issued shares	62,026,982	31.72
	3	5% and above of issued shares	109,408,686	55.95
Total	1,887		195,534,900	100.00

* less than 0.01%

THIRTY LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

	Accounts Holders	No. of Ordinary Share	Percentage
1	Yung Kong Co Bhd	53,708,494	27.47
2	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	35,999,994	18.41
3	Hii Wi Sing	19,700,198	10.08
4	Ting Chuo Kiew	3,931,690	2.01
5	Hu Ik Ming @ Rose Hii Ik Ming	3,526,814	1.80
6	Hii Ngo Sing	2,938,473	1.50
7	Hii Brothers Enterprises Sdn Bhd	2,766,900	1.42
8	Mt Sungai Sdn Bhd	2,404,800	1.23
9	Alliancegroup Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Andrew Yap Hoong Yee (8087990)	2,196,400	1.12
10	Ouarry Lane Sdn Bhd	2,000,000	1.02
11	Arthur Hii Lu Choon	1,534,600	0.78
12	Alexander Hii Lu Kwong	1,516,600	0.78
13	Wong Kiew Ing	1,405,800	0.72
14	Christopher Hii Lu Ming	1,403,800	0.72
15	Ling Eng Leh	1,337,100	0.68
16	Tan Pak Nang	1,300,000	0.66
17	Yung Kong Holdings Sdn Bhd	1,100,000	0.56
18	Yong Ai Ting	1,098,000	0.56
19	Hii Lu Foong	1,079,000	0.55
20	Victor Hii Lu Thian	1,022,500	0.52
21	Elizabeth Hii Lu Yen	1,002,050	0.51
22	Amsec Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Yap Chee Kheng	993,700	0.51
23	Alliancegroup Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Loh Teck Wah (8090542)	990,300	0.51
24	Jane Hii Lu Yea	914,797	0.47
25	Che' Rita Hii	776,500	0.40
26	JF APEX Nominees(Tempatan) Sdn Bhd AISB for Alexander Hii Lu Kwong (STA 3)	774,000	0.40
27	Meshes Holding Sdn Bhd	762,000	0.39
28	James A/K Tiam	700,000	0.36
29	Hii Hua Sing	612,647	0.31
30	Koo Tai Ping & Koh Kian Tee	595,800	0.30
	Total	150,092,957	76.74

Analysis Of Shareholdings
as at 29 March 2013 *(cont'd)*

Redeemable Convertible Preference Shares Account Holder

	Account Holder	No. of RCPS	Percentage
1	Nippon Steel & Sumitomo Metal Corporation	21,726,100	100.00

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' interests in shares in the Company as per the Register of Substantial Shareholders as at 29 March 2013 are as follows:

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Yung Kong Co Bhd	53,708,494	27.47	-	-
2	Marubeni-Itochu Steel Inc.	35,999,994	18.41	-	-
3	Dato' Hii Ngo Sing	2,938,473	1.50	59,007,091 (1)	30.18%
4	Dato' Dr Hii Wi Sing	19,700,198	10.08	59,007,091 (1)	30.18%
5	Arthur Hii Lu Choon	1,534,600	0.79	59,007,091 (1)	30.18%
6	Ir Michael Hii Ee Sing	138,100	0.07	62,271,291 (2)	31.85%
7	Victor Hii Lu Thian	1,485,800 (3)	0.76	59,007,091 (1)	30.18%
8	Francis Hii Lu Sheng	274,300	0.14	59,007,091 (1)	30.18%
9	Alexander Hii Lu Kwong	2,290,600 (4)	1.17	59,007,091 (1)	30.18%
10	Christopher Hii Lu Ming	1,444,400 (5)	0.74	59,007,091 (1)	30.18%

Notes

(1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.

(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd.

(3) 463,300 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(4) 774,000 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(5) 40,600 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

DIRECTORS' INTEREST

The directors' interests in shares in the Company and its related corporations as per the Register of Directors' Shareholdings as at 29 March 2013 are as follows:

In The Company

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	19,700,198	10.08	62,938,781 (1)	32.19%
2	Arthur Hii Lu Choon	1,534,600	0.79	59,034,491 (1)	30.19%
3	Dato' Soh Thian Lai	356,400	0.18	200,000 (4)	0.10%
4	Ir Michael Hii Ee Sing	138,100	0.07	62,683,691 (2)	32.06%
5	Victor Hii Lu Thian	1,485,800 (5)	0.76	59,007,091 (3)	30.18%
6	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
7	Lim Pang Kiam	-	-	-	-
8	Liew Jee Min @ Chong Jee Min	-	-	-	-
9	Philip Anak Dreba @ Philip Aso Dreba	-	-	-	-
10	Francis Hii Lu Sheng	274,300	0.14	59,007,491 (1)	30.18%
11	Yoshiki Kaneko	-	-	-	-
12	Alexander Hii Lu Kwong (Alternate to Arthur Hii Lu Choon)	2,290,600 (6)	1.17	59,022,091 (1)	30.19%
13	Christopher Hii Lu Ming (Alternate to Dato' Dr Hii Wi Sing)	1,444,400 (7)	0.74	59,007,091 (3)	30.18%
14	Ong Soo Seng (Alternate to Yoshiki Kaneko)	-	-	-	-

Analysis Of Shareholdings
as at 29 March 2013 *(cont'd)*

Notes

(1) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and the interests of his spouse in the Company.

(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.

(3) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.

(4) Deemed interested by virtue of the interest of his spouse in the Company.

(5) 463,300 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(6) 774,000 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(7) 40,600 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

Starshine Holdings Sdn Bhd ("SSH") (54.49% Owned Subsidiary)

		No. of Ordinary Shares of RM0.10 each			
		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	18,149,592	4.97	198,884,181 (8)	54.49
2	Arthur Hii Lu Choon	10,408,986	2.85	198,884,181 (8)	54.49
3	Dato' Soh Thian Lai	8,671,044	2.38	50,180,077 (9)	13.75
2	Ir Michael Hii Ee Sing	8,241,081	2.26	211,123,208 (10)	57.84
4	Victor Hii Lu Thian	10,408,986	2.85	198,884,181 (8)	54.49
5	Alexander Hii Lu Kwong (Alternate to Arthur Hii)	10,408,986	2.85	198,884,181 (8)	54.49
6	Christopher Hii Lu Ming (Alternate to Dato' Dr Hii Wi Sing)	10,408,986	2.85	198,884,181 (8)	54.49

Notes

(8) Deemed interested by virtue of his family substantial interests in YKGI in the Company.

(9) Deemed interested by virtue of his substantial interests in SOH TL Holding Sdn Bhd.

(10) Deemed interested by virtue of his substantial interests in YKGI and Mt Sungai Sdn Bhd.

The Directors by virtue of their interests in shares in the Company are also deemed to have interests in shares in all of its other 100% owned subsidiaries to the extent the Company has an interest, pursuant to Section 6A of the Companies Act, 1965.

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Analysis of Warrant Holdings
as at 29 March 2013

No. of Warrants issued	:	65,178,300
Exercise price of the Warrants	:	RM0.50 each
Expiry date of the Warrants	:	8 July 2013

DISTRIBUTION SCHEDULE FOR WARRANTS

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Warrants Issued
	21	Less than 100 warrants	1,425	0.00*
	64	100 - 1,000 warrants	43,151	0.07
	333	1,001 - 10,000 warrants	1,431,834	2.20
	296	10,001 - 100,000 warrants	12,164,494	18.66
	95	100,001 to less than 5% of issued warrants	35,324,898	54.20
	2	5% and above of issued warrants	16,212,498	24.87
Total	811		65,178,300	100.00

* less than 0.01%

THIRTY LARGEST WARRANT ACCOUNTS HOLDERS

	Name of Account Holders	No. of Warrants Held	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	11,999,998	18.41
2	Hii Wi Sing	4,212,500	6.46
3	A.A. Anthony Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Koo Tai Ping @ Koh Kian Tee	2,782,000	4.27
4	Tan Chan Chai	1,800,000	2.76
5	Ting Chuo Kiew	1,320,200	2.03
6	Chai Siew Wee	1,057,000	1.62
7	Phua Sin Mo	1,000,000	1.53
8	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lim Kam Seng (IPH)	1,000,000	1.53
9	Lee Kim Soon	982,900	1.51
10	OSK Nominees (Tempatan) Sdn Berhad Pledged Securities Account For Hiew Seek Ling	930,000	1.43
11	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Ting Kee Hoo	865,199	1.33
12	Mt Sungai Sdn Bhd	804,800	1.23
13	James A/K Tiam	800,000	1.23
14	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Hon & Tan Ho Hoon	743,000	1.14
15	Tan Peck Kee	700,000	1.07
16	Ng Yaing Seng	697,600	1.07
17	Chan Eng Hock	650,000	1.00
18	Ong Beng Kee	600,000	0.92
19	Lee Gaik Tay	569,400	0.87
20	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd for Yun Sii Lay	561,000	0.86
21	B-OK Sdn Bhd	512,000	0.79
22	Ting Kee Wei	512,000	0.79
23	Lai Wei Jeak	500,000	0.77
24	Wong Kie Yung	492,400	0.76
25	Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hoo Mun Keet (HOO0151C)	450,000	0.69
26	Koh Weng Foo	400,000	0.61
27	Lee Choon Peng	400,000	0.61

Analysis of Warrant Holdings
as at 29 March 2013 *(cont'd)*

THIRTY LARGEST WARRANT ACCOUNTS HOLDERS (cont'd)

	Name of Account Holders	No. of Warrants Held	Percentage
28	Yung Kong Holdings Sdn Bhd	400,000	0.61
29	Ng Yan Phay	384,700	0.59
30	Lai Wai Seng	370,000	0.57
	Total	38,496,697	59.04

DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 29 March 2013 are as follows:

		Direct	%	Indirect	%
1	Dato' Dr Hii Wi Sing	4,212,500	6.46	2,192,599 (1)	3.36
2	Dato' Soh Thian Lai	-	-	-	-
3	Arthur Hii Lu Choon	-	-	872,399 (3)	1.34
4	Ir Michael Hii Ee Sing	48,100	0.07	2,120,999 (2)	3.25
5	Victor Hii Lu Thian	-	-	872,399 (3)	1.34
6	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
7	Lim Pang Kiam	-	-	-	-
8	Liew Jee Min @ Chong Jee Min	-	-	-	-
9	Philip Anak Dreba @ Philip Aso Dreba	-	-	-	-
10	Francis Hii Lu Sheng	-	-	872,399 (3)	1.34
11	Yoshiki Kaneko	-	-	-	-
12	Alexander Hii Lu Kwong (Alternate to Arthur Hii Lu Choon)	-	-	877,399 (1)	1.35
13	Christopher Hii Lu Ming (Alternate to Dato' Dr Hii Wi Sing)	-	-	872,399 (3)	1.34
14	Ong Soo Seng (Alternate to Yoshiki Kaneko)	-	-	-	-

Notes

(1) Deemed interested by virtue of his substantial interests in Yung Kong Holdings Sdn Bhd, Yung Lieng Sdn Bhd, Kwong Yung Co Pte Ltd and the interests of his spouse in the Company.

(2) Deemed interested by virtue of his substantial interests in Yung Kong Holdings Sdn Bhd, Yung Lieng Sdn Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd and the interest of his spouse in the Company.

(3) Deemed interested by virtue of his substantial interests in Yung Kong Holdings Sdn Bhd, Yung Lieng Sdn Bhd and Kwong Yung Co Pte Ltd.

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Additional Information

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2012

Location	Tenure	Land Area/ Built-Up Area	Brief Description	Date of Acquisition/ Revaluation	Average Age of Building (Year)	Net Book Value (RM'000)
Lot 712 Section 7 Muara Tebas Land District Kuching	Leasehold (60 years) expiring on 8 Jan 2052	3.40 Ha/ 2.48 Ha	Industrial Land and Buildings	Jan 1992 acquired Aug 1996 revalued	18	6,137
* GM2333, Lot 817, Mukim Kapar, Daerah Klang, Selangor Darul Ehsan.	Freehold	-/11520 M^2	Industrial Building	Dec 2001 Completed	11	3,333
Lot 6479 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	10.04 Ha/ 4.06 Ha	Industrial Land and Buildings	July 2002 acquired Jan 2011 revalued	8	54,838
Lot 6472 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	3.695 Ha/ 2.155 Ha	Industrial Land and Buildings	Dec 2005 acquired Jan 2011 revalued	5	44,756
7D2 , Village Grove Condominium, Taman Satria Jaya, BDC, Stampin, Kuching	Leasehold (60 years) expiring on 24 Mar 2048	-/159 M^2	Condominium	Apr 1999 acquired	14	116
Properties held for sale No.69 & 69-01 Jalan Masai Utama 2, Taman Masai Utama, Masai, Johor	Leasehold (99 years) expiring on 26 Nov 2100	143 M^2	Double Storey Shop office	Oct 2005 acquired	11	323
No.22 & 24, Persiaran Perindustrian Silibin 2, Silibin Light Industrial Park, Ipoh Perak	Leasehold (60 years) expiring on 28 Dec 2054	892 M^2 per unit	2 adjoining units of 1 1/2 storey semi-detached factories	Mar 2004 acquired	18	927
No.20, Persiaran Perindustrian Silibin 2, Silibin Light Industrial Park, Ipoh Perak	Leasehold (60 years) expiring on 28 Dec 2054	892 M^2	1 1/2 storey semi-detached factory	Jun 2006 acquired	18	600
PM 685 & PM688, Lots 10599 & 10600 Mukim of Apam District of Pasir Mas, Kelantan	Leasehold (66 years) expiring on 27 Sept 2072	3.1154 Ha	Vacant Industrial land	Jan 2012 acquired	n/a	1317

* This property is built on a piece of land rented by YKGI from a related party, Asia Wire Steel Mesh Manufacturers Sdn Bhd for a period of 15 years expiring on 31 March 2015.

2. DISCLOSURE OF REALISED AND UNREALISED PROFITS / LOSSES

The breakdown of the realised and unrealised profits as at 31 December 2012 are disclosed in Note 34 to the Audited Finanacial Statements for the year ended 31 December 2012, as outlined on page 128 of this annual report.

Additional Information *(cont'd)*

3. MATERIAL CONTRACTS

Apart from the related party transactions as disclosed in Note 29 of the Notes to the Financial Statements, there are no other material contracts of the Company or its subsidiaries involving the Directors' and major shareholders' interests, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE ("RRPT")

The significant RRPTs entered into during the financial year ended 31 December 2012 are disclosed in Note 29 to the Financial Statements. A breakdown of the aggregate value of the RRPTs conducted pursuant to the shareholder mandate during the financial year, where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09 (1) of the Main Market Listing Requirements are set out below :

Nature of RRPT with YKGI Group	Names of Related Party(ies)	Relationship of Related Party(ies) with YKGI Group	Actual value of RRPT as at 31 December 2012 (RM)
Purchase of YKGI Products from YKGI and ICCI	Star Shine Marketing Sdn Bhd ("SSM")	Subsidiary where certain Directors have substantial interests	118,352,683
		Total	118,352,683
Purchase of YKGI Products from YKGI and ICCI	Star Shine Steel Products Sdn Bhd ("SSP")	Deemed subsidiary where certain Directors have substantial interests	46,320,223
		Total	46,320,223
Purchase of YKGI Products from YKGI and ICCI	Star Shine Global Trading Sdn Bhd ("SSGT")	Deemed subsidiary where certain Directors have substantial interests	2,038,165
		Total	2,038,165
Purchase of YKGI Products from YKGI	Star Shine Industries Sdn Bhd ("SSI")	Deemed subsidiary where certain Directors have substantial interests	68,573,707
		Total	68,573,707
Sales of YKGI Products to ICCI	SSM	Deemed subsidiary where certain Directors have substantial interests	3,262,121
		Total	3,262,121
Purchase of YKGI Products from MN	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	2,698,586
	Yung Kong Metal Works Co Bhd ("YKMW")	Company connected to YKC and certain Directors	47,358
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	25,225,536
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	543
	Yunco Integrated Sdn Bhd	Company connected to certain Directors	902,554
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	11,517,172
	Golden Shogun Sdn Bhd	Company connected to certain Directors	344,955
		Total	40,736,704
Purchase of metal products from SSP	YKC	Major shareholder of YKGI	298,699
	YKMW	Company connected to YKC and certain Directors	1,835,200
		Total	2,133,899
Purchase of raw materials	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	96,349,013
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd	Company connected to MISI	67,381,693
		Total	163,730,706
Purchase of YKGI Products from YKGI Group	Continental Strength Sdn Bhd	Company connected to certain Directors	6,672,943
		Total	6,672,943

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Sixth Annual General Meeting of Yung Kong Galvanising Industries Berhad ("YKGI" or the "Company") will be held at Function Room 1, Level 2, Four Points by Sheraton Kuching, Lot 3186 – 3187 Block 16, KCLD, Jalan Lapangan Terbang Baru, 93350 Kuching, Sarawak on Friday, 17 May 2013 at 11:00 a.m. to transact the following businesses:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To re-elect the following directors retiring pursuant to Article 103 of the Company's Articles of Association:
- i) Dato' Dr Hii Wi Sing **Resolution 2**
- ii) Ir Michael Hii Ee Sing **Resolution 3**
- iii) Mr Francis Hii Lu Sheng **Resolution 4**

3. To re-elect the following directors retiring pursuant to Article 108 of the Company's Articles of Association:
- i) Mr Fong Yoo Kaw @ Fong Yee Kow **Resolution 5**
- ii) Mr Lim Pang Kiam **Resolution 6**
- iii) Mr Liew Jee Min @ Chong Jee Min **Resolution 7**

4. To appoint Messrs KPMG as auditors of the Company for the ensuing year and to authorise the directors to fix their remuneration. **Resolution 8**

Special Business

5. *To consider and, if thought fit, pass the following ordinary resolution:*

Authority to issue shares pursuant to Section 132D of the Companies Act, 1965 **Resolution 9**

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

6. *To consider and, if thought fit, pass the following ordinary resolution:*

Proposed renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature ("Shareholder Mandate") **Resolution 10**

"THAT approval be hereby given to the Company and its subsidiaries ("YKGI Group") to enter into any of the categories of related party transactions which are recurrent, of a revenue or trading nature and are necessary for day-to-day operations of YKGI Group as outlined in point 3(b) (pages 4 to 14) of Part A of the Circular to Shareholders dated 25 April 2013 ("Circular"), with the specific related parties mentioned therein subject further to the following:

(i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders; and

Notice Of Annual General Meeting *(cont'd)*

(ii) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Shareholder Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others, based on the following information:

- the type of the recurrent related party transactions made; and
- the names of the related party involved in each type of the recurrent related party transactions made and their relationship with the Company.

AND THAT such approval will continue to be in force until:

(i) the conclusion of the next annual general meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed;

(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") [but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or

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

whichever is the earlier.

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholder Mandate."

7. *To consider and, if thought fit, pass the following special resolution:*

Proposed amendment to the Company's Articles of Association **Resolution 11**

"THAT the existing Article 145(a) of the Company's Articles of Association be deleted in its entirety and replaced with the following new Article 145(a):

<u>Cash distributions payable by cheque or warrant or through Bank</u>

Any cash distributions (as prescribed by the Exchange from time to time) or other money payable in cash in respect of securities may be paid by cheque or warrant, sent through the post directed to the registered address of the Members or persons entitled thereto, or if several persons are entitled in consequence of the death or bankruptcy of the holder, to any one (1) of such persons and to such address as such person may in writing direct or through directly crediting of funds into a nominated bank account as provided to the Depository from time to time of such Members or persons entitled thereto or through such other mode of electronic means. Every such cheque or warrant or funds crediting into the bank account of the Members or persons entitled thereto or through such other mode of electronic means shall be made payable to the order of the Members or persons entitled thereto and such payment shall be a good and full discharge to the Company for all payments made in respect of such securities, notwithstanding that it may subsequently appear that the cheque or warrant has been stolen or that the endorsement thereon has been forged or that there is discrepancy in the details of the bank account(s) given by the Members or persons entitled to the payment. Every such cheque and warrant or funds crediting shall be sent or credited at the risk of the Members or persons entitled to the money thereby represented. Where the Members or persons entitled thereto have provided to the Depository the relevant contact details for purposes of electronic notifications, the Company shall notify them electronically once the Company has paid the cash distributions out of its account."

Notice Of Annual General Meeting *(cont'd)*

8. *To consider and, if thought fit, pass the following special resolution:*

Proposed Change of Company Name from Yung Kong Galvanising Industries Berhad to YKGI Holdings Berhad ("Proposed Change of Name") **Resolution 12**

"THAT the name of the Company be changed from Yung Kong Galvanising Industries Berhad to YKGI Holdings Berhad with effect from the date of Certificate of Incorporation on Change of Name to be issued by the Companies Commission of Malaysia and that all references in the Memorandum and Articles of Association of the Company in relation to the name Yung Kong Galvanising Industries Berhad, wherever the same may appear, shall be deleted and substituted with YKGI Holdings Berhad;

AND THAT the Directors of the Company be and are hereby authorised with full powers to take all steps and do all such acts and matters as they may deem fit, necessary, expedient and/or appropriate in order to finalise, implement and/or give full effect to the Proposed Change of Name and with all preparatory steps taken and things done to date by the Directors (if any) in respect of the Proposed Change of Name be hereby duly ratified, with full powers to assent to any conditions, modifications, variations and/or amendments whether required by the relevant authorities or otherwise deemed to be in the best interests of the Company."

9. To transact any other business of which, due notice has been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

By Order of the Board,

Ms Voon Jan Moi (MAICSA 7021367)
Ir Michael Hii Ee Sing (LS 000872)
Company Secretaries

Kuching, Sarawak
Dated : 25 April 2013

Explanatory Notes on Special Business:

(a) Ordinary resolution in relation to authority to issue shares pursuant to Section 132D of the Companies Act, 1965

The proposed Resolution No. 9 will give powers to the Directors to issue up to a maximum ten per centum (10%) of the issued share capital of the Company for the time being for such purposes as the Directors would consider in the best interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next annual general meeting of the Company.

The general mandate sought for issue of shares is a renewal of the mandate that was approved by the shareholders at the Company's annual general meeting held on 18 May 2012 ("AGM 2012"). The Company did not utilize the mandate that was approved at the AGM 2012.

The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional cost and time.

The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(b) Ordinary resolution in relation to proposed renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature

Paragraph 10.09 of the Main Market Listing Requirements states that with regard to related party transactions which are recurrent, of a revenue or trading nature and which are necessary for day-to-day operations ("RRPT"), a public listed company may seek a shareholder mandate.

Notice Of Annual General Meeting *(cont'd)*

The proposed Resolution No. 10 if passed, will authorise the Company and each of its subsidiaries to enter into RRPT with the mandated related parties as identified in point 3(b) (pages 4 to 14) of Part A of the Circular to Shareholders dated 25 April 2013 ("Circular"), which are necessary for the YKGI Group's day-to-day operations, provided that such transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders.

By obtaining the Shareholder Mandate, the necessity to convene separate meetings from time to time to seek shareholders approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and costs associated with the convening of such meetings without compromising on the corporate objectives of the YKGI Group or adversely affecting the business opportunities available to the YKGI Group.

Please refer to Part A of the Circular for further information.

(c) Special resolution in relation to proposed amendment to the Company's Articles of Association
The proposed Resolution No. 11 is to amend the Company's Articles of Association in line with the amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

(d) Special resolution in relation to proposed change of the Company's name
The proposed Resolution No. 12 is part of the Group's rebranding exercise, with the aim of better positioning the Company as the Group does manufacturing and processing of steel and not just galvanising alone. The Group believes that the new name will enhance the Group's image and more accurately reflect the Group's business operations.

Please refer to Part B of the Circular for further information.

Notes:

1. *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. *To be valid, the form of proxy, duly completed must be deposited at the registered office of the Company at Lot 712 Block 7 Demak Laut Industrial Park, 93050 Kuching, Sarawak, Malaysia not less than 48 hours before the time for holding the meeting or any adjournment thereof.*
3. *A member of the Company entitled to attend and vote at this Annual General Meeting ("AGM") shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *If the appointor is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
6. *A depositor whose name appears in the Record of Depositors as at 13 May 2013 shall be regarded as a member of the Company entitled to attend this Annual General Meeting or appoint a proxy to attend, speak and vote on his behalf.*

YUNG KONG GALVANISING INDUSTRIES BERHAD

(Company No. 032939-U)
(Incorporated in Malaysia)

FORM OF PROXY

I/We .... (Name in full)

.... (IC/Passport/Company No.) of ....

.... (Address) being a member/

members of the abovenamed Company hereby appoint ....

.... (Name in full) .... (IC/Passport No.) of

....(Address

or failing him/her, ... (Name in full)

.... (IC/Passport No.) of ....

.... (Address)
or the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Thirty-Sixth Annual General Meeting of the Company to be held at Function Room 1, Level 2, Four Points by Sheraton Kuching, Lot 3186 – 3187 Block 16, KCLD, Jalan Lapangan Terbang Baru, 93350 Kuching, Sarawak on Friday, 17 May 2013 at 11:00 a.m. and any adjournment thereof.

My/Our proxy is to vote as indicated below:

NO.	RESOLUTIONS	FOR	AGAINST
1.	To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2012 and the Reports of the Directors and Auditors thereon.		
2.	Re-election of Dato' Dr Hii Wi Sing as director.		
3.	Re-election of Ir Michael Hii Ee Sing as director.		
4.	Re-election of Mr Francis Hii Lu Sheng as director.		
5.	Re-election of Mr Fong Yoo Kaw @ Fong Yee Kow as director.		
6.	Re-election of Mr Lim Pang Kiam as director.		
7.	Re-election of Mr Liew Jee Min @ Chong Jee Min as director.		
8.	Appointment of Messrs KPMG as auditors.		
9.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
10.	Renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature.		
11.	Amendment to the Company's Articles of Association.		
12.	Proposed Change of Name.		

Please indicate with an "X" in the appropriate box against each resolution how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on any resolution, the proxy shall vote as he thinks fit, or at his discretion, abstain from voting.

Shareholding Represented by Proxy 1	
Shareholding Represented by Proxy 2	

Dated this .... day of 2013

....
Signature of shareholder(s)/common seal

Notes:

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Fold here

STAMP

The Company Secretary
YUNG KONG GALVANISING INDUSTRIES BERHAD
Lot 712 Block 7
Demak Laut Industrial Park
93050 Kuching, Sarawak
Malaysia.

Fold here

China
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China
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Thailand
Rangoon
Vietnam
Bangkok
Manila
Turkey
and
Middle
Eastern
Countries
Pakistan
CAMBODIA
PHILIPPINES
Brunei
MALAYSIA
Klang
Papua
New Guinea
Sri Lanka
Kuching
Pacific Ocean
Indonesia
Singapore
Congo
Jakarta
Australia
New
Zealand

榕光钢铁有限公司

YUNG KONG GALVANISING INDUSTRIES BERHAD

(Company No. 032939-U)

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