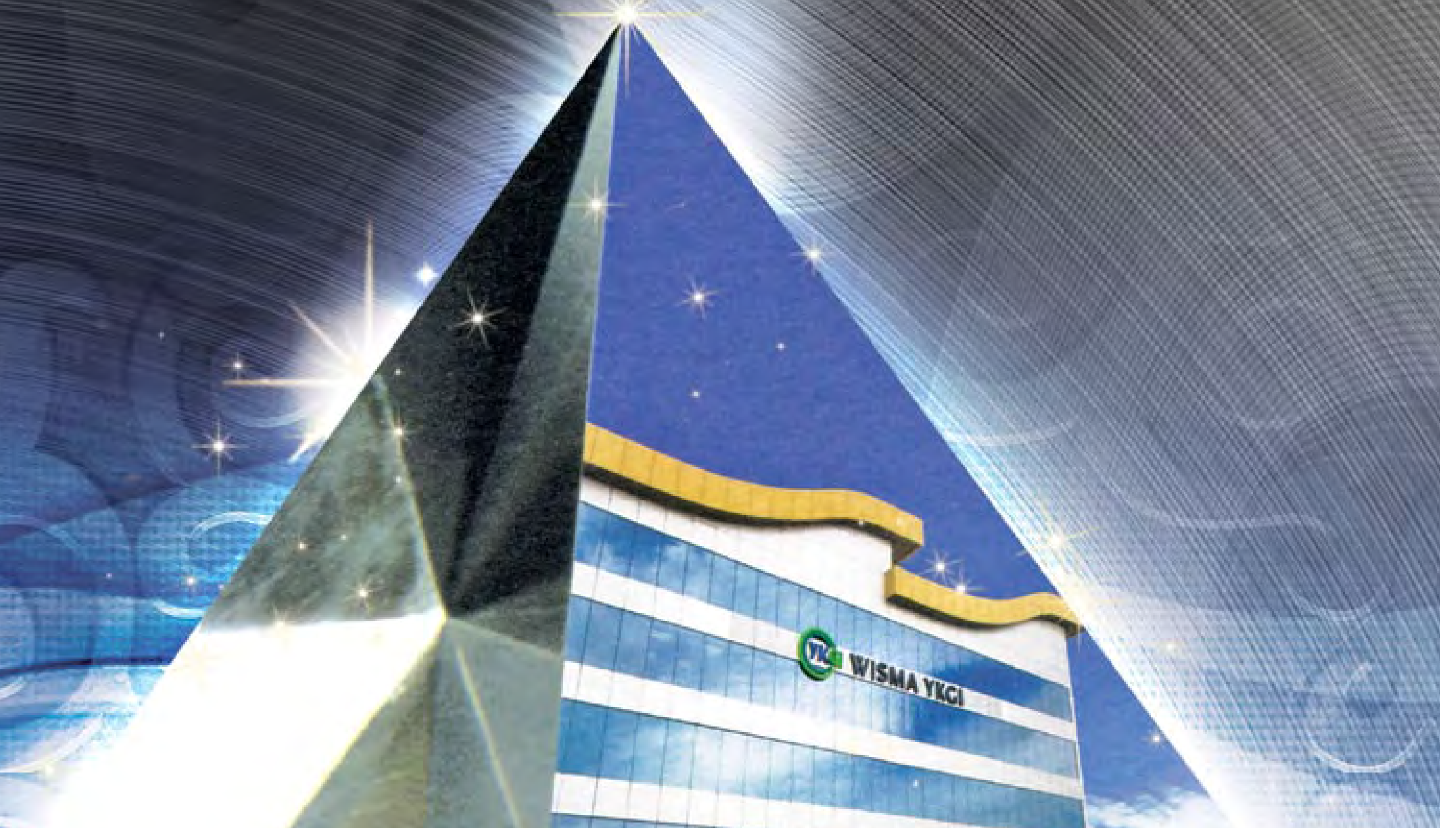
YKGI HOLDINGS BERHAD

(formerly known as Yung Kong Galvanising Industries Berhad)
(Company No. 032939-U)

Annual Report 2013



STRONG & SUSTAINABLE

A Strong and Sustainable Corporation Creating and Delivering Excellent Value.

YKGI HOLDINGS BERHAD
(formerly known as Yung Kong Galvanising Industries Berhad)
(032939-U)

Financial Highlights

(RM'000)	2009	2010	2011	2012	2013
Revenue	341,483	466,399	422,159	461,744	560,343
Profit/(loss) before tax	15,575	17,266	(22,810)	(20,716)	541
Profit/(loss) attributable to owners of the Company	9,938	9,562	(17,969)	(15,343)	255
Issued and paid-up capital	97,767	108,630	108,630	108,630	185,032
Shareholders' funds	154,402	171,908	157,523	140,707	196,873
Total Assets	493,124	538,379	539,268	549,120	605,067
Weighted average number of ordinary share in issue* (share)	227,201	227,201	227,201	227,201	300,172
Basic earnings/(loss) per share (sen) - restated**	4	4	(8)	(7)	0.1
Net assets per share of RM0.50 (sen)	79	88	77	72	57

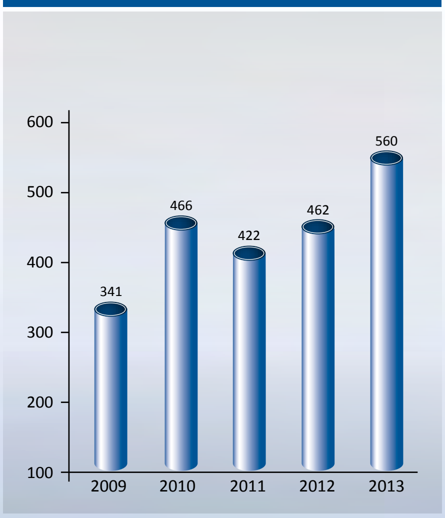
Dividends for Ordinary Shares

Rate	%	5% TE	2.5% TE	Nil	Nil	2%
	sen	2.5	1.25	0	0	1.00
Net Amount (RM'000)		4,888.4	2,444.2	0.0	0.0	3,483.4

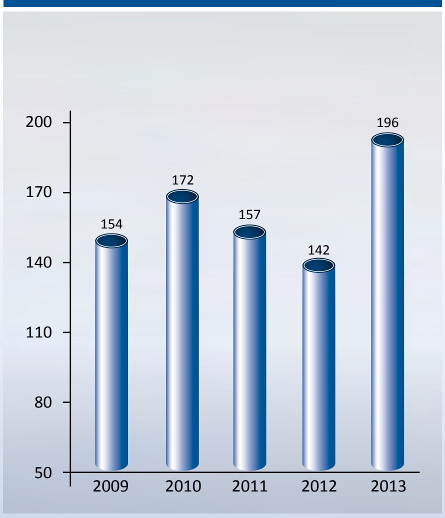
* *The weighted average number of ordinary share in issue has been restated as a result of the Bonus Issue during the year 2013.*

** *The basic earnings/(loss) per share is recomputed after taking account of the effect of the Bonus Issue during the year 2013.*

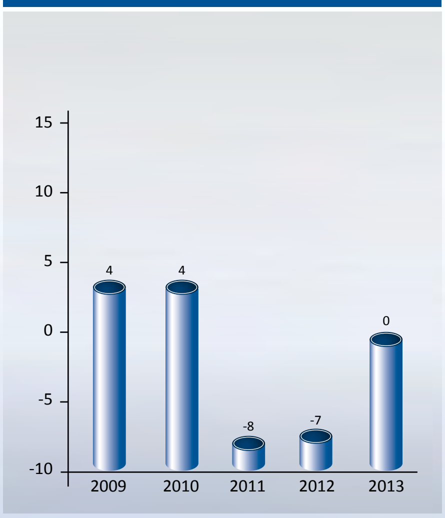
Group Revenue (RM Million)



Shareholders' Funds (RM Million)



Earnings Per Share (Sen)



Contents

YKGI HOLDINGS BERHAD
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Annual Report 2013

Chairman's Statement

Dear Valued Shareholders,

"Empirical studies have shown that budget deficit and fiscal imbalances will ultimately affect macroeconomic performance and drive up inflation. Subsidy rationalization and the broadening of tax base by implementing Goods and Services Tax (GST) effective 1 April 2015, minimum wage policy, increasing of fuel cost and electricity tariff, currency depreciation have provided the additional sparks for rising prices and cost of living in this country."

It is on this backdrop that on behalf of the Board of Directors, I am pleased to present YKGI Holdings Berhad's Annual Report and Financial Statements for the financial year ended 31 December 2013 (FY2013) for the first time as the new Board Chairman.

INDUSTRY TREND AND DEVELOPMENT

The long delayed fiscal correction measures to address budget deficit are now being implemented in 2014 and have resulted in the overshooting of consumer prices and the rising cost of living to us all. As we cope with the shrinking purchasing power, the Malaysian economy is forecasted by Bank Negara Malaysia to grow by 4.5% to 5.5%. The Malaysian economy grew by 4.7% in 2013 and in 2014, they are optimistic to outdo the growth rate of 4.7% recorded in 2013 primarily due to the encouraging growth of 5.1% recorded in the final quarter ended 31 December 2013. This optimistic growth forecast in 2014 is based on the fact that there is no cancellation or deferment of all the planned high impact projects as announced by the Finance Minister during the 2014 Budget, and the bullish domestic demand anticipated arising from the Economic Transformation Programs.

Even though the Government has pledged to build more affordable homes and roll out various mega infrastructure projects such as the Light Rail Transit (LRT) extension, the Mass Rapid Transit (MRT), West Coast Expressway and few others, the outlook of steel industry remain challenging as it is still largely influenced by macro factors in East Asia with China still experiencing large excess capacity. On top of that, we have yet to have a foolproof duty structure to discourage the rampant import of steel related raw materials, semi-finished and finished products into Malaysia. This has resulted in the unnecessary hardship faced by genuine manufacturers like us in the pricing of our products as we fight with the cheaper imported products in the domestic market.

The recent revision of electricity tariffs upward by 14.9% effective 1 January 2014 has disappointed the power intensive industry like the steel industry as this increase will effectively affect our profit margin. Although the overall outlook is challenging, we believe as we conscientiously work on our 5-year Business Transformation Plan in improving on our people and products, bring cost down and increase yield, improve revenue for better economy of scale, YKGI as a Company will be able to sustain and survive in this challenging environment.

Chairman's Statement *(cont'd)*

PERFORMANCE

We have proven amidst trying external factors enveloping the steel industry beyond our control, we had managed to make good progress in many aspects by vastly improve our financial position in FY2013 as compared to FY2012 and FY2011.

Our much improved financial performance in FY2013 materialized as we carried out the 5-year Business Transformation Plan. During the FY2013, we recorded a higher Group turnover of RM560 million as compared to RM462 million recorded in FY2012. As a result of this improvement, the Group recorded a profit before tax of RM0.54 million in FY2013 compared to a Group pre-tax loss of RM20.72 million in FY2012. This is a healthy swing of RM21.26 million from the position we were at in FY2012. In 2014, we will continue to work on improving our weaknesses in key results area and hopefully, we can sustain this profitable trend for FY2014 and beyond.

DIVIDEND

On the back of the vastly improved financials in FY2013, the Board of Directors has recommended a First and Final Single Tier Dividend of 1.0 sen per ordinary share of RM0.50 each in respect of the financial year ended 31 December 2013.

The Board of Directors has also recommended a First and Final Single Tier Dividend of 1.21 sen per redeemable convertible preference share of RM0.50 each in respect of the financial year ended 31 December 2013.

PROSPECTS AND CHALLENGES

With the newly commissioned Continuous Colour Coating Line (CCL) and our timely expansion into Kota Kinabalu, Sabah and Bintulu, Sarawak and Thailand all in place, we are optimistic for better financial performance FY2014 as this expansion is supported with stronger commercial presence of our good quality products that cater for every layers of consumers. With the Malaysian economy expected to grow between 4.5% to 5.5% in 2014, we expect the Group revenue for FY2014 to at least improve in tandem with the growing economy.

As reiterated earlier, the Government is proceeding with high impact infrastructure projects in 2014 and this augurs well for industry like us as the steel industry has always been an integral part of the Government prime pumping effort in keeping the demand of the primary industry consistent. Such high impact projects when carry out timely, will surely help the Government in achieving the growth target. Whilst Bank Negara Malaysia's growth forecast of between 4.5% to 5.5% points to a moderation in growth due to the weak external factor but the domestic demand is expected to remain on its steady growth trajectory and continues to be supported by accommodative monetary policy currently in place. The prolonged weakness in the external environment in Europe and Northern America will surely slow down global demand for steel related products. As we face some head wind and obstacles in 2014, we are also hopeful for positive financial results as we participate actively in the opportunities made available to us in Malaysia on the premise of strong and sustainable domestic demand.

CHANGE IN BOARDROOM

On behalf of the Board of Directors of YKGI Holdings Berhad, I would like to welcome two (2) new members to our Board. Mr Toshihiko Takahashi joined us on 17 May 2013 as Non-Independent Non-Executive Director, representing our Japanese shareholder, Marubeni-Itochu Steel Inc. ("MISI") of Japan who has increased its shareholdings in YKGI Holdings Berhad from 18.41% in FY2012 to 26.78% in FY2013. The trust and faith extended to us by MISI is indeed a major boost to our confidence. Mr Christopher Hii Lu Ming joined us on 2 January 2014 as an Executive Director.

On behalf of the Board of Directors, I would like to record my sincere appreciation to three (3) directors who had tendered their resignation on 31 December 2013 simultaneously.

Dato' Dr Hii Wi Sing stepped down as the Board Chairman on 31 December 2013 to make way for newer blood to helm YKGI Holdings Berhad. His immense contribution over the past 33 years with us and six (6) years as Board Chairman of YKGI Holdings Berhad will forever be remembered and treasured. The Board has taken the decision unanimously to appoint Dato' Dr Hii as the Senior Adviser to the Board of Directors of YKGI Holdings Berhad so that he can always be called upon to guide and advise us.

Mr Arthur Hii Lu Choon stepped down as the Deputy Executive Chairman on 31 December 2013 and Mr Philip Aso Dreba, Independent Director, has also stepped down on 31 December 2013 after fourteen (14) and seven (7) years of service to the Company respectively.

On behalf of the Board of Directors, I would like to wish them all the best in their future endeavor and we thank them for all the years of faithful service and contribution to make YKGI Holdings Berhad to what it is today.

Chairman's Statement *(cont'd)*

ACKNOWLEDGEMENTS

Success is a journey and not an end goal. We have been privileged to share this incredible journey with people of integrity and constancy in this challenging but rewarding YKGI journey. Our passion to do better stems from the exemplary performance of our Management and employees of YKGI Holdings Berhad. Together, they have delivered the turn-around of our financial position in FY2013 as promised. On behalf of the Board of Directors, I would like to thank them for their unwavering commitment and contributions.

Our shareholders, investors, customers, business associates, bankers, contractors, members of the media and governing authorities also played an important role in this memorable journey and therefore, I would like to extend my heartfelt appreciation and gratitude to their steadfastness and support that has seen us through good as well as bad times.

Last but not least, I would like to thank our Board of Directors for their resolute dedication, wisdom, leadership and guidance. As we usher in FY2014, I am confident that we will achieve further advancement in operational excellence, financial performance, corporate governance and sustainability.

I look forward to achieving more memorable milestone with you.

Thank you.

Lim Pang Kiam
Board Chairman
1 April 2014

Front row from Left : Yoshiki Kaneko, Dato' Dr Hii Wi Sing (Senior Adviser to the Board), Dato' Soh Thian Lai, Lim Pang Kiam, Fong Yee Kow, Ir Michael Hii Ee Sing
Back row from Left : Christopher Hii Lu Ming, Victor Hii Lu Thian, Francis Hii Lu Sheng, Chong Jee Min
Not in photo : Toshihiko Takahashi

CEO's Message

The Steel Industry Performance & Outlook

2013 was a challenging year for the steel industry in both the global and domestic markets. The global excess capacity has become one of the biggest challenges facing the steel industry, impacting on its economic health. The continuing excess capacity, especially from China, currently estimated at 300 million metric tonnes (including existing and new capacities) is a major problem for many countries. China has been exporting steel at depressed international prices and eroding the thin margins of many steel producers in the face of competition. With many countries being affected, Malaysia too, faced intense competition from an influx of cheap imported steel products, especially of the boron-added type of steel from China.

Overall, for 2013, Malaysia's total steel imports was 6.9 million metric tonnes(MT), which saw an increase of 15% from 2012, while total exports decreased by 35%, from 3.1 million MT in 2012 to 2.1 million MT in 2013. However, for the 1st half of 2013, the local production remained stagnant at 2.5 million MT. The Malaysian apparent steel consumption for 2013 is estimated to be 9.8 million MT, an increase of 11%. Hence, the growth in the domestic steel market was fulfilled by the increased imports, mainly from China, etc. The significant imports is a major threat to the competitiveness of the local steel producers, which are currently operating at a capacity utilization rate ranging from 30% to 60% on most of the products. To address this situation, the local industry is working with the Government through various Working Groups to initiate trade measures applicable under the provisions of the World Trade Organization to ensure a fair competitive environment to the local producers. Also, the recent establishment of the Malaysian Steel Institute (MSI) by the Government will auger well for the local industry, where the MSI will look into pressing issues and then formally present to the Government for appropriate solutions.

Operational Performance & Overview

After incurring two consecutive years of record losses, YKGI has been able to turn around by focusing on our 5-Years Business Transformation Plan, built on 5 main thrusts i.e. commercial, production, finance, people and stakeholders. Our efforts showed a very marginal profit before tax of RM0.54 million in 2013. This is an improvement of 103% or RM21.26 million from a pre-tax loss of RM20.72 million in 2012. Our EBITDA improved by 146% or RM20.2 million from RM13.8 million in 2012 to RM34.0 million in 2013. The Group recorded a turnover of RM560.4 million for 2013, an increase of 21% against RM461.7million achieved in the previous financial year.

Since 2012 YKGI has streamlined its key operations into three strategic business units (SBUs), i.e.

i) SBU 1 – Manufacture and sale of coated steel products (PPGI, PPGL) and downstream roofing products in Sabah and Sarawak, East Malaysia

ii) SBU 2 – Manufacture and sale of galvanized (GI), coated (PPGI,PPGL) and non-coated steel products (Pickled and Oiled HRC, Cold Rolled Coils) in West Malaysia

iii) SBU 3 - Trading of galvanized, coated, non-coated steel products, building and construction materials; Manufacture and sale of steel tubes and pipes, processing of flat and long steel products in West Malaysia.

CEO's Message *(cont'd)*

The completion and commissioning of the new "Continuous Colour Coating Line" (CCL) in September 2013 is the latest production facility that was added YKGI Group's main plant, SBU2 in Klang. The facility, costing RM30 million will enhance the production of one of our major products. Hence, now, collectively houses four major production lines with a total annual output capacity of 250,000 – 300,000 MT.

Over the years, YKGI has continuously worked on re-branding its key deliveries by focusing more on the integrity and user values, devoting particularly to the concept of safe, environmental-friendly and reliable quality products based on users' satisfaction, and in our objective to create a strong regional brand. In this endeavour, YKGI has evolved its product re-branding by launching not only high-end colour-coated products such as EnvioShield™, EnvioFlex™ and EnvioTex™, but also medium-end such as Spectra™ and economic range such as Domina™ to the response of various customers' needs and demands. In line with this re-branding strategy, the Management decided to re-name Yung Kong Galvanising Industries Berhad to YKGI Holdings Bhd and launched a new corporate logo.

In 2013, we also completed a corporate exercise as announced on 5th June 2013 with the raising of a total fund of RM43.95 million via private placement and restricted issue of shares to strengthen our cashflow and balance sheet position.

A number of action plans have been initiated over the years and indeed I believe we already have a good strategy in place to organize, align, develop, expand and succeed in this challenging industry.

Business Outlook

In mid-2013, Industry experts have estimated that demand of steel in Asia will increase by around 2%-3% in the 12 months to June 2014. In realizing this, the recovery of the steel industry depends very much on the economic recovery of some of the major consumer countries in various sectors such as building and civil construction, oil and gas, automotive, electrical and electronic, shipbuilding, machinery and equipment, metal fabrication, etc.

Economists have acknowledged that the Malaysian economy is expected to grow at around 5 - 5.5% in 2014, mainly driven by private investment on its domestic demand for infrastructure and particularly in the property development market. It is envisaged that various development projects, now undergoing and to be undertaken will spur the demand for building materials, including steel. In view of this, the construction sector is projected to grow at 9.6% in 2014. The projected positive economic growth will auger well for YKGI's products.

However, amidst all the related factors, we do anticipate that 2014 will remain very challenging for the Malaysian steel industry. The recent increase in electricity tariff by an average of 16.85% for industrial/commercial users, an anticipated industrial/commercial gas price hike in 2014, the full implementation of minimum wage, etc. will result in increasing the cost of doing business. These events could further crimp business margins as the additional costs may have to be partially borne by the manufacturers themselves and which subsequently suppress their earnings. This places the local steel players in a disadvantageous position in light of the competition from the influx of foreign steel imports.

Despite the very challenging environment we are facing, we remain optimistic and endeavor to be more aggressive in focusing on the action plans we have set. The optimize operation of the CCL in 2014, with its annual production capacity of 80,000 MT is expected to increase an additional sales revenue forthcoming from an increase of our colour-coated products.

Regionally, YKGI has started on an expansion drive by setting up trading hubs in ASEAN, YKGI (Thai) Steel Co.Ltd. to penetrate the coated steel products market in Thailand, as well as in Indonesia, as the ASEAN Economic Community is expected to offer huge opportunities from 2015. Also, domestically, YKGI has also set up ASTEEL (Sabah) Sdn. Bhd., and also ASTEEL (Bintulu) Sdn. Bhd. to enhance our downstream roofing products in the East Malaysian market.

In incorporating all our plans, YKGI is committed to comply to the Environmental Quality Act 1974, and in doing so the main plant located at Jalan Kapar, Klang, Selangor was designed to be environmentally-friendly, thus minimizing environment pollution. In this approach, in taking proactive steps to improve and manage environmental issues, the plant is planning to obtain ISO 14000 and 18000 certification in the near future.

Also, YKGI remains committed to improving its operational efficiency by increasing the productivity of its employees and raising cost efficiency in the running of the Group's business. The pursuit of our strategies which includes human resource management focused on meritocracy and key performance by implementing Balanced Scorecard, and effective training and skills building will be our objective. YKGI will be setting up a YKGI Academy as a "Central Training & Coaching Hub" that will not only equip the staff with the necessary skills and knowledge but also groom talents for career progression within the Group. In the foreseeable future, YKGI should have a well-structured management succession plan to fulfill the main objectives of the Group.

CEO's Message *(cont'd)*

With all these strategies in place, YKGI is confident in meeting the challenges it will face in 2014 and continue to stay ahead of the competition. We are aware that the journey ahead is going to be arduous and challenging. We look forward in unleashing the talents of all our employees and appreciate the strong support from all our stakeholders to deliver the aspired success.

Acknowledgement

On behalf of the Management, I would like to express my deep appreciation to Dato' Dr Hii Wi Sing, Mr Arthur Hii Lu Choon and Mr Philip Aso Dreba, the three members of the Board of Directors who have stepped down with effect from 31 December 2013. I wish to express my sincere thanks to them and wish them all the best. At the same time, I warmly welcome the appointments of Mr Lim Pang Kiam as Independent Non-Executive Chairman, Mr. Toshihiko Takahashi and Mr Christopher Hii Lu Ming as the new members to our Board.

Last, but not least, let me take this opportunity to express my sincere appreciation and gratitude to the management and all the staff of YKGI Group for their untiring commitment, dedication and loyalty; to our customers and shareholders for the continued support and all other relevant authorities for their invaluable advice, guidance and support rendered to us for the success of our Group.

Dato' Soh Thian Lai
Group Managing Director/CEO
1 April 2014

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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 in : A) 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 ASTEEL Sdn Bhd (formerly known as Magic Network Sdn Bhd) for Sabah and Sarawak market. YKGI Group also involved in the manufacture and sale of roll-formed products and trading of hardware and building materials in Sabah and Sarawak through its subsidiaries, i.e. ASTEEL (Sabah) Sdn Bhd and ASTEEL (Bintulu) Sdn Bhd. 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 2013, the Group achieved a total revenue of RM560 million, an increase of 21% as compared to RM462 million registered in the previous financial year. Gross profit margin has increased from 5.1% in 2012 to 9.1% in 2013. Administrative expenses hiked by RM6.64 million, attributable to forex loss of RM3.94 million, written off of the expenses incurred in fund raising exercise of RM1.43 million and higher operation costs to support higher revenue.

Finance cost were RM0.76 million lower than previous financial year attributable to savings from the fund raised by the Group.

Other income was RM1.08 million higher than 2012, mainly attributed to the gain from derivative gain derived from the fair value of the forward foreign currency exchange contracts.

Total profit before tax for the year was RM0.54 million, improved by RM21.26 million from 2012's pretax loss of RM20.72 million. Earnings before Interest, Tax, Depreciation and Amortisation improved from 2012's RM13.77 million to 2013's RM33.97 million, an increase of RM20.20 million.

During the year under review, the Group managed to raise new capital of RM43.95 million through private placement and restricted issue of shares. The net current liabilities position of the Group has improved from RM78.9 million as at 31 December 2012 to RM53.9 million as at 31 December 2013.

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
2013					
Revenue from external customers	123,262	17,341	419,740	-	560,343
Inter-segment	-	351,344	1,749	(353,093)	-
	123,262	368,685	421,489	(353,093)	560,343
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
Increase/(decrease)	(530)	77,994	103,972	(82,837)	98,599
	-0.1%	+16.9%	+22.5%	-17.9%	+21.4%

During the first half of the financial year 2013, the Group has achieved revenue of RM275.6 million and achieved profit before tax of RM7.0 million. The better profitability is due to better selling price of the Group's products. During the second half of the year, revenue has increased by 3% to RM284.8 million. However, there was a disruption of the availability of the raw material for production in October 2013, causing low productivity and high cost of production. Gross profit ("GP") margin decreased from 10.9% in first half to 7.4% in second half. Overall, the GP margin was at 9.1% for the financial year 2013, improved by 4% from 5.1% in year 2012.

FUTURE PLANS

The Group managed to turnaround during the year 2013 and the immediate focus of the Group now is to transform itself to be a profitable organization by implementing the action plans outlined in its 5-Year Business Transformation Plan ("BTP") through five (5) Strategic Thrusts:

- Commercial – Revenue & Profit management
- Production – Master operational excellence with high yield
- Finance – Strengthen balance sheets
- People – Unleashing talents and capabilities
- Stakeholders – Winning Coalition

2014 overall outlook for the domestic steel industry could well be a more challenging as the influx of cheap imported steel products remained. Besides that the industry is currently facing rising costs as a result of the implementation of the minimum wage, the increase in retirement age and the increase in electricity tariff rates. All these have affected the Group's market and squeezed its profit margin. Intervention and stricter enforcement by the government is necessary to counter the influx of imports and ensure that the local industry has a fair chance to compete against dumped imports. Local industry players must also be proactive in monitoring such unfair practices and promptly submit petitions to the government to investigate and impose affirmative measures.

In spite of the potential slowdown in several projects, there remains a strong domestic demand for infrastructure and particularly in the property development market by the private sector. To name a few, the government has also outlined RM106 billion worth of projects such as 316 km West Coast Expressway from Banting to Taiping, the construction of additional blocks in Hospital Queen Elizabeth in Kota Kinabalu, and the RM578 million Programme Perumahan Rakyat that involves the construction of 16,473 housing units. An estimated growth of 9.6% is projected for the construction sector.

The Group has taken steps to improve its market share and profit margin by having more aggressive marketing efforts to attract higher sales from the prospective customers and regional expansion.

Besides increasing its sales, the Group will put in its effort to lower down the cost along the whole value chain of the business process by implementing budgetary control and monitoring, mastering operational excellence and lower down cost base by having maximum production output with additional improved yield of 3%, cost effective procurement practice, tighten inventory management, cash flow management and cost down measures. There is still a long way to go and the journey ahead is going to be challenging. YKGI will keep looking out for regular updates on the progress and the impact of the action plans that outlined in the BTP. With the commitment from staff and support from stakeholders, we can do this, and we will.

Corporate Information

BOARD OF DIRECTORS

Mr Lim Pang Kiam
Independent Director/Non-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 Christopher Hii Lu Ming
Executive Director

Mr Yoshiki Kaneko
Executive Director

Mr Fong Yee Kow @ Fong Yoo Kaw
Senior Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

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

Mr Toshihiko Takahashi
Non-Independent Non-Executive Director

ALTERNATE DIRECTOR

Mr Yoshiyuki Komaki
(to Mr Toshihiko Takahashi)

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 : **YKGI**

CERTIFICATION

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

AUDIT COMMITTEE

Mr Fong Yee Kow @ Fong Yoo Kaw
Senior Independent Director

Mr Lim Pang Kiam
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

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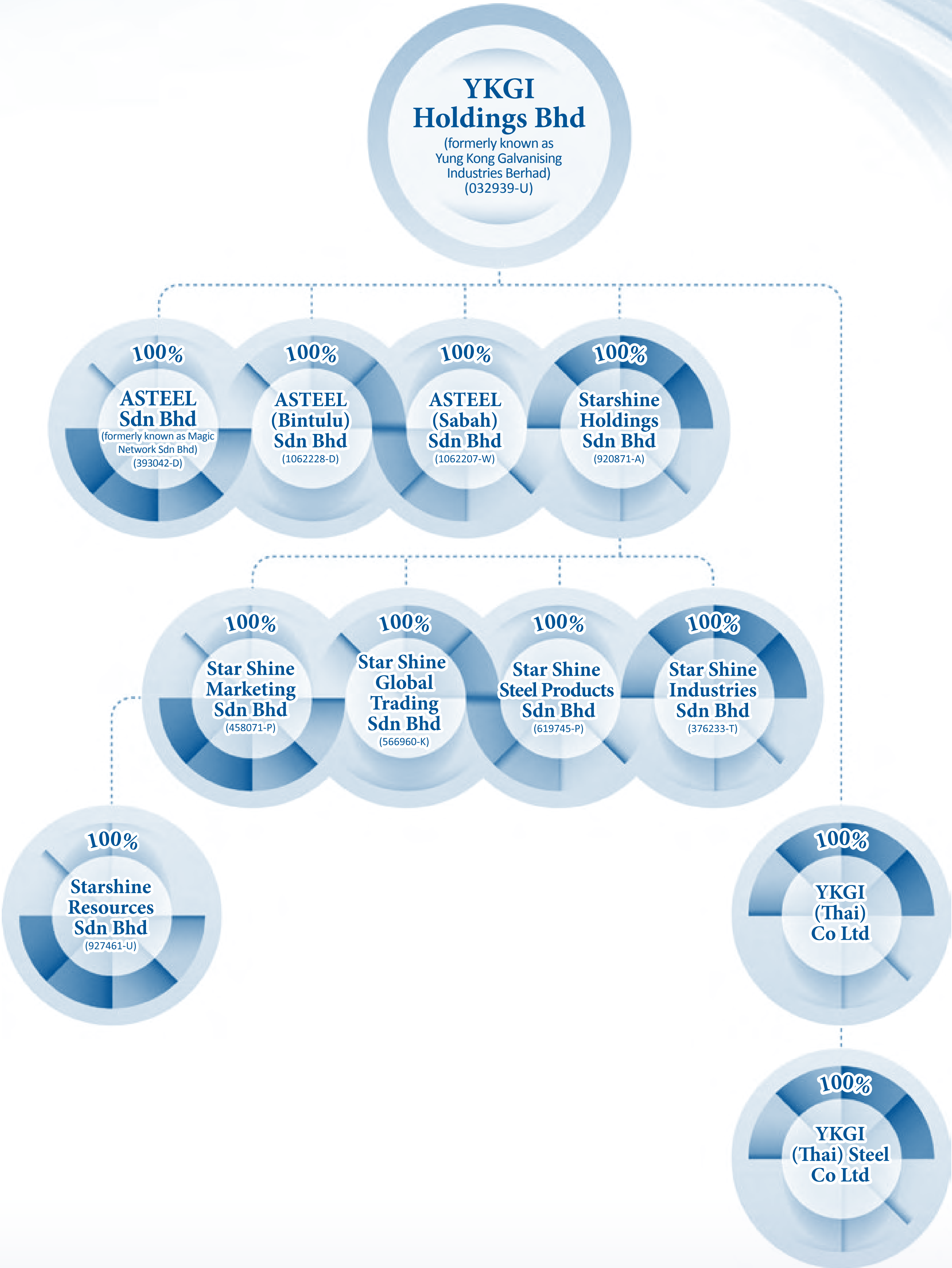
Email : ykgi@ykgigroup.com
Website : http://www.ykgigroup.com

Corporate Structure (as at 1 April 2014)



Directors' Profile

Mr Lim Pang Kiam was appointed to our Board as an Independent Non-Executive Director on 3 January 2013. Mr Lim was appointed and assumed the post of Independent Director / Non-Executive Chairman effective 2 January 2014.

He graduated from Universiti Sains Malaysia in 1988 with a Bachelor of Science (Honours) Degree 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 Chartered 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.

During the financial year ended 31 December 2013, he has attended seven (7) out of the eight (8) Board meetings held. He is also a member of the Audit, Nomination and Remuneration Committees.

He does not have any direct or indirect shareholdings in the Company and Group. He has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

LIM PANG KIAM
51 Malaysian
Independent Director /
Non-Executive Chairman

Dato' Soh Thian Lai has assumed the position of Managing Director and Chief Executive Officer since his appointment to the Board as on 15 March 2012.

Dato' Soh graduated from Tunku Abdul Rahman College with a Diploma in Technology (Materials Engineering) in 1985. Later he 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. He was upgraded as a Fellow Member of MIM in 2010.

Dato' Soh has over 29 years of experience in the steel industry. Dato' Soh has been instrumental in the development and success of our Group as well as the Malaysian Steel Industry. Over the years, he has served as the President of Malaysia Iron and Steel Industry Federation (MISIF), Council Member of Malaysian Steel Council (MSC), Founding member and Director of Malaysia Steel Institute, Council Member of ASEAN Iron and Steel Council, Council Member of the Federation of Malaysian Manufacturers (FMM), Chairman of FMM Selangor Branch, Co-Chairman of Pemudah of Selangor, Chairman of FMM Logistics and Former President of Steel Wire Association of Malaysia (SWAM).

He has attended all the eight (8) Board meetings held during the financial year ended 31 December 2013. Dato' Soh is the Chairman of the Risk Management Committee and he has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company. His interests in YKGI and subsidiaries as at 31 March 2014 are disclosed on page 132 and 134 of this Annual Report.

DATO' SOH THIAN LAI *DIMP*
53 Malaysian
Managing Director /
Chief Executive Officer

Directors' Profile *(cont'd)*

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 under review, Ir Hii 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. His interests in YKGI and subsidiaries as at 31 March 2014 are disclosed on page 132 and 134 of this Annual Report.

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

IR MICHAEL HII EE SING
59 Malaysian
Group Executive Director /
Company Secretary

Mr Victor Hii was appointed to the Board on 27 February 2006. He 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 a Master of Business Administration in Management, Bachelor of Business Administration in Management, Bachelor of Science (Project Management), and Diploma in Executive Secretaryship. He is a member of Malaysian Institute of Management (MMIM). He is the Chairman of Persatuan Alumni AOTS Malaysia (PAAM) Sarawak Branch and Persatuan Industri Demak Laut (PIDE).

He attended all the eight (8) Board meetings held during the financial year under review. His interests in YKGI and subsidiaries as at 31 March 2014 are disclosed on page 132 and 134 of this Annual Report.

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

VICTOR HII LU THIAN
38 Malaysian
Executive Director

Directors' Profile *(cont'd)*

Mr Christopher Hii was appointed to the Board on 2 January 2014. Mr Christopher Hii is the President/CEO of Starshine Holdings Sdn Bhd. He graduated from University of Canterbury, New Zealand with a Bachelor's of Science Honours Degree in Mechanical Engineering in 2000.

Mr Christopher Hii joined YKGI in 2000 as a Mechanical Engineer involved in the constructions of our Factory and Office buildings and in the management and operations of the Company including production, quality assurance and control and logistics.

As he was appointed in 2014, the attendance of Board Meetings held during the financial year ended 31 December 2013 is not applicable to him. His interests in YKGI and subsidiaries as at 31 March 2014 are disclosed on page 132 and 134 of this Annual Report.

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

CHRISTOPHER HII LU MING
37 Malaysian
Executive Director

Mr Kaneko was appointed to the Board on 1 April 2011 as a Non-Executive Director. Since 1 May 2013, Mr Kaneko was appointed as an Executive Director. 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.

Mr Kaneko attended all the eight (8) Board meetings during the financial year ended 31 December 2013. He does not have any direct or indirect shareholdings in the Company and Group. Mr Kaneko has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

YOSHIKI KANEKO
61 Japanese
Executive Director

Directors' Profile *(cont'd)*

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 Hii Brothers Enterprises Sdn Bhd. He is also a member of the Nomination Committee.

He attended seven (7) out of eight (8) Board meetings which were held during the financial year under review. His interests in YKGI and subsidiaries as at 31 March 2014 are disclosed on page 132 and 134 of this Annual Report.

Mr Francis Hii is a nephew of Ir Michael Hii Ee Sing, and a cousin of Victor Hii Lu Thian and Christopher Hii Lu Ming, all of whom are Directors and major shareholders of the Company. He has no conflict of interests with the Company.

FRANCIS HII LU SHENG
51 Malaysian
Non-Independent
Non-Executive Director

Mr Takahashi was appointed to the Board on 17 May 2013. He is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He studied Economics and graduated in 1983 from Rikkyo University, Japan and has worked with Marubeni Corporation since 1983.

Mr Takahashi with his 31 years business career in Marubeni-Itochu Steel Inc., contributes especially in the aspect of procurement of raw materials such as HRC, CRC and Coated Steel.

He attended two (2) of the four (4) Board meetings applicable to him during the financial year ended 31 December 2013.

He does not have any direct or indirect shareholding in the Company and Group. Mr Takahashi has no family relationship with any Director or major shareholder of the Company. He has no conflict of interests with the Company.

TOSHIHIKO TAKAHASHI
53 Japanese
Non-Independent
Non-Executive Director

Directors' Profile *(cont'd)*

FONG YOO KAW @ FONG YEE KOW
61 Malaysian
Senior Independent Director

Mr Fong was appointed to the Board on 3 January 2013. He is a Chartered Accountant and a 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 and 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 a State Economic Development Corporation for 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 locations. He retired as Partner of Ernst & Young in 2010. He also sits on the board of two (2) public listed companies, Pansar Bhd and Sarawak Oil Palms Bhd and a number of other private companies.

Mr Fong attended all the eight (8) Board meetings held during the financial year ended 31 December 2013.

He is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee. He has no family relationship with any Director or major shareholder of the Company. He does not have any direct or indirect shareholdings in the Company and Group. He has no conflict of interests with the Company.

LIEW JEE MIN @ CHONG JEE MIN
55 Malaysian
Independent Director

Mr Chong was appointed to the Board on 28 February 2013 as an Independent Director of the Company. 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) other public listed companies, namely, Lion Industries Corporation Berhad, Jaks Resources Berhad and Malaysia AICA 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.

He has attended all the seven (7) Board meetings applicable to him during the financial year ended 31 December 2013.

He is the Chairman of Remuneration Committee, a member of the Audit, Nomination and Employee Retirement Scheme Committees. He does not have any direct or indirect shareholdings in the Company and Group. He has no family relationship with any Director or major shareholder 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.

Corporate Governance Statement

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 as appears on pages 27 to 31 and Internal Control Statement on pages 24 to 26 of this Annual Report set out how the Group has applied the principles and observed the recommendations as 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 2013, the Board consists of twelve (12) 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
- three (3) Executive Directors
- four (4) Independent Directors
- two (2) Non-Independent Non-Executive Directors

The Board was strengthened with the appointment of three (3) Independent Directors and a Non-Independent Non-Executive Director during the year under review.

On 3 January 2013, the Company appointed Mr Fong Yoo Kaw @ Fong Yee Kow and Mr Lim Pang Kiam as Independent Directors. Mr Fong Yee Kow also took the role of Senior Independent Director to whom concerns or queries concerning the YKGI Group may be conveyed to. Mr Liew Jee Min @ Chong Jee Min was appointed Independent Director on 28 February 2013. On 17 May 2013, Mr Toshihiko Takahashi was appointed Non-Independent Non-Executive Director of the Board and Mr Yoshiki Kaneko was re-designated as Executive Director with effect from 1 May 2013.

During the year under review, three (3) of the Directors, namely Dato' Dr Hii Wi Sing, Mr Arthur Hii Lu Choon and Mr Philip Anak Dreba @ Philip Aso Dreba tendered their resignation effective 31 December 2013 for personal reasons and to pave way for the Board to comply with the Code.

The Nomination Committee had conducted interview sessions with the recommended candidates before appointment to ensure that suitable candidates join the Board of Directors. The Board also undertakes 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. Independent Directors provide unbiased and independent views, advice and judgment, after taking into consideration the interests of all its stakeholders.

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 had approved and adopted the Board Charter and Code of Conducts which set out a list of specific functions that are reserved for the Board, these are available on the Company's website at www.ykgigroup.com

Despite the absence of a formal sustainability policy, the Board is mindful of the importance of business sustainability and the impact on the environment, social and governance aspects in conducting the business is taken into consideration. YKGI Group also embraces sustainability in its operations and supply chain, through its own actions as well as in partnership with its stakeholders including suppliers, customers and other organisations.

Corporate Governance Statement *(cont'd)*

The Group's activities to promote sustainability during the financial year under review are also disclosed in the report of the Corporate Social Responsibilities set out on pages 35 of this Annual Report.

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. To comply with this recommendation, the Independent Director, Mr Lim Pang Kiam has been appointed as the Chairman of the Board with effect from 2 January 2014. 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 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, including, where appropriate, the ability of the candidates to act as Independent Director as the case may be. 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. The Board will continue to assess the needs to adopt a gender diversity policy or target and ensure women candidates are sought as part of its recruitment exercise .

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.

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 listed issuers.

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 12 to 16 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 for the consideration and approval of the Board, based on the criteria to be used in the recruitment process and annual assessment of directors. 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 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 above the age of 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 2013.

Corporate Governance Statement *(cont'd)*

All Directors have complied with the attendance requirements in respect of the Board meetings as required by Bursa Malaysia Securities Berhad. The detail of the attendance of each individual Director is outlined in their respective profile on pages 12 to 16 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. 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 Secretary attends all the Board Committees' meetings.

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 the Board Committees and report back to the Board with recommendation.

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 four (4) 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 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

Corporate Governance Statement *(cont'd)*

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, Board Committees and individual contribution of each Board member. The NC also annually assesses the Chief Financial Officer as required under the Listing Requirements and makes necessary recommendations to the Board.

The NC held four (4) meetings during the financial year ended 31 December 2013.

c) ***Remuneration Committee ("RC")***, formed on 13 March 2001, comprises solely of four (4) 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 one (1) time during the financial year ended 31 December 2013.

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 2013.

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 2013.

Details of the membership for each Board Committee as at 31 December 2013 are as follows :

Names	Designation	AC	NC	RC	RMC	ERS
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
Fong Yoo Kaw @ Fong Yee Kow	Senior Independent Director	C	C	M		
Lim Pang Kiam	Independent Director	M	M	C		
Liew Jee Min @ Chong Jee Min	Independent Director	M		M		
Francis Hii Lu Sheng	Non–Independent Non–Executive Director		M			
Yoshiki Kaneko	Executive Director				M	

Note:
C = Chairman
M = Member

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 2013 are as follows :

Title of Training/Seminar

1 Minimum Wages Order and Minimum Retirement Age Act
2 Governance, Risk and Control for Company Secretaries
3 Government Sales Tax (GST)
4 MFRS Update 2012/2013 Seminar
5 Drafting Board Charter and Term of Reference for Board Committee and Role of Nominating Committee for PlCs
6 Statement Of Internal Control
7 LHDNM-MEF Seminar on Taxation: "Budget 2013:Implications On Employers & Employees"

Corporate Governance Statement *(cont'd)*

8 Personal Data Protection Act 2010
9 Briefing on Limited Liability Partnership
10 1) Corporate Governance/Enterprise Risk Management, 2) Personal Data Protection Act 2010, 3) Competition Act 2010
11 Mind Mapping
12 2013 SEAISI Conference & Exhibition
13 Economic Transformation Programme-Progress and Opportunities
14 Mandatory Accreditation Programme for Directors of Public Listed Companies (MAP)
15 Effective Minutes Writing - Personal Data Protection Act 2010
16 GST Seminar for Manufactures & Business
17 National Shipper's Conference
18 Strong & Sustainable Training
19 Tax Implications on the Adoption of FRS
20 Trans Pacific Partnership (TPP) Agreement
21 Moving Forward in the Malaysian Coated Steel Industry
22 GREAT Leaders Program
23 Corporate Governance Statement Reporting Workshop
24 Post Budget and What to Expect 2014
25 Tax Seminar 2014 Budget Proposals
26 2014 Budget Seminar
27 2014 Outline of State Budget and Tax Reform Seminar for Japanese
28 Latest Corporate Governance Guide - 2nd edition issued in October 2013
29 2013 ASEAN Iron & Steel Sustainability Forum
30 Enhanced Understanding Of Risk Management & Internal Control For CFOs, IAs & ROs
31 "Towards Performance Excellence" Making the Transition"
32 Navigating The Global Economic Fragility: Implications On Malaysian Business

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 calibre, qualifications, skill and experience needed to run the Group's operation effectively and successfully. The component parts of remuneration are 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, directors' fees are paid based on the experience and levels of responsibilities undertaken by the particular Director concerned.

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

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.

Corporate Governance Statement *(cont'd)*

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 2013, in aggregation and analysed into the respective bands of RM50,000, are as outlined below:

	Executive Directors	Non-Executive Directors
	RM	RM
Fee	196,000	251,500
Salary	3,961,552	-
Ex-Gratia / Bonus	161,750	-
Allowances	654,630	96,560
Benefits-in-kind	-	-
Commissions	-	-

	Executive Directors	Non-Executive Directors
	No.	No.
RM1,250,001 to RM1,300,000	1	-
RM950,001 to RM1,000,000	1	-
RM750,001 to RM800,000	1	-
RM650,001 to RM700,000	1	-
RM450,001 to RM500,000	1	-
RM100,001 to RM150,000	1	-
RM 50,001 to RM100,000	-	4
RM 50,000 and below	-	2

3 RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

The Board is aware of the need to establish Corporate disclosure policies to enable comprehensive, accurate and timely disclosure relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders.

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

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.ykgigroup.com and Bursa Securities' website at www.bursamalaysia.com for corporate and financial information as well as relevant announcements and releases of Annual Reports, circular to shareholders, quarterly financial results, press releases on industry matters and any other corporate announcements made through Bursa LINK.

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.

Corporate Governance Statement *(cont'd)*

Senior Independent Director's contact

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

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 *Risk Management and Internal Control*

The Board understands that in order to strengthen the accountability aspect of financial reporting, the Company needs to maintain a sound system of risk management and internal control to safeguard shareholders' investment and the Company's assets. Hence, the Company has developed a comprehensive system of risk management and internal control with the following main features :

- Risks are managed within Risk Appetite established by the Board;
- Risk Taking decisions are consistent with YKGI Strategic Business Objectives;
- Risk Decisions are explicit and communicated; and
- The expected return compensates for the risk taken.

The Statement of Risk Management and Internal Control, which provides an overview of the state of its risk management and internal control within the Group, is set out on pages 25 to 26 of this Annual Report.

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.

Corporate Governance Statement *(cont'd)*

Details of the activities carried out by the AC 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 2013 by the Company's external auditors, Messrs KPMG, and a firm or company affiliated to KPMG are set out below:

	RM
Audit fees	164,000
Non-audit fees	39,900

5. NOMINATION COMMITTEE ACTIVITIES

During the financial year ended 31 December 2013, the activities carried out by the Nomination Committee are as follows:

- assessed and recommended to the Board the appointment of new Directors and re-election of Directors who are due for retirement by rotation at the Thirty Sixth Annual General Meeting on 17 May 2013.

- assessed and conducted Directors Continuing Education Check to ensure that all Directors are updated on the Listing Requirements and other laws and regulations, and generally improving their knowledge to discharge their duties and responsibilities.

- reviewed and assessed the performance and contributions of each Director, mix of skills of directors, performance and effectiveness of the Board of Directors and Board Committees namely, Audit Committee, Nomination Committee, Remuneration Committee, Employee Retirement Scheme Committee and Risk Management Committee.

6. COMPLIANCE STATEMENT

The Board is committed to inculcating good corporate governance for the Group. 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 2014.

This Statement is issued in accordance with a resolution of the Board of Directors dated 28 February 2014.

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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 YKGI Holdings Berhad ("YKGI") is pleased to provide the Statement on Risk Management and Internal Control ("Statement") for the year ended 31 December 2013 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 yearly basis or when need arises. 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 Management Framework 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.

The Internal Audit Function reviews the Group's operations, the systems of internal control by performing reviews of the business processes at least twice a year 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 Audit Committee ("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.

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

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 30 to 31.

Audit Committee

The 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 29 to 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, Executive Finance and Investment 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 for decisions.

- Established standard operating procedures under ISO 9001:2008 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 Group Management Committee which the members consists of Executive Directors and the key management personnel of the Group. 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.

BOARD REVIEW

The Board is of the view that the system of risk management and internal controls put 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 on the adequacy and effectiveness of the risk management and internal control system of the Group.

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.

This Statement is issued in accordance with a resolution of the Board of Directors dated 28 April 2014.

Report of Audit Committee

The Audit Committee ("Committee") of YKGI Holdings 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 2013.

1 MEMBERSHIP AND ATTENDANCE OF EACH MEMBER

The Committee comprises solely of four (4) Independent Directors. All members of the Committee are financially literate and the Chairman is a member of Malaysian Institute of Accountants ("MIA").

During the financial year ended 31 December 2013, the Committee met six (6) times. Details of the members and their attendance at Committee meetings held are as follows:

Names	Designation	Attendance
Mr Fong Yee Kow @ Fong Yoo Kaw (MIA No. 3187)	Chairman, Senior Independent Director	6/6
Mr Lim Pang Kiam	Member, Independent Director	6/6
Mr Liew Jee Min @ Chong Jee Min	Member, Independent Director	3/3
Mr Philip Anak Dreba @ Philip Aso Dreba (resigned with effect from 31 December 2013)	Member, Independent Director	6/6

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 Chairman 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 Chairman 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 to 21 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 with recommendations. The Committee shall be governed by the following terms of reference which have been approved by the Board and which may be amended by the Board 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 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").

2.2 Chairman/Chairperson

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

Report of Audit Committee *(cont'd)*

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 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 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:

(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.

(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.

Report of Audit Committee *(cont'd)*

(iii) Financial Reporting
- To review the quarterly results and year end financial statements, before the approval by the Board, 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.

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.

2.7 Reporting of Breaches to Bursa Securities

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

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 2013:

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 Risk Management and Internal Control, Statement of Corporate Governance and Audit Committee Report prior to the Board's approval for inclusion in the Company's Annual Report.

Report of Audit Committee *(cont'd)*

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 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.

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 ("EYAS") 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 2011, the AC had engaged the respective services for another 3-year cycle (i.e. 2012 to 2014). EYAS also conducted an Enterprise Risk Assessment Exercise in the 2nd quarter of 2012. The primary objectives was to :

- identify, access 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 2012 to 2014 were presented to the Committee on 27 July 2012.

During the financial year ended 31 December 2013, the internal auditors had carried out two (2) audit visits for the Group after the Enterprise Risk Assessment Exercise. The Committee has also met the external auditors and internal auditors, without the presence of other Directors and employees, twice during the financial year under review.

Report of Audit Committee *(cont'd)*

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 agreed time frame.

The Partner-in-charge of the Internal Audit Services of EYAS 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 2013 was RM 140,580.

This report is issued in accordance with a resolution of the Board of Directors dated 28 February 2014.

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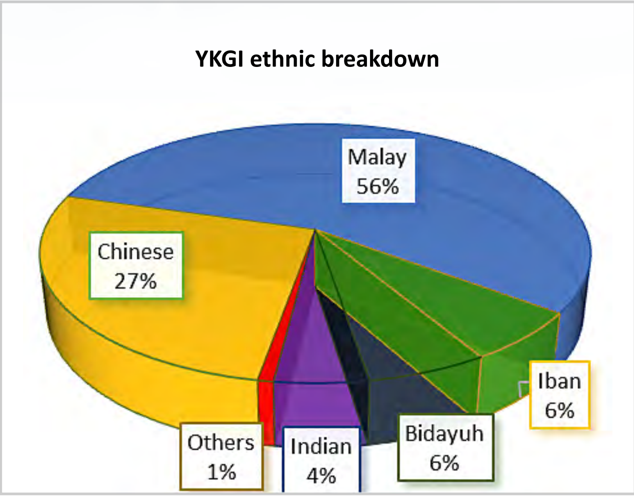
Corporate Social Responsibilities

CSR @WORKPLACE

Diversity is crucial in today's global marketplace, as companies interact with different cultures and clients. YKGI has always believed in building a diverse workplace that the payoff will touch every area of its business potentially, resulting in increased creativity, productivity, global understanding, new processes and new solutions to challenges. Workplace diversity emboldens companies to be more productive and profitable.

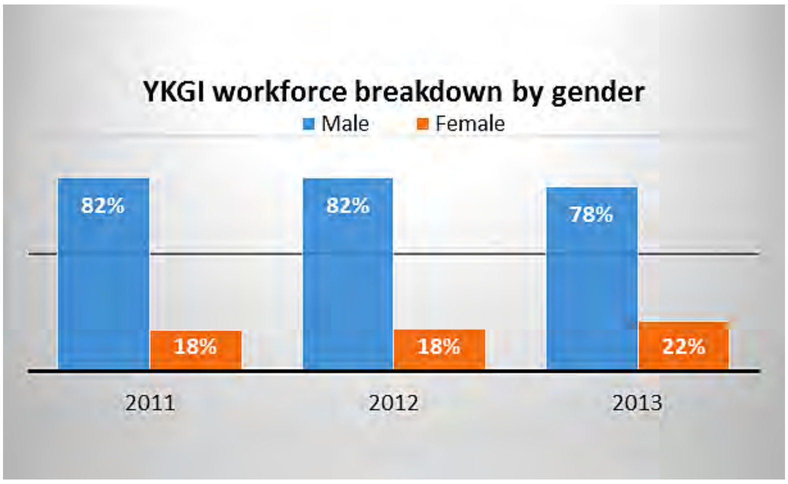


CSR Committee member

Gender / Age group	<20	21-30	31-40	41-50	>51
Female	0.58%	9.09%	8.32%	2.90%	0.77%
Male	1.35%	34.43%	25.34%	10.64%	6.58%

In 2011, the Malaysian cabinet approved a policy that requires women to make up at least 30% of executives in decision-making positions in the corporate sector in five (5) years' time. In January 2014, YKGI's female managers and executives stood at 37.4%.

The following graph shows that female workforce is increased 2013 in YKGI Group.



YKGI percentage of gender representation by category		
Category	*Male*	*Female*
Manager/Executive	*62.60%*	*37.40%*
Supporting	*48.57%*	*51.43%*
Factory	*91.46%*	*8.54%*

Corporate Social Responsibilities *(cont'd)*

EMPLOYEE DEVELOPMENT

Training and career development are vital for any company or organisation that aims for progress. YKGI has always emphasized on-going training for their employee.

Category	2013
Internal Training Hours Per Employee	156.35 hours
External Training Hours Per Employee	21.24 hours

Teambuilding program, Klang

G.R.E.A.T leaders program, Kuching

RECREATIONS AND SPORTS

This year our Company's Recreation Organising Committee (ROC) organised a family sports day for its staff and affiliates. The main objective is to have a fun filled family day for staff to enhance the relationship among staff in different departments.

Category	2013
Recreation & Sports Activities	8 days

YKGI family day – Padang SMK Tabuan Jaya, Kuching

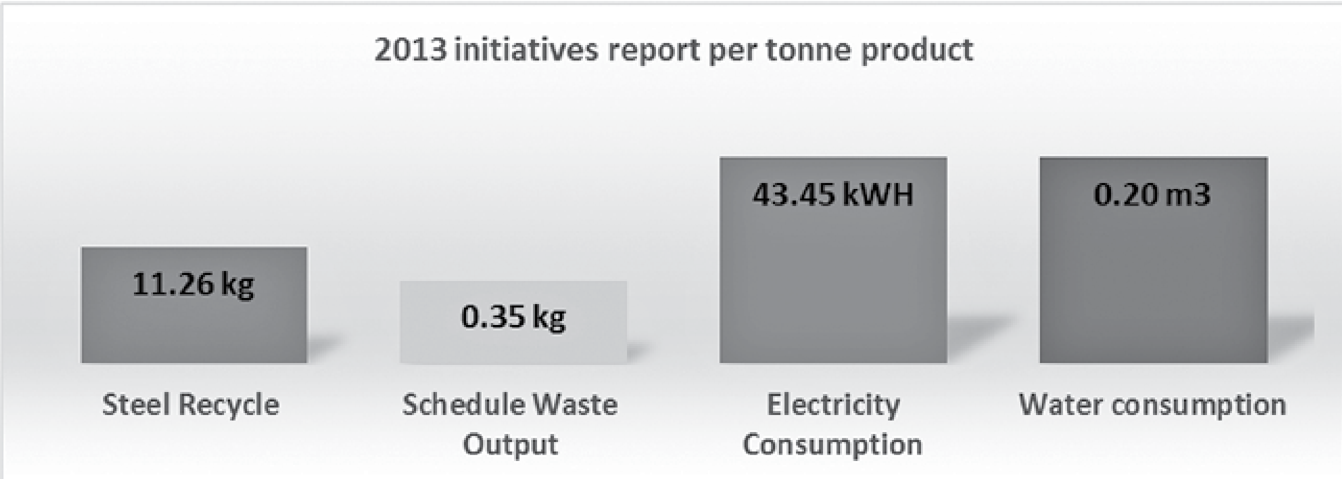
Corporate Social Responsibilities *(cont'd)*

SAFETY & HEALTH

Category	2013
Lost Time Injury	318 Days

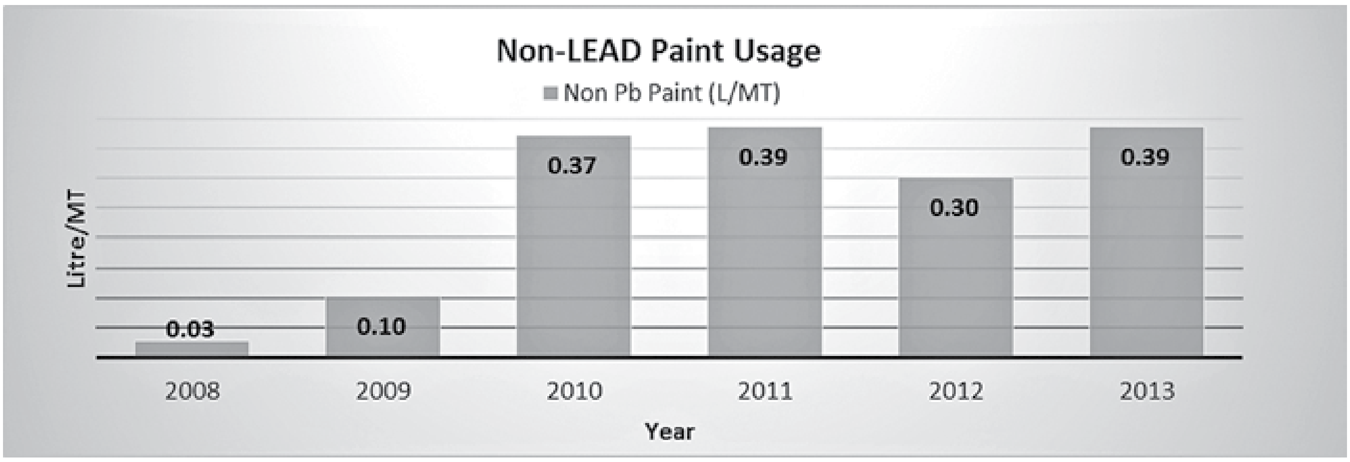
CSR @ENVIRONMENT

YKGI has constantly strived to promote the 3R systems (reduce, reuse and recycle) in waste management. Reducing the amount of waste produced, promote green purchase; reuse and recycle in areas where applicable, this includes reuse of packing materials, waste water treatment and scheduled recycling campaign were organised. Below are some of the reports for 2013 from our initiatives:



GREEN PURCHASE – NON-LEAD PAINT

Category	2008	2009	2010	2011	2012	2013
Non-Lead Paint Usage	1200 litres	3000 litres	7000 litres	9000 litres	9900 litres	13500 litres



Corporate Social Responsibilities *(cont'd)*

CSR @COMMUNITIES

YKGI has always encouraged its employees and community members to render their support to the community, either as volunteers or as donors. This is one (1) of the key priorities for YKGI to develop and maintain strong and mutually beneficial relationships with its community.

COMMUNITY AIDS

Category	*2013 cases*	*Contribution*
Assistance Fund	• Salvation Army Children's Home • Sarawak Blood Donor Society • Kuching Life Care Society • Dyslexia Association • The Methodist Church Sandakan • Kuching journalist 30hr famine DIY Camp • Donation of oxygen machine • Sarawak Amateur Athletic • Children Education Assistance Fund	RM 50,497
Blood Donation	• Blood Donation	85 pints

Blood donation campaign – together with Pusat Perubatan Universiti Malaya (PPUM), Wisma YKGI

2014 Children Education Assistance Ceremony, Kuching

Opening of new Surau

Blood donation campaign at Kepha Forum, Kuching

Contacts of YKGI Group of Companies

YKGI HOLDINGS BERHAD (032939-U)
(formerly known as Yung Kong Galvanising Industries Berhad)

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

Corporate Office & Factory (Klang)
Wisma YKGI, Lot 6472 Lorong Sg. Puloh/KU06
Kawasan Perindustrian Sungai Puloh
42100 Klang Selangor
Tel: +603 3297 5555   Fax: +603 3297 5678

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

Subsidiaries (Sabah & Sarawak)

ASTEEL Sdn Bhd (393042-D)
(formerly known as Magic Network Sdn Bhd)
Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +6082 433 888   Fax: +6082 433 833

ASTEEL (Bintulu) Sdn Bhd (1062228-D)
Lot 10110 Block 32 Kemena Land District
Mile 6 Jalan Bintulu/Sibu
97000 Bintulu Sarawak
Tel/Fax: +6086-315648

ASTEEL (Sabah) Sdn Bhd (1062207-W)
Lot 10 Package 1 General Industrial Zone Kota Kinabalu Industrial Park
KM26 Jalan Tuaran
88460 Kota Kinabalu Sabah
Tel: +6088-498 866   Fax: 088-498 877

Subsidiaries (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 YKGI Lot 6472 Lorong Sg. Puloh/KU06
Kawasan Perindustrian Sungai Puloh
42100 Klang Selangor
Tel: +603 3297 5555   Fax: +603 3297 5678

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

Subsidiaries (Kingdom of Thailand)

YKGI (Thai) Co., Ltd. (0105557005403)
YKGI (Thai) Steel Co., Ltd (0105557005438)
No 317 Kamoi Sukosol Building Unit 8D
8th Floor Silom Road Silom Sub-District
Bangrak District Bangkok

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act, 1965 to prepare the financial statements of 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 judgments.

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 Statement outlined on pages 17 to 24 of this Annual Report.

This Statement is issued in accordance with a resolution of the Board of Directors dated 28 April 2014.

Directors' Report
for the year ended 31 December 2013

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2013.

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. There has been no significant change in the nature of these activities during the year.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	254,962	2,027,106
Non-controlling interests	245,271	-
	500,233	2,027,106

DIVIDENDS

No dividend was paid during the year. The Directors are recommending the following dividends in respect of the year ended 31 December 2013, to be paid once approved by shareholders at the forthcoming Annual General Meeting:

a) a first and final single-tier dividend of 1.00 sen per ordinary share of RM0.50 each totalling RM3,483,376; and

b) a first and final single-tier dividend of 1.21 sen per redeemable convertible preference share of RM0.50 each totalling RM262,886.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year under review, except as disclosed in Note 15 to the financial statements.

DIRECTORS OF THE COMPANY

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

Director

Lim Pang Kiam
Dato' Soh Thian Lai
Ir. Michael Hii Ee Sing
Yoshiki Kaneko
Francis Hii Lu Sheng
Victor Hii Lu Thian
Fong Yoo Kaw @ Fong Yee Kow
Liew Jee Min @ Chong Jee Min
Christopher Hii Lu Ming (resigned on 31.12.2013 as alternate director to Dato' Dr Hii Wi Sing and reappointed on 2.1.2014)
Toshihiko Takahashi (appointed on 17.5.2013)
Yoshiyuki Komaki (appointed on 17.5.2013 as alternate director to Toshihiko Takahashi)
Dato' Dr Hii Wi Sing (resigned on 31.12.2013)
Philip Anak Dreba @ Philip Aso Dreba (resigned on 31.12.2013)
Arthur Hii Lu Choon (resigned on 31.12.2013)
Alexander Hii Lu Kwong (resigned on 31.12.2013 as alternate director to Arthur Hii Lu Choon)
Ong Soo Seng (resigned on 31.12.2013 as alternate director to Yoshiki Kaneko)

Directors' Report
for the year ended 31 December 2013

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 ordinary shares and warrants over ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) during and at year end as recorded in the Register of Directors' Shareholdings are disclosed in the ensuing pages.

DIRECTORS' INTERESTS IN SHARES

	Number of ordinary shares *										
	Direct interests					Deemed interests					
	At 1.1.2013	Bought	Shares swap	Bonus issue	At 31.12.2013	At 1.1.2013	Bought	Shares swap	Bonus issue	Sold	At 31.12.2013
Interests in the Company											
Dato' Dr. Hii Wi Sing	19,700,198	-	3,629,918	2,333,011	25,663,127	62,938,781	-	-	6,293,877	-	69,232,658
Ir. Michael Hii Ee Sing	138,100	453,640	1,648,216	178,631	2,418,587	62,683,691	-	2,447,805	6,513,148	(453,640)	71,191,004
Dato' Soh Thian Lai	356,400	10,576,980	1,734,208	1,266,758	13,934,346	200,000	10,254,215	-	1,023,601	-	11,477,816
Francis Hii Lu Sheng	274,300	-	-	27,430	301,730	59,007,491	-	-	5,900,788	-	64,908,279
Arthur Hii Lu Choon	1,534,600	-	2,081,797	361,639	3,978,036	59,034,491	-	-	5,903,448	-	64,937,939
Alexander Hii Lu Kwong	2,290,600	288,400	2,081,797	437,239	5,098,036	59,022,091	-	-	5,902,208	-	64,924,299
Victor Hii Lu Thian	1,485,800	345,000	2,081,797	356,759	4,269,356	59,007,091	-	-	5,900,708	-	64,907,799
Christopher Hii Lu Ming	1,444,400	379,730	2,081,797	352,619	4,258,546	59,007,091	-	-	5,900,708	-	64,907,799

	Number of ordinary shares *										
	Direct interests					Deemed interests					
	At 1.1.2013	Bought	Bonus issue	Sold	At 31.12.2013	At 1.1.2013	Bought	Shares swap	Bonus issue	Sold	At 31.12.2013
Interests in Starshine Holdings Sdn. Bhd. ("SSH")											
Dato' Dr. Hii Wi Sing	18,149,592	-	-	(18,149,592)	-	198,884,181	-	166,115,819	-	-	365,000,000
Ir. Michael Hii Ee Sing	8,241,081	-	-	(8,241,081)	-	211,123,208	-	166,115,819	-	(12,239,027)	365,000,000
Dato' Soh Thian Lai	8,671,044	-	-	(8,671,044)	-	50,180,077	-	365,000,000	-	(50,180,077)	365,000,000
Arthur Hii Lu Choon	10,408,986	-	-	(10,408,986)	-	198,884,181	-	166,115,819	-	-	365,000,000
Victor Hii Lu Thian	10,408,986	-	-	(10,408,986)	-	198,884,181	-	166,115,819	-	-	365,000,000
Alexander Hii Lu Kwong	10,408,986	-	-	(10,408,986)	-	198,884,181	-	166,115,819	-	-	365,000,000
Christopher Hii Lu Ming	10,408,986	-	-	(10,408,986)	-	198,884,181	-	166,115,819	-	-	365,000,000

** 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 2013

DIRECTORS' INTERESTS IN SHARES (cont'd)

	Number of Warrants A (2008/2013)									
	Direct interests					Deemed interests				
	At 1.1.2013	Bought	Sold	Lapsed^	At 31.12.2013	At 1.1.2013	Bought/ Granted*	Sold	Lapsed^	At 31.12.2013
Interests in the Company										
Dato' Dr. Hii Wi Sing	4,212,500	-	(4,212,500)	-	-	2,192,599	9	(2,192,500)	(108)	-
Ir. Michael Hii Ee Sing	48,100	-	(48,100)	-	-	2,120,999	9	(2,120,900)	(108)	-
Arthur Hii Lu Choon	-	-	-	-	-	872,399	9	(872,300)	(108)	-
Francis Hii Lu Sheng	-	-	-	-	-	872,399	9	(872,300)	(108)	-
Victor Hii Lu Thian	-	-	-	-	-	872,399	9	(872,300)	(108)	-
Alexander Hii Lu Kwong	-	-	-	-	-	877,399	509	(872,300)	(5,608)	-
Christopher Hii Lu Ming	-	1,000,000	-	(1,000,000)	-	872,399	9	(872,300)	(108)	-

	Number of Warrants B (2013/2020)									
	Direct interests					Deemed interests				
	At 1.1.2013	Granted	Bought	Sold	At 31.12.2013	At 1.1.2013	Granted	Bought	Sold	At 31.12.2013
Interests in the Company										
Dato' Dr. Hii Wi Sing	-	6,999,034	-	-	6,999,034	-	18,881,634	-	-	18,881,634
Dato' Soh Thian Lai	-	3,800,276	-	-	3,800,276	-	3,070,804	-	-	3,070,804
Ir. Michael Hii Ee Sing	-	535,894	123,720	-	659,614	-	19,539,448	-	(123,720)	19,415,728
Francis Hii Lu Sheng	-	82,290	-	-	82,290	-	17,702,247	-	-	17,702,247
Arthur Hii Lu Choon	-	1,084,919	-	(173,919)	911,000	-	17,710,347	-	(8,220)	17,702,127
Victor Hii Lu Thian	-	1,070,279	-	(931,289)	138,990	-	17,702,127	-	-	17,702,127
Alexander Hii Lu Kwong	-	1,311,519	-	(1,079,519)	232,000	-	17,706,627	-		17,706,627
Christopher Hii Lu Ming	-	1,057,859	48,690	(1,094,369)	12,180	-	17,702,127	-	-	17,702,127

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.

** Additional new Warrants A of 6,517,370 are adjusted to the outstanding warrants of 65,172,102 consequential to the bonus issued on 29 May 2013 to Warrants A holders' name appeared in the Register of Depositors on the same day.*

^ Warrants A have expired on 8 July 2013 and thus, any unexercised warrants have lapsed.

Directors' Report
for the year ended 31 December 2013 *(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 Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with 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 companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 30 to the financial statements and certain Directors who are eligible to participate in the Company's retirement benefits scheme.

Save for the shares swap, private placement of shares and the warrants disclosed in the preceding pages, 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

During the year, the Company has completed the share issue exercises approved by the shareholders of the Company during the Extraordinary General Meeting held on 16 April 2013 with the issuance of:

a) 33,223,158 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration of RM16,611,579 to acquire 166,115,819 existing ordinary shares of RM0.10 each in Starshine Holdings Sdn. Bhd. ("SSH"), representing the remaining 45.51% equity interest not already owned by the Company from SSH's minority shareholders through shares swap;

b) 39,106,980 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share via a private placement to eligible investors for a total cash consideration of RM19,553,490 to raise working capital; and

c) 48,799,998 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share via a restricted issue to Marubeni-Itochu Steel Inc., its substantial foreign shareholder for a total cash consideration of RM24,399,999 for working capital purposes.

In conjunction with the share issue exercises, the Company has:

(i) capitalised a sum of RM15,833,173 out of its retained earnings for a bonus issue of 31,666,346 ordinary shares of RM0.50 each, credited as fully paid and distributed amongst the shareholders of the Company in the proportion of one (1) new ordinary share of RM0.50 each for every ten (10) existing paid up ordinary share of RM0.50 each on 29 May 2013; and

(ii) issued 95,000,428 free detachable Warrants B (2013/2020) at an issue price of RM0.50 per ordinary share on the basis of three (3) free warrants for every ten (10) existing ordinary shares on 29 May 2013.

In addition, the Company has issued 6,198 new ordinary shares of RM0.50 each for cash pursuant to conversion of Warrants A (2008/2013) at exercise price of RM0.50 per ordinary share during the year.

Save as disclosed, there were neither changes in the authorised, issued and paid up capitals of the Company, nor issuances of debentures by the Company during the year.

OPTIONS GRANTED OVER UNISSUED SHARES

Save for the warrants mentioned above, no options were granted to any person to take up unissued shares of the Company during the year.

The outstanding Warrants A 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 had expired on 8 July 2013. The number of outstanding Warrants A as at 8 July 2013 was 71,689,472 (2012: 65,178,300), which had been adjusted to include 6,517,370 additional Warrants A issued on 29 May 2013 as a consequence of bonus issue of 31,666,346 new ordinary shares of RM0.50 each in the Company on the basis of one (1) bonus share for every ten (10) existing shares held on the same day. During the year, 6,198 of Warrants A has been exercised at exercise price of RM0.50 per ordinary share and converted as new ordinary shares of the Company.

The number of outstanding Warrants B as at 31 December 2013, issued in conjunction with the share issue exercises undertaken by the Company on 29 May 2013 and exercisable at RM0.50 for each ordinary share in the Company over a period of seven years to 28 May 2020, is 95,000,428. None of the said warrants have been exercised during the year.

Directors' Report
for the year ended 31 December 2013 *(cont'd)*

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

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, except for:

i) the gain recognised of RM1,316,995 arising from the disposal of subsidiaries; and

ii) the gains recognised of RM1,827,655 and RM1,761,567 arising from the disposals of property, plant and equipment of the Group and of the Company respectively,

as disclosed in Note 20 to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2013 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.

CHANGE OF NAME

On 17 May 2013, the Company changed its name from Yung Kong Galvanising Industries Berhad to YKGI Holdings Berhad.

Directors' Report
for the year ended 31 December 2013 *(cont'd)*

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' Soh Thian Lai

....
Yoshiki Kaneko

Klang,

Date: 28 April 2014

YKGI Holdings Berhad
(Formerly known as Yung Kong Galvanising Industries Berhad)
(Company No. 032939 - U)
(Incorporated in Malaysia)
and its subsidiaries

Statements of Financial Position
as at 31 December 2013

		Group			Company		
	Note	31.12.2013 RM	31.12.2012 RM (Restated)	1.1.2012 RM (Restated)	31.12.2013 RM	31.12.2012 RM (Restated)	1.1.2012 RM (Restated)
Assets							
Property, plant and equipment	3	309,851,441	310,167,730	330,244,424	227,766,830	234,338,534	232,881,674
Investment property	4	-	-	-	-	-	3,703,107
Investment in subsidiaries	5	-	-	-	33,903,365	18,716,977	26,416,977
Goodwill	6	-	-	-	-	-	-
Other investments	7	9,775	9,775	23,515	-	-	-
Deferred tax assets	8	-	-	83,000	-	-	-
Total non-current assets		309,861,216	310,177,505	330,350,939	261,670,195	253,055,511	263,001,758
Inventories	9	153,617,036	94,925,480	111,789,919	89,492,000	61,266,655	80,777,139
Trade and other receivables	10	107,642,825	79,538,071	71,402,764	150,331,507	107,877,146	57,959,658
Deposits and prepayments	11	2,775,738	4,030,769	2,316,197	1,452,988	3,276,262	1,441,087
Current tax recoverable		664,955	764,082	1,194,036	155,300	190,960	395,047
Derivative financial assets	12	1,108,016	-	-	1,108,016	-	-
Cash and cash equivalents	13	29,396,996	33,023,280	21,891,308	2,688,686	2,895,357	2,306,120
		295,205,566	212,281,682	208,594,224	245,228,497	175,506,380	142,879,051
Assets classified as held for sale	14.1	-	24,692,160	-	-	7,500,000	-
Property held for sale	14.2	-	1,968,840	322,810	-	-	-
Total current assets		295,205,566	238,942,682	208,917,034	245,228,497	183,006,380	142,879,051
Total assets		605,066,782	549,120,187	539,267,973	506,898,692	436,061,891	405,880,809

Statements of Financial Position
as at 31 December 2013 *(cont'd)*

	Note	Group 31.12.2013 RM	Group 31.12.2012 RM (Restated)	Group 1.1.2012 RM (Restated)	Company 31.12.2013 RM	Company 31.12.2012 RM (Restated)	Company 1.1.2012 RM (Restated)
Equity							
Share capital	15.1	185,031,840	101,786,779	101,786,779	185,031,840	101,786,779	101,786,779
Reserves	15.2	11,840,850	38,920,608	55,259,764	19,304,374	41,976,539	53,396,644
Total equity attributable to owners of the Company		196,872,690	140,707,387	157,046,543	204,336,214	143,763,318	155,183,423
Non-controlling interests		-	11,305,568	14,699,477	-	-	-
Total equity		196,872,690	152,012,955	171,746,020	204,336,214	143,763,318	155,183,423
Liabilities							
Loans and borrowings	16	44,952,573	65,757,561	91,079,503	23,674,873	38,799,628	51,626,506
Deferred tax liabilities	8	9,342,000	8,337,000	12,180,000	8,556,000	7,692,000	10,803,000
Retirement benefits	17	4,843,855	5,206,914	3,723,496	4,843,855	5,206,914	3,723,496
Total non-current liabilities		59,138,428	79,301,475	106,982,999	37,074,728	51,698,542	66,153,002
Trade and other payables	18	113,625,184	76,877,371	45,285,354	94,319,966	69,770,584	30,607,344
Loans and borrowings	16	235,387,174	223,510,757	215,156,600	171,167,784	170,829,447	153,937,040
Current tax payables		43,306	28,259	97,000	-	-	-
		349,055,664	300,416,387	260,538,954	265,487,750	240,600,031	184,544,384
Liabilities classified as held for sale	14.1	-	17,389,370	-	-	-	-
Total current liabilities		349,055,664	317,805,757	260,538,954	265,487,750	240,600,031	184,544,384
Total liabilities		408,194,092	397,107,232	367,521,953	302,562,478	292,298,573	250,697,386
Total equity and liabilities		605,066,782	549,120,187	539,267,973	506,898,692	436,061,891	405,880,809

The notes on pages 54 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 2013

	Note	Group 2013 RM	Group 2012 RM (Restated)	Company 2013 RM	Company 2012 RM (Restated)
Continuing operations					
Revenue	19	560,343,054	461,744,329	485,857,423	388,378,597
Cost of sales		(509,535,615)	(438,300,775)	(455,165,994)	(377,873,082)
Gross profit		50,807,439	23,443,554	30,691,429	10,505,515
Other income		3,344,002	2,277,225	4,256,791	563,823
Selling and distribution expenses		(7,914,532)	(6,108,854)	(4,672,548)	(3,668,094)
Administrative expenses		(31,863,220)	(25,228,060)	(18,631,797)	(11,139,257)
Results from operating activities	20	14,373,689	(5,616,135)	11,643,875	(3,738,013)
Finance income	21	1,150,597	647,498	1,928,209	1,293,039
Finance costs	21	(14,982,879)	(15,747,135)	(10,637,978)	(11,096,496)
Net finance costs		(13,832,282)	(15,099,637)	(8,709,769)	(9,803,457)
Profit/(Loss) before tax		541,407	(20,715,772)	2,934,106	(13,541,470)
Tax expense	22	(1,384,942)	3,394,063	(907,000)	3,117,777
(Loss)/Profit from continuing operations		(843,535)	(17,321,709)	2,027,106	(10,423,693)
Discontinued operation					
Profit/(Loss) from discontinued operation, net of tax	23	1,343,768	(1,414,944)	-	-
Profit/(Loss) for the year		500,233	(18,736,653)	2,027,106	(10,423,693)
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Remeasurement of defined benefit liability	17	402,914	(996,412)	402,914	(996,412)
Total comprehensive income/(loss) for the year		903,147	(19,733,065)	2,430,020	(11,420,105)
Profit/(Loss) attributable to:					
- Owners of the Company		254,962	(15,342,744)	2,027,106	(10,423,693)
- Non-controlling interests		245,271	(3,393,909)	-	-
Profit/(Loss) for the year		500,233	(18,736,653)	2,027,106	(10,423,693)
Total comprehensive income/(loss) attributable to:					
- Owners of the Company		657,876	(16,339,156)	2,430,020	(11,420,105)
- Non-controlling interests		245,271	(3,393,909)	-	-
Total comprehensive income/ (loss) for the year		903,147	(19,733,065)	2,430,020	(11,420,105)
***Basic earnings/(loss) per ordinary share from** (sen):*	24				
- continuing operations		(0.4)	(6.4)		
- discontinued operation		0.5	(0.7)		
***Diluted earnings/(loss) per ordinary share from** (sen):*	24				
- continuing operations		(0.4)	(6.4)		
- discontinued operation		0.5	(0.7)		

The notes on pages 54 to 127 are an integral part of these financial statements.

Consolidated Statements of Changes in Equity

for the year ended 31 December 2013

		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 2012									
- as previously stated	33	90,923,729	10,863,050	6,843,721	1,968,881	46,923,842	157,523,223	14,699,477	172,222,700
- effect of adopting MFRS 119 (2011)		-	-	-	-	(476,680)	(476,680)	-	(476,680)
At 1 January 2012, restated	33	90,923,729	10,863,050	6,843,721	1,968,881	46,447,162	157,046,543	14,699,477	171,746,020
Remeasurement of defined benefit liability	17	-	-	-	-	(996,412)	(996,412)	-	(996,412)
Loss for the year		-	-	-	-	(15,342,744)	(15,342,744)	(3,393,909)	(18,736,653)
Total comprehensive loss for the year		-	-	-	-	(16,339,156)	(16,339,156)	(3,393,909)	(19,733,065)
At 31 December 2012, restated		90,923,729	10,863,050	6,843,721	1,968,881	30,108,006	140,707,387	11,305,568	152,012,955
		(Note 15)	(Note 15)	(Note 15)	(Note 15)				

Consolidated Statements of Changes in Equity

for the year ended 31 December 2013 *(cont'd)*

		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 2013,									
- as previously stated	33	90,923,729	10,863,050	6,843,721	1,968,881	31,574,618	142,173,999	11,305,568	153,479,567
- effect of adopting MFRS 119 (2011)		-	-	-	-	(1,466,612)	(1,466,612)	-	(1,466,612)
At 1 January 2013, restated	33	90,923,729	10,863,050	6,843,721	1,968,881	30,108,006	140,707,387	11,305,568	152,012,955
Remeasurement of defined benefit liability	17	-	-	-	-	402,914	402,914	-	402,914
Profit for the year		-	-	-	-	254,962	254,962	245,271	500,233
Total comprehensive income for the year		-	-	-	-	657,876	657,876	245,271	903,147
Subtotal		90,923,729	10,863,050	6,843,721	1,968,881	30,765,882	141,365,263	11,550,839	152,916,102

Consolidated Statements of Changes in Equity

for the year ended 31 December 2013 *(cont'd)*

		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**
Subtotal		90,923,729	10,863,050	6,843,721	1,968,881	30,765,882	141,365,263	11,550,839	152,916,102
Contributions by owners of the Company									
- Issuance of ordinary shares	15.1	43,953,489	-	-	-	-	43,953,489	-	43,953,489
- Conversion of warrants	15.1	3,750	-	(651)	-	-	3,099	-	3,099
- Bonus issue of shares	15.1	15,833,173	-	-	-	(15,833,173)	-	-	-
		59,790,412	-	(651)	-	(15,833,173)	43,956,588	-	43,956,588
Changes in ownership interests in a subsidiary	32.1	16,611,579	-	-	-	(5,060,740)	11,550,839	(11,550,839)	-
Total transactions with owners of the Company		76,401,991	-	(651)	-	(20,893,913)	55,507,427	(11,550,839)	43,956,588
Expiry of warrants	15.2	6,843,070	-	(6,843,070)	-	-	-	-	-
At 31 December 2013		174,168,790	10,863,050	-	1,968,881	9,871,969	196,872,690	-	196,872,690
		(Note 15)	(Note 15)	(Note 15)	(Note 15)				

The notes on pages 54 to 127 are an integral part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2013

		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 2012							
- as previously stated	33	90,923,729	10,863,050	6,843,721	1,968,881	45,060,722	155,660,103
- effect of adopting MFRS 119 (2011)		-	-	-	-	(476,680)	(476,680)
At 1 January 2012, restated	33	90,923,729	10,863,050	6,843,721	1,968,881	44,584,042	155,183,423
Remeasurement of defined benefit liability	17	-	-	-	-	(996,412)	(996,412)
Loss for the year		-	-	-	-	(10,423,693)	(10,423,693)
Total comprehensive loss for the year		-	-	-	-	(11,420,105)	(11,420,105)
At 31 December 2012, restated		90,923,729	10,863,050	6,843,721	1,968,881	33,163,937	143,763,318
At 1 January 2013							
- as previously stated	33	90,923,729	10,863,050	6,843,721	1,968,881	34,630,549	145,229,930
- effect of adopting MFRS 119 (2011)		-	-	-	-	(1,466,612)	(1,466,612)
At 1 January 2013, restated	33	90,923,729	10,863,050	6,843,721	1,968,881	33,163,937	143,763,318

Statement of Changes in Equity
for the year ended 31 December 2013 *(cont'd)*

Company	Note	Ordinary share RM	Redeemable convertible preference share RM	Warrant reserve RM	Share premium RM	Retained earnings RM	Total equity RM
		Non-distributable				*Distributable*	
At 1 January 2013, restated		90,923,729	10,863,050	6,843,721	1,968,881	33,163,937	143,763,318
Remeasurement of defined benefit liability	17	-	-	-	-	402,914	402,914
Profit for the year		-	-	-	-	2,027,106	2,027,106
Total comprehensive income for the year		-	-	-	-	2,430,020	2,430,020
Contributions by owners of the Company							
- Issuance of ordinary shares	15.1	43,953,489	-	-	-	-	43,953,489
- Conversion of warrants	15.1	3,750	-	(651)	-	-	3,099
- Bonus issue of shares	15.1	15,833,173	-	-	-	(15,833,173)	-
		59,790,412	-	(651)	-	(15,833,173)	43,956,588
Changes in ownership interests in a subsidiary	32.1	16,611,579	-	-	-	(2,425,291)	14,186,288
Total transactions with owners of the Company		76,401,991	-	(651)	-	(18,258,464)	58,142,876
Expiry of warrants	15.2	6,843,070	-	(6,843,070)	-	-	-
At 31 December 2013		174,168,790	10,863,050	-	1,968,881	17,335,493	204,336,214
		(Note 15)	(Note 15)	(Note 15)	(Note 15)	(Note 15)	

The notes on pages 54 to 127 are an integral part of these financial statements.

Statements of Cash Flows
for the year ended 31 December 2013

	Group 2013 RM	Group 2012 RM (Restated)	Company 2013 RM	Company 2012 RM (Restated)
Cash flows from operating activities				
Profit/(Loss) before tax from:				
- continuing operations	541,407	(20,715,772)	2,934,106	(13,541,470)
- discontinued operation (Note 23)	26,773	(1,433,644)	-	-
	568,180	(22,149,416)	2,934,106	(13,541,470)
Adjustments for:				
Depreciation of property, plant and equipment	18,449,526	18,743,057	13,527,957	13,222,945
Dividend income	(263)	(375)	(1,300,000)	-
Finance income	(1,153,920)	(647,498)	(1,928,209)	(1,293,039)
Finance costs	15,211,111	16,358,314	10,637,978	11,096,496
(Gain) / Loss on disposal of:				
- property, plant and equipment	(2,001,221)	(1,761,948)	(1,761,567)	(155,804)
- properties held for sale	(54,160)	-	-	-
- subsidiary	-	-	86,225	-
Impairment loss on:				
- investment in subsidiaries	-	-	-	200,000
- other investments	-	12,960	-	-
Goodwill written off (Note 32.4)	-	104,886	-	-
Unrealised foreign exchange loss/(gain)	1,074,653	(460,749)	1,074,653	(460,749)
Derivative gain on forward foreign exchange contracts	(1,108,016)	-	(1,108,016)	-
Provision for retirement benefits (Note 17)	152,355	536,486	152,355	536,486
Operating profit before changes in working capital	31,138,245	10,735,717	22,315,482	9,604,865
Changes in inventories	(56,553,674)	8,732,499	(28,225,345)	19,510,484
Changes in trade and other receivables, deposits and prepayments	(20,300,849)	(17,767,937)	(36,131,087)	(51,752,663)
Changes in trade and other payables	35,258,885	33,095,216	23,172,129	39,623,304
Cash (used in)/generated from operations	(10,457,393)	34,795,495	(18,868,821)	16,985,990
Tax (paid)/refunded	(15,819)	(293,958)	(7,340)	210,864
Interest paid	(11,200,943)	(11,264,400)	(8,788,041)	(8,621,653)
Interest received	450,060	163,610	1,842,940	1,245,154
Retirement benefits paid (Note 17)	(112,500)	(49,480)	(112,500)	(49,480)
Net cash (used in)/from operating activities	(21,336,595)	23,351,267	(25,933,762)	9,770,875
Cash flows from investing activities				
Acquisition of:				
- property, plant and equipment [Note (i)]	(16,053,663)	(19,398,070)	(9,941,275)	(11,017,093)
- subsidiary, net of cash acquired (Notes 32.3 and 32.4)	-	(358,009)	(1,000,100)	-
Proceeds from disposal of				
- property, plant and equipment	1,341,416	15,351,343	1,103,589	321,199
- properties held for sale	2,023,000	-	-	-
- subsidiaries (Note 23)	8,361,830	-	7,413,775	-
Interest received	703,860	483,888	85,269	47,885
Dividends received	263	375	1,300,000	-
Increase in deposits pledged to banks	(1,827,387)	(4,689,919)	-	-
Net cash used in investing activities	(5,450,681)	(8,610,392)	(1,038,742)	(10,648,009)

Statements of Cash Flows

for the year ended 31 December 2013 *(cont'd)*

	Group		Company	
	2013 RM	2012 RM (Restated)	2013 RM	2012 RM (Restated)
Cash flows from financing activities				
Net repayment of term loans	(12,579,960)	(21,763,231)	(8,722,877)	(11,717,635)
Net (repayment of)/proceeds from bankers' acceptances and revolving credits	(5,989,602)	30,829,615	(6,710,000)	22,606,000
Proceeds from issuance of shares	43,953,489	-	43,953,489	-
Proceeds from conversion of warrants	3,099	-	3,099	-
Repayment of finance lease liabilities	(4,672,448)	(9,008,514)	(1,338,916)	(4,987,605)
Interest paid	(4,010,168)	(5,093,914)	(1,849,937)	(2,474,843)
Net cash from/(used in) financing activities	16,704,410	(5,036,044)	25,334,858	3,425,917
Net (decrease)/increase in cash and cash equivalents	(10,082,866)	9,704,831	(1,637,646)	2,548,783
Effect of exchange rate fluctuations on cash held	-	685	-	685
Cash and cash equivalents at beginning of year	10,188,678	483,162	(1,261,984)	(3,811,452)
Cash and cash equivalents at end of year [Note (ii)]	105,812	10,188,678	(2,899,630)	(1,261,984)

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	
	2013 RM	2012 RM (Restated)	2013 RM	2012 RM (Restated)
<u>Continuing operations</u>				
Paid in cash	12,831,793	19,398,070	9,941,275	11,017,093
In the form of finance lease assets	1,555,591	555,000	479,000	125,000
Other payables	7,622,800	-	378,000	-
Subtotal (see Note 3)	22,010,184	19,953,070	10,798,275	11,142,093
<u>Discontinued operation</u>				
Paid in cash	3,221,870	-	-	-
Total	25,232,054	19,953,070	10,798,275	11,142,093

(ii) Cash and cash equivalents

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Term deposits placed with licensed banks	21,273,228	19,404,005	1,382,736	1,340,900
Cash in hand and at banks	8,123,768	15,169,705	1,305,950	1,554,457
	29,396,996	34,573,710	2,688,686	2,895,357
Less: Bank overdrafts	(9,400,692)	(6,321,927)	(5,588,316)	(4,157,341)
Less: Pledged deposits	(19,890,492)	(18,063,105)	-	-
	105,812	10,188,678	(2,899,630)	(1,261,984)

The notes on pages 54 to 127 are an integral part of these financial statements.

Notes to the Financial Statements

YKGI Holdings Berhad (formerly known as 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 year ended 31 December 2013 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 year ended 31 December 2013 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 28 April 2014.

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 requirements of Companies Act, 1965 in Malaysia.

During the current financial year, the Group and the Company have adopted a number of new/revised MFRSs, amendments and interpretations, which are effective for annual periods beginning on and before 1 January 2013. The effects of adopting these new/revised MFRSs, interpretations and amendments from 1 January 2013 are disclosed in Note 33.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board but are not yet effective nor early adopted by the Group and the Company:

MFRS/Amendment/Interpretation	Effective Date
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
Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to MFRS 136, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*	1 January 2014
Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*	1 January 2014
IC Interpretation 21, Levies	1 January 2014
Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*	1 July 2014
Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*	1 July 2014
Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*	1 July 2014

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 124, *Related Parties Disclosures (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*	1 July 2014
MFRS 9, *Financial Instruments (2009)*	To be confirmed
MFRS 9, *Financial Instruments (2010)*	To be confirmed
MFRS 9, *Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139*	To be confirmed
Amendments to MFRS 7*, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*	To be confirmed

The Group and the Company intend to apply:

- 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, except for Amendments to MFRS 12 and IC Interpretation 21 which are assessed as presently not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2015 those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 2, Amendments to MFRS 138 and Amendments to MFRS 140 which are assessed as presently not applicable to the Group and the Company.

Material impacts of the initial application of those standards, amendments or interpretations, which are or are likely to be applicable to the Group and the Company and which are to be applied retrospectively 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 and financial liabilities.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

(ii) MFRS 132*, Financial Instruments: Presentation*

The amendments to MFRS 132 clarify the criteria for offsetting financial assets and financial liabilities. Any changes to the offsetting of the affected financial assets and financial liabilities upon the adoption of amendments to MFRS 132 will result in retrospective adjustments in the balances.

(iii) Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*

The Amendments to MFRS 119 introduces a practical expedient for employee or third party contributions set out in the formal terms of the plan that are linked to service and independent of the number of years of service.

The Group is currently assessing the financial impact of adopting the Amendments to MFRS 119.

(b) Basis of measurement

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

Since the end of the previous financial year, the Group and the Company have achieved net profits of RM500,233 and RM2,027,106 respectively as compared to net losses incurred of RM18,736,653 and RM10,423,693 in last financial year. The Directors have prepared the financial statements of the Group and of the Company on a going concern basis, notwithstanding that as of 31 December 2013, the current liabilities exceeded the current assets of the Group and of the Company by RM53,850,098 (2012: RM78,863,075) and RM20,259,253 (2012: RM57,593,651) respectively.

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

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

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

The Group and the Company are contemplating certain plans in order to address the net current liabilities position. These plans include, amongst which, refinancing of borrowings and disposal of certain property, plant and equipment to generate additional cash. The Group is also exploring the opportunity to raise fund through share issue exercises.

In view of the above, the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful execution of the abovementioned plans, continued support of the stakeholders and the Group and the Company 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 were not forthcoming or achieved.

(c) Functional and presentation currency

These 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 which 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 ongoing 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;
- Note 3, impairment assessment of property, plant and equipment;
- Note 9, assessment of valuation on inventories; and
- Note 10, assessment of impairment loss on receivables.

2. SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies of the Group and of the Company which have been consistently applied to the periods presented in these financial statements, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured 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.

The Group adopted MFRS 10, *Consolidated Financial Statements* in the current financial year. This resulted in changes to the following policies:

- Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In the previous financial years, control exists when the Group 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.

- Potential voting rights are considered when assessing control only when such rights are substantive. In the previous financial years, potential voting rights are considered when assessing control when such rights are presently exercisable.

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

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

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

(i) Subsidiaries (cont'd)

- The Group considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return. In the previous financial years, the Group did not consider de facto power in its assessment of control.

The change in accounting policy has been made retrospectively and in accordance with the transitional provision of MFRS 10. The adoption of MFRS 10 has no significant impact to the financial statements of the Group.

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

(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.

For new acquisitions, 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.

(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) Acquisitions from entities under common controls

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated.

The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

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

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

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

(v) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former 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.

(vi) 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 owners of the Company.

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.

(vii) 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.

(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 at the reporting date are not retranslated except for those that are measured at fair value 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 on 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 policy applicable to the nature of the host contract.

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

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.

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(l)(i)].

Financial liabilities

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

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 liabilities *(cont'd)*

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 equity instruments that do not have a quoted price in an active market for identical 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.

(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.

Fair value arising from 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 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, 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.

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

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

(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. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

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 and in accordance to Note 2(v).

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives 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. Spare parts, stand-by equipment and servicing equipment are not depreciated as the carrying amounts approximate their residual values, determined based on directors' best estimates. Spare parts, stand-by equipment and servicing equipment once in use are depreciated on a straight-line basis over the estimated useful lives of each component.

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

Leasehold land	48, 52, 58 and 85 years
Buildings	10, 20 and 50 years
Plant and machinery	5, 7, 8, 10, 15, 20 and 25 years
Office equipment, furniture and fittings, equipment and tools	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 the end of the reporting period, and adjusted as appropriate.

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

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

(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, the 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.

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. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where 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 on 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 arises on 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 or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include freehold land and leasehold land which in substance is a finance lease held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties. Investment properties initially and subsequently measured at cost are accounted for similarly to property, plant and equipment.

(i) Recognition and measurement

Investment property other than those comprising property interests held under an operating lease are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties comprising property interest held under an operating lease are stated at fair value.

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 costs directly attributable to the investment property for its 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 profits or loss in the period in which the item is derecognised.

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

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

(g) Investment property *(cont'd)*

(ii) Amortisation

Amortisation 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.

(iv) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property or vice versa following a change in its use, the transfer do not change the carrying amount of the property transferred. No remeasurement of cost of property is required, as permitted under para 59 of MFRS 140, *Investment Property.*

(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 both specific identification formula and 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.

In the current financial year, the Group adopted the Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)* and classified spare parts as inventories unless the item of spare part is held for own use and expected to be used during more than one period in which it is classified as property, plant and equipment. In the previous financial years, all spare parts were classified as inventories. The change in accounting policy has been applied retrospectively. The effects from the adoption of the Amendments to MFRS 116 are disclosed in Note 33.

(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 group, are measured at the lower of their carrying amount and fair value less costs of disposal.

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.

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

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

(j) Construction work-in-progress

Construction work-in-progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction work-in-progress is presented as part of trade and other receivables as amount due from contract customers in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as amount due to contract customers which is part of the deferred income in the statement of financial position.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair 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.

(l) 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 impairment loss of the financial asset 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 financial 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.

An impairment loss in respect of loans and receivables ans hold-to-maturity investments 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.

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

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

(l) Impairment *(cont'd)*

(ii) Other assets

The carrying amounts of other assets [except for inventories, deferred tax assets, assets arising from employee benefits 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 purposes. 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 of disposal. 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 amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

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.

(m) Equity instruments

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

(i) Issue expenses

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.

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

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

(n) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries annual bonuses, paid annual leave and sick leave 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 year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

As a result of adopting MFRS 119 (2011), *Employee Benefits*, the Group has changed its accounting policy in respect of the basis for determining the income or expense relating to its post employment 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 the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to 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 applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Previously, the Group determined interest income on plan assets based on their long-term rate of expected return.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The change in accounting policy has been made retrospectively. The effects from the adoption of MFRS 119 (2011) are disclosed in Note 33.

(o) 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.

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

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

(o) Contingent liabilities *(cont'd)*

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, 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.

(p) 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, trade discount and volume rebates. 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) Services rendered

Revenue from the provision of slitting and shearing services is recognised in profit or loss as it accrues, based on rates agreed with customers.

(iii) Construction contract income

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue and expenses are recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to proportion that contract costs incurred for work performed to-date bear to the estimated contract costs.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

(iv) 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.

(v) Rental income

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

(vi) Interest income

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

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

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

(q) 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.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are 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.

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, 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 difference 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.

(s) 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.

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

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

(t) 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.

(u) 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.

(v) Fair value measurement

From 1 January 2013, the Group adopted MFRS 13, *Fair Value Measurement* which prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In accordance with the transitional provision of MFRS 13, the Group applied the new fair value measurement guidance prospectively, and has not provided any comparative fair value information for new disclosures. The adoption of MFRS 13 has not significantly affected the measurements of the Group's assets or liabilities other than the additional disclosures.

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

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land Long-term RM	Leasehold land Short-term RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Office equipment, furniture and fittings, equipment and tools Outright purchase RM	Office equipment, furniture and fittings, equipment and tools Under finance lease RM	Subtotal RM
Cost									
At 1 January 2012	47,742,928	-	4,048,328	101,423,108	227,529,502	39,069,400	18,725,833	2,583,519	441,122,618
Acquisition of a subsidiary	-	-	-	-	269,383	-	9,800	-	279,183
Additions	-	-	1,340,000	215,720	2,703,457	740,408	741,293	-	5,740,878
Disposals	(10,953,771)	-	-	-	(5,360,439)	(930,775)	(64,828)	-	(17,309,813)
Reclassifications	970,843	-	-	370,343	17,121,611	5,802,840	(9,069,092)	-	15,196,545
Transfer to assets held for sale	-	-	(2,088,828)	(1,187,608)	(2,624,817)	-	(791,181)	-	(6,692,434)
At 31 December 2012/ 1 January 2013	37,760,000	-	3,299,500	100,821,563	239,638,697	44,681,873	9,551,825	2,583,519	438,336,977
Additions	-	3,972,000	-	6,178,588	2,800,658	1,082,000	1,055,286	-	15,088,532
Disposals	-	-	-	(7,897,710)	(109,668)	-	(34,751)	-	(8,042,129)
Write-offs	-	-	-	-	(15,957,531)	-	(511,507)	-	(16,469,038)
Reclassifications	-	-	-	410,222	64,241,267	(26,931,313)	2,576,319	(2,583,519)	37,712,976
At 31 December 2013	37,760,000	3,972,000	3,299,500	99,512,663	290,613,423	18,832,560	12,637,172	-	466,627,318

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

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

Group *(cont'd)*	Freehold land RM	Leasehold land Long-term RM	Leasehold land Short-term RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Office equipment, furniture and fittings, equipment and tools Outright purchase RM	Office equipment, furniture and fittings, equipment and tools Under finance lease RM	Subtotal RM
Depreciation									
At 1 January 2012	-	-	768,341	25,920,914	116,497,607	8,735,259	5,658,072	676,383	158,256,576
Depreciation for the year	-	-	98,147	4,056,651	10,922,648	1,391,485	860,855	77,323	17,407,109
Disposals	-	-	-	-	(4,544,485)	(113,975)	(16,501)	-	(4,674,961)
Reclassifications	-	-	-	(201,804)	496,042	(294,238)	-	-	-
Transfer to assets held for sale	-	-	(180,271)	(251,444)	(417,495)	-	(320,877)	-	(1,170,087)
At 31 December 2012/ 1 January 2013	-	-	686,217	29,524,317	122,954,317	9,718,531	6,181,549	753,706	169,818,637
Depreciation for the year	-	3,894	63,452	3,631,578	10,926,160	1,711,080	934,649	-	17,270,813
Disposals	-	-	-	(4,455,203)	(109,666)	-	(30,815)	-	(4,595,684)
Write-offs	-	-	-	-	(15,957,531)	-	(511,507)	-	(16,469,038)
Reclassifications	-	-	-	345,646	4,737,407	(5,290,589)	852,086	(753,706)	(109,156)
At 31 December 2013	-	3,894	749,669	29,046,338	122,550,687	6,139,022	7,425,962	-	165,915,572
Carrying amounts									
At 1 January 2012	47,742,928	-	3,279,987	75,502,194	111,031,895	30,334,141	13,067,761	1,907,136	282,866,042
At 31 December 2012 / 1 January 2013	37,760,000	-	2,613,283	71,297,246	116,684,380	34,963,342	3,370,276	1,829,813	268,518,340
At 31 December 2013	37,760,000	3,968,106	2,549,831	70,466,325	168,062,736	12,693,538	5,211,210	-	300,711,746

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

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

Group *(cont'd)*	Subtotal RM	Motor vehicles: Outright purchase RM	Motor vehicles: Under finance lease RM	Moulds, loose tools and implement RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Cost *(cont'd)*							
At 1 January 2012	441,122,618	5,377,796	4,864,381	1,561,931	5,747,220	37,505,041	496,178,987
Acquisition of a subsidiary	279,183	-	-	-	-	-	279,183
Additions	5,740,878	3,000,077	295,202	26,546	673,017	10,217,350	19,953,070
Disposals	(17,309,813)	(1,559,563)	(1,305,165)	-	-	-	(20,174,541)
Reclassifications	15,196,545	32,042	50,977	-	-	(15,279,564)	-
Transfer to assets held for sale	(6,692,434)	(2,733,443)	(119,035)	-	-	-	(9,544,912)
At 31 December 2012/1 January 2013	438,336,977	4,116,909	3,786,360	1,588,477	6,420,237	32,442,827	486,691,787
Additions	15,088,532	222,000	1,037,012	-	654,212	5,008,428	22,010,184
Disposals	(8,042,129)	(578,829)	(1,169,294)	-	-	-	(9,790,252)
Write-offs	(16,469,038)	-	-	-	-	-	(16,469,038)
Reclassifications	37,712,976	936,662	(827,505)	-	(904,987)	(36,917,146)	-
At 31 December 2013	466,627,318	4,696,742	2,826,573	1,588,477	6,169,462	534,109	482,442,681

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

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

Group *(cont'd)*	Subtotal RM	Motor vehicles — Outright purchase RM	Motor vehicles — Under finance lease RM	Moulds, loose tools and implement RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Depreciation *(cont'd)*							
At 1 January 2012	158,256,576	5,065,323	1,479,635	1,133,029	-	-	165,934,563
Depreciation for the year	17,407,109	638,531	592,125	105,292	-	-	18,743,057
Disposals	(4,674,961)	(1,278,384)	(631,801)	-	-	-	(6,585,146)
Reclassifications	-	2,935	(2,935)	-	-	-	-
Transfer to assets held for sale	(1,170,087)	(382,134)	(16,196)	-	-	-	(1,568,417)
At 31 December 2012/ 1 January 2013	169,818,637	4,046,271	1,420,828	1,238,321	-	-	176,524,057
Depreciation for the year	17,270,813	158,594	621,623	103,745	-	-	18,154,775
Disposals	(4,595,684)	(396,747)	(626,123)	-	-	-	(5,618,554)
Write-offs	(16,469,038)	-	-	-	-	-	(16,469,038)
Reclassifications	(109,156)	407,630	(298,474)	-	-	-	-
At 31 December 2013	165,915,572	4,215,748	1,117,854	1,342,066	-	-	172,591,240
Carrying amounts							
At 1 January 2012	282,866,042	312,473	3,384,746	428,902	5,747,220	37,505,041	330,244,424
At 31 December 2012/ 1 January 2013	268,518,340	70,638	2,365,532	350,156	6,420,237	32,442,827	310,167,730
At 31 December 2013	300,711,746	480,994	1,708,719	246,411	6,169,462	534,109	309,851,441

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

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

Company	Freehold land RM	Short-term leasehold land RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Office equipment, furniture and fittings, equipment and tools Outright purchase RM	Office equipment, furniture and fittings, equipment and tools Under finance lease RM	Motor vehicles Outright purchase RM	Motor vehicles Under finance lease RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Cost												
At 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	5,747,220	22,941,742	355,869,265
Additions	-	-	167,646	138,751	-	342,049	-	59,050	151,152	673,017	9,610,428	11,142,093
Disposals	-	-	-	-	-	-	-	(901,206)	(348,014)	-	-	(1,249,220)
Reclassifications	-	-	370,343	-	-	-	-	-	-	-	(370,343)	-
Transfer from investment property (Note 4)	-	-	7,401,433	-	-	-	-	-	-	-	-	7,401,433
At 31 December 2012/ 1 January 2013	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	6,420,237	32,181,827	373,163,571
Additions	-	-	979,130	2,466,738	-	885,937	-	-	937,122	654,212	4,875,136	10,798,275
Disposals	-	-	(7,897,710)	-	-	(5,160)	-	(576,230)	(390,541)	-	-	(8,869,641)
Write-offs	-	-	-	(2,580)	-	(2,510)	-	-	-	-	-	(5,090)
Reclassifications	-	-	410,222	63,746,551	(26,697,595)	4,500	(11,700)	367,666	(258,509)	(904,987)	(36,656,148)	-
At 31 December 2013	27,020,000	3,299,500	57,648,045	268,823,627	-	6,784,770	-	2,545,785	2,395,111	6,169,462	400,815	375,087,115

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

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

Company *(cont'd)*	Freehold land RM	Short-term leasehold land RM	Buildings RM	Plant and machinery Outright purchase RM	Plant and machinery Under finance lease RM	Office equipment, furniture and fittings, equipment and tools Outright purchase RM	Office equipment, furniture and fittings, equipment and tools Under finance lease RM	Motor vehicles Outright purchase RM	Motor vehicles Under finance lease RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Depreciation												
At 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	-	63,451	3,166,451	7,450,224	1,559,601	557,353	563	38,248	387,054	-	-	13,222,945
Disposal	-	-	-	-	-	-	-	(901,206)	(182,619)	-	-	(1,083,825)
Transfer from investment property (Note 4)	-	-	3,698,326	-	-	-	-	-	-	-	-	3,698,326
At 31 December 2012/ 1 January 2013	-	686,217	26,960,717	97,912,695	6,157,911	3,761,589	2,579	2,686,888	656,441	-	-	138,825,037
Depreciation for the year	-	63,452	2,837,455	9,189,690	350,353	650,074	-	47,402	389,531	-	-	13,527,957
Disposals	-	-	(4,455,203)	-	-	(1,223)	-	(394,148)	(177,045)	-	-	(5,027,619)
Write-offs	-	-	-	(2,580)	-	(2,510)	-	-	-	-	-	(5,090)
Reclassifications	-	-	260,116	6,138,992	(6,508,264)	2,579	(2,579)	158,481	(49,325)	-	-	-
At 31 December 2013	-	749,669	25,603,085	113,238,797	-	4,410,509	-	2,498,623	819,602	-	-	147,320,285
Carrying amounts												
At 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	5,747,220	22,941,742	232,881,674
At 31 December 2012 / 1 January 2013	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	6,420,237	32,181,827	234,338,534
At 31 December 2013	27,020,000	2,549,831	32,044,960	155,584,830	-	2,374,261	-	47,162	1,575,509	6,169,462	400,815	227,766,830

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 16).

Group	Carrying amounts 2013 RM	2012 RM
Fixed legal charges		
Freehold land	10,740,000	10,740,000
Buildings	33,243,570	34,016,030
	43,983,570	44,756,030
Under debentures		
Plant and machinery	8,606,642	9,522,866
	52,590,212	54,278,896

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

3.2 Assets under construction

These comprise plant and machinery under installation and buildings under construction.

Included in assets under construction of the Group and of the Company is interest capitalised of RM431,893 (2012: RM950,317) and RM431,893 (2012: RM634,907) respectively. The interest is charged at the rates ranging from 4.54% to 4.55% (2012: 4.00% to 7.42%) per annum.

3.3 Impairment review of property, plant and equipment

The Group and the Company 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 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 A factory building (previously classified as investment property) with carrying amount of RM3,333,107 as at 31 December 2012 was constructed on a parcel of land leased from a related party.

3.5 The long-term leasehold lands of the Group with a carrying amount of RM3,968,106 (2012: Nil) where its rights title to the said land is presently subject to fixed charges as security for the vendor's loans and borrowings which are pending discharge as at year end. In addition, the individual issue document of title or subsidiary title to the said land has yet to be issued by the relevant authority.

3.6 The titles of certain motor vehicles with carrying amounts of RM218,300 (2012: Nil) acquired during the year are in the process of being transferred to the Group.

3.7 Allocation of depreciation

Depreciation for the year is allocated as follows:

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Results from operating activities (Note 20)	18,154,775	17,829,181	13,527,957	13,222,945
Discontinued operation (Note 23)	-	913,876	-	-
	18,154,775	18,743,057	13,527,957	13,222,945

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

4. INVESTMENT PROPERTY – COMPANY

	Factory building RM
Cost	
At 1 January 2012	7,401,433
Transfer to property, plant and equipment (Note 3)	(7,401,433)
At 31 December 2012/1 January 2013 and 31 December 2013	-
Amortisation	
At 1 January 2012	3,698,326
Transfer to property, plant and equipment (Note 3)	(3,698,326)
At 31 December 2012/1 January 2013 and 31 December 2013	-
Carrying amounts	
At 1 January 2012	3,703,107
At 31 December 2012/1 January 2013 and 31 December 2013	-
Estimated fair value	
At 1 January 2012	7,927,000
At 31 December 2012/1 January 2013 and 31 December 2013	-

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

5. INVESTMENT IN SUBSIDIARIES

	Carrying amounts	
	2013 RM	2012 RM
Unquoted shares, at cost	33,903,365	18,716,977

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

Subsidiary	Principal activities	Effective ownership interest 2013 %	Effective ownership interest 2012 %
Direct			
ASTEEL Sdn. Bhd. (formerly known as Magic Network Sdn. Bhd.)	Marketing and sale of coated steel products and downstream roofing products	100.00	100.00
ASTEEL (Sabah) Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100.00	-

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

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

Subsidiary	Principal activities	Effective ownership interest 2013 %	2012 %
ASTEEL (Bintulu) Sdn. Bhd.	Dormant	100.00	-
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	100.00	54.49
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
Indirect through SSH			
Star Shine Marketing Sdn. Bhd. ("SSM")	Trading of galvanised iron and coated galvanised iron steel sheets in coils	100.00	54.49
Star Shine Global Trading Sdn. Bhd.	Trading of flat steel products	100.00	54.49
Star Shine Steel Products Sdn. Bhd.	Manufacture and sale of steel products and trading of other building and construction materials as well as provision of shearing and slitting services	100.00	54.49
Star Shine Industries Sdn. Bhd.	Manufacture and trading of steel tubes and pipes as well as provision of slitting services	100.00	54.49
Indirect through SSM			
Starshine Resources Sdn. Bhd.	Manufacture, process and sale of wire rods and bars as well as construction of steel structurals	100.00	54.49
Indirect through ICCI			
Wajaplas Manufacturing (M) Sdn. Bhd. #	Manufacture and retailing polyvinyl chloride based products and trading of building materials	-	100.00

\# *These subsidiaries had been classified as an investment held for sale in prior year (see Note 14) and subsequently disposed of during the year (see Notes 23 and 32.2).*

5.1 Auditors' reports

The auditors' reports on the financial statements of the subsidiaries (except for ASTEEL Sdn. Bhd., ASTEEL (Bintulu) 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.

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

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

5.2 Non-controlling interests in subsidiaries

The Group has only one material non-controlling interests ("NCI") which has been derecognised from the statement of changes in equity during the year after acquisition of the remaining 45.51% equity interest in Starshine Holdings Sdn. Bhd., not already owned by the Group (see Note 32.1). The details are set as below:

	Group	
	2013	**2012**
	%	%
NCI percentage of ownership interest and voting interests	-	45.51

	Group	
	2013	**2012**
	RM	**RM**
Carrying amounts	-	11,305,568
Profit/(Loss) allocated to NCI	245,271	(3,393,909)

Summarised financial information before intra-group elimination

<u>Statements of financial position</u>

	Group	
	2013	**2012**
	RM	**RM**
Non-current assets	71,977,413	75,966,241
Current assets	164,342,049	122,499,581
Non-current liabilities	(21,397,817)	(27,407,466)
Current liabilities	(191,994,820)	(146,218,202)
Net assets	22,926,825	24,840,154

<u>Statements of profit or loss and other comprehensive income</u>

	Group	
	2013	**2012**
	RM	**RM**
Revenue	421,489,340	317,517,524
Total comprehensive loss	(1,913,329)	(7,458,502)

<u>Statements of cash flows</u>

	Group	
	2013	**2012**
	RM	**RM**
Cash flows (used in)/from operating activities	(9,696,304)	10,621,286
Cash flows from investing activities	397,894	8,954,826
Cash flows used in financing activities	(940,364)	(14,333,346)
Net (decrease)/increase in cash and cash equivalents	(10,238,774)	5,242,766

No dividend was paid during both years and the directors of Starshine Holdings Sdn. Bhd. do not recommend any dividend to be paid for the year under review.

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

6. GOODWILL – GROUP

	RM
Cost	
At 1 January 2012, 31 December 2012/1 January 2013	1,437,871
Disposal	(1,437,871)
At 31 December 2013	-
Impairment loss	
At 1 January 2012, 31 December 2012/1 January 2013	1,437,871
Disposal	(1,437,871)
At 31 December 2013	-
Carrying amounts	
At 1 January 2012, 31 December 2012/1 January 2013 and 31 December 2013	-

Goodwill arose on the acquisition of the non-controlling interests in a subsidiary during the year ended 31 December 2005 and the subsidiary was disposed of during the year.

7. OTHER INVESTMENTS

	Group	
	2013 RM	2012 RM
Non-current		
Available-for-sale financial assets		
-quoted shares in Malaysia	21,400	21,400
Less: Impairment loss	(11,625)	(11,625)
	9,775	9,775
Representing items:		
Market value of quoted shares (Note 26.4)	9,775	9,775

8. DEFERRED TAX

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2013 RM	Assets 2012 RM	Liabilities 2013 RM	Liabilities 2012 RM	Net 2013 RM	Net 2012 RM
Property, plant and equipment	-	-	(31,023,000)	(29,996,000)	(31,023,000)	(29,996,000)
Retirement benefits	1,338,000	935,000	-	-	1,338,000	935,000
Capital allowances carried forward	19,433,000	19,959,000	-	-	19,433,000	19,959,000
Tax losses carried forward	764,000	764,000	-	-	764,000	764,000
Other items	146,000	1,000	-	-	146,000	1,000
Tax assets/(liabilities)	21,681,000	21,659,000	(31,023,000)	(29,996,000)	(9,342,000)	(8,337,000)
Set off of tax	(21,681,000)	(21,659,000)	21,681,000	21,659,000	-	-
Net tax liabilities	-	-	(9,342,000)	(8,337,000)	(9,342,000)	(8,337,000)

Company	Assets/(Liabilities) 2013 RM	Assets/(Liabilities) 2012 RM
Property, plant and equipment	(30,087,000)	(29,350,000)
Retirement benefits	1,338,000	935,000
Capital allowances carried forward	19,429,000	19,959,000
Tax losses carried forward	764,000	764,000
Deferred tax liabilities	(8,556,000)	(7,692,000)

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

8. DEFERRED TAX *(cont'd)*

Recognised deferred tax *(cont'd)*

Movements in deferred tax during the year are as follows:

Group	At 1.1.2012 RM	Recognised in profit or loss RM	At 31.12.2012/ 1.1.2013 RM	Recognised in profit or loss RM	At 31.12.2013 RM
Property, plant and equipment	(29,714,000)	(282,000)	(29,996,000)	(1,027,000)	(31,023,000)
Retirement benefits	812,000	123,000	935,000	403,000	1,338,000
Capital allowances carried forward	15,929,000	4,030,000	19,959,000	(526,000)	19,433,000
Tax losses carried forward	871,000	(107,000)	764,000	-	764,000
Other items	5,000	(4,000)	1,000	145,000	146,000
	(12,097,000)	3,760,000	(8,337,000)	(1,005,000)	(9,342,000)
		(Notes 22 and 23)		(Notes 22 and 23)	

Company	At 1.1.2012 RM	Recognised in profit or loss RM	At 31.12.2012/ 1.1.2013 RM	Recognised in profit or loss RM	At 31.12.2013 RM
Property, plant and equipment	(27,224,000)	(2,126,000)	(29,350,000)	(737,000)	(30,087,000)
Retirement benefits	812,000	123,000	935,000	403,000	1,338,000
Capital allowances carried forward	14,949,000	5,010,000	19,959,000	(530,000)	19,429,000
Tax losses carried forward	660,000	104,000	764,000	-	764,000
	(10,803,000)	3,111,000	(7,692,000)	(864,000)	(8,556,000)
		(Note 22)		(Note 22)	

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

8. DEFERRED TAX *(cont'd)*

Unrecognised deferred tax

Deferred tax assets have not 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	
	2013 RM	2012 RM	2013 RM	2012 RM
Capital allowances carried forward	1,711,000	-	-	-
Tax losses carried forward	5,943,000	4,482,000	-	-
Reinvestment allowances carried forward	136,209,000	134,565,000	119,000,000	119,000,000
	143,863,000	139,047,000	119,000,000	119,000,000
Deferred tax assets	35,966,000	34,762,000	29,750,000	29,750,000

Unabsorbed capital/reinvestment allowances carried forward and unutilised tax losses carried forward 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.

9. INVENTORIES

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At cost				
Raw materials	55,248,428	11,526,461	31,552,286	11,313,188
Manufactured inventories	43,910,153	42,077,947	26,041,028	25,033,939
Trading products	18,451,965	14,606,634	-	-
Consumables	12,455,697	10,662,065	12,455,697	10,662,065
Work-in-progress	17,039,218	14,200,622	15,525,429	12,658,135
	147,105,461	93,073,729	85,574,440	59,667,327
At net realisable value				
Manufactured inventories	5,828,821	1,599,328	3,917,560	1,599,328
Trading products	682,754	252,423	-	-
	6,511,575	1,851,751	3,917,560	1,599,328
Total	153,617,036	94,925,480	89,492,000	61,266,655

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

9. INVENTORIES *(cont'd)*

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Recognised in profit or loss:				
- Inventories recognised as cost of sales	506,605,318	438,300,775	455,165,994	377,873,082
- Write-down to net realisable value	658,461	930,287	560,041	867,001
- Write-offs	6,958	26,233	-	-

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 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Trade				
Trade receivables	106,020,729	82,709,906	1,865,324	2,562,520
Less: Allowance for impairment losses	(3,127,063)	(3,944,866)	(124,814)	(124,814)
	102,893,666	78,765,040	1,740,510	2,437,706
Subsidiaries	-	-	141,700,330	105,334,471
	102,893,666	78,765,040	143,440,840	107,772,177
Non-trade				
Subsidiaries	-	-	2,299,817	-
Other receivables	4,749,159	773,031	4,590,850	104,969
	4,749,159	773,031	6,890,667	104,969
Total	107,642,825	79,538,071	150,331,507	107,877,146

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

Included in trade balances due from subsidiaries is an amount of RM117,723,540 (2012: RM86,568,775) of which any balance if not paid within the agreed credit term bears interest at 6.00% (2012: 6.00%) per annum.

10.2 The non-trade balance due from subsidiaries are unsecured, interest free and repayable on demand.

10.3 Included in other receivables of the Group/Company is the sales proceed of RM4,500,000 (2012: Nil) receivable from a third party for the disposal of property, plant and equipment during the year. The Company has entered into separate agreements with the third party to construct a new factory of which the costs of construction will be partially settled by the said sales proceed arising from the disposal of property, plant and equipment.

10.4 Included in trade receivables of the Group and of the Company are amounts of RM1,325,009 (2012: RM6,746,105) and RM43,969 (2012: RM757) respectively due from a former subsidiary of the Group which are unsecured and interest free. The amount outstanding as at 31 December 2013 is expected to be recovered by monthly instalment payments and repayable in full by December 2014.

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

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

10.5 Included in trade receivables of the Group are retention sums of RM128,586 (2012: Nil) relating to construction work-in-progress.

10.6 Assessment of impairment loss on receivables

The main collectability risk of trade receivables is customer insolvencies. Management determines allowance for impairment loss on doubtful receivables based on an on-going review and evaluation performed as part of its credit risk evaluation process. These include assessment of customers' past payment records, financial standing and the age of receivables. The evaluation is however inherently judgemental and requires estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes.

11. DEPOSITS AND PREPAYMENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Deposits	1,574,275	1,766,068	1,002,000	1,258,888
Prepayments	1,201,463	2,264,701	450,988	2,017,374
	2,775,738	4,030,769	1,452,988	3,276,262

Deposits of the Group and of the Company include an amount of RM406,175 (2012: RM1,110,233) paid for the purchase of materials, plant and equipment.

12. DERIVATIVE FINANCIAL ASSETS

	Group and Company	
	2013 RM	2012 RM
Derivatives held for trading at fair value through profit or loss		
- Forward foreign exchange contracts	1,108,016	-

Nominal value of the outstanding forward foreign exchange contracts as at 31 December 2013 is RM37,716,371 (2012: RM11,933,038).

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group and the Company's payables denominated in currencies other than the functional currencies of group entities. Most of the forward foreign exchange 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.

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Term deposits placed with licensed banks	21,273,228	19,404,005	1,382,736	1,340,900
Cash in hand and at banks	8,123,768	13,619,275	1,305,950	1,554,457
	29,396,996	33,023,280	2,688,686	2,895,357

Term deposits of the Group include an amount of RM19,890,492 (2012: RM18,063,105) pledged for banking facilities granted to certain subsidiaries (see Note 16).

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

14. NON-CURRENT ASSETS HELD FOR SALE

	Group 2012 RM	Company 2012 RM
Investment in subsidiaries (Note 32.2)	-	7,500,000
Disposal group held for sale (Note 14.1)	24,692,160	-
Property held for sale (Note 14.2)	1,968,840	-
	26,661,000	7,500,000

14.1 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, the entire operations of ICCI Group were presented as a disposal group held for sale. The disposal group was subsequently completed on 26 June 2013 (see Note 32.2).

At 31 December 2012, the assets and liabilities of the disposal group were 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 comprised the following:

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

A private caveat had 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 had not been transferred to the subsidiary as at 31 December 2012.

The carrying amount of property, plant and equipment of the disposal group was the same as its carrying amount before it was being reclassified to current asset.

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

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

14.1 Disposal group held for sale (cont'd)

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

(iii) Inventories held for sale were 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 were carried at cost less impairment loss.

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

(vi) Loans and borrowings held for sale comprised 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 were covered by a corporate guarantee of the Company. The finance lease liabilities were secured on the respective finance lease assets of the subsidiary (with a carrying amount of RM102,839 as at 31 December 2012).

14.2 Property held for sale

	Group RM
At 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 was a building costing RM322,810 which arose from settlement of trade receivables in kind. During the last financial year, the Group had entered into a sale and purchase agreement with a third party to dispose of the building and the disposal was subject to certain conditions precedent. The conditions precedent were subsequently fulfilled and the disposal was completed during the year with a gain recognised of RM3,970.

The title to the said building had yet to be transferred to the Group as at 31 December 2012.

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

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

14.2 Property held for sale (cont'd)

(b) Additions to property held for sale consisted of three parcels of short-term leasehold land and the buildings erected thereon, which had 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 last financial year.

The Group had then entered into sale and purchase agreements with third parties to dispose of these assets and the sale was subject to certain conditions precedent. As a consequence, these assets were transferred from property, plant and equipment and classified as held for sale as at 31 December 2012. The conditions precedent were subsequently fulfilled and the disposal was completed during the year with a gain recognised of RM50,190.

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

The leasehold land and buildings were charged as security for certain loans and borrowings of a subsidiary as at 31 December 2012.

15. CAPITAL AND RESERVES

15.1 Share capital

	Group and Company			
	Amount		**Number of shares**	
	2013 RM	**2012 RM**	**2013**	**2012**
Authorised				
Ordinary shares of RM0.50 each	450,000,000	450,000,000	900,000,000	900,000,000
Redeemable convertible preference shares of RM0.50 each	50,000,000	50,000,000	100,000,000	100,000,000
	500,000,000	500,000,000	1,000,000,000	1,000,000,000
Issued and fully paid up				
Ordinary shares of RM0.50 each				
Opening balances	90,923,729	90,923,729	195,534,900	195,534,900
Issuance of ordinary shares	60,565,068	-	121,130,136	-
Conversion of Warrants A	3,750	-	6,198	-
Bonus issue of shares	15,833,173	-	31,666,346	-
Expiry of warrants	6,843,070	-	-	-
Closing balances	174,168,790	90,923,729	348,337,580	195,534,900
Redeemable convertible preference shares of RM0.50 each				
Opening and closing balances	10,863,050	10,863,050	21,726,100	21,726,100
Total	185,031,840	101,786,779	370,063,680	217,261,000

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

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

15.1 Share capital *(cont'd)*

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company.

During the year, the Company has completed the share issue exercises approved by the shareholders of the Company during the Extraordinary General Meeting held on 16 April 2013 with the issuance of:

a) 33,223,158 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share as purchase consideration of RM16,611,579 to acquire 166,115,819 existing ordinary shares of RM0.10 each in Starshine Holdings Sdn. Bhd. ("SSH"), representing the remaining 45.51% equity interest not already owned by the Company from SSH's minority shareholders throught shares swap;

b) 39,106,980 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share via a private placement to eligible investors for a total cash consideration of RM19,553,490 to raise working capital; and

c) 48,799,998 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share via a restricted issue to Marubeni-Itochu Steel Inc., its substantial foreign shareholder for a total cash consideration of RM24,399,999 for working capital purposes.

In conjunction with the share issue exercises, the Company has;

(i) capitalised a sum of RM15,833,173 out of its retained earnings for a bonus issue of 31,666,346 ordinary shares of RM0.50 each, credited as fully paid and distributed amongst the shareholders of the Company in the proportion of one (1) new ordinary share of RM0.50 each for every ten (10) existing paid up ordinary share of RM0.50 each on 29 May 2013; and

(ii) issued 95,000,428 free detachable Warrants B (2013/2020) at an issue price of RM0.50 per ordinary share on the basis of three (3) free warrants for every ten (10) existing ordinary shares on 29 May 2013.

In addition, the Company has issued 6,198 new ordinary shares of RM0.50 each for cash pursuant to conversion of Warrants A (2008/2013) at exercise price of RM0.50 per ordinary share during the year.

Redeemable convertible preference shares ("RCPS")

All outstanding RCPS may be redeemed by the Company at its option at any time after the tenth (10th) anniversary of their issue, by giving three (3) months notice to the holders of the RCPS. 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 original acquisition price by the RCPS conversion price in effect at the time of conversion. The RCPS conversion price shall initially be equal to the original acquisition 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

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

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

15.1 Share capital (cont'd)

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

(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 of Directors of the Company.

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 in priority both as regards payment of dividends 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 Articles of the Company 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 of Directors of the Company 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.

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.

Warrants

Warrants A (2008/2013)

The main features of the Warrants A are as follows:

i) each warrant will entitle its registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price, which has been fixed at RM0.50 per share, subject to adjustment in accordance with the provisions of the Deed Poll.

ii) the Warrants may be exercised at any time on or after 9 July 2008 until the end of the tenure of the Warrants. The tenure of the Warrants is for a period of five (5) years. The Warrants not exercised during the exercise period shall thereafter lapse and cease to be valid.

iii) the new ordinary shares of RM0.50 each to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of RM0.50 each of the Company, save and except that the new ordinary shares of RM0.50 each will not be entitled to any dividends, rights, allotments and/or other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the new ordinary shares of RM0.50 each arising from the exercise of the Warrants.

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

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

15.1 Share capital (cont'd)

***Warrants** (cont'd)*

***Warrants A (2008/2013)** (cont'd)*

The outstanding Warrants A 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 had expired on 8 July 2013. The number of outstanding Warrants A as at 8 July 2013, was 71,689,472 (2012: 65,178,300), which had been adjusted to include 6,517,370 additional Warrants A issued on 29 May 2013 as a consequence of bonus issue of 31,666,346 new ordinary shares of RM0.50 each in the Company on the basis of one (1) bonus share for every ten (10) existing shares held on the same day. During the year, 6,198 of Warrants A has been exercised at exercise price of RM0.50 per ordinary share and converted as new ordinary shares of the Company.

Warrants B (2013/2020)

The main features of the Warrants B are as follows:

a) each warrant will entitle its registered holder during the exercise period to subscribe for one (1) new ordinary share at the exercise price, which has been fixed at RM0.50 per share, subject to adjustment in accordance with the provisions of the Deed Poll.

b) the Warrants may be exercised at any time on or after 29 May 2013 until the end of the tenure of the Warrants B. The tenure of the Warrants is for a period of seven (7) years and shall expire on 28 May 2020. The Warrants not exercised during the exercise period shall thereafter lapse and cease to be valid.

c) the new ordinary shares of RM0.50 each to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank pari passu in all respects with the existing ordinary shares of RM0.50 each of the Company, save and except that the new ordinary shares of RM0.50 each will not be entitled to any dividends, rights, allotments and/or other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the new ordinary shares of RM0.50 each arising from the exercise of the Warrants.

The number of outstanding Warrant B as of 31 December 2013, issued in conjunction with the share issue exercises undertaken by the Company on 29 May 2013 and exercisable at RM0.50 for each ordinary share in the Company over a period of seven years to 28 May 2020, is 95,000,428. None of the said warrants have been exercised during the year.

15.2 Reserves

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Retained earnings	9,871,969	30,108,006	17,335,493	33,163,937
Warrant reserve	-	6,843,721	-	6,843,721
Share premium	1,968,881	1,968,881	1,968,881	1,968,881
	11,840,850	38,920,608	19,304,374	41,976,539

Warrant reserve

This represents the reserve arising from the rights issue with free detachable Warrants A on 9 July 2008. Proceeds received from the rights issue were allocated to the ordinary share capital account and to the warrant reserve account, determined based on the estimated fair value of the warrants immediately upon the listing and quotation of thereof. Warrants A have expired on 8 July 2013 and thus, any unexercised warrants have lapsed. The warrants reserve of RM6,843,070 is subsequently adjusted against the ordinary share capital of the Company.

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

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

15.2 Reserves (cont'd)

Retained earnings

The retained earnings of the Company are fully distributable as normal-exempt dividends and single-tier dividends, as the case may be.

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.

16. LOANS AND BORROWINGS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Non-current				
Term loans				
- secured	17,371,126	20,792,698	-	-
- unsecured	23,138,397	38,008,101	23,138,397	38,008,101
Finance lease liabilities				
- secured	4,443,050	6,956,762	536,476	791,527
	44,952,573	65,757,561	23,674,873	38,799,628
Current				
Term loans				
- secured	3,131,582	3,567,093	-	-
- unsecured	14,694,976	14,690,782	14,694,976	14,690,782
Finance lease liabilities				
- secured	3,437,520	4,185,567	413,459	1,018,324
Bankers' acceptances and revolving credits				
- secured	52,050,701	42,946,974	-	-
- unsecured	146,453,670	153,963,000	144,253,000	150,963,000
Bank overdrafts				
- unsecured	5,588,316	4,157,341	5,588,316	4,157,341
- secured	3,812,376	-	-	-
Foreign currency trade loan				
- unsecured	6,218,033	-	6,218,033	-
	235,387,174	223,510,757	171,167,784	170,829,447
Total	280,339,747	289,268,318	194,842,657	209,629,075

(i) Security

Bank overdrafts, term loans and bankers' acceptances

Subsidiaries

- Secured by a pledge of term deposits (see Note 13).
- Secured by fixed charges over certain subsidiaries' freehold land and buildings (erected thereon) [see Notes 3 and 14.2].

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

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

***(i)* Security** *(cont'd)*

Bank overdrafts, term loans and bankers' acceptances *(cont'd)*

Subsidiaries *(cont'd)*

- 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 Group and of the Company.

Finance leases liabilities

Company and subsidiaries

Finance lease liabilities are secured on the respective finance lease assets. Outstanding finance lease liabilities of RM1,297,745 (2012: Nil) granted to certain subsidiaries are guaranteed by the Company. In addition, the finance lease liabilities of certain indirect subsidiaries amounting to RM985,492 (2012: RM2,289,865) are also guaranteed by an indirect subsidiary whereas the finance lease liabilities of another indirect subsidiary of RM4,299,157 (2012: RM4,475,410) are jointly and severally guaranteed by certain Directors of the Group and of the Company.

***(ii)* Significant covenants on loans and borrowings**

The Group and the Company are required to maintain a gearing ratio not exceeding 1.75 times (2012: 2.25 times) and 1.25 times (2012: 2.00 times) respectively in respect of the banking facilities granted by a licensed bank to the Group/Company. The total outstanding loans and borrowings of the Group/Company with the said bank as at 31 December 2013 are RM29,084,378 (2012: RM27,768,702).

***(iii)* Finance lease liabilities**

Finance lease liabilities are payable as follows:

	2013			2012		
	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	3,880,884	443,364	3,437,520	4,832,297	646,730	4,185,567
Between one and five years	4,830,476	387,426	4,443,050	7,569,126	612,364	6,956,762
	8,711,360	830,790	7,880,570	12,401,423	1,259,094	11,142,329
Company						
Less than one year	449,862	36,403	413,459	1,088,450	70,126	1,018,324
Between one and five years	563,892	27,416	536,476	833,816	42,289	791,527
	1,013,754	63,819	949,935	1,922,266	112,415	1,809,851

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

17. RETIREMENT BENEFITS

	Group and Company	
	2013	2012
	RM	RM
Net defined benefit liability	4,843,855	5,206,914

Liability for defined benefit obligations

The Group/Company operates an unfunded defined benefit pension plan for eligible directors and employees of the Company who are Malaysians with age above 55 years and continuous service of at least 12 years from date of hire. The benefits payable on retirement are based on length of service, input factor and base pay. The retirement age is 65 for directors and 60 for employees other than directors. The defined benefit plan exposes the Group/Company to actuarial risks such as longevity risk, financial risks such as change in discount rates and demographic risk such as turnover rate not being borne out.

Movement in net defined benefit liability

	Group and Company	
	2013	2012
	RM	RM
Balance at 1 January	5,206,914	3,723,496
Included in profit or loss		
Current service costs	321,230	333,075
Past service credit	(431,372)	-
Interest costs	262,497	203,411
	152,355	536,486
Included in other comprehensive income		
Remeasurement loss		
- Actuarial loss/(gain) arising from:		
- Demographic assumptions	(427,292)	(31,708)
- Financial assumptions	-	343,180
- Experience adjustments	24,378	684,940
	(402,914)	996,412
Benefits paid by the plan	(112,500)	(49,480)
Balance at 31 December	4,843,855	5,206,914

Effective from 1 July 2013, the Group/Company has raised normal retirement age of the defined benefits plan to 60 years old in conjunction with the introduction of Minimum Retirement Age 2012 Act. This amendment will result in a reduction of the present value of benefit obligation (the reduction is termed past service credit) and will be fully recognised in profit and loss in the current financial year.

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

17. RETIREMENT BENEFITS *(cont'd)*

Actuarial assumptions

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

	Group and Company	
	2013	**2012**
	RM	**RM**
Discount rate	5.50%	5.50%
Average age of Directors	47	46
Average years of service of Directors	17	16
Average age of employees	31	32
Average years of service of employees other than Directors	5	5
Turnover rate	11.00%	5.00%
Mortality and disability rate	10.00%	10.00%

Assumptions regarding future mortality are based on published statistic and mortality tables.

Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have increased (decreased) the defined benefit obligation by the amounts shown below.

	Group and Company 2013	
	Increase in rate	**Decrease in rate**
	RM	**RM**
Discount rate (1% movement)	(417,902)	417,902
Mortality and disability rate (10% movement)	(28,443)	28,443
Withdrawal rate (1% movement)	(145,969)	145,969

Although the analysis does not account to the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Trade				
Trade payables	100,914,433	65,933,116	91,319,626	61,788,970
Amount due to contract customers	76,024	-	-	-
Subsidiary	-	-	-	2,421
	100,990,457	65,933,116	91,319,626	61,791,391
Non-trade				
Other payables	8,757,636	7,799,102	499,500	6,189,780
Accrued expenses	3,877,091	3,145,153	2,500,840	1,789,413
	12,634,727	10,944,255	3,000,340	7,979,193
Total	113,625,184	76,877,371	94,319,966	69,770,584

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

18. TRADE AND OTHER PAYABLES *(cont'd)*

18.1 Trade payables of the Group/Company include an amount of RM64,759,878 (2012: RM37,134,530) due to a substantial foreign shareholder of the Company, which bears interest ranging from 1.04% to 2.50% (2012: 1.00% to 1.04%) per annum. Included in trade payables of the Group/Company is an amount of RM19,054,493 (2012: RM17,917,489) due to a company in which a substantial foreign shareholder of the Company has interests and bears interest at 7.75% (2012: 7.75%) per annum. The Group/Company has utilised the credit facilities offered by the substantial foreign shareholder and a company that the foreign shareholder has interests which carry credit terms of 180 days and 97 days respectively to purchase raw materials.

18.2 The amount due to a subsidiary as at 31 December 2012 was unsecured, interest free and repayable on demand.

18.3 Included in other payables of the Group as at year end is a payable of RM7,244,800 (2012: Nil) for the purchase of long-term leasehold land and buildings of which the payable if not paid within the agreed period bears interest at 6.00% per annum.

18.4 Included in other payables of the Group/Company as at 31 December 2012 was a sum of RM6,071,500 being deposits received for the proposed disposal of a subsidiary which had been completed during the year (see Note 32.2).

18.5 Amount due to a contract customer

	Group	
	2013 RM	2012 RM
Value of works performed to-date	2,930,297	-
Progress billings	(3,006,321)	-
Amount due to contract customer	(76,024)	-

19. REVENUE

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Continuing operations				
Sale of goods	556,108,854	460,879,702	485,857,423	388,378,597
Services rendered	1,303,903	864,627	-	-
Contract revenue	2,930,297	-	-	-
	560,343,054	461,744,329	485,857,423	388,378,597

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

20. RESULTS FROM OPERATING ACTIVITIES

	Note	Group 2013 RM	Group 2012 RM (Restated)	Company 2013 RM	Company 2012 RM (Restated)
Results from operating activities are arrived at after charging:					
Auditors' remuneration:					
- Audit fees					
- KPMG		164,000	129,000	65,000	47,000
- Non-audit fees					
- KPMG		31,000	11,000	31,000	11,000
- Local affiliates of KPMG		8,900	8,700	6,900	6,700
- Others		134,500	71,300	117,500	57,500
Depreciation of property, plant and equipment	3.7	18,154,775	17,829,181	13,527,957	13,222,945
Foregin exchange loss					
- realised		2,860,433	142,473	2,819,153	143,430
- unrealised		1,074,653	-	1,074,653	-
Impairment loss on					
- investment in subsidiaries		-	-	-	200,000
- receivables		75,617	887,813	-	-
- other investments		-	11,625	-	-
Inventories written off	9	6,958	26,233	-	-
Inventories written down	9	658,461	930,287	560,041	867,001
Loss on disposal of subsidiaries	32.2	-	-	86,225	-
Personnel expenses (including key management personnel):					
- contributions to state plans		2,421,996	2,197,779	1,585,306	1,357,843
- expenses related to retirement benefits	17	152,355	536,486	152,355	536,486
- wages, salaries and others		26,577,480	22,067,470	15,187,554	14,228,501
Rental of premises and land		195,000	658,680	195,000	658,680
Rental of equipment		1,960	-	-	-
and after crediting:					
Dividend income from:					
- a unquoted subsidiary		-	-	1,300,000	-
- quoted shares in Malaysia		263	375	-	-
Derivative gain on forward foreign exchange contracts		1,108,016	-	1,108,016	-
Gain on disposal of:					
- property, plant and equipment		1,827,655	1,746,173	1,761,567	155,804
- properties held for sale		54,160	-	-	-
- discontinued operation	23	1,316,995	-	-	-
Foreign exchange gain					
- unrealised		-	460,749	-	460,749
Rental income from property leased out		83,300	96,519	83,300	90,700

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

21. FINANCE INCOME AND COSTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Finance income				
Interest income of financial assets that are not at fair value through profit or loss				
- term deposits	703,860	492,526	85,269	50,537
- other finance income	446,737	154,972	1,842,940	1,242,502
	1,150,597	647,498	1,928,209	1,293,039
Recognised in profit or loss	1,150,597	647,498	1,928,209	1,293,039
Finance costs				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- term loans	3,459,417	4,403,759	1,914,283	2,257,681
- overdrafts	995,534	524,083	966,484	523,749
- other borrowings	9,283,033	10,501,222	6,512,316	7,691,236
	13,737,984	15,429,064	9,393,083	10,472,666
- other finance costs	1,676,788	1,268,388	1,676,788	1,258,737
	15,414,772	16,697,452	11,069,871	11,731,403
Recognised in profit or loss	14,982,879	15,747,135	10,637,978	11,096,496
Capitalised in property, plant and equipment (see Note 3.2)	431,893	950,317	431,893	634,907
	15,414,772	16,697,452	11,069,871	11,731,403

22. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Current tax expense				
Malaysian - current year	295,573	242,700	2,000	22,000
- prior years	88,559	(20,202)	41,000	(28,777)
	384,132	222,498	43,000	(6,777)
Deferred tax expense (Note 8)				
- current year	1,388,000	(3,286,000)	1,111,000	(2,927,000)
- prior year	(383,000)	(457,000)	(247,000)	(184,000)
	1,005,000	(3,743,000)	864,000	(3,111,000)
Real property gain tax	(4,190)	126,439	-	-
Total tax expense	1,384,942	(3,394,063)	907,000	(3,117,777)

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

22. TAX EXPENSE *(cont'd)*

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Reconciliation of tax expense				
Profit/(Loss) for the year	500,233	(18,736,653)	2,027,106	(10,423,693)
Total tax expense				
- continuing operations	1,384,942	(3,394,063)	907,000	(3,117,777)
- discontinued operation	-	(18,700)	-	-
Profit/(Loss) excluding tax	1,885,175	(22,149,416)	2,934,106	(13,541,470)
Income tax calculated using Malaysian tax rate of 25% (2012 : 25%)*	471,000	(5,539,000)	734,000	(3,387,000)
Non-deductible expenses/ (Non-taxable income)	311,573	88,000	682,000	(145,000)
Effect of deferred tax assets not recognised (Note 8)	1,204,000	2,389,000	-	627,000
Effect of changes in tax rate*	(303,000)	-	(303,000)	-
	1,683,573	(3,062,000)	1,113,000	(2,905,000)
Over-provision in prior years	(294,441)	(477,202)	(206,000)	(212,777)
Real property gain tax	(4,190)	126,439	-	-
Less: Tax expense from discontinued operation (Note 23)	-	18,700	-	-
Total tax expense	1,384,942	(3,394,063)	907,000	(3,117,777)

* *In the Malaysian Budget 2014, it was announced that corporate income tax rate will be reduced to 24% for year of assessment 2016 ("YA 2016") onwards. Consequently, any temporary differences expected to be reversed in YA 2016 onwards are measured using this rate.*

23. 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) due to the strategic business decision. The operation from ICCI Group was a discontinued operation and classified as held for sale as at 31 December 2012. The Group completed the disposal of ICCI on 26 June 2013 following the fulfillment of the conditions precedent set out in the Share Sale Agreements entered into with the acquirer [see Note 32.2].

Profit/(Loss) attributable to the discontinued operation was as follows:

	Group	
<u>**Results of discontinued operation**</u>	**1.1.2013- 26.6.2013 RM**	**1.1.2012- 31.12.2012 RM**
Revenue	14,085,427	26,330,912
Expense	(14,058,654)	(27,764,556)
Results from operating activities	26,773	(1,433,644)
Tax expense (Note 22)		
- current tax	-	1,700
- deferred tax	-	17,000
	-	18,700
Results from operating activities, net of tax	26,773	(1,414,944)
Gain on sale of discontinued operation	1,316,995	-
Profit/(Loss) for the period/ year	1,343,768	(1,414,944)

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

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

The profit/(loss) from discontinued operation of RM26,773 (2012: RM1,414,944) is attributable entirely to the owners of the Company.

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

	Group	
	1.1.2013-26.6.2013 RM	**1.1.2012-31.12.2012 RM**
Allowance for impairment loss on receivables	-	113,742
Allowance for impairment loss on other investments	-	1,335
Audit fee	-	29,000
Depreciation of property, plant and equipment	294,751	913,876
Goodwill written off (Note 32.4)	-	104,886
Personnel expenses		
- contributions to state plans	164,059	352,938
- wages, salaries and others	1,399,134	3,134,496
Rental expense of premises	329,400	660,200
Rental of equipment and vehicles	11,760	850
Gain on disposal of property, plant and equipment	(173,566)	(15,775)
Finance income - other interest income	(3,323)	-
Finance costs - interest expense on loans and borrowings	228,232	611,179

Cash flows from discontinued operation

	Group	
	1.1.2013-26.6.2013 RM	**1.1.2012-31.12.2012 RM**
Net cash from operating activities	11,681,788	2,310,553
Net cash from/(used in) investing activities	3,832,192	(7,079,203)
Net cash (used in)/from financing activities	(7,597,035)	6,304,944
Effect on cash flows	7,916,945	1,536,294

Effect of disposal on the financial position of the Group

	Note	**2013 RM**
Property, plant and equipment		7,878,150
Other investments		780
Inventories		6,208,505
Trade and other receivables		7,446,737
Current tax recoverable		184,425
Cash and cash equivalents		628,145
Deposits and prepayments		87,112
Loans and borrowings, including overdrafts		(7,682,201)
Trade and other payables		(8,654,873)
Net assets		6,096,780
Gain on sale of discontinued operation	20	1,316,995
Consideration received, satisfied in cash		7,413,775
Cash and cash equivalents disposed of		948,055
Net cash inflows		8,361,830

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

24. EARNINGS/(LOSS) PER ORDINARY SHARE - GROUP

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share at 31 December 2013 was based on the profit/(loss) attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2013 RM	2012 RM (Restated)
Profit/(Loss) attributable to ordinary shareholders		
- continuing operations	(1,088,806)	(13,927,800)
- discontinued operation	1,343,768	(1,414,944)
	254,962	(15,342,744)

	2013	2012 (Restated)
Weighted average number of ordinary shares at 1 January	195,534,900	195,534,900
Effect of bonus issue of shares during the year	21,110,897	-
Effect of new shares issued during the year	83,522,021	-
Effect of warrants conversion	3,949	-
	300,171,767	195,534,900
Effect of bonus issue of shares in 2013	-	21,110,897
Weighted average number of ordinary shares at 31 December	300,171,767	216,645,797
Basic earnings/(loss) per ordinary share from (sen)		
- continuing operations	(0.4)	(6.4)
- discontinued operation	0.5	(0.7)
	0.1	(7.1)

As bonus issue is a non-resource share issue which entails no cash flows, it is deemed to have been effected from the earliest possible periods. As such, the basic earnings/(loss) per ordinary share have to be re-computed as if the enlarged share capital as a result of the bonus issue was in existence throughout the current and comparative periods.

Diluted earnings/(loss) per ordinary share

The calculation of diluted earnings/(loss) per ordinary share at 31 December 2013 was based on the profit/(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:

	2013 RM	2012 RM (Restated)
Profit/(Loss) attributable to ordinary shareholders		
- continuing operations	(1,088,806)	(13,927,800)
- discontinued operation	1,343,768	(1,414,944)
	254,962	(15,342,744)

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

24. EARNINGS/(LOSS) PER ORDINARY SHARE - GROUP *(cont'd)*

Weighted average number of ordinary shares from (diluted)

	2013	2012
Weighted average number of ordinary shares at 31 December (basic)	300,171,767	216,645,797
Effect of outstanding warrants	518,909^	-*
Weighted average number of ordinary shares at 31 December (diluted)	300,690,676	216,645,797
Diluted earnings/(loss) per ordinary share from (sen)		
- continuing operations	(0.4)	(6.4)
- discontinued operation	0.5	(0.7)
	0.1	(7.1)

^ *The adjustments takes into the consideration of new Warrants B issued in 2013 as well as the lapse of Warrants A issued in 2008 which have expired on 8 July 2013.*

* *The exercise price of Warrants A issued in 2008 was higher than the average market price of the ordinary shares of the Company during the year ended 31 December 2012. As the warrants were anti-dilutive in nature, no consideration for adjustment in the form of an increase in the number of shares had been applied in computing potential dilution of earnings per ordinary share for the year ended 31 December 2012.*

25. DIVIDENDS

25.1 Dividend per share

Dividend per share as disclosed below relates to the total dividends declared or proposed for the year.

	Company	
	2013	2012
Gross dividend per share (sen)		
- ordinary	1.00	-
- redeemable convertible preference	1.21	-

25.2 Dividend expense

After the end of the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approved by the shareholders at the forthcoming Annual General Meeting:

	Sen per share (single-tier)	Total amount RM
First and final 2013 ordinary	1.00	3,483,376
First and final 2013 redeemable convertible preference	1.21	262,886
Total		3,746,262

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

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

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

(i) Loans and receivables ("L&R");
(ii) Fair value through profit or loss ("FVTPL") - designated upon initial recognition ("DUIR");
(iii) Available-for-sale financial assets ("AFS"); and
(iv) Financial liabilities measured at amortised cost ("FL").

	Carrying amount RM	L&R/ (FL) RM	AFS RM	FVTPL RM
Financial assets/(liabilities)				
2013				
Group				
Quoted investments	9,775	-	9,775	-
Trade and other receivables	107,642,825	107,642,825	-	-
Derivative financial assets	1,108,016	-	-	1,108,016
Cash and cash equivalents	29,396,996	29,396,996	-	-
Loans and borrowings	(280,339,747)	(280,339,747)	-	-
Trade and other payables	(113,549,160)	(113,549,160)	-	-
Company				
Trade and other receivables	150,331,507	150,331,507	-	-
Derivative financial assets	1,108,016	-	-	1,108,016
Cash and cash equivalents	2,688,686	2,688,686	-	-
Loans and borrowings	(194,842,657)	(194,842,657)	-	-
Trade and other payables	(94,319,966)	(94,319,966)	-	-

	Carrying amount RM	L&R/ (FL) RM	AFS RM
Financial assets/(liabilities)			
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)	-

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.2 Net gains and losses arising from financial instruments

	Group 2013 RM	Group 2012 RM	Company 2013 RM	Company 2012 RM
Continuing operations				
Net gains/(losses) on:				
Financial instruments at FVTPL	1,108,016	-	1,108,016	-
AFS	-	(11,625)	-	-
L&R	1,074,980	(240,315)	1,928,209	1,293,039
FL	(19,349,859)	(16,378,876)	(15,004,957)	(11,874,833)
	(17,166,863)	(16,630,816)	(11,968,732)	(10,581,794)
Discontinued operation				
Net gains/(losses) on:				
L&R	3,323	(113,742)	-	-
AFS	-	(1,335)	-	-
FL	(228,232)	(611,179)	-	-
	(224,909)	(726,256)	-	-

26.3 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.

Risk management objectives, policies and processes for managing the risk

- ***Receivables from external parties***

  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.

- ***Inter-company loans and advances***

  The Company sometimes provides unsecured loans and advances to its subsidiaries, the ageing which is not specifically monitored by the Company.

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 Financial risk management (cont'd)

(a) Credit risk *(cont'd)*

Receivables

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.

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Amount due from four (2012: four) subsidiaries	-	-	140,146,117	105,333,714

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	107,642,825	78,711,546	150,331,507	107,050,621
Asia	-	826,525	-	826,525
	107,642,825	79,538,071	150,331,507	107,877,146

Impairment losses

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

<u>Group</u>	Gross RM	Impairment RM	Net RM
2013			
Not past due	74,000,997	-	74,000,997
Past due 0-30 days	22,136,777	-	22,136,777
Past due 31-120 days	9,704,208	-	9,704,208
Past due 121-180 days	669,435	-	669,435
Past due more than 180 days	4,258,471	(3,127,063)	1,131,408
	110,769,888	(3,127,063)	107,642,825

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 Financial risk management *(cont'd)*

(a) Credit risk *(cont'd)*

Receivables *(cont'd)*

Impairment losses *(cont'd)*

Group	Gross RM	Impairment RM	Net RM
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
Company			
2013			
Not past due	105,023,662	-	105,023,662
Past due 0-30 days	23,775,128	-	23,775,128
Past due 31-120 days	18,521,264	-	18,521,264
Past due 121-180 days	2,966,796	-	2,966,796
Past due more than 180 days	169,471	(124,814)	44,657
	150,456,321	(124,814)	150,331,507
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

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

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
At 1 January	3,944,866	3,057,053	124,814	124,814
Impairment loss recognised	296,614	887,813	-	-
Impairment loss reversed	(220,997)	-	-	-
Impairment loss written off	(893,420)	-	-	-
At 31 December	3,127,063	3,944,866	124,814	124,814

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 Financial risk management (cont'd)

(a) Credit risk *(cont'd)*

Receivables *(cont'd)*

***Impairment losses** (cont'd)*

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.

Although the Company does not specifically monitor the ageing of the loans and receivables due from subsidiaries, there is no indication that the loans and advances to the subsidiaries are not recoverable as at the end of the reporting period. These advances are aged less than a year.

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 RM52,520,353 (2012: RM79,378,684), representing the outstanding banking facilities of subsidiaries and a former subsidiary guaranteed by the Company as at the end of the reporting period.

The financial guarantees have not been recognised as their fair value on initial recognition was not material.

(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.

Risk management objectives, policies and processes for managing the risk

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by management to finance the operations and to mitigate the effects of fluctuations in cash flows. The Group has also utilised the credit facilities offered by a substantial foreign shareholder and a company that the foreign shareholder has interests which are interest bearing and carrying credit terms of 180 days and 97 days respectively for purchases of raw materials.

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.

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 *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:

Group	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
2013							
Trade and other payables							
- interest free	29,734,789	-	29,734,789	29,734,789	-	-	-
- interest bearing	83,814,371	1.04 - 7.75	83,814,371	83,814,371	-	-	-
Loans and borrowings							
- finance lease liabilities	7,880,570	4.55 - 8.47	8,711,360	3,880,884	2,314,556	2,515,920	-
- secured bankers' acceptances	52,050,701	3.20 - 5.10	52,050,701	52,050,701	-	-	-
- unsecured bankers' acceptances and revolving credits	146,453,670	4.05 - 5.06	147,267,438	147,267,438	-	-	-
- secured term loans	20,502,708	3.80 - 7.40	26,358,397	4,470,985	4,146,025	8,765,668	8,975,719
- unsecured term loans	44,051,406	4.60 - 5.48	47,278,155	22,457,412	10,626,630	13,290,012	904,101
- secured bank overdrafts	3,812,376	7.85 - 8.50	3,812,376	3,812,376	-	-	-
- unsecured bank overdrafts	5,588,316	7.10 - 8.35	5,588,316	5,588,316	-	-	-
	393,888,907		404,615,903	353,077,272	17,087,211	24,571,600	9,879,820

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 *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
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	7.10 - 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)*

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 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
2013							
Trade and other payables							
- interest free	10,505,595	-	10,505,595	10,505,595	-	-	-
- interest bearing	83,814,371	1.04 - 7.75	83,814,371	83,814,371	-	-	-
Loans and borrowings							
- finance lease liabilities	949,935	4.31 - 6.09	1,013,754	449,862	332,018	231,874	-
- unsecured bankers' acceptances and revolving credits	144,253,000	4.05 - 5.06	145,066,769	145,066,769	-	-	-
- unsecured term loans	44,051,406	4.60 - 5.48	47,278,155	22,457,412	10,626,630	13,290,012	904,101
- unsecured bank overdrafts	5,588,316	7.10 - 8.35	5,588,316	5,588,316	-	-	-
	289,162,623		293,266,960	267,882,325	10,958,648	13,521,886	904,101
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

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 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 currencies giving rise to this risk are primarily United States Dollar (USD), Euro and Japanese Yen.

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:

	2013 RM	2012 RM
Denominated in USD		
Group and Company		
Balances recognised in the statement of financial position		
Trade receivables	-	826,525
Cash and cash equivalents	-	404,405
Trade payables	(64,759,878)	(37,134,530)
Unsecured trade loan	(6,218,033)	-
Net exposure in the statement of financial position	(70,977,911)	(35,903,600)

Currency risk sensitivity analysis

A 10% (2012: 10%) strengthening of the RM against USD at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss 2013 RM	Profit or loss 2012 RM
In USD		
- Group and Company	7,098,000	3,590,000

A 10% (2012: 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.

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 Financial risk management (cont'd)

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

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

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 2013 are RM37,716,371 (2012: RM11,933,038) and the fair value changes are 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 18.1).

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. 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.

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	
	2013 RM	2012 RM	2013 RM	2012 RM
Fixed rate instruments				
Financial assets	21,273,228	19,404,005	91,455,053	87,909,675
Financial liabilities	(297,342,714)	(263,104,322)	(235,235,339)	(207,824,870)
	(276,069,486)	(243,700,317)	(143,780,286)	(119,915,195)
Floating rate instrument				
Financial liabilities	(66,811,404)	(81,216,015)	(43,421,689)	(56,856,224)

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.

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.3 Financial risk management (cont'd)

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

(ii) Interest rate risk *(cont'd)*

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 profit or 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		
- 2013	(668,000)	668,000
- 2012	(812,000)	812,000

	Profit or loss	
Company	**100bp increase RM**	**100bp decrease RM**
Floating rate instruments		
- 2013	(434,000)	434,000
- 2012	(569,000)	569,000

(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 (2012: RM9,775) (see Note 7).

Equity price risk sensitivity analysis

The exposure to equity price risk is not material and hence, sensitivity analysis is not presented.

26.4 Fair value information

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.

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.4 *Fair value information* (cont'd)

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

2013	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Total RM	Fair value of financial instrument not carried at fair value Level 3 RM	Total RM	Total fair value RM	Carrying amount RM
Group							
Financial assets							
Quoted shares	9,775	-	9,775	-	-	9,775	9,775
Forward foreign exchange contracts	-	1,108,016	1,108,016	-	-	1,108,016	1,108,016
	9,775	1,108,016	1,117,791	-	-	1,117,791	1,117,791
Financial liabilities							
Secured term loans	-	-	-	20,503,489	20,503,489	20,503,489	20,502,708
Unsecured term loans	-	-	-	44,051,406	44,051,406	44,051,406	44,051,406
Finance lease liabilities	-	-	-	7,941,041	7,941,041	7,941,041	7,880,570
	-	-	-	72,495,936	72,495,936	72,495,936	72,434,684
Company							
Financial asset							
Forward foreign exchange contracts		1,108,016	1,108,016	-	-	1,108,016	1,108,016
Financial liabilities							
Unsecured term loans		-	-	44,051,406	44,051,406	44,051,406	44,051,406
Finance lease liabilities		-	-	944,917	944,917	944,917	949,935
		-	-	44,996,323	44,996,323	44,996,323	45,001,341

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.4 Fair value information (cont'd)

2012	Fair value of financial instruments carried at fair value Level 1 RM	Total RM	Fair value of financial instruments not carried at fair value* Total RM	Total fair value RM	Carrying amount RM
Group					
Financial asset					
Quoted shares	9,775	9,775	-	9,775	9,775
Financial liabilities					
Secured term loans	-	-	24,363,656	24,363,656	24,359,791
Unsecured term loans	-	-	52,698,883	52,698,883	52,698,883
Finance lease liabilities	-	-	11,296,800	11,296,800	11,142,329
	-	-	88,359,339	88,359,339	88,201,003
Company					
Financial liabilities					
Unsecured term loans	-	-	52,698,883	52,698,883	52,698,883
Finance lease liabilities	-	-	1,800,204	1,800,204	1,809,851
	-	-	54,499,087	54,499,087	54,508,734

* *Comparative figures have not been analysed by levels, by virtue of transitional provision given in Appendix C2 of MFRS 13.*

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Derivatives

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

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.

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

26. FINANCIAL INSTRUMENTS *(cont'd)*

26.4 Fair value information (cont'd)

Transfer between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the year (2012: No transfer in either directions).

Level 3 fair value

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

Financial instruments not carried at fair value

The fair values of financial instruments not carried at fair value, which are determined for disclosure purposes, are estimated based on discounted cash flows using interest rates which are the significant unobservable inputs.

The estimated fair values of these financial instruments not carried at fair value would increase (decrease) if the interest rates were lower (higher).

27. 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 its 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 have changed from 2012, is to maintain the debt-to-equity ratio at not more than 1.75 times (2012: 2.25 times) and 1.25 times (2012: 2.00 times) respectively. The debt-to-equity ratios of the Group and of the Company as at 31 December 2013 and 31 December 2012 were as follows:

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total loans and borrowings	280,339,747	289,268,318	194,842,657	209,629,075
Total equity	196,872,690	152,012,955	204,336,188	143,763,318
Debt-to-equity ratio	1.42	1.90	0.95	1.46

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 1.75 times (2012: 2.25 times) and 1.25 times (2012: 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 these covenants.

28. CAPITAL EXPENDITURE COMMITMENTS

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Property, plant and equipment				
Contracted but not provided for	13,565,000	2,761,000	13,040,000	2,761,000

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

29. 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		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Corporate guarantees utilised:				
- to suppliers of subsidiaries	1,112,591	3,300,000	-	-
- for banking facilities of a former subsidiary	6,000,000	-	6,000,000	-
- for banking facilities of certain subsidiaries	-	-	46,520,353	79,378,684
	7,112,591	3,300,000	52,520,353	79,378,684

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the 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 are subject to common control. Related parties may be individuals or other entities.

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

The Group has related party relationship with its holding companies, significant investors, subsidiaries and key management personnel.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 18.

Transactions with subsidiaries

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
<u>Nature of transaction</u>				
Sale of galvanised and other steel products	-	-	(467,444,363)	(362,536,650)
Income from shearing and slitting charges	-	-	(254,647)	(160,275)
Tolling charges expense	-	-	201,630	206,230
Purchase of steel related products	-	-	1,033,677	843,197
Interest income			(1,842,940)	(1,242,502)
Purchase of property, plant and equipment	-	-	-	20,000

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

30. RELATED PARTIES *(cont'd)*

Significant related party transactions *(cont'd)*

Transactions with substantial shareholders of the Company

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Nature of transaction				
Purchase of consumables	50,833	112,222	50,833	112,222
Purchase of raw materials	209,987,439	95,544,294	209,987,439	95,544,294
Freight and handling charges	263,643	141,495	263,643	141,495
Sale of galvanised and other steel products	(6,561,459)	(3,068,304)	-	-
Interest expenses	1,036,884	804,719	1,036,884	804,719

In conjunction with the share issue exercise completed during the year, the Company has issued 48,799,998 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share via a restricted issue to a substantial foreign shareholder for a total cash consideration of RM24,399,999.

Transactions with companies in which certain substantial shareholders, key management personnel and close members of their families have or are deemed to have substantial interests

	Group		Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Nature of transaction				
Repair and maintenance charges	22,000	103,764	22,000	103,764
Insurance premium paid	914,780	803,256	871,203	773,528
Purchase of consumables	1,929,021	1,397,651	1,862,587	1,388,038
Purchase of raw materials	86,933,763	66,122,956	86,402,916	66,122,956
Sale of galvanised and other steel products	(56,345,804)	(47,290,958)	(7,425,437)	(6,849,165)
Purchase of property, plant and equipment	36,000	-	36,000	-
Sale of property, plant equipment	(200,876)	-	(150,876)	-
Secretarial service	10,000	10,000	10,000	10,000
Rental of premises and land	195,000	658,680	195,000	658,680
Income from rental of premises	(72,000)	(57,800)	(72,000)	(57,800)
Repayment of finance leases for acquisition of property, plant and equipment *	470,485	992,691	402,325	384,994
Income from tolling and transportation fee	(787)	(22,084)	-	(20,578)
Tolling and transportation fee	86,682	-	8,514	-
Interest income	(240,000)	-	-	-
Interest expense	1,676,788	1,258,737	1,676,788	1,258,737

* *Interest is charged at fixed rates of 2.90% to 4.50% (2012: 2.90% to 4.50%) flat per annum.*

During the year, the Company has acquired part of the remaining 45.51% equity interests in Starshine Holdings Sdn. Bhd. not already owned by the Company from companies in which certain substantial shareholders of the Company have substantial interests for a total purchase consideration of RM6,241,910 satisfied via issuance of 12,483,820 new ordinary shares of RM0.50 each of the company at an issue price of RM0.50 per ordinary share through shares swap.

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

30. RELATED PARTIES *(cont'd)*

Significant related party transactions *(cont'd)*

Transactions with key management personnel

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Sale of property, plant and equipment	556,000	-	214,000	-
Nature of transactions				
Compensations to key management personnel:				
Directors of the Company				
- Fees	447,500	352,500	368,500	273,500
- Other short-term employee benefits	5,516,769	3,998,605	3,901,185	3,441,811
	5,964,269	4,351,105	4,269,685	3,715,311
Directors of subsidiaries				
- Fees	33,000	37,000	-	-
- Other short-term employee benefits	1,099,179	2,283,201	-	-
	1,132,179	2,320,201	-	-
Other key management personnel				
- Short-term employee benefits	1,433,104	985,404	1,002,284	738,584
Total	8,529,552	7,656,710	5,271,969	4,453,895

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

In addition to their salaries, the Group also provides non-cash benefits to certain key management personnel of the Company, and contributes to a post-retirement defined benefit plan on their behalf. In accordance with the terms of the plan, key management personnel retire at age above 55 with a continuous service of at least 12 years from the date of hire, upon attaining the normal retirement age of 65 for Executive Director, 60 for others, a lump sum benefit is payable at the date of retirement. For salaried key management personnel, the Group also contributes to state plans at the minimum statutory rate.

In conjunction with the share issue exercise completed during the year, the Company has issued 10,576,980 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share via a private placement to a Director of the Company for a total cash consideration of RM5,288,490.

Further and in addition, the Company has acquired part of the remaining 45.51% equity interest in Starshine Holdings Sdn. Bhd. not already owned by the Company from certain key management personnel of the Group and of the Company for a total purchase consideration of RM9,990,586 satisfied via issuance of 19,981,172 new ordinary shares of RM0.50 each of the Company at an issue price of RM0.50 per ordinary share through shares swap.

Certain key management personnel of the Group and of the Company are also entitled to the warrants issued to take up unissued shares of the Company (see Note 15).

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

30. RELATED PARTIES *(cont'd)*

Significant related party transactions *(cont'd)*

The amount due from/to subsidiaries is disclosed in Notes 10 and 18 to the financial statements. The outstanding balances with other related parties are as follows:

	Group		Company	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Amount due from	12,718,797	9,706,242	1,296,373	1,362,830
Amount due to	(84,624,066)	(56,531,728)	(83,965,889)	(55,236,259)

31. 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 coated steel products and downstream roofing products in Sabah and Sarawak, East Malaysia.

- SBU 2:
  Manufacture and sale of galvanised, coated and non-coated steel products in West Malaysia.

- SBU 3:
  Trading of galvanised, coated and non-coated steel products, building and construction materials; manufacture and sale of steel tubes and pipes, processing of flat and long steel products 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)*

31. OPERATING SEGMENTS *(cont'd)*

2013	SBU 1 RM	SBU 2 RM	SBU 3 RM	Inter-segment RM	Total RM
Revenue					
External customers	123,261,701	17,340,901	419,740,452	-	560,343,054
Inter-segment	-	351,343,691	1,748,889	(353,092,580)	-
	123,261,701	368,684,592	421,489,341	(353,092,580)	560,343,054
Segment profit/(loss)	2,340,288	262,775	(1,526,881)	(534,775)	541,407
Tax expense					(1,384,942)
Loss for the year from continuing operations					(843,535)
Profit from discontinued operation					1,343,768
Other comprehensive income					402,914
Total comprehensive income for the year					903,147
Non-controlling interests					(245,271)
Total comprehensive income attributable to the owners of the Company					657,876
Included in the measure of segment profit/(loss) are:					
Depreciation and amortisation	(1,894,143)	(11,772,303)	(4,488,329)	-	(18,154,775)
Finance costs	(2,814,830)	(7,835,071)	(6,212,355)	1,879,377	(14,982,879)
Finance income	441,195	1,875,385	713,394	(1,879,377)	1,150,597
Inventories written down/written off	-	(560,041)	(105,378)	-	(665,419)

31. OPERATING SEGMENTS *(cont'd)*

2012	SBU 1 RM	SBU 2 RM	SBU 3 RM	Inter-segment RM	Total RM (Restated)
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)	(170,360)	(12,654,427)	(7,910,491)	19,506	(20,715,772)
Tax expense					3,394,063
Loss for the year from continuing operations					(17,321,709)
Loss from discontinued operation					(1,414,944)
Other comprehensive loss					(996,412)
Total comprehensive loss for the year					(19,733,065)
Non-controlling interests					3,393,909
Total comprehensive loss attributable to the owners of the Company					(16,339,156)
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)*

32. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

32.1 Additional investment in existing subsidiaries

On 17 April 2013, the Company acquired the remaining 45.51% equity interest in Starshine Holdings Sdn. Bhd. ("SSH") not already owned by the Company, for a purchase consideration of RM16,611,579, satisfied via the issuance of 33,223,158 new ordinary shares of the Company at an issue price of RM0.50 per ordinary share through shares swap. As a consequence, SSH became a wholly owned subsidiary of the Company.

The acquisition of 45.51% remaining equity interests in SSH was accounted for as an equity transaction between the Group and its non-controlling interests. The change in the Group's share of net assets of RM5,060,740 was adjusted against the Group's reserves at the date of completion of the transaction. The Group has also derecognised the non-controlling interests of RM11,550,839.

The Company has recorded the additional cost of investment in SSH at RM14,186,288 which represents the fair value of the new ordinary shares issued by the Company on the effective acquisition date of the transaction. The change in the fair value of the purchase consideration of RM2,425,291 was adjusted against the Company's reserves at the date of completion of the transaction.

32.2 Disposal of subsidiaries

During the year, the Company had completed the disposal of 7,500,000 ordinary shares of RM1.00 each in Integrated Coil Coating Industries Sdn. Bhd. ("ICCI"), representing 100% of equity interest of ICCI for a cash consideration of RM7,421,500.

On 26 June 2013, the Board of Directors of the Company announced that the conditional Share Sale Agreements ("SSAs") with the acquirer had become unconditional following the fulfillment of the conditions precedent set out in the SSAs. The disposal was completed for a net cash consideration of RM7,413,775 on the same day where the conditions precedent are fulfilled and thereafter ICCI had ceased to be subsidiary of the Company. As a consequence, the disposal of ICCI is presented in the financial statements for both the financial year ended 31 December 2013 and 31 December 2012 as a discontinued operation (see Note 23 to the financial statements).

The Group recognised a gain on disposal of RM1,316,995 whereas the Company recognised a loss on disposal of RM86,225 from the disposal of subsidiaries.

32.3 Incorporation of new subsidiaries

ASTEEL (Sabah) Sdn. Bhd. ("ASSB") and ASTEEL (Bintulu) Sdn. Bhd. ("ABSB") were incorporated in Malaysia on 13 September 2013 with the authorised share capital of RM5,000,000 and RM1,000,000 respectively. The total paid-up share capital of ASSB and ABSB are RM100 comprising of 100 ordinary shares of RM1.00 each in both ASSB and ABSB, out of which 98 shares were held by the Company and the remaining two (2) shares were held one (1) each by Dato' Dr. Hii Wi Sing and Victor Hii Lu Thian in trust on behalf of YKGI. Both Dato' Dr. Hii Wi Sing and Victor Hii Lu Thian are the Directors and substantial shareholders of the Company.

On 20 September 2013, the Company acquired the remaining two (2) shares held by the Directors in both ASSB and ABSB. As a consequence, ASSB and ABSB became wholly owned subsidiaries of the Group. On 11 October 2013, ASSB has issued 999,900 new ordinary shares of RM1.00 each to the Company at par for cash to raise working capital. The increase in investment does not have any impact to the Group as there is no change in the Group's equity interest in ASSB.

32.4 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:

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

32. ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES *(cont'd)*

32.4 *Acquisition of a subsidiary (cont'd)*

	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	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 23).*

If the acquisition had occurred on 1 January 2012, management estimated that the consolidated loss for the year ended 31 December 2012 would have been RM18,736,653. In determining these amounts, management had 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, was written off to the profit or loss and disclosed as part of the results from discontinued operation (see Note 23).

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The principle effect of changes in presentation or methods of computations and in accounting policies resulting from the initial application of the new and revised standards, amendments or interpretations of the MFRS framework during the year are summarised as follows:

33.1 *Amendments 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.

The impact of the depreciation upon the adoption of the Amendments to MFRS 116 is expected to have retrospective impact on the property, plant and equipment balance and retained earnings. The Amendments to MFRS 116 are effective for annual periods beginning on or after 1 January 2013 and require retrospective application.

The Group has, upon adoption of the Amendments to MFRS 116 applied retrospective application to classify its spare parts, stand-by equipment and servicing equiment that meet the definition of property, plant and equipment from inventory to property, plant and equipment. The table in ensuing page summarises the transitional adjustments made to the statements of financial position upon implementation of the new accounting policy:

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

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *(cont'd)*

33.1 Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009 - 2011 Cycle) (cont'd)

Group	Property, plant and equipment RM	Inventories RM
Balance as reported at 1 January 2012	324,497,204	117,537,139
Effect of adoption	5,747,220	(5,747,220)
Restated balance at 1 January 2012	330,244,424	111,789,919
Balance as reported at 1 January 2013	303,747,493	101,345,717
Effect of adoption	6,420,237	(6,420,237)
Restated balance at 1 January 2013	310,167,730	94,925,480
Company		
Balance as reported at 1 January 2012	227,134,454	86,524,359
Effect of adoption	5,747,220	(5,747,220)
Restated balance at 1 January 2012	232,881,674	80,777,139
Balance as reported at 1 January 2013	227,918,297	67,686,892
Effect of adoption	6,420,237	(6,420,237)
Restated balance at 1 January 2013	234,338,534	61,266,655

There is no depreciation on the spare parts, stand-by equipment and servicing equipment classified from inventory to property, plant and equipment. The carrying amounts of these assets approximate their residual values based on directors' estimation. As such, the adoption of the Amendments to MFRS 116 does not have effect on the statements of profit or loss and other comprehensive income and earnings/loss per share of the Group and of the Company in both financial years.

33.2 MFRS 119, Employee Benefits (2011)

The amendments to MFRS 119, which are effective for annual periods beginning on or after 1 January 2013 and require retrospective application, 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.

This change in accounting policy, which is effective for annual periods beginning on or after 1 January 2013 and require retrospective application, does not have material impact on earnings/loss per share of the Group in both financial years. The following table summarises the transitional adjustments made to the statement of financial position upon implementation of the new accounting policy:

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

33. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES *(cont'd)*

33.2 MFRS 119, Employee Benefits (2011) (cont'd)

Group	Retirement benefits RM	Retained earnings RM
Balance as reported at 1 January 2012	3,246,816	46,923,842
Effect of adoption	476,680	(476,680)
Restated balance at 1 January 2012	3,723,496	46,447,162
Balance as reported at 1 January 2013	3,740,302	31,574,618
Effect of adoption	1,466,612	(1,466,612)
Restated balance at 1 January 2013	5,206,914	30,108,006

Company	Retirement benefits RM	Retained earnings RM
Balance as reported at 1 January 2012	3,246,816	45,060,722
Effect of adoption	476,680	(476,680)
Restated balance at 1 January 2012	3,723,496	44,584,042
Balance as reported at 1 January 2013	3,740,302	34,630,549
Effect of adoption	1,466,612	(1,466,612)
Restated balance at 1 January 2013	5,206,914	33,163,937

The effects on the statements of profit or loss and other comprehensive income are as follows:

	Group and Company 2013 RM	2012 RM
Effect on statement of profit or loss		
Decrease in administrative expenses	-	6,480
Effect on other comprehensive income/(loss)		
Remeasurement of defined benefit liability	402,914	(996,412)

34. SUBSEQUENT EVENT

The Company has on 10 January 2014, incorporated two foreign subsidiaries in Kingdom of Thailand, namely YKGI (Thai) Co. Ltd. and YKGI (Thai) Steel Co. Ltd.. The intended principal activities of these foreign subsidiaries are investment holdings and trading of steel products respectively.

49% of YKGI (Thai) Co. Ltd.'s shares are held by the Company and remaining shares are held by two nominee shareholders in Kingdom of Thailand. YKGI (Thai) Steel Co. Ltd. is 99.99%, equivalent to 19,998 shares held by YKGI (Thai) Co. Ltd. and the remaining two (2) shares are held in trust by the Director of the Company for YKGI (Thai) Co. Ltd. and the Company.

35. CHANGE OF NAME

On 17 May 2013, the Company changed its name from Yung Kong Galvanising Industries Berhad to YKGI Holdings Berhad.

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

36. 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	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Total retained earnings of the Company and its subsidiaries				
- realised	2,234,821	17,572,750	15,996,436	30,533,494
- unrealised	4,883,414	6,461,800	1,339,057	2,630,443
	7,118,235	24,034,550	17,335,493	33,163,937
Less: Consolidation adjustments	2,753,734	6,073,456	-	-
Total retained earnings as per statement of changes in equity (also see Note 15.2)	9,871,969	30,108,006	17,335,493	33,163,937

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.

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 126 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of 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 2013 and of their financial performance and cash flows for the year then ended, and

b) the information set out in Note 36 on page 127 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' Soh Thian Lai

Yoshiki Kaneko

Klang,

Date: 28 April 2014

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 YKGI Holdings Berhad (formerly known as Yung Kong Galvanising Industries Berhad), do solemnly and sincerely declare that the financial statements set out on pages 44 to 127 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 28 April 2014

Aw Chiew Lan

Before me:

Independent Auditors' Report To
The Members Of YKGI Holdings Berhad

Report on the Financial Statements

We have audited the financial statements of YKGI Holdings Berhad (formerly known as Yung Kong Galvanising Industries Berhad), which comprise the statements of financial position as at 31 December 2013 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 a summary of significant accounting policies and other explanatory information, as set out on pages 44 to 126.

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 they 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 2013 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 Note 1(b) in the financial statements which describes that the Group and the Company have prepared their financial statements on a going concern basis, notwithstanding that as of 31 December 2013, their current liabilities exceeded their current assets by RM53,850,098 and RM20,259,253 respectively. These conditions, along with other matters as set forth in Note 1(b), indicates that the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful completion of the refinancing of borrowings, disposal of certain property, plant and equipment, continued support of the stakeholders and achieving future profitable operations which are uncertain.

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.

Independent Auditors' Report To
The Members Of YKGI Holdings Berhad *(cont'd)*

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 36 on page 127 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

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: 28 April 2014

Analysis Of Shareholdings
as at 31 March 2014

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 1,947.
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
	39	Less than 100 shares	1,311	0.00*
	185	100 - 1,000 shares	46,712	0.01
	778	1,001 - 10,000 shares	3,936,259	1.13
	748	10,001 - 100,000 shares	21,318,079	6.12
	194	100,001 to less than 5% of issued shares	145,012,758	41.63
	3	5% and above of issued shares	178,022,461	51.11
Total	1,947		348,337,580	100.00

* less than 0.01%

THIRTY LARGEST ORDINARY SHARES ACCOUNT HOLDERS

	Names	No. of Ordinary Shares	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	93,279,991	26.78
2	Yung Kong Co Bhd	59,079,343	16.96
3	Hii Wi Sing	25,663,127	7.37
4	Amsec Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai	11,634,678	3.34
5	Amsec Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Soh TL Holdings Sdn Bhd (MX3613)	11,039,616	3.17
6	Hii Ngo Sing	6,610,109	1.90
7	Mt Sungai Sdn Bhd	5,337,865	1.53
8	Ting Chuo Kiew	4,324,859	1.24
9	Alexander Hii Lu Kwong	4,246,636	1.22
10	Hu Ik Ming @ Rose Hii Ik Ming	4,121,905	1.18
11	Christopher Hii Lu Ming	4,012,686	1.15
12	Arthur Hii Lu Choon	3,978,036	1.14
13	Ling Eng Leh	3,763,610	1.08
14	Victor Hii Lu Thian	3,414,726	0.98
15	Alam Mantap Development Sdn Bhd	3,300,000	0.95
16	Chan Wah Kiang	3,300,000	0.95
17	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Choong	3,300,000	0.95
18	Hii Brothers Enterprises Sdn Bhd	3,043,590	0.87
19	Michael Hii Ee Sing	2,418,587	0.69
20	Alliancegroup Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Andrew Yap Hoong Yee (8121295)	2,347,338	0.67
21	Lee Wei Chuen	2,300,000	0.66
22	Dato' Soh Thian Lai	2,299,668	0.66
23	Wong Kiew Ing	1,546,380	0.44
24	Tan Pak Nang	1,430,000	0.41
25	Yung Kong Holdings Sdn Bhd	1,210,000	0.35
26	Yong Ai Ting	1,207,800	0.35
27	Hii Lu Foong	1,186,900	0.34
28	Amsec Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Yap Chee Kheng	1,158,020	0.33
29	Elizabeth Hii Lu Yen	1,102,255	0.32
30	Century Logistics Sdn Bhd	1,100,000	0.32
	Total	272,757,725	78.30

Analysis Of Shareholdings
as at 31 March 2014 *(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 31 March 2014 are as follows:

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Marubeni-Itochu Steel Inc.	93,279,991	26.78	-	-
2	Yung Kong Co Bhd	59,079,343	16.96	-	-
3	Dato' Hii Ngo Sing	6,610,109	1.90	64,907,799 (1)	18.63%
4	Dato' Dr Hii Wi Sing	25,663,127	7.37	64,907,799 (1)	18.63%
5	Arthur Hii Lu Choon	3,978,036	1.14	64,907,799 (1)	18.63%
6	Ir Michael Hii Ee Sing	2,418,587	0.07	71,191,004 (2)	20.44%
7	Victor Hii Lu Thian	4,269,356 (3)	1.23	64,907,799 (1)	18.63%
8	Francis Hii Lu Sheng	301,730	0.09	64,907,799 (1)	18.63%
9	Alexander Hii Lu Kwong	5,098,036 (4)	1.46	64,907,799 (1)	18.63%
10	Christopher Hii Lu Ming	4,258,546 (5)	1.22	64,907,799 (1)	18.63%
11	Dato' Soh Thian Lai	13,934,346 (6)	4.00	11,039,616 (7)	3.17%

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) 854,630 ordinary shares are registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(4) 851,400 ordinary shares are registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(5) 245,860 ordinary shares are registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(6) 11,634,678 ordinary shares are registered in the name of AMSEC Nominees (Tempatan) Sdn Bhd.

(7) Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd.

DIRECTORS' INTERESTS

The directors' interests in shares in the Company as per the Register of Directors' Shareholdings as at 31 March 2014 are as follows:

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Lim Pang Kiam	-	-	-	-
2	Dato' Soh Thian Lai	13,934,346	4.00	11,477,816 (1)	3.30%
3	Ir Michael Hii Ee Sing	2,418,587	0.69	71,191,004 (2)	20.44%
4	Victor Hii Lu Thian	4,269,356 (5)	1.23	64,907,799 (3)	18.63%
5	Christopher Hii Lu Ming	4,258,546 (6)	1.22	64,907,799 (3)	18.63%
6	Yoshiki Kaneko	-	-	-	-
7	Fong Yee Kow @ Fong Yoo Kaw	-	-	-	-
8	Liew Jee Min @ Chong Jee Min	-	-	-	-
9	Francis Hii Lu Sheng	301,730	0.09	64,908,239 (4)	18.63%
10	Toshihiko Takahashi	-	-	-	-
11	Yoshiyuki Komaki (Alternate to Toshihiko Takahashi)	-	-	-	-

Notes

(1) Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd and the interest 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 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 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.

(5) 854,630 ordinary shares are registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(6) 245,860 ordinary shares are registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

The directors by virtue of their interests in shares in the Company are also deemed to have interests in shares in all its subsidiaries to the extent the Company has an interest, pursuant to Section 6A of the Companies Act, 1965.

Analysis of Warrant Holdings
as at 31 March 2014

No. of Warrants issued	:	95,000,428
Exercise price of the Warrants	:	RM0.50 each

DISTRIBUTION SCHEDULE FOR WARRANTS

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Warrants Issued
	199	Less than 100 warrants	9,684	0.01
	206	100 - 1,000 warrants	117,714	0.12
	1,032	1,001 - 10,000 warrants	3,367,553	3.55
	297	10,001 - 100,000 warrants	10,197,824	10.73
	81	100,001 to less than 5% of issued warrants	32,756,074	34.48
	3	5% and above of issued warrants	48,551,579	51.11
Total	1,818		95,000,428	100.00

THIRTY LARGEST WARRANT ACCOUNT HOLDERS

	Names	No. of Warrants Held	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	25,439,997	26.78
2	Yung Kong Co Bhd	16,112,548	16.96
3	Hii Wi Sing	6,999,034	7.37
4	Amsec Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai	3,173,094	3.34
5	Amsec Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Soh TL Holdings Sdn Bhd (MX3613)	3,010,804	3.17
6	Hii Ngo Sing	1,802,757	1.90
7	Mt Sungai Sdn Bhd	1,455,781	1.53
8	Ting Chuo Kiew	1,179,507	1.24
9	Arthur Hii Lu Choon	911,000	0.96
10	Alam Mantap Development Sdn Bhd	900,000	0.95
11	Alliancegroup Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Andrew Yap Hoong Yee (8121295)	891,331	0.94
12	Lim Keng Jin	861,700	0.91
13	Hii Brothers Enterprises Sdn Bhd	830,070	0.87
14	James A/K Tiam	750,000	0.79
15	Ling Eng Leh	701,130	0.74
16	Hu Ik Ming @ Rose Hii Ik Ming	673,900	0.71
17	Michael Hii Ee Sing	659,614	0.69
18	Dato' Soh Thian Lai	627,182	0.66
19	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Gaik Suan	600,700	0.63
20	Ng Ken Kuan	486,600	0.51
21	Wong Kiew Ing	421,740	0.44
22	Ngoi Leong Ee	400,000	0.42
23	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kam Seng (IPH)	400,000	0.42
24	Tan Pak Nang	390,000	0.41
25	Yung Kong Holdings Sdn Bhd	330,000	0.35
26	Yong Ai Ting	329,400	0.35
27	Hii Lu Foong	323,700	0.34
28	Elizabeth Hii Lu Yen	300,615	0.32
29	Century Logistics Sdn Bhd	300,000	0.32
30	Chan Wah Kiang	300,000	0.32
	Total	71,562,204	75.34

Analysis of Warrant Holdings
as at 31 March 2014 *(cont'd)*

DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 31 March 2014 are as follows:

		Direct	%	Indirect	%
1	Lim Pang Kiam	-	-	-	-
2	Dato' Soh Thian Lai	3,800,276	4.00	3,070,804 [(1)]	3.23
3	Ir Michael Hii Ee Sing	659,614	0.69	19,415,728 [(2)]	20.44
4	Victor Hii Lu Thian	138,990 [(5)]	0.15	17,702,127 [(3)]	18.63
5	Christopher Hii Lu Ming	12,180 [(6)]	0.01	17,702,127 [(3)]	18.63
6	Yoshiki Kaneko	-	-	-	-
7	Fong Yee Kow @ Fong Yoo Kaw	-	-	-	-
8	Liew Jee Min @ Chong Jee Min	-	-	-	-
9	Francis Hii Lu Sheng	82,290	0.09	17,702,247 [(4)]	18.63
10	Toshihiko Takahashi	-	-	-	-
11	Yoshiyuki Komaki (Alternate to Toshihiko Takahashi)	-	-	-	-

Notes

(1) Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd and the interest 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 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 and Kwong Yung Co Pte Ltd.

(4) 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, Kwong Yung Co Pte Ltd and the interests of his spouse in the Company.

(5) 138,990 ordinary shares are registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(6) 12,180 ordinary shares are registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

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Additional Information

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2013

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 Sarawak	Leasehold (60 years) expiring on 8 Jan 2052	3.40 Ha/ 2.48 Ha	Industrial Land and Buildings	Jan 1992 acquired Aug 1996 revalued	19	5,740
Lot 6479 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	10.04 Ha/ 3.89 Ha	Industrial Land and Buildings	July 2002 acquired Jan 2011 revalued	9	52,898
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	6	43,984
Lot 10, Package 1 General Industrial Zone, Kota Kinabalu Industrial Park, KM 26, Jalan Tuaran, District of Kota Kinabalu.	Leasehold (99 years) expiring on 31 Dec 2098	0.84 Ha/ 0.46 Ha	Industrial Land and Buildings	Oct 2013 acquired	7	9,146

2. MATERIAL CONTRACTS

Apart from the related party transactions as disclosed in Note 30 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.

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Additional Information *(cont'd)*

3. RECURRENT RELATED PARTY TRANSACTION OF A REVENUE OR TRADING NATURE ("RRPT")

The significant RRPTs entered into during the financial year ended 31 December 2013 are disclosed in Note 30 to the Audited 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 2013 (RM)
Purchase of YKGI Products from ASTEEL Sdn Bhd	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	2,277,284
	Yung Kong Metal Works Co Bhd ("YKMW")	Company connected to YKC and certain Directors	47,055
	Yunco Enterprise Sdn Bhd ("YE")	Company connected to certain Directors	32,166,798
	Yunco Integrated Sdn Bhd	Company connected to certain Directors	884,141
		Total	**35,375,278**
Purchase of YKGI Group Products from YKGI Group	YKC	Major shareholder of YKGI	4,284,174
	YE	Company connected to certain Directors	356,973
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	468
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	12,519,374
	Northern Steel Centre Sdn bhd	Company connected to MISI	2,376,549
	Golden Shogun Sdn Bhd	Company connected to certain Directors	325,127
		Total	**19,537,538**
Purchase of raw materials by YKGI Group	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	209,987,439
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd	Company connected to MISI	86,232,754
		Total	**296,220,193**
Purchase of YKGI Group Products and scrap iron from YKGI and SSP	Continental Strength Sdn Bhd	Company connected to certain Directors	7,383,157
		Total	**7,383,157**

4. DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the realised and unrealised profits as at 31 December 2013 are disclosed in the Note 36 to the Audited Financial Statements for the year ended 31 December 2013, as outlined on page 127 of this Annual Report.

Notice of Thirty-Seventh Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of YKGI Holdings Berhad ("YKGI" or the "Company") will be held at Function Room Petra 2, Level 2, Pullman Hotel Kuching, No.1A, Jalan Mathies, 93100 Kuching, Sarawak on Thursday, 29 May 2014 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 2013 and the Reports of the Directors and Auditors thereon. **Resolution 1**

2. To consider and if thought fit, to pass the following resolution:

"THAT, subject to passing of the Resolution 3 below, a first and final single-tier dividend of 1.0 sen per ordinary share of RM0.50 each be declared in respect of the financial year ended 31 December 2013." **Resolution 2**

3. To consider and if thought fit, to pass the following resolution:

"THAT, subject to passing of the Resolution 2 above, a first and final single-tier dividend of 1.21 sen per redeemable convertible preference share of RM0.50 each be declared in respect of the financial year ended 31 December 2013 to be payable on the date final dividend is paid on the ordinary shares." **Resolution 3**

4. To re-elect the following directors retiring pursuant to Article 103 of the Company's Articles of Association:
   i) Dato' Soh Thian Lai **Resolution 4**
   ii) Mr Victor Hii Lu Thian **Resolution 5**
   iii) Mr Yoshiki Kaneko **Resolution 6**

5. To re-elect the following directors retiring pursuant to Article 108 of the Company's Articles of Association:
   i) Mr Toshihiko Takahashi **Resolution 7**
   ii) Mr Christopher Hii Lu Ming **Resolution 8**

6. To appoint Messrs KPMG as auditors of the Company for the ensuing year and to authorise the directors to fix their remuneration. **Resolution 9**

Special Business

7. *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 10**

"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."

8. *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 11**

"THAT approval be and is hereby given to the Company and its subsidiaries ("YKGI Group") to enter into any of the category 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 the Circular to Shareholders dated 7 May 2014 ("Circular"), with the specific related parties mentioned therein subject further to the following:

Notice of Thirty-Seventh Annual General Meeting *(cont'd)*

(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

(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 and are 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."

9. To transact any other business of which, due notice have been given in accordance with the Companies Act, 1965 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that a first and final single-tier dividend of 1.0 sen per ordinary share of RM0.50 each, in respect of the financial year ended 31 December 2013, if approved at the forthcoming Annual General Meeting, will be paid on 21 July 2014 to depositors whose names appear in the Record of Depositors on 30 June 2014.

A depositor shall qualify for entitlement only in respect of:

(a) shares transferred to the depositor's securities account before 4.00 p.m. on 30 June 2014 in respect of transfers; and
(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board of Directors

Ms Voon Jan Moi (MAICSA 7021367)
Ir Michael Hii Ee Sing (LS 000872)
Company Secretaries

Kuching, Sarawak
Dated : 7 May 2014

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. 10 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.

Notice of Thirty-Seventh Annual General Meeting *(cont'd)*

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 17 May 2013 ("AGM 2013"). The Company did not utilize the mandate that was approved at the AGM 2013.

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.

The proposed Resolution No. 11 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 the Circular to Shareholders dated 7 May 2014 ("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 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 23 May 2014 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.*

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YKGI HOLDINGS BERHAD (032939-U)
(formerly known as Yung Kong Galvanising Industries Berhad)

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-Seventh Annual General Meeting of the Company to be held at Function Room Petra 2, Level 2, Pullman Hotel Kuching, No.1A, Jalan Mathies, 93100 Kuching, Sarawak on Thursday, 29 May 2014 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 2013 and the Reports of the Directors and Auditors thereon.		
2.	To declare a first and final single-tier dividend of 1.0 sen per ordinary share.		
3.	To declare a first and final single-tier dividend of 1.21 sen per redeemable convertible preference share.		
4.	Re-election of Dato' Soh Thian Lai as director.		
5.	Re-election of Mr Victor Hii Lu Thian as director.		
6.	Re-election of Mr Yoshiki Kaneko as director.		
7.	Re-election of Mr Toshihiko Takahashi as director.		
8.	Re-election of Mr Christopher Hii Lu Ming as director.		
9.	Appointment of Messrs KPMG as auditors.		
10.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.		
11.	Renewal of and new shareholder mandates for recurrent related party transactions of a revenue or trading nature.		

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 2014

....
Signature of shareholder(s)/common seal

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 23 May 2014 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.*

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STAMP

The Company Secretary
YKGI Holdings Berhad (032939-U)
(formerly known as Yung Kong Galvanising Industries Berhad)
Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak
Malaysia

Fold here


China
Japan
U.S.A.
BURMA
LAOS
Hanoi
Thailand
South China Sea
Bangladesh
Rangoon
Bangkok
Vietnam
Turkey and Middle Eastern Countries
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CAMBODIA
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榕钢控股有限公司

YKGI HOLDINGS BERHAD

(formerly known as Yung Kong Galvanising Industries Berhad)
(Company No. 032939-U)

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