'12 ANNUAL REPORT

AIS

AMALGAMATED
INDUSTRIAL STEEL BERHAD

COMPANY REGISTRATION NO. 9118-M

Contents

Corporate Information

DIRECTORS

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

Encik Sulaiman Bin Salleh
Senior Independent Non-Executive Director

Tuan Haji Fauzi Bin Mustapha
Independent Non-Executive Director

Mr. Lim Yew Boon
Non-Independent Executive Director

Mr. Lim Chin Sean
Non-Independent Non-Executive Director

AUDIT COMMITTEE

Chairman
Encik Sulaiman Bin Salleh

Members
Dato' Ghazali Bin Mat Ariff
Tuan Haji Fauzi Bin Mustapha
Mr. Lim Chin Sean

NOMINATION COMMITTEE

Chairman
Encik Sulaiman Bin Salleh

Members
Tuan Haji Fauzi Bin Mustapha
Mr. Lim Chin Sean

REMUNERATION COMMITTEE

Chairman
Dato' Ghazali Bin Mat Ariff

Members
Encik Sulaiman Bin Salleh
Tuan Haji Fauzi Bin Mustapha

RISK MANAGEMENT COMMITTEE

Chairman
Tuan Haji Fauzi Bin Mustapha

Members
Mr. Lim Yew Boon
Mr. Chea Hock Hai

COMPANY SECRETARY

Ms Chin Ngeok Mui
(MAICSA 7003178)

AUDITORS

Mazars (AF:1954)
Chartered Accountants
Wisma Selangor Dredging,
7th Floor, South Block,
142-A Jalan Ampang,
50450 Kuala Lumpur.
Tel : 03-2161 5222
Fax : 03-2161 3909

REGISTERED OFFICE/ PRINCIPAL PLACE OF BUSINESS

Lot 11A, Jalan Utas 15/7,
40000 Shah Alam,
Selangor Darul Ehsan.
Tel : 03-5032 7007 (General) / 5032 7300 (Sales)
Fax : 03-5032 7320 (General) / 5032 7321 (Sales)
E-mail : general@aisberhad.com.my
Website : www.aisberhad.com.my

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7841 8000
Fax : 03-7841 8151 / 7841 8152

PRINCIPAL BANKERS

(In alphabetical order)

AmBank Berhad
Bank Islam Malaysia Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock Code 2682

List of Properties

Particulars of Group Properties at 31 December 2012 are as follows:-

Tenure

Leasehold

Size

10 acres

Net Carrying Amount (RM)

39,276,902

Address

Lot 11A, Jalan Utas 15/7,
Section 15,
40000 Shah Alam,
Selangor Darul Ehsan.

Location

Q.T.(R) 5331 and Q.T.(R) 76
at Tapak Perusahaan Di
Shah Alam
Town of Shah Alam
District of Kelang
State of Selangor Darul Ehsan

Description / Existing Use

Manufacturing concern
99 years lease
(expiring in 2069)
Buildings approximately between
30 to 41 years

Tenure

Leasehold

Size

11.5 acres

Net Carrying Amount (RM)

53,167,032

Address

Lot 6, Jalan Playar 15/1,
Section 15,
40000 Shah Alam,
Selangor Darul Ehsan.

Location

H.S.(D) 1890
Lot P.T. Kawasan
Perusahaan Shah Alam
District of Petaling
State of Selangor Darul Ehsan

Description / Existing Use

Manufacturing concern
99 years lease
(expiring in 2074)
Buildings approximately between
22 to 35 years

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Second Annual General Meeting of the Company will be held at Lot 11A, Jalan Utas 15/7, Section 15, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 21 June 2013 at 11.00 a.m. for the following purposes:-

AGENDA

ORDINARY BUSINESS:-

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

2. To approve the payment of Directors' fees for the financial year ended 31 December 2012. **ORDINARY RESOLUTION 1**

3. To consider and if thought fit, pass the following resolution pursuant to Section 129(6) of the Companies Act, 1965:-

   "THAT, pursuant to Section 129(6) of the Companies Act, 1965, Dato' Ghazali Bin Mat Ariff, who is over the age of seventy years, be and is hereby re-appointed as a Director of the Company to hold office until the conclusion of the next Annual General Meeting." **ORDINARY RESOLUTION 2**

4. To re-elect the following Director who retire by rotation pursuant to Article 116 of the Company's Articles of Association: **ORDINARY RESOLUTION 3**

   - Tuan Haji Fauzi bin Mustapha

5. To re-appoint Messrs Mazars as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 4**

Notice of Annual General Meeting
continued

SPECIAL BUSINESS:-

6. To consider and, if thought fit, pass with or without modifications, the following ordinary resolution:-

   Authority for Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965 — **ORDINARY RESOLUTION 5**

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised, pursuant to Section 132D of the Companies Act, 1965 to allot and issue shares in the Company at any time until the conclusion of the next Annual General Meeting and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the issued share capital of the Company for the time being."

7. To consider and, if thought fit, to pass the following ordinary resolutions pursuant to Recommendation 3.3 of the Malaysian Code on Corporate Governance 2012:

   Continuing in Office as Independent Non-Executive Directors

   7.1 "THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Tuan Haji Fauzi bin Mustapha who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." — **ORDINARY RESOLUTION 6**

   7.2 "THAT approval be and is hereby given to Encik Sulaiman bin Salleh who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years, to continue to act as an Independent Non-Executive Director of the Company." — **ORDINARY RESOLUTION 7**

8. To transact any other business of which due notice shall have been given.

BY ORDER OF THE BOARD

CHIN NGEOK MUI (MAICSA 7003178)
Company Secretary

Shah Alam, Selangor Darul Ehsan
28 May 2013

Notice of Annual General Meeting

continued

Notes: -

1. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 17 June 2013 ("General Meeting Record of Depositors") shall be eligible to attend and vote at the Meeting.

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

3. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised in that behalf.

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

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

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

7. The instrument appointing a proxy must be deposited at the Company's registered office at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

Explanatory Notes to the Agenda:

Item 1 of the Agenda

This item of the Agenda is meant for discussion only, as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this item of the Agenda is not put forward for voting.

Item 6 of the Agenda – Ordinary Resolution 5

Authority for Directors to allot and issue shares in the Company pursuant to Section 132D of the Companies Act, 1965

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

Notice of Annual General Meeting
continued

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

This authority is a renewal of the existing general mandate which will expire at the forthcoming Forty-Second Annual General Meeting. The Company did not utilise the general mandate obtained at the last Annual General Meeting and thus no proceeds were raised from the previous mandate.

Item 7.1 of the Agenda – Ordinary Resolution 6

Continuing in Office as Independent Non-Executive Director

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

a) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
b) He has ensured that effective check and balance in the proceedings of the Board and Board Committees and actively participated in the Board's deliberations, provided objectively in decision making and independent opinion to the Board.
c) He has developed sufficient time and attention to his responsibilities as an Independent Non-Executive Director of the Company and exercised due care in the interest of the Company and shareholders.

Item 7.2 of the Agenda – Ordinary Resolution 7

Continuing in Office as Independent Non-Executive Director

The Nomination Committee has assessed the independence of Encik Sulaiman bin Salleh, who served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years and arising therefrom, the Board recommended him to continue to act as an Independent Non-Executive Director of the Company based on the following justifications:-

a) He fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
b) He has ensured that effective check and balance in the proceedings of the Board and Board Committees and actively participated in the Board's deliberations, provided objectively in decision making and independent opinion to the Board.
c) He has developed sufficient time and attention to his responsibilities as an Independent Non-Executive Director of the Company and exercised due care in the interest of the Company and shareholders.

Board of Directors

Seating:

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

Standing from left to right:

Tuan Haji Fauzi Bin Mustapha
Independent Non-Executive Director

Mr. Lim Yew Boon
Non-Independent Executive Director

Encik Sulaiman Bin Salleh
Senior Independent Non-Executive Director

Not in the picture:

Mr. Lim Chin Sean
Non-Independent Non-Executive Director

Profile of Directors

DATO' GHAZALI BIN MAT ARIFF
Chairman, Independent Non-Executive Director

Dato' Ghazali Bin Mat Ariff, a Malaysian aged 72, is an Independent Non-Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board on 9 December 2003 and assumed the position as Chairman of the Company on 26 September 2007. He also serves as Chairman to the Remuneration Committee and is a member of the Audit Committee.

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

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

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

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

Dato' Ghazali attended all five Board meetings held during the financial year ended 31 December 2012.

ENCIK SULAIMAN BIN SALLEH
Senior Independent Non-Executive Director

Encik Sulaiman Bin Salleh, a Malaysian aged 68, is the Senior Independent Non-Executive Director of the Company. He was appointed to the Board in November 1993 and has served as Chairman of the Audit Committee since March 1996. He also serves as Chairman of the Nomination Committee and is a member of the Remuneration Committee.

He qualified as an Accountant with the Association of Chartered Certified Accountants (United Kingdom) and is a member of the Malaysian Institute of Accountants. Encik Sulaiman has over 40 years of working experience, which include an early career with Inland Revenue Department and later with KL Glass Manufacturer Berhad and lastly, he joined the financial services sector. His careers include that in life and general insurance, family and general takaful, offshore insurances, asset management and unit trust management. In 1996, Encik Sulaiman was appointed as Chief Executive Officer of Malaysian National Insurance Berhad and Managing Director of MNI Holdings Berhad.

Encik Sulaiman currently acts as Chairman of Etiqa Offshore Insurance Ltd and Etiqa Life International Ltd. He is also a Director of Taliworks Corporation Berhad and PTB Unit Trust Berhad.

Encik Sulaiman attended all five Board meetings held during the financial year ended 31 December 2012.

TUAN HAJI FAUZI BIN MUSTAPHA
Independent Non-Executive Director

Tuan Haji Fauzi Bin Mustapha, a Malaysian aged 69 years, joined the Board of Amalgamated Industrial Steel Berhad in November 1993 as a Non-Independent Non-Executive Director representing Permodalan Nasional Berhad ("PNB"). Following his retirement from the PNB Group and upon his declaration as such, he was re-designated as an Independent Non-Executive Director of the Company. He serves as a member of the Audit Committee since January 2000 and also serves as a member in the Nomination Committee and the Remuneration Committee. He serves as Chairman to the Risk Management Committee since November 2007.

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

Tuan Haji Fauzi attended all five Board meetings held during the financial year ended 31 December 2012.

Profile of Directors

continued

MR. LIM YEW BOON

Non-Independent Executive Director

Mr. Lim Yew Boon, a Malaysian aged 55, is a Non-Independent Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board on 9 December 2003. He had served as a member of the Audit Committee from 16 December 2003 till 22 November 2007. He is currently a member of the Risk Management Committee.

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

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

Mr. Lim Yew Boon is a cousin of Mr. Lim Chin Sean, who is a Director of the Company.

Mr. Lim Yew Boon attended all five Board meetings held during the financial year ended 31 December 2012.

MR. LIM CHIN SEAN

Non-Independent Non-Executive Director

Mr. Lim Chin Sean, a Malaysian aged 32, is a Non-Independent Non-Executive Director of Amalgamated Industrial Steel Berhad. He was appointed to the Board as a principal Director on 26 September 2007. Prior to his appointment, he was an alternate director to Dato' Ghazali Bin Mat Ariff since 23 November 2005. He is a member of the Audit Committee and Nomination Committee.

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

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

Mr. Lim Chin Sean is a cousin of Mr. Lim Yew Boon, who is the Non-Independent Executive Director of the Company.

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

Mr. Lim Chin Sean attended four out of five Board meetings held during the financial year ended 31 December 2012.

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

None of the Directors of the Company has entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company. All Directors have no convictions for offences within the past ten years.

Chairman's Statement

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the Annual Report and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2012.

Financial Performance

For the financial year under review, the Group had recorded revenues of RM153,594,921, an increase of 6% compared to the preceding year owing to the change in sales strategy with competitive pricing to push for higher sales volume which started in the third quarter of 2011. The Group registered a slightly higher pre-tax loss of RM9,660,031 as compared to a pre-tax loss of RM9,605,489 posted in the preceding year despite recording higher revenues. The situation was similarly affected by the inherently low margins, depressed prices but with lower stock write-down despite continuous improvement in production efficiency. Margins were by and large compressed given the monopolistic supply of key raw materials in addition to fierce competition in the market and worldwide depressed steel markets.

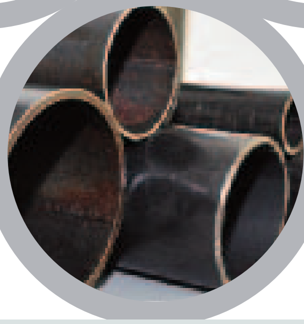
Business Overview and Current Outlook

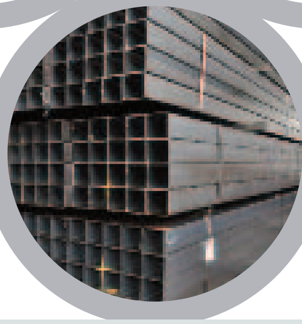
The ensuing year is expected to be highly competitive and challenging considering the external environment. Although the long-term prospects for the Group is good, the global economic environment as it stands today is not on the path of sustained economic recovery yet. Trouble spots are aplenty, especially in Western developed nations that are still battling their sovereign debt problems and sluggish faltering growth in the United States although currently showing signs of recovery. Further deterioration of Western developed nations will pose downside risks to many economies in Asia, a region that is dependent on external demands.

Then, there's the fear of a slower economic growth by China this year especially after leading indicators show that the country's industrial activity has not recovered to the pre-crisis level. In addition questions over the real health of China's financial system and its vulnerability to asset bubbles have also come under scrutiny in recent days.

On the back of all these challenges and lack of concrete signs of a synchronized recovery for major economies, a cautious outlook remains the order of the day. While the gross domestic product (GDP) data released by key advanced and regional economies have so far been a mixed bag of still-strong growth and sluggish development, the underlying message is the same; and that is, the days ahead will be challenging.

At present steel prices have begun to strengthen but have yet to show sustainability over the long term. The threat of overproduction by steel mills in China, which could flood the international market with cheap steel has always been a possibility, and has dampened the rise in steel price and demand. In view of this, the Group will continue to remain focused, and is prepared to exercise operational flexibility in the face of any economic deceleration by implementing cost control and operation streamlining.





Chairman's Statement

continued

Business Overview and Current Outlook continued

Despite the underlying uncertainties, the Board is of the view that the prospect of the Group is positive going forward. In the midst of cautious optimism that the business situation may improve in the coming quarters driven by new cost control and operation streamlining exercise and be resilient against the existing cyclical business of steel pipes which is highly sensitive to global economic conditions. It is the Group's expectation that with the further implementation of the Government's Economic Transformation Program projects, the demand for steel products will be strengthened in the near future.

Corporate Social Responsibility

Together with the Board of Directors, the Group has continuously carried out its corporate responsibility as a caring employer during the year under review:-

a) Continuous application of operating processes approved under the Quality Management System to provide good quality products and services to valued customers at affordable prices. The Group was accredited with MS ISO9001:2000 since 5 June 1998 to achieve its key objective of maintaining its production processes to the best standards.

b) Continuous practice of a quality work environment through awareness campaigns. The Group is committed to maintain high safety and health standards at the work place at all times.

c) Continuous allocation of financial and training resources to enhance the long term value of its human capital. Good training and development will equip the employees with skills and the capabilities to improve operational efficiency and productivity.

d) Recognition of long service employees through special ceremonies to grant achievement certificates, tokens of awards and providing retirement gratuity upon retirement.

e) Proper disposal of scraps and sludge waste. The Group is committed to proper policies on waste disposal through approved agents. These initiatives enable us to prevent solid waste disposal leaking to the environment, thus preserving a cleaner environment.

Dividend

In view of the Group's overall adverse performance in 2012 and the challenging cash flow ahead, the Board of Directors has decided not to recommend a dividend for this financial year.

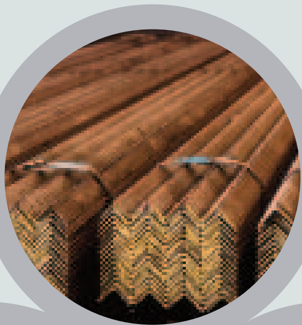
Acknowledgements

On behalf of the Board of Directors, I wish to express our deepest appreciation to our shareholders, financial institutions, customers, suppliers and business associates for their unwavering support and confidence in the Group.

I also wish to take this opportunity to thank my fellow board members and all members of the management team and their staffs for their steadfast loyalty and contribution throughout this difficult period.

Dato' Ghazali Bin Mat Ariff
Chairman

17 April 2013



Group Financial Highlights

		2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
1	**RESULT OF OPERATIONS**					
	Gross Revenue	168,637	111,429	116,289	144,850	153,595
	Profit/(Loss) Before Interest, Tax and Depreciation	17,451	(7,740)	847	(4,589)	(3,708)
	Profit/(Loss) Before Tax	12,467	(11,581)	(4,302)	(9,605)	(9,660)
	Profit/(Loss) After Tax	9,915	(9,049)	(3,818)	(9,402)	(8,054)
2	**FINANCIAL POSITION**					
	Equity And Long Term Liabilities					
	Authorised Share Capital	100,000	100,000	100,000	100,000	100,000
	Paid-Up Share Capital	60,261	60,261	60,261	60,261	60,261
	New Shares Issued	11	-	-	-	-
	Treasury Stock	(2,896)	(3,572)	(3,720)	(3,723)	(3,725)
	Share Premium	29	29	29	29	29
	Asset Revaluation Reserve	8,927	8,780	8,611	44,084	43,315
	Share Option Reserve	-	-	-	-	-
	Unappropriated Profit	33,288	21,504	17,002	7,769	484
	Shareholders' Fund	99,610	87,002	82,183	108,419	100,364
	Retirement Gratuities	630	667	625	420	479
	Deferred Tax Liabilities	4,838	2,402	2,011	12,734	11,100
	Bank Borrowings (non-current)	-	-	8,092	3,472	0
	Long Term Assets					
	Property, Plant & Equipments	53,749	52,095	51,793	98,162	96,037
	Other Investment	15	15	15	14	14
	Deferred Tax Assets	1,009	929	1,022	69	41
	Other Assets And Liabilities					
	Current Assets	124,376	116,039	113,514	107,370	82,369
	Current Liabilities	74,072	79,007	73,433	80,570	66,518
	Net Current Assets	50,304	37,033	40,081	26,800	15,851
	Total Assets	179,149	169,078	166,344	205,615	178,461
3	**FINANCIAL RATIO**					
	Return on Equity (%)	9.95	(10.40)	(4.65)	(8.67)	(8.02)
	Profit/(Loss) Before Interest, Tax and Depreciation on Revenue (%)	10.35	(6.95)	0.73	(3.17)	(2.41)
	Profit/(Loss) Before Tax on Revenue (%)	7.39	(10.39)	(3.70)	(6.63)	(6.29)
	Debt Equity Ratio (times)	0.70	0.85	0.94	0.72	0.62
	Current Ratio (times)	1.68	1.47	1.55	1.33	1.24
	Liquidity Ratio (times)	0.37	0.41	0.51	0.69	0.67
	Interest Cover (times)	4.53	-	-	-	-
4	**PER SHARE**					
	Earning Per Share (Sen)	8.58	(7.93)	(3.35)	(8.26)	(7.08)
	Share Price (Sen)	30	49	42	32	31
	Net Asset Per Share (Sen)	86.22	76.28	72.26	95.33	88.25
	Gross Dividend Rate (%)	5*	1.5*	Nil	Nil	Nil
	Gross Dividend Per Share (Sen)	2.50	0.75	Nil	Nil	Nil

NOTE
** Dividend paid is exempted from income tax*

Analysis of Shareholdings

as at 30 April 2013

SHARE CLASSIFICATION AND VOTING RIGHTS

Class of Shares	:	Ordinary Shares of RM0.50 each
Voting Rights by show of hand	:	One vote for every member
Voting Rights by poll	:	One vote for every share held
Authorised Share Capital	:	200,000,000 Ordinary Shares of RM0.50 each
Issued and Paid-up Capital	:	120,521,875 Ordinary Shares of RM0.50 each (including 6,797,300 ordinary shares of RM0.50 each retained as Treasury Shares)

1. Distribution of Shareholdings and Number of Shareholders as at 30 April 2013

Size of Shareholdings	No. of Shareholders	Percentage (%) of Shareholdings	No. of Shares Held	Percentage (%) of Issued Shares
Less than 100	387	9.08	14,450	0.01
100 - 1,000	254	5.96	126,511	0.11
1,001 - 10,000	2,814	66.06	9,946,378	8.75
10,001 - 100,000	713	16.74	20,484,275	18.01
100,001 - 5,686,227 *	90	2.11	43,268,386	38.05
5,686,228 and above **	2	0.05	39,884,575	35.07
Total	4,260	100.00	113,724,575	100.00

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

2. List of Thirty (30) Largest Shareholders as per Records of Depositors as at 30 April 2013

No.	Name of Shareholders	No. of Shares of RM0.50 each	Percentage (%)
1	Telaxis Sdn Bhd	31,475,175	27.68
2	Chuan Huat Hardware Holdings Sdn Bhd	8,409,400	7.39
3	S H H Holdings Sdn Bhd	5,130,300	4.51
4	Excel Impression Sdn Bhd	4,950,788	4.35
5	Mass Ocean Sdn Bhd	3,916,125	3.44
6	Lim Seng Chee	2,636,250	2.32
7	HSBC Nominees (Asing) Sdn Bhd *Exempt An for Credit Suisse (SG BR-TST-ASING)*	1,955,000	1.72
8	AllianceGroup Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Poh Choo (8075988)*	1,357,100	1.19
9	Era Erat Sdn Bhd	1,316,800	1.16
10	Yap Kiew @ Yap Yoke Ho	1,222,400	1.07
11	Teoh Hunt Thuim	1,220,000	1.07
12	Lim Seng Qwee	989,000	0.87
13	Citigroup Nominees (Asing) Sdn Bhd *Exempt An for OCBC Securities Private Limited (Client A/C-NR)*	762,375	0.67
14	HDM Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Joseph Salang Anak Gandum (M05)*	700,050	0.62
15	Siou Chin Hock	691,700	0.61
16	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Ong Chew Huat (E-SPG)*	680,325	0.60

Analysis of Shareholdings
as at 30 April 2013 continued

No.	Name of Shareholders	No. of Shares of RM0.50 each	Percentage (%)
17	Dato' Ghazali Bin Mat Ariff	657,125	0.58
18	Lai Chin Yang	591,800	0.52
19	MH Steel Sdn Bhd	572,500	0.50
20	Soo Eng Choon	477,625	0.42
21	Tan Poh Hwa	434,500	0.38
22	HLIB Nominees (Asing) Sdn Bhd *Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)*	410,800	0.36
23	Sik Chee Kiong	400,000	0.35
24	Ong Poh Choo	397,500	0.35
25	Public Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Loke Teik Lee (E-BPJ)*	379,700	0.33
26	Ooi Hung Hock	370,600	0.33
27	Lim Xiao Jie Dexter	357,800	0.31
28	Lim Kian Wat	332,382	0.29
29	CIMSEC Nominees (Asing) Sdn Bhd *Exempt An for CIMB Securities (Singapore) Pte Ltd (Retail Clients)*	314,225	0.28
30	Affin Nominees (Tempatan) Sdn Bhd *Pledged Securities Account for Chung Kok Leong (CHU1423C)*	300,000	0.26
	Total	73,409,345	64.55

3. List of Substantial Shareholders as per Register of Substantial Shareholders as at 30 April 2013

Name	No. of Shares Direct	%	Indirect	%
Telaxis Sdn Bhd	31,475,175	27.68	-	-
Chuan Huat Hardware Holdings Sdn Bhd	8,409,400	7.39	-	-
Dato' Lim Chee Meng	15,750	0.01	*31,475,175	27.68
Mr Lim Chin Sean	-	-	*31,475,175	27.68
L.G.B. Holdings Sdn Bhd	-	-	#31,475,175	27.68
Adil Cita Sdn Bhd	-	-	#31,475,175	27.68

Notes:-
* *Deemed interest by virtue of his interest in Telaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*
\# *Deemed interest by virtue of its interest in Telaxis Sdn Bhd pursuant to Section 6A (4)(C) of the Companies Act, 1965.*

4. List of Directors' Shareholdings as per Register of Directors' Shareholdings as at 30 April 2013

	Name	No. of Shares Direct	%	Indirect	%
a)	Dato' Ghazali Bin Mat Ariff	657,125	0.58	-	-
b)	En Sulaiman Bin Salleh	20,000	0.02	-	-
c)	Tuan Haji Fauzi Bin Mustapha	20,000	0.02	-	-
d)	Mr Lim Yew Boon	10,000	0.01	-	-
e)	Mr Lim Chin Sean	-	-	*31,475,175	27.68

Notes:-
* *Deemed interest by virtue of his interest in Telaxis Sdn Bhd pursuant to Section 6A of the Companies Act, 1965.*

Statement on Corporate Governance

The Board of Directors of Amalgamated Industrial Steel Berhad ("AISB or the Company") is committed in ensuring that the highest standards of corporate governance are practised in the Company and its subsidiaries to protect and enhance shareholders' value and the financial performance of the Group.

The Board strives to achieve the best practices as recommended by the Malaysian Code on Corporate Governance 2012 ("the Code"). A number of these principles and recommendations as set out in the Code have been applied throughout the financial year ended 31 December 2012.

1. THE BOARD OF DIRECTORS

a) Board Responsibilities

The Board is overall responsible for the corporate governance structure of the Group. Its key responsibilities pursuant to the recommendations of the Code include:

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

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

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

The Board is currently formalising its Board Charter, which include the division of responsibilities and powers between the Board and Management, the Board Committees, and between the Chairman and Chief Executive Officer, and also the processes and procedures for convening Board meetings. Once finalised, the Board Charter will be published on the Company's website.

b) Board Composition and Balance

The Board consists of five (5) members, comprising of one (1) Executive Director and four (4) Non-Executive Directors. Three of the Directors are independent, which is in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") in respect of the board composition.

The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors with a wide range of professional skills, which are relevant and necessary for the business direction of the Group. A brief profile of each Director is presented on pages 9 to 10 of this Annual Report.

The Group practises a faithfully observed division of responsibilities between the Chairman and Executive Director. The roles of the Chairman and Executive Director are separate and clearly defined, and are held individually by two persons. The Chairman, who is a non-executive member of the Board, is primarily responsible for the orderly conduct and working of the Board whilst the Executive Director is responsible for the day-to-day running of the business and implementation of Board's policies and decisions.

Statement on Corporate Governance
continued

b) Board Composition and Balance continued

The Independent Non-Executive Directors are independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. They provide a check and balance on the performance of management. Encik Sulaiman Bin Salleh has been identified as the Senior Independent Non-Executive Director for which all concerns regarding the Group may be conveyed.

In line with the recommendations of the Code, the tenure of an Independent Director of the Company should not exceed a cumulative term of nine (9) years. Should the Board intend to retain the Independent Director, who had served a cumulative term of nine (9) years, shareholders' approval will be sought.

The Board has carried out an assessment of independence of its Independent Directors in April 2013. The Board intends to retain Tuan Haji Fauzi Bin Mustapha and Encik Sulaiman Bin Salleh, who have served the Company as Independent Directors for more than nine (9) years, to continue in office as Independent Non-Executive Directors, based on the following justifications:

- they have vast experiences in a diverse range of businesses which enable them to provide constructive and independent judgment for the best interest of the Company;
- they have ensured that effective check and balance in the proceedings of the Board and Board Committees and have actively participated in the Board's deliberations, provided objectively in decision making and independent opinion to the Board; and
- they have developed sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company and exercised due care in the interest of the Company and shareholders.

In accordance with the Main Market Listing Requirements of Bursa Securities, each member of the Board holds not more than five (5) directorships in public listed companies. Prior to acceptance of new directorships in other public listed companies, the Directors are required to first notify the Chairman, including the estimated time commitment required, to ensure that such appointment would not affect their commitments and focus for an effective input to the Board. The directorships of each Director are set out in the Profile of Directors on pages 9 to 10 of this Annual Report.

c) Board Meetings

Board meetings are held at least four (4) times a year, with additional meetings convened when necessary. Due notice is given for the meetings and matters to be dealt with.

Senior Management staff may be invited to attend meetings to provide the Board with their views and explanations on certain agenda tabled and to furnish their clarification on issues that may be raised.

During the financial year ended 31 December 2012, five (5) Board meetings were held. The following is the record of attendance of the Board members:-

	Attendance/No. of Meetings Held	Percentage
Dato' Ghazali Bin Mat Ariff	5/5	100%
Tuan Haji Fauzi Bin Mustapha	5/5	100%
Encik Sulaiman Bin Salleh	5/5	100%
Mr. Lim Yew Boon	5/5	100%
Mr. Lim Chin Sean	4/5	80%

All the directors have attended more than 50% of the total Board meetings held during the financial year ended 31 December 2012.

Statement on Corporate Governance
continued

d) Board Committees

Audit Committee

The report of the Audit Committee is set out on pages 28 to 30 of this Annual Report.

Nomination Committee

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

Chairman	:	**Encik Sulaiman Bin Salleh** *(Senior Independent Non-Executive Director)*
Members	:	**Mr. Lim Chin Sean** *(Non-Independent Non-Executive Director)*
	:	**Tuan Haji Fauzi Bin Mustapha** *(Independent Non-Executive Director)*

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

(i) assessing the effectiveness of the Board, respective Committees and contribution of each Director;

(ii) identifying, appointing and orientating new directors;

(iii) identifying the required mix of skills, experience and other core competencies the Board needs for it to function effectively and efficiently;

(iv) developing, maintaining and reviewing the criteria to be used in the recruitment process and annual assessment of Directors;

(v) developing the criteria for annual assessment of independence of the Independent Directors of the Company by the Board; and

(vi) establishing measures to approach the boardroom diversity.

The Nomination Committee held one (1) meeting during the financial year ended 31 December 2012. The Nomination Committee reviewed and recommended the following for the Board's approval:

(a) The assessment of effectiveness of the Board as a whole and contribution of individual Directors;
(b) Director's retiring by rotation and re-election to the Board; and
(c) Re-appointment of a Director, who is over the age of 70 years, to the Board.

Remuneration Committee

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

Chairman	:	**Dato' Ghazali Bin Mat Ariff** *(Independent Non-Executive Director)*
Members	:	**Encik Sulaiman Bin Salleh** *(Independent Non-Executive Director)*
	:	**Tuan Haji Fauzi Bin Mustapha** *(Independent Non-Executive Director)*

The Remuneration Committee is responsible to review the remuneration package and benefits package to the Executive Director and also the Directorsí fees for the Non-Executive Directors of the Company.

The Remuneration Committee held one (1) meeting during the financial year ended 31 December 2012. The Remuneration Committee reviewed and recommended the following for the Board's approval:

(a) The proposed Directors' fees to the Non-Executive Directors for the financial year ended 31 December 2012; and
(b) Remuneration package of the Executive Director of the Company.

Statement on Corporate Governance

continued

Risk Management Committee ("RM Committee")

The Board established the RM Committee in November 2007 consisting of the following members:

Chairman	:	**Tuan Haji Fauzi Bin Mustapha** *(Independent Non-Executive Director)*
Members	:	**Mr. Lim Yew Boon** *(Non-Independent Executive Director)*
	:	**Mr. Chea Hock Hai/ Desmond Wee** *(Chief Operating Officer)/ (Special Assistant to ED)*

The function of the RM Committee is to assist the Board in discharging its responsibilities, particularly in:-

(i) reviewing the Group's overall objectives by assessing the adequacy and effectiveness of risk portfolio composition and risk mitigation controls to determine the desired exposures of each major area of risk on a periodic basis.

(ii) promoting and ensuring risk management process and culture are embedded throughout the Group.

(iii) reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively.

(iv) ensuring adequate infrastructure, resources and systems are established to make risk management effective.

(v) identifying other corporate risks areas such as regulatory compliances, new business development and financial issues.

(vi) establishing a task force as the main risk management unit to oversee the proper operating, reviewing and controlling of risk pertaining to functional activities.

e) Supply of Information

Papers, reports and relevant supporting documents to be tabled at a Board meeting are distributed in advance so that the Board members are duly informed and prepared to participate in the deliberations. Certain reports, such as those relating to the Company's financial results for statutory announcements, are submitted to the Audit Committee for their review and recommendation to the Board for approval thereafter.

Company secretarial functions continue to be outsourced. However, as has always been the case, Directors can readily access the advice and services of a qualified and competent Company Secretary on procedural and regulatory requirements. The Company Secretary also plays an important role in supporting the Board by ensuring that all Board policies and procedures are fully complied. The Directors may also seek independent professional advice at the Company's expense if such advice is necessary to facilitate a decision in discharging their duties.

f) Appointments to the Board

The Board recognises its responsibility to carefully appraise and consider the appointment of new and existing Directors so as to continue functioning effectively. Thus, whilst the initial appraisal of new candidates is delegated to the Nomination Committee, the Board will ensure that the appointment or reappointment of each Director will maintain the good balance of skills and experience in its composition. In assessing suitability of candidates, considerations will be given to the competencies, commitment, contribution and performance. The Nomination Committee will facilitate board induction and training programmes. The Board through the Nomination Committee will take the necessary steps to ensure that women candidates are sought as part of its recruitment exercise.

The Board is currently looking at the establishment of a policy formalising its approach to boardroom diversity. The Board will set targets for the gender diversity and come out with the necessary measures to meet those targets.

Statement on Corporate Governance

continued

g) Re-election to the Board

The Company's Articles of Association ("Articles") require a Director to retire at the Annual General Meeting following his appointment but he shall be eligible for re-election. The Articles also provide that one third or the number nearest one third of the Directors in office are to retire by rotation at each annual general meeting and the Directors may offer themselves for re-election.

Directors of or over the age of seventy (70) years of age are required to offer themselves for re-appointment at each annual general meeting in accordance with Section 129(6) of the Companies Act, 1965.

h) Directors' Training

All the Directors have successfully completed the Mandatory Accreditation Programme ("MAP") and have met the requirements of the Continuing Education Programme ("CEP") as prescribed by Bursa Securities.

During the financial year ended 31 December 2012, the Directors attended the following training programme, which was relevant in assisting the Directors in discharging their duties and responsibilities:

Directors	Training / Seminar Attended	Date
Dato' Ghazali Bin Mat Ariff	• Advocacy Sessions on Disclosure for CEOs & CFOs • Corporate Integrity System Malaysia: CEO Dialogue	24.4.2012 29.11.2012
Tuan Haji Fauzi Bin Mustapha	• Sharpening the Corporate Planning Roadmap	4.12.2012
Encik Sulaiman Bin Salleh	• Sharpening the Corporate Planning Roadmap	4.12.2012
Mr. Lim Yew Boon	• Sharpening the Corporate Planning Roadmap	4.12.2012
Mr. Lim Chin Sean	• Sharpening the Corporate Planning Roadmap	4.12.2012

In line with the principle of continuing education, the Board will undertake an assessment of the training needs of each Director annually and the Directors will continue to undergo training programmes to further enhance their skills and update their knowledge on relevant regulations and corporate governance developments.

i) Directors' Remuneration

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

Set out below are directors' remuneration paid or payable by the Company for financial year ended 31 December 2012, in aggregation and analysed into bands of RM50,000 :-

Category of Remuneration	Executive Director (RM)	Non-Executive Directors (RM)
Salaries	302,000	-
Fees	-	96,000
Meeting Allowances	7,000	51,800
Benefits-In-Kind	54,348	36,558
TOTAL	363,348	184,358

Statement on Corporate Governance
continued

i) Directors' Remuneration continued

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	3
More than RM50,000	-	1
From RM300,001 to RM350,000	1	-

2. INVESTORS AND SHAREHOLDERS RELATIONSHIP

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

Communication is currently done through published reports and timely statutory periodic announcements to Bursa Securities. In addition to various announcements made during the year, information on the Company, such as annual reports of the Company, is available on the Company's website at www.aisberhad.com.my. Shareholders are also welcomed at annual general meetings where every effort is made to respond to all questions, issues, suggestions and observations raised. Shareholders are given opportunity to demand to vote by poll. The Chairman will inform shareholders of their rights to demand a poll vote at the commencement of the general meetings.

3. ACCOUNTABILITY AND AUDIT

a) Financial Reporting

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

b) Internal Control

The Board has taken the responsibility of identifying and reviewing the adequacy of the Group's internal control systems in compliance with the applicable laws, regulations, rules, directives and guidelines. The Statement on Risk Management and Internal Control is presented on pages 23 to 27 of this Annual Report. The Board will ensure the continuous process of identifying, evaluating and managing the internal control systems within the Group for review by the Audit Committee.

c) Relationship with External Auditors

The role of the Audit Committee in relation to the external auditors may be found in the Audit Committee Report set out in pages 28 to 30 of this Annual Report. The Company has always maintained a transparent and appropriate relationship with its auditors in seeking professional advice and ensuring compliance with relevant accounting standards in Malaysia.

d) Directors' Responsibility Statement

The Board duly upholds its responsibility in ensuring that the Group financial statements give a true and fair view of its state of affairs as at the end of the accounting period to which they refer. This true and fair view relates also to the Group's profit/loss and cash-flow positions over the same period.

In preparing the financial statements for financial year ended 31 December 2012, as has been its unwavering practice, the Board has ensured full compliance with all applicable accounting standards and provisions of the Companies Act of Malaysia. It has also consistently selected and applied appropriate accounting policies and made reasonable and prudent judgment and estimates based on proper accounting records.

Statement on Corporate Governance
continued

4. ADDITIONAL COMPLIANCE INFORMATION

a) Share Buy-Back

During the financial year, the Company purchased in the open market a total of 4,000 of its own shares at an average cost of RM0.34 per ordinary share. Details of the Company's share buy-back during the financial year ended 31 December 2012 are set out on page 68 of this Annual Report.

The total shares purchased are held as treasury shares and carried at cost in accordance with the requirement of Section 67A of the Companies Act, 1965. None of the treasury shares has been resold, cancelled or distributed as share dividends during the financial year under review.

b) Options, Warrants or Convertible Securities

There was no issuance of any warrants, convertible securities or options during the financial year ended 31 December 2012.

c) Non-Audit Fees

For the financial year ended 31 December 2012, non-audit fees totaling RM2,000 was paid by the Company to the External Auditors.

d) Recurrent Related Party Transactions of a Revenue or Trading Nature

During the financial year under review, the Company has disclosed its related party relationship in Note 21 of the financial statements set out on pages 74 to 75 of this Annual Report.

No shareholders' mandate was issued for the recurrent related party transactions entered into by the Company and/or the Group as the amount transacted were within the limits stipulated in Paragraph 10.09(1)(b) of the Listing Requirements.

e) Material contracts

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

f) American Depository Receipt ("ADR") or Global Depository Receipt ("GDR")

The Company did not sponsor any American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") programme during the financial year ended 31 December 2012.

g) Sanctions and/or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by any relevant regulatory bodies during the financial year under review.

h) Profit Guarantee

There were no profit guarantees given or received by the Company during the financial year under review.

i) Variation in Results

There was no material variation between the audited results for the financial year ended 31 December 2012 and the unaudited results previously released for the financial quarter ended 31 December 2012.

j) Utilisation of Proceeds

The Company did not carry out any fund raising exercise during the financial year under review.

Statement on Risk Management and Internal Control

1. INTRODUCTION

Pursuant to paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities, the Board of Directors is pleased to issue this statement on internal control of the Group for the financial year ended 31 December 2012.

2. BOARD'S RESPONSIBILITY

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

The Board has established the Risk Management Committee ("RMC") to oversee the effective implementation of the risk management process.

The Audit Committee ("AC") complements the role of the RMC by providing an independent assessment of the effectiveness, adequacy and reliability of the risk management process, compliance with risk policies, applicable laws, regulations, rules, directives and guidelines. These assessments are assisted by an independent internal audit function.

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

3. RISK MANAGEMENT FRAMEWORK

The RMC which was established on 14 November 2007, formally adopted the Risk Management Framework designed for the Group. This framework provides guidance and facilitates a structured approach for identifying, evaluating and managing significant risks that could inadvertently prevent the achievement of business objectives.

The Board has approved the following Terms and Reference for the RMC:

a. To review the Group's overall objectives by assessing the adequacy and effectiveness of the risk portfolio composition and risk mitigation controls in determining the desired exposures of each major area on a periodic basis.

b. To promote and ensure that the risk management process and culture are embedded.

c. To review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks and their effectiveness.

d. To ensure adequate infrastructure, resources and systems are in place for managing risks.

e. To identify other corporate risk areas such as regulatory compliances, new business development and financial issues.

f. To establish a task force to oversee the proper conduct of regular review and control of risk in the functional activities.

The RMC had approved the Risk Handbook, which was developed by the Risk Management Taskforce. The aim of the Handbook is to introduce a standardized approach for departments to adopt and assist in identification, analysis and management of risks.

Statement on Risk Management and Internal Control

continued

3. **RISK MANAGEMENT FRAMEWORK** continued

To complement the current risk management processes, the Management with the assistance and facilitation of the Internal Auditors conducted a risk assessment exercise in 2010. In this exercise, a structured risk management framework was introduced and possible key risks that could affect the achievement of the Group's objectives, the control and mitigating action plans were identified and documented. A risk report was presented to the Board and the AC for discussion and formalization of actions plan and updated by the Risk Management Taskforce every year.

4. **INTERNAL CONTROL**

The key elements of the Group's internal control system are as follows:

- A functional organizational structure that defines the level of authority and responsibilities of management.
- Policies and procedures, updated as necessary, are documented and communicated to personnel for compliance.
- ISO 9001:2000 international quality management system standard providing a foundation for improving key processes, quality, customer service and customer satisfaction.
- A RMC with defined responsibilities as set out on Page 19.
- An AC with defined responsibilities as set out on Pages 28 to 29.
- An internal audit function, which is accountable to the AC, objectively reviews and reports on the effectiveness of control processes.
- An annual operating budget and strategic business plan approved by the Board.
- Appropriate human resource guidelines for hiring and terminating staff, formal training programmes, annual performance appraisals and other relevant procedures are in place to ensure employees' competency.
- The Executive Director and Management monitoring of the Group's performance using key performance indicators, monthly management reports and periodic management meetings. These performance reports are benchmarked against budgets. Any exceptions noted will be investigated and reported.
- Quarterly monitoring of financial results by the Board.

Pursuant to paragraph 15.23 of the Main Market Listing Requirements, the external auditors have reviewed this Statement for inclusion in the annual report for the year ended 31 December 2012 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

In making this statement, the Board had considered the Bursa's Guidance on Statement on Internal Control for all subsidiaries. The Board is of the view that there has been no significant breakdown or weaknesses in the systems of internal control of the Group that may result in material losses incurred for the financial year ended 31 December 2012.

5. **MANAGEMENT RESPONSIBILITIES**

The Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the board that the processes have been carried out. In this regard, the Management has given assurance to the Board that the Company's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Company.

Statement on Risk Management and Internal Control

continued

6. AUDIT COMMITTEE MEMBERS

Name	Designation	Directorship
Encik Sulaiman Bin Salleh	Chairman	Senior Independent Non-Executive Director and a member of the Malaysian Institute of Accountants
Dato' Ghazali Bin Mat Ariff	Member	Independent Non-Executive Director
Tuan Haji Fauzi Bin Mustapha	Member	Independent Non-Executive Director
Mr. Lim Chin Sean	Member	Non-Independent Non-Executive Director

7. SUMMARY OF THE TERMS OF REFERENCE OF AUDIT COMMITTEE

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

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members. All Audit Committee members must be non-executive Directors, with a majority of them being independent directors. The Chairman shall be an independent, non-executive Director appointed by the Audit Committee.

If a member of the Audit Committee resigns or for any reason ceases to be a member resulting in the number of members to be reduced to below three, the Board of Directors shall, within three months of that event, appoint a replacement to make up the minimum of three.

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

(a) To consider the appointment and re-appointment of the external auditors and the audit fee.

(b) To discuss on the resignation or removal of external auditors and the reasons thereof.

(c) To discuss with the external auditors the nature and scope of any audit exercise prior to its commencement and to ensure coordination of such exercise where more than one audit firm is involved.

(d) To review the quarterly and annual financial statements of the Company and the Group, before submission to the Board whilst ensuring that they are prepared in an accurate manner focusing particularly on:

- i) Changes in major accounting policies and principles.
- ii) Significant or unusual events.
- iii) Significant adjustments arising from the audit.
- iv) The going concern assumption.
- v) Compliance with accounting standards and relevant statutory and regulatory requirements.

(e) To discuss issues, concerns and reservations arising from interim and final external audits, and such other matters the external auditors may wish to raise.

(f) To review the external auditors' management letter and management's response to specific matters raised therein.

Statement on Risk Management and Internal Control

continued

7. SUMMARY OF THE TERMS OF REFERENCE OF AUDIT COMMITTEE continued

(g) To do the following in connection with the internal audit function:

(i) Review the adequacy of its scope, functions, authority, competency and resources.
(ii) Review and discuss the nature and scope of the audit programme with internal auditors and the follow-up thereto, ensuring that appropriate actions are taken as recommended.
(iii) Review any performance appraisals or assessment of its staff.
(iv) Approve the appointment, resignation or termination of its senior members.
(v) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning.

(h) To monitor any related-party transactions which may arise within the Group.

(i) To review the adequacy and efficacy of the Group's system of internal control.

8. MEETINGS, MINUTES AND ACTIVITIES

The Audit Committee shall meet at least four times annually or at more frequent intervals as required. The Audit Committee shall meet with the external auditors at least twice a year and with internal auditors at least once a year, without the executive Board members present. Besides the Head of Internal Audit, the Chief Operating Officer/Special Assistant to Executive Director and General Manager - Finance are normally invited to attend the Audit Committee meetings. The presence of the external auditors shall be requested, if required. Other Board members and employees may attend Audit Committee meetings upon the invitation of the Audit Committee.

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

There were five (5) Audit Committee meetings held during the financial year ended 31 December 2012 and details of attendance record of each member are as follow:-

	Attendance at Meetings
Encik Sulaiman Bin Salleh	5/5
Tuan Haji Fauzi Bin Mustapha	5/5
Mr. Lim Chin Sean	4/5
Dato' Ghazali Bin Mat Ariff	5/5

In line with its terms of reference, the Audit Committee discharged its duties and responsibilities in the financial year ended 31 December 2012 through the following activities:-

(a) Discussed with the external auditors on the nature and scope of any audit exercise prior to its commencement.

(b) Reviewed management's response to specific matters raised by the external auditors.

(c) Reviewed internal audit plan for the Group prepared by the Head of Internal Audit.

Statement on Risk Management and Internal Control

continued

8. MEETINGS, MINUTES AND ACTIVITIES continued

(d) Reviewed internal audit reports presented by Internal Audit Department and discussed on management actions taken to improve the system of internal control and any outstanding matters.

(e) Reviewed the quarterly and final year-end results prior to their submission to the Board for consideration and approval.

(f) Met with external auditors and internal auditors during the year without the presence of any executive Board members.

9. INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Function whose principal responsibility is to review and to provide reasonable assurance that the systems of internal control operate satisfactorily and effectively in the Group.

Currently, this function is outsourced to an independent professional firm which reports directly to the Audit Committee.

The internal audit activities carried out during the financial year ended 31 December 2012 were as follows:-

(a) Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work;

(b) Reviewed compliance with internal policies and procedures, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control systems;

(c) Audited various functional activities and areas in accordance with the approved audit plan, provided feedback and recommendation to the Audit Committee and Management;

(d) Followed up on audit reports to ascertain whether matters which require to be addressed have been rectified and corrective actions effectively taken; and

(e) Reviewed management update on risk assessment, identification and implementation of risk documentation and reporting.

The cost incurred for internal audit function in respect of the financial year ended 31 December 2012 was RM38,250.

Audit Committee Report

1. MEMBERS

Name	Designation	Directorship
Encik Sulaiman Bin Salleh	Chairman	Senior Independent Non-Executive Director and a member of the Malaysian Institute of Accountants
Dato' Ghazali Bin Mat Ariff	Member	Independent Non-Executive Director
Tuan Haji Fauzi Bin Mustapha	Member	Independent Non-Executive Director
Mr. Lim Chin Sean	Member	Non-Independent Non-Executive Director

2. SUMMARY OF THE TERMS OF REFERENCE

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

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three members. All Audit Committee members must be non-executive Directors, with a majority of them being independent directors. The Chairman shall be an independent, non-executive Director appointed by the Audit Committee.

If a member of the Audit Committee resigns or for any reason ceases to be a member resulting in the number of members to be reduced to below three, the Board of Directors shall, within three months of that event, appoint a replacement to make up the minimum of three.

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

(a) To consider the appointment and re-appointment of the external auditors and the audit fee.

(b) To discuss on the resignation or removal of external auditors and the reasons thereof.

(c) To discuss with the external auditors the nature and scope of any audit exercise prior to its commencement and to ensure coordination of such exercise where more than one audit firm is involved.

(d) To review the quarterly and annual financial statements of the Company and the Group, before submission to the Board whilst ensuring that they are prepared in an accurate manner focusing particularly on:

- i) Changes in major accounting policies and principles.
- ii) Significant or unusual events.
- iii) Significant adjustments arising from the audit.
- iv) The going concern assumption.
- v) Compliance with accounting standards and relevant statutory and regulatory requirements.

(e) To discuss issues, concerns and reservations arising from interim and final external audits, and such other matters the external auditors may wish to raise.

(f) To review the external auditors' management letter and management's response to specific matters raised therein.

Audit Committee Report
continued

2. SUMMARY OF THE TERMS OF REFERENCE continued

(g) To do the following in connection with the internal audit function:

(i) Review the adequacy of its scope, functions, authority, competency and resources.
(ii) Review and discuss the nature and scope of the audit programme with internal auditors and the follow-up thereto, ensuring that appropriate actions are taken as recommended.
(iii) Review any performance appraisals or assessment of its staff.
(iv) Approve the appointment, resignation or termination of its senior members.
(v) Take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reason for resigning.

(h) To monitor any related-party transactions which may arise within the Group.

(i) To review the adequacy and efficacy of the Group's system of internal control.

3. MEETINGS, MINUTES AND ACTIVITIES

The Audit Committee shall meet at least four times annually or at more frequent intervals as required. The Audit Committee shall meet with the external auditors at least twice a year and with internal auditors at least once a year, without the executive Board members present. Besides the Head of Internal Audit, the Chief Operating Officer/ Special Assistant to Executive Director and General Manager - Finance are normally invited to attend the Audit Committee meetings. The presence of the external auditors shall be requested, if required. Other Board members and employees may attend Audit Committee meetings upon the invitation of the Audit Committee.

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

There were five (5) Audit Committee meetings held during the financial year ended 31 December 2012 and details of attendance record of each member are as follow:-

	Attendance at Meetings
Encik Sulaiman Bin Salleh	5/5
Tuan Haji Fauzi Bin Mustapha	5/5
Mr. Lim Chin Sean	4/5
Dato' Ghazali Bin Mat Ariff	5/5

In line with its terms of reference, the Audit Committee discharged its duties and responsibilities in the financial year ended 31 December 2012 through the following activities:-

(a) Discussed with the external auditors on the nature and scope of any audit exercise prior to its commencement.

(b) Reviewed management's response to specific matters raised by the external auditors.

(c) Reviewed internal audit plan for the Group prepared by the Head of Internal Audit.

Audit Committee Report
continued

3. MEETINGS, MINUTES AND ACTIVITIES continued

(d) Reviewed internal audit reports presented by Internal Audit Department and discussed on management actions taken to improve the system of internal control and any outstanding matters.

(e) Reviewed the quarterly and final year-end results prior to their submission to the Board for consideration and approval.

(f) Met with external auditors and internal auditors during the year without the presence of any executive Board members.

4. INTERNAL AUDIT FUNCTION

The Group has an Internal Audit Function whose principal responsibility is to review and to provide reasonable assurance that the systems of internal control operate satisfactorily and effectively in the Group.

Currently, this function is outsourced to an independent professional firm which reports directly to the Audit Committee.

The internal audit activities carried out during the financial year ended 31 December 2012 were as follows:-

(a) Formulated and agreed with the Audit Committee on the audit plan, strategy and scope of work;

(b) Reviewed compliance with internal policies and procedures, relevant external rules and regulations, as well as assessed the adequacy and effectiveness of the Group's internal control systems;

(c) Audited various functional activities and areas in accordance with the approved audit plan, provided feedback and recommendation to the Audit Committee and Management;

(d) Followed up on audit reports to ascertain whether matters which require to be addressed have been rectified and corrective actions effectively taken; and

(e) Reviewed management update on risk assessment, identification and implementation of risk documentation and reporting.

The cost incurred for internal audit function in respect of the financial year ended 31 December 2012 was RM38,250.

Financial Statements

Directors' Report

for the year ended 31 December 2012

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

PRINCIPAL ACTIVITIES

The principal activities of the Company are the manufacture and sale of steel-related products, mainly black welded steel and galvanised industrial pipes, square and rectangular hollow tubes and conduits. The principal activities of the subsidiaries are indicated in Note 3 to the financial statements.

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

RESULTS

	Group RM	Company RM
Net loss for the year attributable to shareholders of the Company	8,054,017	6,371,287

DIVIDENDS

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

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity set out on pages 40 to 43.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any shares or debentures during the financial year under review.

REPURCHASE OF SHARES

At the Annual General Meeting ("AGM") held on 27 October 2005, shareholders approved the share buy-back of up to 10% of the issued and paid-up share capital of the Company. The authority from shareholders has been renewed at each of the subsequent AGMs of the Company and was last renewed on 23 June 2012 and this authority will expire at the conclusion of the forthcoming AGM.

The Directors are committed to enhancing the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

Directors' Report

for the year ended 31 December 2012 continued

REPURCHASE OF SHARES continued

To date, the Company has purchased the following ordinary shares from the open market:

	No. of ordinary shares	Average cost per share RM	Total cost RM
2006	1,403,300	0.583	817,960
2007	2,921,300	0.607	1,772,781
2008	667,100	0.457	304,844
2009	1,471,000	0.460	676,130
2010	323,600	0.459	148,612
2011	7,000	0.399	2,794
2012	4,000	0.356	1,423
	6,797,300		3,724,544

The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act 1965. There has been no sale or cancellation of such shares to date.

At 31 December 2012, the number of treasury shares held by the Company was 6,797,300 ordinary shares.

DIRECTORS

The Directors who held office since the date of the last report are:

Encik Sulaiman Bin Salleh
Tuan Haji Fauzi Bin Mustapha
Mr. Lim Yew Boon
Dato' Ghazali Bin Mat Ariff
Mr. Lim Chin Sean

Pursuant to Section 129 of the Companies Act 1965, Dato' Ghazali Bin Mat Ariff who is over the age of 70 will retire at the forthcoming Annual General Meeting and will seek for re-appointment to the Board.

In accordance with Article 116 of the Company's Articles of Association, Tuan Haji Fauzi bin Mustapha retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings required to be kept under Section 134 of the Companies Act 1965, the interests in shares of the Directors in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.50 each			
	At 1-1-2012	Bought	Sold	At 31-12-2012
Encik Sulaiman Bin Salleh				
- direct interest	20,000	-	-	20,000
- deemed interest	-	-	-	-

Directors' Report

for the year ended 31 December 2012 continued

DIRECTORS' INTERESTS IN SHARES continued

	Number of ordinary shares of RM0.50 each			
	At 1-1-2012	Bought	Sold	At 31-12-2012
Tuan Haji Fauzi Bin Mustapha				
- direct interest	20,000	-	-	20,000
- deemed interest	-	-	-	-
Mr. Lim Yew Boon				
- direct interest	10,000	-	-	10,000
- deemed interest	-	-	-	-
Dato' Ghazali Bin Mat Ariff				
- direct interest	657,125	-	-	657,125
- deemed interest	-	-	-	-
Mr. Lim Chin Sean				
- direct interest	-	-	-	-
- deemed interest	31,475,175	-	-	31,475,175

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except for any benefit which may be deemed to have arisen from the following transactions which were carried out in the ordinary course of business:

(a) Directors' fees payable to a company in which a Director has substantial financial interest for services rendered by the Director amounting to RM24,000; and

(b) Legal fees paid to a firm in which a Director is a partner amounting to RM72,000.

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

OTHER STATUTORY INFORMATION

(a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company were made out, the Directors took reasonable steps:

 (i) to ascertain the action taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts but that adequate allowance had been made for doubtful debts; and

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

Directors' Report
for the year ended 31 December 2012 continued

OTHER STATUTORY INFORMATION continued

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

(i) which would render it necessary to write off any debt or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent, or

(ii) which would render the values 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.

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

(i) any charge on the assets of the Company or its subsidiaries which has arisen since the end of the financial year which secures the liabilities of any other person, or

(ii) any contingent liability of the Company or its subsidiaries which has arisen since the end of the financial year.

(d) No contingent or other liability of the Company or its subsidiaries 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 affect the ability of the Company or its subsidiaries to meet their obligations as and when they fall due.

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

(f) In the opinion of the Directors:

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

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

AUDITORS

The auditors, Mazars, Chartered Accountants, have expressed their willingness to continue in office.

Signed on behalf of the directors in accordance
with a directors' resolution dated 17th April 2013

DATO' GHAZALI BIN MAT ARIFF
Director

LIM YEW BOON
Director

Independent Auditors' Report

to the members of **AMALGAMATED INDUSTRIAL STEEL BERHAD**

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Amalgamated Industrial Steel Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 84.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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 its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements 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 financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

to the members of **AMALGAMATED INDUSTRIAL STEEL BERHAD** continued

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 31 on page 85 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

2. This report is made solely to 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.

MAZARS
No. AF: 1954
Chartered Accountants

FRANCIS XAVIER JOSEPH
No. 2997/06/14 (J)
Chartered Accountant

Kuala Lumpur
Date: 17th April 2013

Statements of Financial Position

as at 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
NON-CURRENT ASSETS					
Property, plant and equipment	2	96,037,403	98,161,577	92,555,383	94,559,205
Investment in subsidiaries	3	-	-	14,003	14,003
Other investment	4	14,000	14,364	14,000	14,364
Deferred tax asset	5	40,670	68,797	-	-
		96,092,073	98,244,738	92,583,386	94,587,572
CURRENT ASSETS					
Inventories	6	38,048,261	52,040,416	32,829,604	42,864,355
Trade and other receivables	7	38,706,842	50,056,116	35,231,036	49,423,321
Amount owing by subsidiaries	8	-	-	4,159,245	6,443,599
Current tax assets		381,342	224,609	267,690	134,432
Cash and bank balances		5,232,604	5,048,937	4,461,178	4,887,014
		82,369,049	107,370,078	76,948,753	103,752,721
TOTAL ASSETS		178,461,122	205,614,816	169,532,139	198,340,293
EQUITY					
Share capital	9	60,260,938	60,260,938	60,260,938	60,260,938
Reserves, non-distributable	10	43,343,490	44,112,362	42,898,342	43,657,740
Unappropriated profit/(Accumulated loss)		483,754	7,768,899	(3,358,094)	2,253,795
Treasury shares	11	(3,724,544)	(3,723,121)	(3,724,544)	(3,723,121)
TOTAL SHAREHOLDERS' EQUITY		100,363,638	108,419,078	96,076,642	102,449,352
NON-CURRENT LIABILITIES					
Retirement benefit obligations	12	478,995	419,723	478,995	419,723
Deferred tax liabilities	13	11,100,209	12,734,350	10,652,722	12,331,205
Bank borrowings	14	-	3,472,000	-	3,472,000
		11,579,204	16,626,073	11,131,717	16,222,928
CURRENT LIABILITIES					
Trade and other payables	15	4,146,280	5,507,721	3,073,780	4,795,069
Bank borrowings	14	62,372,000	75,061,944	59,250,000	74,872,944
		66,518,280	80,569,665	62,323,780	79,668,013
TOTAL LIABILITIES		78,097,484	97,195,738	73,455,497	95,890,941
TOTAL EQUITY AND LIABILITIES		178,461,122	205,614,816	169,532,139	198,340,293

Notes to the financial statements are set out on pages 46 to 84
Auditors' Report - Pages 36 to 37

Statements of Comprehensive Income
for the year ended 31 December 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	16	153,594,921	144,849,666	144,385,132	135,907,533
Cost of sales		(151,488,890)	(143,995,472)	(141,361,688)	(132,875,402)
Gross profit		2,106,031	854,194	3,023,444	3,032,131
Other operating income		1,059,149	1,807,507	1,562,020	2,451,102
Selling and distribution costs		(2,944,772)	(2,776,542)	(2,856,877)	(2,677,818)
Administrative and general expenses		(6,295,459)	(6,071,810)	(6,242,839)	(10,000,610)
Loss from operations	17	(6,075,051)	(6,186,651)	(4,514,252)	(7,195,195)
Finance costs	18	(3,584,980)	(3,418,838)	(3,535,518)	(3,390,887)
Loss before tax		(9,660,031)	(9,605,489)	(8,049,770)	(10,586,082)
Tax income	19	1,606,014	203,777	1,678,483	1,508,308
Loss for the year		(8,054,017)	(9,401,712)	(6,371,287)	(9,077,774)
Other comprehensive income net of tax					
Surplus arising from revaluation land and buildings		-	35,640,770	-	35,485,070
Total comprehensive (loss)/income for the year		(8,054,017)	26,239,058	(6,371,287)	26,407,296
Loss per share - basic (sen)	20	7.08	8.26		

Notes to the financial statements are set out on pages 46 to 84
Auditors' Report - Pages 36 to 37

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012

	Note	Share capital RM	Share premium RM	Asset revaluation reserve RM	Retained profits RM	Treasury shares RM	Total RM
At 1 January 2011		60,260,938	28,751	8,611,488	17,001,964	(3,720,327)	82,182,814
Shares re-purchased		-	-	-	-	(2,794)	(2,794)
Realisation of reserve on amortisation of revalued properties		-	-	(168,647)	168,647	-	-
Total comprehensive income for the year		-	-	35,640,770	(9,401,712)	-	26,239,058
At 31 December 2011		60,260,938	28,751	44,083,611	7,768,899	(3,723,121)	108,419,078

Notes to the financial statements are set out on pages 46 to 84
Auditors' Report - Pages 36 to 37

Consolidated Statement of Changes in Equity

for the year ended 31 December 2012 continued

	Note	Share capital RM	Share premium RM	Asset revaluation reserve RM	Retained profits RM	Treasury shares RM	Total RM
At 1 January 2012		60,260,938	28,751	44,083,611	7,768,899	(3,723,121)	108,419,078
Shares re-purchased		-	-	-	-	(1,423)	(1,423)
Realisation of reserve on amortisation of revalued properties		-	-	(768,872)	768,872	-	-
Total comprehensive loss for the year		-	-	-	(8,054,017)	-	(8,054,017)
At 31 December 2012		60,260,938	28,751	43,314,739	483,754	(3,724,544)	100,363,638

Notes to the financial statements are set out on pages 46 to 84
Auditors' Report - Pages 36 to 37

Statement of Changes in Equity

for the year ended 31 December 2012

	Note	Share capital RM	Share premium RM	Asset revaluation reserve RM	Retained profits RM	Treasury shares RM	Total RM
At 1 January 2011		60,260,938	28,751	8,306,206	11,169,282	(3,720,327)	76,044,850
Shares re-purchased		-	-	-	-	(2,794)	(2,794)
Realisation of reserve on amortisation of revalued properties		-	-	(162,287)	162,287	-	-
Total comprehensive income for the year		-	-	35,485,070	(9,077,774)	-	26,407,296
At 31 December 2011		60,260,938	28,751	43,628,989	2,253,795	(3,723,121)	102,449,352

Notes to the financial statements are set out on pages 46 to 84
Auditors' Report - Pages 36 to 37

Statement of Changes in Equity

for the year ended 31 December 2012 **continued**

	Note	Share capital RM	Share premium RM	Asset revaluation reserve RM	Retained profit/ (Accumulated loss) RM	Treasury shares RM	Total RM
At 31 December 2011		60,260,938	28,751	43,628,989	2,253,795	(3,723,121)	102,449,352
Shares re-purchased		-	-	-	-	(1,423)	(1,423)
Realisation of reserve on amortisation of revalued properties		-	-	(759,398)	759,398	-	-
Total comprehensive loss for the year		-	-	-	(6,371,287)	-	(6,371,287)
At 31 December 2012		60,260,938	28,751	42,869,591	(3,358,094)	(3,724,544)	96,076,642

Notes to the financial statements are set out on pages 46 to 84
Auditors' Report - Pages 36 to 37

Statements of Cash Flows

for the year ended 31 December 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from operating activities				
Loss before tax	(9,660,031)	(9,605,489)	(8,049,770)	(10,586,082)
Adjustments for:				
Depreciation of property, plant and equipment	2,367,424	1,598,118	2,250,182	1,441,038
Gain on disposal of property, plant and equipment	(101,883)	(112,750)	(28,883)	(71,516)
Inventories written down	1,532,561	2,088,233	658,883	804,534
Amortisation of club membership	364	363	364	363
Allowance for doubtful debts	344,044	313,772	344,044	313,772
Allowance for doubtful debts written back	-	(15,000)	-	(15,000)
Impairment of investment in subsidiaries	-	-	-	4,000,000
Retirement benefit obligations	90,066	34,839	90,066	34,839
Property, plant and equipment written off	1,172	1,327	1,172	1,327
Unrealised gain on foreign exchange	(14,725)	(130,335)	(14,725)	(130,335)
Interest income	(33,870)	(26,286)	(21,296)	(25,605)
Interest expense	3,584,980	3,418,838	3,535,518	3,390,887
Operating loss before working capital changes	(1,889,898)	(2,434,370)	(1,234,445)	(841,778)
Changes in inventories	12,459,594	22,082,439	9,375,868	15,500,241
Changes in receivables	11,019,955	(15,188,370)	11,808,791	(17,359,973)
Changes in payables	(1,361,441)	1,282,840	(1,721,289)	941,610
Cash generated from/(used in) operations	20,228,210	5,742,539	18,228,925	(1,759,900)
Retirement benefits paid	(30,794)	(240,130)	(30,794)	(240,130)
Tax paid	(156,733)	(97,086)	(133,258)	(134,432)
Net cash generated from/(used in) operating activities	20,040,683	5,405,323	18,064,873	(2,134,462)

Notes to the financial statements are set out on pages 46 to 84
Auditors' Report - Pages 36 to 37

Statements of Cash Flows

for the year ended 31 December 2012 continued

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Cash flows from investing activities				
Purchase of property, plant and equipment	(255,449)	(531,066)	(255,449)	(531,066)
Proceed on disposal of property, plant and equipment	112,910	196,850	36,800	114,850
Repayment from subsidiaries	-	-	4,338,529	6,809,755
Interest received	33,870	26,286	21,296	25,605
Net cash (used in)/generated from investing activities	(108,669)	(307,930)	4,141,176	6,419,144
Cash flows from financing activities				
Repurchase of shares	(1,423)	(2,794)	(1,423)	(2,794)
(Repayment)/Drawdown of bank borrowings	(16,161,099)	1,473,099	(19,094,099)	2,406,099
Interest paid	(3,584,980)	(3,418,838)	(3,535,518)	(3,390,887)
Net cash used in financing activities	(19,747,502)	(1,948,533)	(22,631,040)	(987,582)
NET CHANGES IN CASH AND CASH EQUIVALENTS	184,512	3,148,860	(424,991)	3,297,100
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	5,048,092	1,899,232	4,886,169	1,589,069
CASH AND CASH EQUIVALENTS CARRIED FORWARD	5,232,604	5,048,092	4,461,178	4,886,169
Represented by:				
Cash and bank balances	5,232,604	5,048,937	4,461,178	4,887,014
Bank overdrafts	-	(845)	-	(845)
	5,232,604	5,048,092	4,461,178	4,886,169

Notes to the financial statements are set out on pages 46 to 84
Auditors' Report - Pages 36 to 37

Notes to the Financial Statements

for the year ended 31 December 2012

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

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

In the previous years, the financial statements of the Group and of the Company were prepared in accordance with Financial Reporting Standards (FRSs). There are no significant financial impacts as a result of transition to MFRS. Accordingly, no statement of financial position as at 1 January 2011 is presented, as there is no adjustment made to the amounts reported previously in the financial statements.

The measurement bases applied in the preparation of the financial statements include historical cost, recoverable value, realisable value, revalued amount and fair value. Estimates are used in measuring these values.

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

(b) Standards issued but not yet effective

The Group and the Company has not applied the following MFRSs, Amendments to MFRSs, Issue Committee Interpretations ("IC Interpretations") and Amendments to IC Interpretation that have been issued by the MASB but are not yet effective.

New/Revised MFRSs, Amendments to MFRSs, IC Interpretations and Amendments to IC Interpretation		Effective for financial periods beginning on or after
MFRS 9	Financial Instruments	1 January 2015
MFRS 10	Consolidated Financial Statements	1 January 2013
MFRS 11	Joint Arrangements	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities	1 January 2013
MFRS 13	Fair Value Measurement	1 January 2013
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)	1 January 2013
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)	1 January 2013
MFRS 141	Agriculture	1 January 2014
Amendments to MFRS 1	Government Loans	1 January 2013
Amendments to MFRS 1	Annual Improvements 2009 - 2011 Cycle	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2013
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014

Notes to the Financial Statements

for the year ended 31 December 2012 continued

(b) Standards issued but not yet effective continued

New/Revised MFRSs, Amendments to MFRSs, IC Interpretations and Amendments to IC Interpretation		Effective for financial periods beginning on or after
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income	1 July 2012
Amendments to MFRS 101	Annual Improvements 2009 - 2011 Cycle	1 January 2013
Amendments to MFRS 116	Annual Improvements 2009 - 2011 Cycle	1 January 2013
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 132	Annual Improvements 2009 - 2011 Cycle	1 January 2013
Amendments to MFRS 134	Annual Improvements 2009 - 2011 Cycle	1 January 2013
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to IC Interpretation 2	Annual Improvements 2009 - 2011 Cycle	1 January 2013

MFRS 9, Financial Instruments

The Standard addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the parts of FRS 139 that relate to the classification and measurement of financial instruments.

MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entityís business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

For financial liabilities, the standard retains most of the FRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

The Group has yet to assess the full impact of MFRS 9 and intends to adopt MFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of MFRS 9 when completed by the International Accounting Standards Board.

MFRS 12, Disclosure of Interests in Other Entities

The Standard includes the disclosure requirements for all forms of interests in other entities including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The adoption of this MFRS will have no effect to the results and financial position of the Group.

MFRS 13, Fair Value Measurement

The Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. This MFRS explains how to measure the fair value of assets, liabilities and equity but does not introduce new fair value measurement requirements.

The Group has yet to assess the full impact of MFRS 13 and intends to adopt MFRS 13 no later than the accounting period beginning on or after 1 January 2013.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

MFRS 13, Fair Value Measurement continued

Except as indicated above, the adoption of the above MFRSs, Amendments to MFRSs, IC Interpretations and Amendments to IC Interpretation are not expected to have significant impact on the financial statements of the Group and of the Company.

(c) Significant judgements and estimates

The preparation of financial statements in conformity with MFRS requires management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect reported amounts of asset and liabilities and disclosures of contingent assets and liabilities at the reporting date, and reported amounts of income and expenses during the financial year.

Although these estimates are based on management's best knowledge of current events and actions, historical experiences and various other factors, including expectations for future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Key sources of estimation uncertainty

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

Depreciation

Property, plant and equipment are depreciated on a straight-line basis to write off their costs and revalued amount to their residual values over their estimated useful lives. Management estimates these useful lives to be 50 years for buildings and within 2 to 13 years for other property, plant and equipment.

Changes in the expected level of usage, physical wear and tear and technological development could impact the economic useful lives and residual values of these assets, and therefore future depreciation charges could be revised.

The carrying amounts of the Group's and Company's property, plant and equipment at the reporting date is disclosed in Note 2.

Impairment loss and inventories write down

Inventories are stated at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices less the estimated costs necessary to make the sale.

Inventories are reviewed on a regular basis and the Group will make provision for obsolete inventories based primarily on historical trends and management estimates of expected and future product demand and related pricing.

Demand levels, technological advances and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories and additional provisions for slow moving inventories may be required.

The carrying amounts of the Group's and the Company's inventories are disclosed in Note 6.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

Impairment of loans and receivables

The collectability of receivables is assessed on an ongoing basis. An allowance for doubtful debts is made for any receivables considered to be doubtful of collection.

The Group assess at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, a considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the creditworthiness and the past collection history of each customer. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

The carrying amounts of the Group's and the Company's trade and other receivables at the reporting date are disclosed in Note 7 and 8.

(d) Subsidiaries

A subsidiary company is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible, are considered when assessing whether the Company has the power to govern the financial and operating policies of another entity.

In the Company's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses. Impairment losses are charged to the profit or loss.

On disposal, the difference between the net disposal proceeds and the carrying amount of the subsidiary company's consolidated net assets disposed of is taken to the profit or loss.

(e) Basis of consolidation

(i) Transaction eliminated on consolidation

The consolidated financial statements comprise the financial statements of the Company and all its subsidiaries made up to the end of the financial year. The consolidated financial statements are prepared using uniform accounting polices for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses are eliminated in full on consolidation and the consolidated financial statements reflect external transactions only.

(ii) Accounting for business combinations

All subsidiary companies are consolidated on the acquisition method of accounting from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

(iii) Non-controlling interests

Non-controlling interests at the end of a 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 comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

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.

(f) Property, plant and equipment

(i) Recognition and measurement

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

Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses, except for leasehold land and buildings which are stated at valuation less accumulated depreciation and any accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold land and buildings at the reporting date.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in the profit or loss.

(ii) Depreciation

Capital work-in-progress is not depreciated. Depreciation is calculated to write off the cost or valuation of other property, plant and equipment on a straight line basis over their estimated useful lives at the following annual rates:

Leasehold land	57 years - 62 years
Buildings	2%
Plant and machinery	10%
Electrical installations	7.5%
Factory equipment, furniture and fittings	7.5% - 10%
Office equipment, furniture and fittings	10% - 20%
Motor vehicles	25%

Capital work-in-progress will only be depreciated when the assets are ready for their intended use.

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

Notes to the Financial Statements
for the year ended 31 December 2012 continued

(g) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

(i) Finance lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

Property, plant and equipment acquired by way of finance leases are stated at amounts equal to the lower of their fair values and the present value of minimum lease payments at the inception of the leases, less accumulated depreciation and any impairment losses.

In calculating the present value of the minimum lease payments, the discount rate is the interest rate implicit in the lease, if this is determinable; if not, the Group's incremental borrowing rate is used.

(ii) Operating lease

An operating lease is a lease other than a finance lease.

Operating lease income or operating lease rentals are credited or charged to the profit or loss on a straight-line basis over the period of the lease.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and in the case of finished goods and work-in-progress, cost consists of direct materials, direct labour, other direct costs and an appropriate proportion of overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

(i) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial instruments are categorised and measured using accounting policies as mentioned below:

(i) Initial recognition and measurement

A financial instrument is recognised in the financial statements 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.

(ii) Financial instrument categories and subsequent measurement

<u>Financial assets</u>

Financial assets are classified as either financial asset at fair value through profit or loss or held-to-maturity investments or loans and receivables or available-for-sale financial assets, as appropriate. Management determines the classification of the financial assets as set out below upon initial recognition.

The Group and the Company do not have financial assets at fair value through profit or loss and held-to-maturity investments.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

(ii) Financial instrument categories and subsequent measurement continued

Loans and receivables

This category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

The subsequent measurement of financial assets in this category is at amortised cost using the effective interest method, less allowance for impairment losses. Any gains or losses arising from derecognition or impairment, and through the amortisation process of loans and receivables are recognised in the profit or loss.

Available-for-sale financial assets

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

Transferable corporate club memberships and 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 other comprehensive income 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 1(j)).

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities at amortised cost.

Financial liabilities at fair value through profit or loss comprises financial liabilities that are held for trading, derivatives (except for a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition. These financial liabilities are subsequently measured at their fair values with the gain or loss recognised in the profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition of financial assets and liabilities

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or 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 together with any cumulative gain or loss that has been recognised in equity is recognised in the profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired.

On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

Notes to the Financial Statements
for the year ended 31 December 2012 continued

(j) Impairment of financial assets

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

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the asset's acquisition cost 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 and recognised 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 investment in an equity instrument is not reversed through the 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 the profit or loss.

(k) Impairment of non-financial assets

Property, plant and equipment, and investment in subsidiary companies are assessed at each reporting date to determine whether there is any indication of impairment.

If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use.

Value in use is the present value of the future cash flows expected to be derived from the asset. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are charged to the profit or loss.

Any reversal of an impairment loss as a result of a subsequent increase in recoverable amount should not exceed the carrying amount that would have been determined (net of amortisation or depreciation, if applicable) had no impairment loss been previously recognised for the asset.

(l) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the profit or loss.

When shares are repurchased, the amount of consideration paid, including directly attributable costs, is measured at cost and set off against equity. Shares repurchased and not cancelled are classified as treasury shares. Where treasury shares are reissued by re-sale in the open market, the difference between the sale consideration and the carrying amount is recognised in equity.

Notes to the Financial Statements
for the year ended 31 December 2012 continued

(l) Share capital continued

Dividends on ordinary shares, when declared or proposed, are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends are accounted for in shareholder's equity as an appropriation of retained profit in the financial year in which they are paid.

(m) Provisions

Provisions are recognised when there is a present or constructive obligation as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

(n) Foreign currencies

(i) Functional currency

Functional currency is the currency of the primary economic environment in which an entity operates.

The financial statements of each entity within the Group are measured using their respective functional currency.

(ii) Transactions and balances in foreign currencies

Transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange ruling at the date of the transaction.

Monetary items denominated in foreign currencies at the reporting date are translated at foreign exchange rates ruling at the date.

Exchange differences arising on monetary item that form part of the Group's net investment in a foreign operation are recognised in equity as exchange translation reserve irrespective of the currency in which the monetary item is denominated and of whether the monetary item results from a transaction with the Company or any of its subsidiaries.

Non-monetary items which are measured in terms of historical costs denominated in foreign currencies are translated at foreign exchange rates ruling at the date of the transaction.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in profit or loss for the period.

When a gain or loss on a non-monetary item is recognised directly in other comprehensive income, any corresponding exchange gain or loss is recognised directly in other comprehensive income. When a gain or loss on a non-monetary item is recognised in the profit or loss, any corresponding exchange gain or loss is recognised in profit or loss.

(o) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the Company and when the revenue can be measured reliably, on the following bases:

(i) Sale of goods

Sale of goods is measured at the fair value of the consideration received or receivable, net of returns and discounts and is recognised in the profit or loss when significant risks and rewards of ownership have been transferred to the customers.

(ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

(iii) Rental income

Rental income is recognised on a time proportion basis over the lease term.

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate applicable.

(p) Employment benefits

(i) Short term employee benefits

Wages, salaries, paid leave, paid sick leave, bonuses and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees.

(ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss in the financial year to which they relate.

(iii) Defined benefit plan

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

(iv) Termination benefits

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

(q) Borrowing costs

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 of sale, are capitalised as part of the cost of those assets.

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.

(r) Tax expense

The tax expense in the profit or loss comprises current tax and deferred tax. Current year tax is an estimate of tax payable in respect of taxable profit for the year based on tax rate enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in full, based on the liability method for taxation deferred in respect of all material temporary differences arising from differences between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

(r) Tax expense continued

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is calculated at the tax rate that is expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Current and deferred tax is recognised as an income or an expense in the profit or loss or is credited or charged directly to other comprehensive income if the tax relates to items that are credited or charged, whether in the same or different period, directly to other comprehensive income.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, bank overdrafts and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

(t) Operating segment

Segment reporting in the financial statements is presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to each operating segment. Operating segments are distinguishable components of the Group that engage in business activities from which they may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's results are reviewed regularly by the chief operating decision maker to decide how to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

Segment revenue, expenses, assets and liabilities are those amounts resulting from operating activities of a segment that are directly attributable to the segment and a relevant portion that can be allocated on a reasonable basis to the segment.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT

Group 2012	Leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Cost/Valuation								
At 1 January								
Cost	-	-	35,891,673	1,390,827	6,631,476	2,543,860	875,625	47,333,461
Valuation	69,810,000	24,290,000	-	-	-	-	-	94,100,000
	69,810,000	24,290,000	35,891,673	1,390,827	6,631,476	2,543,860	875,625	141,433,461
Additions	-	-	-	-	74,260	139,189	42,000	255,449
Disposals	-	-	(73,000)	-	(53,708)	-	(99,655)	(226,363)
Write-Offs	-	-	-	-	-	(4,150)	-	(4,150)
	69,810,000	24,290,000	35,818,673	1,390,827	6,652,028	2,678,899	817,970	141,458,397
At 31 December								
Cost	-	-	35,818,673	1,390,827	6,652,028	2,678,899	817,970	47,358,397
Valuation	69,810,000	24,290,000	-	-	-	-	-	94,100,000
	69,810,000	24,290,000	35,818,673	1,390,827	6,652,028	2,678,899	817,970	141,458,397

Notes to the Financial Statements

for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT continued

Group 2012	Leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Accumulated Depreciation								
At 1 January	-	-	33,630,320	1,366,321	5,423,025	2,351,138	501,080	43,271,884
Charge for the year	1,170,266	485,800	348,667	2,923	162,192	61,427	136,149	2,367,424
Disposals	-	-	(73,000)	-	(50,598)	-	(91,738)	(215,336)
Write-Offs	-	-	-	-	-	(2,978)	-	(2,978)
At 31 December	1,170,266	485,800	33,905,978	1,369,244	5,534,619	2,409,587	545,491	45,420,994
Net carrying amount								
At 31 December								
Cost	-	-	1,912,686	21,583	1,117,409	269,312	272,479	3,593,469
Valuation	68,639,734	23,804,200	-	-	-	-	-	92,443,934
	68,639,734	23,804,200	1,912,686	21,583	1,117,409	269,312	272,479	96,037,403

Notes to the Financial Statements

for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT continued

Group 2011	Leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost/Valuation									
At 1 January									
Cost	26,881,152	220,013	37,173,572	1,390,827	6,895,919	2,435,558	902,757	254,551	76,154,349
Valuation	-	24,971,445	-	-	-	-	-	-	24,971,445
	26,881,152	25,191,458	37,173,572	1,390,827	6,895,919	2,435,558	902,757	254,551	101,125,794
Additions	-	-	116,981	-	21,700	115,552	276,833	-	531,066
Disposals	-	-	(1,653,431)	-	(286,143)	-	(303,965)	-	(2,243,539)
Write-Offs	-	-	-	-	-	(7,250)	-	-	(7,250)
Transfer	-	-	254,551	-	-	-	-	(254,551)	-
Adjustments on revaluation	42,928,848	(901,458)	-	-	-	-	-	-	42,027,390
	69,810,000	24,290,000	35,891,673	1,390,827	6,631,476	2,543,860	875,625	-	141,433,461
At 31 December									
Cost	-	-	35,891,673	1,390,827	6,631,476	2,543,860	875,625	-	47,333,461
Valuation	69,810,000	24,290,000	-	-	-	-	-	-	94,100,000
	69,810,000	24,290,000	35,891,673	1,390,827	6,631,476	2,543,860	875,625	-	141,433,461

Notes to the Financial Statements
for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT continued

Group 2011	Leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Accumulated depreciation									
At 1 January	2,957,329	1,642,502	34,922,646	1,363,399	5,495,361	2,304,678	646,850	-	49,332,765
Charge for the year	389,977	503,829	361,105	2,922	173,041	52,383	114,861	-	1,598,118
Disposals	-	-	(1,653,431)	-	(245,377)	-	(260,631)	-	(2,159,439)
Write-Offs	-	-	-	-	-	(5,923)	-	-	(5,923)
Adjustment on revaluation	(3,347,306)	(2,146,331)	-	-	-	-	-	-	(5,493,637)
At 31 December	-	-	33,630,320	1,366,321	5,423,025	2,351,138	501,080	-	43,271,884
Net carrying amount									
At 31 December									
Cost	-	-	2,261,353	24,506	1,208,451	192,722	374,545	-	4,061,577
Valuation	69,810,000	24,290,000	-	-	-	-	-	-	94,100,000
	69,810,000	24,290,000	2,261,353	24,506	1,208,451	192,722	374,545	-	98,161,577

Notes to the Financial Statements
for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT continued

Company 2012	Leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Cost/Valuation								
At 1 January								
Cost	-	-	27,121,745	908,566	5,087,023	2,432,255	875,625	36,425,214
Valuation	69,810,000	20,830,000	-	-	-	-	-	90,640,000
	69,810,000	20,830,000	27,121,745	908,566	5,087,023	2,432,255	875,625	127,065,214
Additions	-	-	-	-	74,260	139,189	42,000	255,449
Disposals	-	-	-	-	-	-	(99,655)	(99,655)
Write-Offs	-	-	-	-	-	(4,150)	-	(4,150)
	69,810,000	20,830,000	27,121,745	908,566	5,161,283	2,567,294	817,970	127,216,857
At 31 December								
Cost	-	-	27,121,745	908,566	5,161,283	2,567,294	817,970	36,576,857
Valuation	69,810,000	20,830,000	-	-	-	-	-	90,640,000
	69,810,000	20,830,000	27,121,745	908,566	5,161,283	2,567,294	817,970	127,216,857

Notes to the Financial Statements
for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT continued

Company 2012	Leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Total RM
Accumulated depreciation								
At 1 January	1,170,266	416,600	24,896,106	884,067	3,984,636	2,240,120	501,080	32,506,009
Charge for the year	-	-	328,999	2,923	134,259	60,987	136,149	2,250,182
Disposals	-	-	-	-	-	-	(91,738)	(91,738)
Write-Offs	-	-	-	-	-	(2,978)	-	(2,978)
At 31 December	1,170,266	416,600	25,225,105	886,990	4,118,895	2,298,129	545,490	34,661,475
Net carrying amount								
At 31 December								
Cost	-	-	1,896,640	21,577	1,042,388	269,165	272,479	3,502,249
Valuation	68,639,734	20,413,400	-	-	-	-	-	89,053,134
	68,639,734	20,413,400	1,896,640	21,577	1,042,388	269,165	272,479	92,555,383

Notes to the Financial Statements
for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT continued

Company 2011	Leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Cost/Valuation									
At 1 January									
Cost	26,881,152	220,013	26,750,213	908,566	5,065,323	2,323,953	902,757	254,551	63,306,528
Valuation	-	21,511,445	-	-	-	-	-	-	21,511,445
	26,881,152	21,731,458	26,750,213	908,566	5,065,323	2,323,953	902,757	254,551	84,817,973
Additions	-	-	116,981	-	21,700	115,552	276,833	-	531,066
Disposals	-	-	-	-	-	-	(303,965)	-	(303,965)
Write-Offs	-	-	-	-	-	(7,250)	-	-	(7,250)
Transfer	-	-	254,551	-	-	-	-	(254,551)	-
Adjustment on revaluation	42,928,848	(901,458)	-	-	-	-	-	-	42,027,390
	69,810,000	20,830,000	27,121,745	908,566	5,087,023	2,432,255	875,625	-	127,065,214
At 31 December									
Cost	-	-	27,121,745	908,566	5,087,023	2,432,255	875,625	-	36,425,214
Valuation	69,810,000	20,830,000	-	-	-	-	-	-	90,640,000
	69,810,000	20,830,000	27,121,745	908,566	5,087,023	2,432,255	875,625	-	127,065,214

Notes to the Financial Statements
for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT continued

Company 2011	Leasehold land RM	Buildings RM	Plant and machinery RM	Electrical installations RM	Factory equipment, furniture and fittings RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Accumulated depreciation									
At 1 January	2,957,329	1,504,102	24,580,188	881,145	3,853,626	2,194,322	646,850	-	36,617,562
Charge for the year	389,977	434,629	315,918	2,922	131,010	51,721	114,861	-	1,441,038
Disposals	-	-	-	-	-	-	(260,631)	-	(260,631)
Write-Offs	-	-	-	-	-	(5,923)	-	-	(5,923)
Adjustment on revaluation	(3,347,306)	(1,938,731)	-	-	-	-	-	-	(5,286,037)
At 31 December	-	-	24,896,106	884,067	3,984,636	2,240,120	501,080	-	32,506,009
Net carrying amount									
At 31 December									
Cost	-	-	2,225,639	24,499	1,102,387	192,135	374,545	-	3,919,205
Valuation	69,810,000	20,830,000	-	-	-	-	-	-	90,640,000
	69,810,000	20,830,000	2,225,639	24,499	1,102,387	192,135	374,545	-	94,559,205

Notes to the Financial Statements

for the year ended 31 December 2012 continued

2. PROPERTY, PLANT AND EQUIPMENT continued

The leasehold land and buildings were revalued by the Directors in December 2011 based on a valuation carried out by Mr. James K.M. Tan, a registered valuer of Raine & Horne International Zaki + Partners Sdn Bhd an independent firm of professional valuers, using comparison method and cost method of the current market value.

The net carrying amounts of the revalued leasehold land and buildings that would have been included in the financial statements had these properties been carried at cost less accumulated depreciation are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Leasehold land	23,143,867	23,533, 845	23,143,867	23,533,845
Buildings	13,457,441	13,964,235	10,992,876	11,402,376

The gross carrying amounts of the fully depreciated property, plant and equipment that are still in use are RM40,676,606 and RM30,376,521 (2011: RM40,586,005 and RM30,262,932) respectively, for the Group and Company.

3. INVESTMENT IN SUBSIDIARIES

	Company	
	2012 RM	2011 RM
Unquoted shares, at cost	4,014,003	4,014,003
Impairment loss	(4,000,000)	(4,000,000)
	14,003	14,003

The subsidiaries, which are both wholly-owned and incorporated in Malaysia, are as follows:

Name of Company	Principal activities
Amalgamated Industrial Stainless Steel (1987) Sdn Bhd	Manufacture and sale of stainless steel pipes and fittings
Amalgamated Industrial Marketing Sdn Bhd	Trading of construction related materials

4. OTHER INVESTMENT

	Group and Company	
	2012 RM	2011 RM
Classified as available-for-sale financial assets		
Transferable club membership, at cost	20,000	20,000
Accumulated amortisation	(6,000)	(5,636)
	14,000	14,364

Notes to the Financial Statements

for the year ended 31 December 2012 continued

5. DEFERRED TAX ASSET

The Group has recognised the deferred tax assets based on its expected level of operations of a subsidiary and the probability that sufficient taxable profit will be generated in the future against which the deferred tax assets can be utilised.

	Group	
	2012 RM	2011 RM
At 1 January	68,797	1,022,298
Recognised in profit or loss	(28,127)	(953,501)
At 31 December	40,670	68,797

The deferred tax asset comprises:

Unutilised tax losses	40,670	68,797

Further, the following difference and unused tax losses exist as at 31 December of which the deferred tax benefits have not been recognised in the financial statements:

	Group	
	2012 RM	2011 RM
Tax losses	12,446,476	10,843,680
Unabsorbed capital allowances	764,076	606,724
	13,210,552	11,450,404

6. INVENTORIES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Raw materials	6,236,193	20,269,282	5,877,423	19,912,315
Consumable stocks	1,993,189	1,872,536	1,649,831	1,520,555
Work in progress	2,376,653	1,045,603	1,687,736	1,045,603
Finished goods				
- Manufactured	23,640,401	21,418,300	21,772,738	19,270,506
- Trading	3,801,825	7,434,695	1,841,876	1,115,376
	38,048,261	52,040,416	32,829,604	42,864,355

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

Notes to the Financial Statements

for the year ended 31 December 2012 continued

7. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Gross trade receivables	36,790,854	46,240,362	33,338,993	45,477,590
Allowance for doubtful debts	(657,816)	(881,743)	(657,816)	(705,241)
	36,133,038	45,358,619	32,681,177	44,772,349
Other receivables	2,173,266	4,260,481	2,166,545	4,216,490
Deposits	25,363	28,863	25,363	28,863
Prepayments	375,175	408,153	357,951	405,619
	38,706,842	50,056,116	35,231,036	49,423,321

The currency exposure profile of trade receivables is as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia (“RM”)	30,650,565	40,075,706	27,198,704	39,312,934
Singapore Dollar (“SGD”)	6,140,289	6,164,656	6,140,289	6,164,656
	36,790,854	46,240,362	33,338,993	45,477,590

All customers are granted credit periods of 30 to 150 days.

8. AMOUNT OWING BY SUBSIDIARIES

The amounts owing by subsidiary companies comprise:

	Company	
	2012 RM	2011 RM
Trade accounts	2,297,240	243,065
Advances	1,862,005	6,200,534
	4,159,245	6,443,599

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

The advances are unsecured, bearing interest at 5.5% (2011: Nil) and receivable on demand.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

9. SHARE CAPITAL

	Company			
	2012		2011	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM0.50 each	200,000,000	100,000,000	200,000,000	100,000,000
Issued and fully paid				
Ordinary shares of RM0.50 each	120,521,875	60,260,938	120,521,875	60,260,938

10. RESERVES, non-distributable

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Share premium	28,751	28,751	28,751	28,751
Asset revaluation reserve	43,314,739	44,083,611	42,869,591	43,628,989
	43,343,490	44,112,362	42,898,342	43,657,740

11. TREASURY SHARES

	Group and Company			
	2012		2011	
	Number of shares	Cost RM	Number of shares	Cost RM
At 1 January	6,793,300	3,723,121	6,786,300	3,720,327
Shares repurchased during the year	4,000	1,423	7,000	2,794
At 31 December	6,797,300	3,724,544	6,793,300	3,723,121

The average cost paid for the shares repurchased during the year was RM0.356 (2011: RM0.399) per share. The repurchase transactions were financed by internally generated funds. The repurchased shares are being held as treasury shares and carried at cost in accordance with the requirements of section 67A of the Companies Act 1965. Treasury shares have no rights to voting, dividends and participation in other distribution.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

12. RETIREMENT BENEFIT OBLIGATIONS

The Company operates an unfunded defined retirement benefit plan for a Director and eligible employees.

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

	Group and Company					
	2012			2011		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
At 1 January	78,225	341,498	419,723	67,725	557,289	625,014
Charged to profit or loss	10,500	95,479	105,979	13,725	75,105	88,830
Reversal of amount not utilised	-	(15,913)	(15,913)	(3,225)	(50,766)	(53,991)
	10,500	79,566	90,066	10,500	24,339	34,839
Retirement benefits paid	-	(30,794)	(30,794)	-	(240,130)	(240,130)
At 31 December	88,725	390,270	478,995	78,225	341,498	419,723

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

	Group and Company					
	2012			2011		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
Present value of unfunded obligations	88,725	390,270	478,995	78,225	341,498	419,723

The amounts recognised in the profit or loss is as follows:

	Group and Company					
	2012			2011		
	Director RM	Employees RM	Total RM	Director RM	Employees RM	Total RM
Current service cost	6,775	79,409	86,184	10,500	51,994	62,494
Interest cost	3,725	16,070	19,795	3,225	23,111	26,336
Reversal of past service cost not required	-	(15,913)	(15,913)	(3,225)	(50,766)	(53,991)
	10,500	79,566	90,066	10,500	24,339	34,839

The above amounts charged to the profit or loss is included in administrative and general expenses.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

12. RETIREMENT BENEFIT OBLIGATIONS continued

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

	Group and Company	
	2012	2011
Discount rate	5.0%	5.0%
Expected rate of salary increases	5.0%	5.0%

13. DEFERRED TAX LIABILITIES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	12,734,350	2,011,371	12,331,205	2,011,156
Recognised in profit or loss	(1,634,141)	(1,157,278)	(1,678,483)	(1,508,308)
Deferred tax on revaluation surplus during the year	-	11,880,257	-	11,828,357
At 31 December	11,100,209	12,734,350	10,652,722	12,331,205

The deferred tax liabilities comprise:

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Excess of net carrying amount over tax written down value of property, plant and equipment	2,150,606	1,890,739	1,851,501	1,640,725
Asset revaluation surplus	15,002,046	15,272,294	14,853,664	15,119,163
Unutilised tax losses	(4,694,889)	(3,381,324)	(4,694,889)	(3,381,324)
Unabsorbed capital allowances	(1,234,124)	(909,845)	(1,234,124)	(909,845)
Retirement benefit obligations	(119,749)	(104,931)	(119,749)	(104,931)
Others	(3,681)	(32,583)	(3,681)	(32,583)
	11,100,209	12,734,350	10,652,722	12,331,205

Notes to the Financial Statements

for the year ended 31 December 2012 continued

14. BANK BORROWINGS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Banker' acceptances	57,900,000	69,441,099	54,778,000	69,252,099
Revolving credits	1,000,000	1,000,000	1,000,000	1,000,000
Bank term loan	3,472,000	8,092,000	3,472,000	8,092,000
Bank overdrafts	-	845	-	845
	62,372,000	78,533,944	59,250,000	78,344,944
Repayments due within the next 12 months included under current liabilities	(62,372,000)	(75,061,944)	(59,250,000)	(74,872,944)
Repayments due later than 12 months included under non-current liabilities	-	3,472,000	-	3,472,000

Bankers' acceptances are subject to interest rate ranging from 1% to 2% + cost of fund. The effective interest rate ranged from 4.20% to 5.30% (2011: 3.50% to 5.65%) per annum.

Revolving credits are subject to interest rate of 1.25% + cost of fund. The effective interest rate ranged from 5.15% to 5.50% (2011: 4.25% to 5.65%) per annum.

Bank term loan is subject to interest rate of 1.75% above base lending rate. The effective interest rate is 8.70% (2011: 8.44%) per annum.

Bank overdrafts bearing interest at 0.50% to 1.00% above base lending rate.

The bank borrowings are unsecured but covered by negative pledges on the assets of the Group and the Company.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables	1,896,766	3,279,267	1,637,596	3,058,956
Other payables	752,010	269,303	157,365	266,036
Accruals	1,497,504	1,959,151	1,278,819	1,470,077
	4,146,280	5,507,721	3,073,780	4,795,069

The normal credit terms granted by suppliers range from 5 - 60 days.

16. REVENUE

Revenue represents the invoiced value of goods sold net of returns and discounts.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

17. LOSS FROM OPERATIONS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Loss from operations is stated after charging:				
Auditors' remuneration	51,000	44,000	37,000	31,000
Allowance for doubtful debts	344,044	313,772	344,044	313,772
Amortisation of club membership	364	363	364	363
Depreciation of property, plant and equipment	2,367,424	1,598,118	2,250,182	1,441,038
Directors' remuneration				
- fees	96,000	96,000	96,000	96,000
- retirement benefits	10,500	10,500	10,500	10,500
- other emoluments	397,040	415,640	397,040	415,640
Fees payable to a Company in which a Director has substantial financial interest	24,000	24,000	24,000	24,000
Impairment of investment in subsidiaries	-	-	-	4,000,000
Inventories written down	1,532,561	2,088,233	658,883	804,534
Operating leases				
- rental of office equipment	19,098	8,058	19,098	8,058
Property, plant and equipment written off	1,172	1,327	1,172	1,327
Realised loss on foreign exchange	11,323	-	11,323	-
Retirement benefit obligations	79,566	24,339	79,566	24,339
and crediting:				
Allowance for doubtful debts written back	-	15,000	-	15,000
Bad debts recovered	-	313,772	-	313,772
Gain on disposal of property, plant and equipment	101,883	112,750	28,883	71,516
Interest income from deposits with licensed banks	33,870	26,286	21,296	25,605
Management fee	-	-	490,032	563,958
Gain on foreign exchange				
- realised	-	641,675	-	641,675
- unrealised	14,725	130,335	14,725	130,335
Rental income from				
- a subsidiary	-	-	122,856	122,856
- others	839,335	814,922	839,335	814,922

The estimated monetary value of benefit-in-kind received by the Directors amounted to RM90,906 (2011: RM36,067).

Notes to the Financial Statements

for the year ended 31 December 2012 continued

18. FINANCE COSTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Interest expense				
- bankers' acceptances	3,026,321	2,319,172	2,976,859	2,291,221
- term loan	502,945	877,852	502,945	877,852
- revolving credit	55,374	219,668	55,374	219,668
- bank overdraft	340	2,146	340	2,146
	3,584,980	3,418,838	3,535,518	3,390,887

19. TAX INCOME

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Deferred tax				
- current year	1,788,523	1,575,558	1,823,931	1,506,546
- (under)/overestimated in prior year	(182,509)	(1,371,781)	(145,448)	1,762
	1,606,014	203,777	1,678,483	1,508,308

The reconciliations between the tax income and the product of accounting loss multiplied by the applicable tax rates are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Accounting loss	(9,660,031)	(9,605,489)	(8,049,770)	(10,586,082)
Tax at the applicable tax rate of 25%	2,415,008	2,401,372	2,012,443	2,646,521
Effect of non-deductible expenses	(895,144)	(894,406)	(454,013)	(1,206,447)
Crystalisation of deferred tax liabilities on amortisation of revalued properties	268,659	68,592	265,501	66,472
	1,788,523	1,575,558	1,823,931	1,506,546
Tax (under)/overestimated in prior year	(182,509)	(1,371,781)	(145,448)	1,762
Tax income for the year	1,606,014	203,777	1,678,483	1,508,308

The Company has approximately RM9,777,000 (2011: RM9,777,000) in the tax exempt income accounts available for distribution of tax exempt dividends.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

20. LOSS PER SHARE

Basic loss per share

The basic loss per share has been calculated based on the consolidated net loss for the year of RM8,054,017 (2011: RM9,401,712) and on 113,725,112 (2011: 113,803,250) being the weighted average number of ordinary shares in issue during the financial year after deducting treasury shares calculated as follows:

	Group	
	2012 RM	2011 RM
Number of ordinary shares at 1 January	120,521,875	120,521,875
Effect of treasury shares	(6,796,763)	(6,718,625)
Weighted average number of ordinary shares at 31 December	113,725,112	113,803,250

21. RELATED PARTY DISCLOSURES

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 the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

The Company has a controlling related party relationship with its subsidiaries and the following related parties:

(a) A legal firm in which a Director is a partner

(b) A substantial corporate shareholder

(c) A company in which a Director has financial interests

In addition to information disclosed elsewhere in the financial statements, the Group and the Company entered into the following significant transactions with related parties during the financial year:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Transactions with subsidiary companies				
Amalgamated Industrial Stainless Steel (1987) Sdn Bhd				
- Rental income received	-	-	122,856	122,856
- Management fee received	-	-	-	301,584
Amalgamated Industrial Marketing Sdn Bhd				
- Sales of goods	-	-	4,073,869	243,065
- Purchase of goods	-	-	1,776,629	-
- Management fee received	-	-	490,032	262,374
- Interest received	-	-	12,493	-

Notes to the Financial Statements

for the year ended 31 December 2012 continued

21. RELATED PARTY DISCLOSURES continued

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Transactions with a Company in which a Director has financial interest				
Telaxis Sdn Bhd				
- Directors' fee payable	24,000	24,000	24,000	24,000
Transactions with a legal firm in which a Director is a Partner				
Messrs. Ghazali Ariff & Partners				
- Legal fees charged	72,000	72,000	72,000	72,000

Information regarding outstanding balances with subsidiaries at year end is disclosed in Note 8. The outstanding balances at year end with other related parties included in other payables are as follows:

	Group/Company	
	2012 RM	2011 RM
Telaxis Sdn Bhd, a company in which a Director has financial interest	24,000	24,000
Messrs. Ghazali Ariff & Partners, a legal firm in which a Director is a partner	5,660	6,000

Compensation of key management personnel

The key management personnel are the Directors.

(a) The remuneration of key management personnel during the year comprises:

	Group and Company	
	2012 RM	2011 RM
Short-term employee benefits		
Fees	120,000	120,000
Salaries, allowances and bonuses	360,800	377,000
Estimated monetary values of benefits-in-kind	90,906	36,067
Total short-term employee benefits	571,706	533,067
Post-employment benefits		
- defined contribution plan	36,240	38,640
- defined benefit plan	10,500	13,725
Total compensation	618,446	585,432

Notes to the Financial Statements

for the year ended 31 December 2012 continued

22. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Salaries, wages, allowances and bonuses				
- Executive Directors	302,000	322,000	302,000	322,000
- Other employees	6,685,832	6,285,429	6,482,813	5,999,163
Defined benefit plan	79,566	34,839	79,566	34,839
Defined contribution plan	814,247	796,708	794,454	760,001
Social security costs	77,874	75,408	75,894	71,099
Other staff related expenses	387,394	452,143	389,351	408,457
	8,044,913	7,966,527	7,822,078	7,595,559

23. CAPITAL COMMITMENTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Capital expenditure relating to the acquisition of property, plant and equipment not provided for in the financial statements:				
- approved but not contracted	1,776,300	2,035,000	1,776,300	2,035,000

24. OPERATING LEASE ARRANGEMENTS

The Group leases a few units of apartments under cancellable operating leases for its operations. The leases have an average tenure of 1 year with an option to renew. The Group is required to give 2 months' notice for the termination of these leases.

25. CONTINGENT LIABILITIES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Unsecured corporate guarantees given in favour of financial institutions for credit facilities granted to subsidiaries	-	-	9,500,000	10,500,000

Notes to the Financial Statements

for the year ended 31 December 2012 continued

26. FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

2012 Group	Loans and receivables RM	Available-for-sale RM	Total RM
Financial assets			
Other investment	-	14,000	14,000
Trade and other receivables excluding prepayments	38,331,667	-	38,331,667
Cash and bank balances	5,232,604	-	5,232,604
Total financial assets	43,564,271	14,000	43,578,271
2011 **Group**			
Financial assets			
Other investment	-	14,364	14,364
Trade and other receivables excluding prepayments	49,647,963	-	49,647,963
Cash and bank balances	5,048,937	-	5,048,937
Total financial assets	54,696,900	14,364	54,711,264

	At amortised cost	
Group	**2012** **RM**	**2011** **RM**
Financial liabilities		
Trade and other payables	4,146,280	5,507,721
Bank borrowings	62,372,000	78,533,944
Total financial liabilities	66,518,280	84,041,665

Notes to the Financial Statements

for the year ended 31 December 2012 continued

(a) Classification of financial instruments continued

2012 Company	Loans and receivables RM	Available-for-sale RM	Total RM
Financial assets			
Other investment	-	14,000	14,000
Amount owing by subsidiaries	4,159,245	-	4,159,245
Trade and other receivables excluding prepayments	34,873,085	-	34,873,085
Cash and bank balances	4,461,178	-	4,461,178
Total financial assets	43,493,508	14,000	43,507,508
2011 **Company**			
Financial assets			
Other investment	-	14,364	14,364
Amount owing by subsidiaries	6,443,599	-	6,443,599
Trade and other receivables excluding prepayments	49,017,702	-	49,017,702
Cash and bank balances	4,887,014	-	4,887,014
Total financial assets	60,348,315	14,364	60,362,679

Company	At amortised cost 2012 RM	 2011 RM
Financial liabilities		
Trade and other payables	3,073,780	4,795,069
Bank borrowings	59,250,000	78,344,944
Total financial liabilities	62,323,780	83,140,013

(b) Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The carrying amounts of the financial instruments of the Group and of the Company at the reporting date approximated or were at their fair values.

It is not practicable to reasonably estimate the fair value of the unquoted shares due to lack of comparable quoted market prices and available market data for valuation. Therefore, such investments are carried at their original costs less allowance for diminution in value.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

27. SEGMENT ANALYSIS

The geographical segment information is prepared based on location of customers. Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties. The effects of such inter-segmental transactions are eliminated on consolidation.

31 December 2012

	Local RM	Overseas RM	Consolidated RM
Revenue and expenses			
Revenue	133,867,025	23,801,765	157,668,790
Less: Inter-segment sales	(4,073,869)	-	(4,073,869)
External sales	129,793,156	23,801,765	153,594,921
Results			
Segment operating loss	(5,829,151)	(245,900)	(6,075,051)
Finance costs			(3,584,980)
Tax income			1,606,014
Net loss for the year			(8,054,017)
Other information			
Segment assets	178,461,122	-	178,461,122
Segment liabilities	78,097,484	-	78,097,484
Capital expenditure	255,449	-	255,449
Depreciation	2,367,424	-	2,367,424

Notes to the Financial Statements

for the year ended 31 December 2012 continued

27. SEGMENT ANALYSIS continued

31 December 2011

	Local RM	Overseas RM	Consolidated RM
Revenue and expenses			
Revenue	124,960,472	20,132,259	145,092,731
Less: Inter-segment sales	(243,065)	-	(243,065)
External sales	124,717,407	20,132,259	144,849,666
Results			
Segment operating loss	(5,699,829)	(486,822)	(6,186,651)
Finance costs			(3,418,838)
Tax income			203,777
Net loss for the year			(9,401,712)
Other information			
Segment assets	205,614,816	-	205,614,816
Segment liabilities	97,195,738	-	97,195,738
Capital expenditure	531,066	-	531,066
Depreciation	1,598,118	-	1,598,118

Information on the Group's operations by business segment is not provided separately as the Group is mainly engaged in the manufacture and sale of steel-related products.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial risk management objective seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its credit, interest rate, foreign currency exchange, liquidity and cash flow risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

Financial risk management is carried out through risk reviews, internal control systems, benchmarking the industry's best practices and adherence to Group's financial risk management policies.

Notes to the Financial Statements
for the year ended 31 December 2012 continued

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES continued

Management monitors the Group's financial position closely with an objective to minimise potential adverse effects on the financial performance of the Group. Management reviews and agrees on policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the financial year.

The Group does not find it necessary to enter into derivative transactions based on its current level of operations. The main risks arising from the financial instruments of the Group are stated below.

(a) Credit risk

Credit risk arises when sales are made on deferred credit terms.

The entire financial assets of the Group are exposed to credit risk except for cash and bank balances which are placed with licensed financial institutions in Malaysia. The Group's exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount and period.

Credit risks, or the risk of counter-parties defaulting, are managed by the application of credit approvals, limits and monitoring procedures. Trade receivables are monitored on an ongoing basis through Group management reporting procedures.

The Group does not consider it necessary to require collaterals in respect of its financial assets.

The ageing analysis of trade receivables which are trade in nature are as follows:

	Group		Company	
	Gross RM	Impairment RM	Gross RM	Impairment RM
31 December 2012				
Not past due	9,242,828	-	8,435,638	-
Less than 30 days past due	10,194,612	-	9,212,388	-
Between 30 and 90 days past due	9,569,857	-	8,483,851	-
More than 90 days past due	7,783,557	657,816	7,207,116	657,816
	36,790,854	657,816	33,338,993	657,816
31 December 2011				
Not past due	11,697,210	-	11,688,219	-
Less than 30 days past due	12,366,113	-	12,025,451	-
Between 30 and 90 days past due	20,138,652	-	19,909,823	-
More than 90 days past due	2,038,387	881,743	1,854,097	705,241
	46,240,362	881,743	45,477,590	705,241

Notes to the Financial Statements

for the year ended 31 December 2012 continued

(a) Credit risk continued

The movements in the allowance for doubtful debts of trade receivables are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 January	881,743	582,971	705,241	406,469
Addition during the year	344,044	313,772	344,044	313,772
Bad debts written off against allowance	(567,971)	-	(391,469)	-
Allowance no longer required	-	(15,000)	-	(15,000)
At 31 December	657,816	881,743	657,816	705,241

(b) Interest rate risk

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates.

The Group's exposure to interest rate risk is in respect of its bank borrowings. This risk is managed through the use of a mix of fixed and floating interest rate financial instruments.

It is the policy of the Group not to trade in interest rate swap agreements.

A sensitivity analysis has been performed based on the current interest rate of the Group bank borrowing with licensed Bank as at year end. If the interest rate increase or decrease by 50 basis point with all other variables held constant, the Group profit after tax and equity would decrease or increase by RM233,895.

(c) Foreign currency exchange risk

The Group is exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies other than its functional currency. The Group's exposure to currency risk is monitored on an ongoing basis.

The Group has not hedged against the translation exposure as foreign currency financial assets and liabilities do not form a significant portion of the Group's gross assets or gross liabilities.

A sensitivity analysis has been performed based on the outstanding foreign currency denominated monetary items as at year end. If the SGD strengthen or weaken by 5% against RM with all other variables held constant, the Group profit after tax and equity would increase or decrease by RM307,014.

(d) Liquidity and cash flow risk

The Group manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all financing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash to meet its working capital requirements. In addition, the Group aims to maintain available banking facilities at a reasonable level to its overall debt position.

Notes to the Financial Statements

for the year ended 31 December 2012 continued

(d) Liquidity and cash flow risk continued

The table below summarises the maturity profile of the Group's and the Group and Company's financial liabilities based on contractual undiscounted repayment obligations.

31 December 2012	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Group				
Financial liabilities:				
Trade and other payables	4,146,280	-	-	4,146,280
Borrowings	62,468,832	-	-	62,468,832
Total undiscounted financial liabilities	66,615,112	-	-	66,615,112
Company				
Financial liabilities:				
Trade and other payables	3,073,780	-	-	3,073,780
Borrowings	59,346,832	-	-	59,346,832
Total undiscounted financial liabilities	62,420,612	-	-	62,420,612
31 December 2011				
Group				
Financial liabilities:				
Trade and other payables	5,507,721	-	-	5,507,721
Borrowings	77,021,600	3,568,175	-	80,589,775
Total undiscounted financial liabilities	82,529,321	3,568,175	-	86,097,496
Company				
Financial liabilities:				
Trade and other payables	4,795,069	-	-	4,795,069
Borrowings	76,831,810	3,568,175	-	80,399,985
Total undiscounted financial liabilities	81,626,879	3,568,175	-	85,195,054

Notes to the Financial Statements

for the year ended 31 December 2012 continued

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure it will be able to continue as a going concern in order to provide returns for shareholders and to sustain future development of the business.

The principal forms of capital are share capital and reserves as included in the statement of financial position.

Management reviews and manages the capital structure regularly. To maintain or adjust the capital structure, the Group may adjust the payment of dividends or issue of new shares. No changes were made in the objectives, policies or processes during the year.

	2012 RM	2011 RM
Share Capital	60,260,938	60,260,938
Reserves	40,102,700	48,158,140
Total Equity	100,363,638	108,419,078
Borrowings	62,372,000	78,533,944
Total debt to equity ratio (%)	62%	72%

30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

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

Notes to the Financial Statements
for the year ended 31 December 2012 continued

31. UNAPPROPRIATED PROFIT

Realised and unrealised profits/(loss)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits				
Realised	(2,516,557)	8,737,632	(6,616,840)	2,888,180
Unrealised	3,000,311	(968,733)	3,258,746	(634,385)
Total retained profit/(loss) as per financial position	483,754	7,768,899	(3,358,094)	2,253,795

The information above is disclosed pursuant to "Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements".

Statement by Directors

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

In the opinion of the directors, the financial statements set out on pages 38 to 84 have been drawn up:

(a) so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2012 and of their financial performance and cash flows for the year then ended;

(b) in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 1965.

The information set out in Note 31 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements as issued by the Malaysian Institute of Accountants.

Signed on behalf of the directors in accordance
with a directors' resolution dated 17th April 2013

DATO' GHAZALI BIN MAT ARIFF
Director

LIM YEW BOON
Director

Statutory Declaration

I, **Wong Kum Chee**, being the person primarily responsible for the financial management of **Amalgamated Industrial Steel Berhad**, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 38 to 84 are correct.

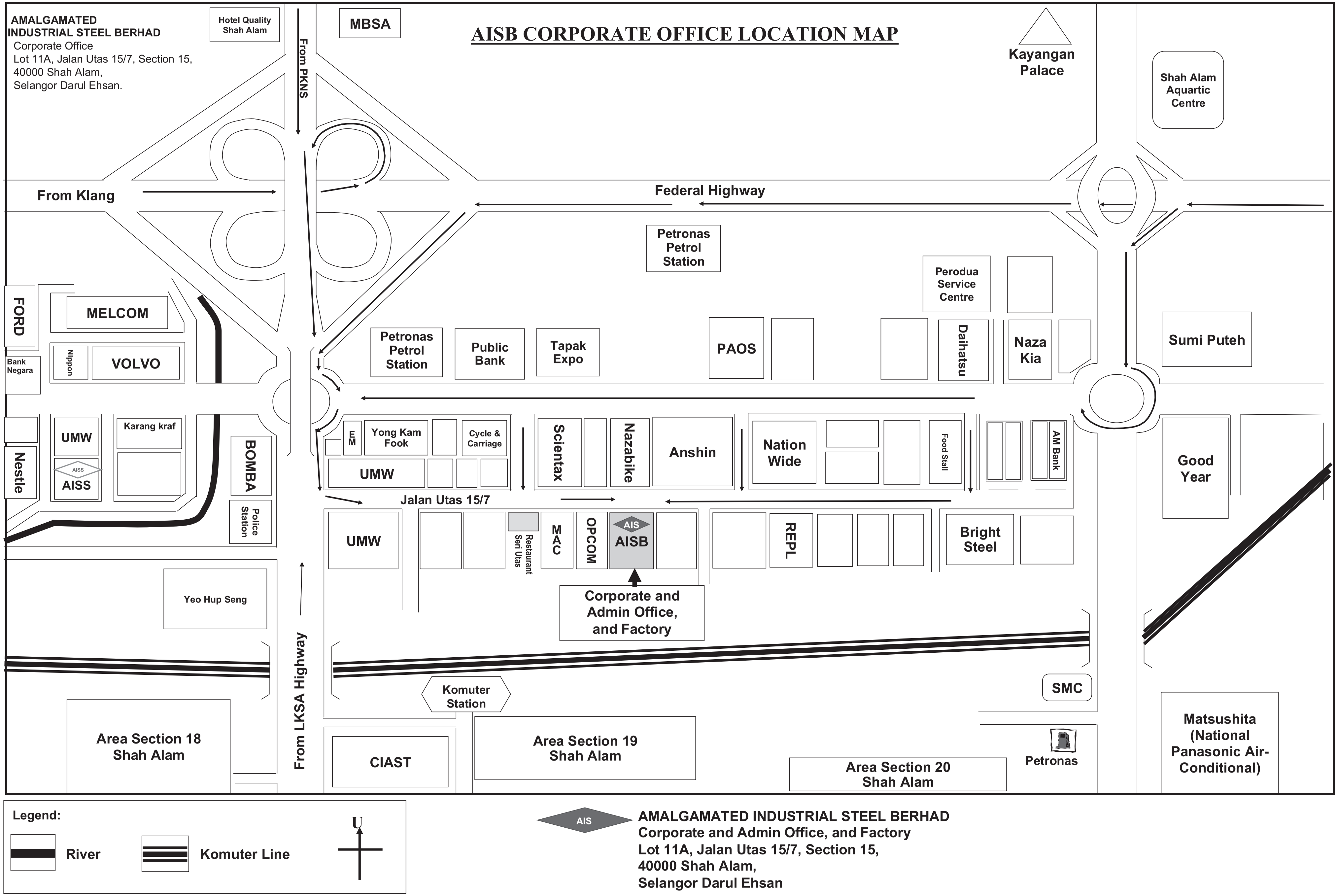
And I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared at	)	
Kuala Lumpur in the Federal Territory	)	
	)	
on 17th April 2013	)	
	)	
	)	
	)	**Wong Kum Chee**

Before me:

Commissioner for Oaths

AISB CORPORATE OFFICE LOCATION MAP



AMALGAMATED INDUSTRIAL STEEL BERHAD
Corporate and Admin Office, and Factory
Lot 11A, Jalan Utas 15/7, Section 15,
40000 Shah Alam,
Selangor Darul Ehsan

AMALGAMATED INDUSTRIAL STEEL BERHAD
COMPANY REGISTRATION NO. 9118-M

Form of Proxy

Forty-Second Annual General Meeting

(Please read notes carefully before completing this form.)

Number of Ordinary Shares held

*I/*We ______________________________ (NRIC No. ______________)

of ______________________________

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

[1]______________________________ (NRIC No. ______________)

of ______________________________ and /or

(The next name and address should be completed if you wish to appoint two proxies.)

*[2] ______________________________ (NRIC No.______________)

of ______________________________

as *my/*our proxy/proxies to attend and, on a poll, to vote for *me/*us and on *my/*our behalf at the Forty-Second Annual General Meeting of the Company, to be held at Lot 11A, Jalan Utas 15/7, Section 15, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 21 June 2013 at 11.00 a.m. and at any adjournment thereof.

(The next paragraph should be completed only when two proxies are appointed.)

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

First Proxy [1] ____________%   Second Proxy [2] ____________%

*(*Delete if not applicable)*

Resolution	Ordinary Business	For	Against
Ordinary Resolution 1	To approve the payment of Directors' fees		
Ordinary Resolution 2	To re-appoint Dato' Ghazali Bin Mat Ariff as Director		
Ordinary Resolution 3	To re-elect Tuan Haji Fauzi bin Mustapha as Director		
Ordinary Resolution 4	To re-appoint Messrs Mazars as the auditors and to authorise the Board of Directors to fix their remuneration.		
	Special Business		
Ordinary Resolution 5	Authority to allot shares pursuant to Section 132D of the Companies Act, 1965.		
Ordinary Resolution 6	Continuing in Office for Tuan Haji Fauzi bin Mustapha as Independent Non-Executive Director		
Ordinary Resolution 7	Continuing in Office for Encik Sulaiman bin Salleh as Independent Non-Executive Director		

Please indicate with an [X] how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

Dated this ______________ day of ______________ 2013.

____
Signature/Common Seal of Shareholder(s)

NOTES:

1. In regard of deposited securities, only members whose names appears in the Record of Depositors as at 17 June 2013 ("General Meeting Record of Depositors") shall be eligible to attend and vote at the Meeting.
2. A member entitled to attend and vote at the Meeting is entitled to appoint a proxy to attend and vote at the Meeting on his behalf. The proxy may but need not be a member of the Company. A member may appoint any person to be his proxy without limitation and there shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to speak at the Meeting.
3. In the case of a corporate member, the instrument appointing a proxy shall be under its Common Seal or under the hand of an officer or attorney of the corporation duly authorised in that behalf.
4. Where a member appoints more than one proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
5. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, he may appoint at least one proxy in respect of each securities account he holds with ordinary shares of the Company standing to the credit of the said securities account.
6. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy must be deposited at the Company's registered office at Lot 11A, Jalan Utas 15/7, 40000 Shah Alam, Selangor Darul Ehsan not less than 48 hours before the time appointed for holding the meeting or at any adjournment thereof.

Please fold here

Affix
Stamp

The Company Secretary

AMALGAMATED INDUSTRIAL STEEL BERHAD

(Company No: 9118-M)

Lot 11A, Jalan Utas 15/7
40000 Shah Alam
Selangor Darul Ehsan

Please fold here

www.aisberhad.com.my

AMALGAMATED
INDUSTRIAL STEEL BERHAD
COMPANY REGISTRATION NO. 9118-M

AMALGAMATED INDUSTRIAL STEEL BERHAD (9118-M)
Lot 11A, Jalan Utas 15/7
40000 Shah Alam
Selangor Darul Ehsan