CSC STEEL HOLDINGS BERHAD
(Company No. 640357 - X)
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

REPORT OF THE DIRECTORS
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Ringgit Malaysia)

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

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Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)

REPORT OF THE DIRECTORS

The directors of **CSC STEEL HOLDINGS BERHAD** have pleasure in submitting their report and the audited financial statements of the Group and the Company for the year ended December 31, 2013.

PRINCIPAL ACTIVITIES

The Company is principally involved in investment holding and provision of management services. The principal activities of its subsidiary companies are as disclosed in Note 14 to the Financial Statements.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

RESULTS OF OPERATIONS

The results of operations of the Group and the Company for the financial year are as follows:

	The Group RM	The Company RM
Profit before tax	38,733,119	3,211,477
Tax expense	(9,382,835)	(583,929)
Profit for the year	29,350,284	2,627,548

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

DIVIDENDS

Since the date of the last report, a final single tier dividend of 5% per share, amounting to RM14,066,465 and a special single tier dividend of 2% per share, amounting to RM11,970,000 declared in respect of the previous financial year, was paid by the Company during the financial year.

The directors have proposed a final single tier dividend of 5% per share and a special single tier dividend of 2% per share, in respect of the current financial year. The proposed dividends, which are subject to approval of the shareholders at the forthcoming Annual General Meeting, have not been included as a liability in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the Financial Statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued any new shares or debentures during the financial year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. As of the end of the financial year, there were no unissued shares of the Company under options.

OTHER STATUTORY INFORMATION

Before the statements of profit or loss and other comprehensive income and the statements of financial position of the Group and the Company were made out, the directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that no allowance for doubtful debts was necessary; and

(b) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

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

(a) which would require the writing off of bad debts or the setting up of amount of allowance for doubtful debts in the financial statements of the Group and the Company; or

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

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

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

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

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

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

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

In the opinion of the directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and the Company for the succeeding financial year.

DIRECTORS

The following directors served on the Board of the Company since the date of the last report:

Chen, Chung-Te (appointed on February 1, 2014)
Chen, High-Pinn (resigned on February 1, 2014)
Tan Chin Teng
Pang Fee Yoon
Chong Khim Leong @ Chong Kim Leong
Brig. Gen. (B) Dato' Mohd Zaaba @ Nik Zaaba Bin Nik Daud
Liu, Jih-Gang
Lee, Shin-Min @ Samuel Lee (appointed on April 1, 2014)
Nee, Lung-Yuan (resigned on April 1, 2014)

In accordance with Article 128 of the Company's Articles of Association, Messrs. Pang Fee Yoon and Liu, Jih-Gang retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Mr. Chen, Chung-Te and Mr. Lee, Shin-Min @ Samuel Lee, who were appointed to the Board since the date of last Annual General Meeting, retire under Article 133 of the Company's Articles of Association and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

DIRECTORS' INTERESTS

The shareholdings in the Company and ultimate holding company of those who were directors at the end of the financial year, as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965, are as follows:

	No. of ordinary shares of RM1 each			
	Balance at 1.1.2013	**Bought**	**Sold**	**Balance at 31.12.2013**
Shares in the Company				
Registered in the name of directors				
Pang Fee Yoon	20,000	-	-	20,000
Chong Khim Leong @ Chong Kim Leong	20,000	-	-	20,000

	No. of ordinary shares of *NTD10 each			
	Balance at 1.1.2013	**Bought**	**Sold**	**Balance at 31.12.2013**
Shares in ultimate holding company, China Steel Corporation				
Registered in the name of directors				
Chen, High-Pinn	398,058	16,081	-	414,139
Nee, Lung-Yuan	290,256	-	-	290,256
Liu, Jih-Gang	138,555	1,385	-	139,940
Deemed interest				
Liu, Jih-Gang	966**	9	-	975**

* New Taiwan Dollar

** Indirect interest by virtue of shares held by members of the directors' family and by companies in which the directors have interest.

By virtue of their interests in the shares of the ultimate holding company, the above directors are deemed to have an interest in the shares of the Company and of all related companies to the extent of the ultimate holding company's interest.

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the directors of the Company has received or become entitled to receive any benefit (other than those disclosed as directors' remuneration in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

During and at the end of the financial year, no arrangement subsisted to which the Company was a party whereby directors of the Company might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HOLDING COMPANIES

The Company is a subsidiary of China Steel Asia Pacific Holdings Pte. Ltd., a company incorporated in the Republic of Singapore. The directors regard China Steel Corporation, a company incorporated in Taiwan, as the ultimate holding company.

AUDITORS

The auditors, Messrs. Deloitte & Touche, have indicated their willingness to continue in office.

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

CHEN, CHUNG-TE

TAN CHIN TENG

Melaka
April 2, 2014

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of **CSC STEEL HOLDINGS BERHAD**, which comprise the statements of financial position of the Group and of the Company as of December 31, 2013 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 63.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of these financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia 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.

(Forward)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that 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 December 31, 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

b) we have considered the accounts and auditors' report of the subsidiary of which we have not acted as auditors, as mentioned in Note 14 to the Financial Statements, being accounts that have been included in the financial statements of the Group;

c) we are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group, and we have received satisfactory information and explanations required by us for these purposes;

d) the auditors' reports on the accounts of the subsidiaries were not subject to any qualification and did not include any adverse comment made under Section 174 (3) of the Act.

(Forward)

Other Reporting Responsibilities

The supplementary information set out in Note 31 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 all 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

This report is made solely to the member 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 contents of this report.

DELOITTE & TOUCHE
AF 0834
Chartered Accountants

HIEW KIM TIAM
Partner - 1717/8/15 (J)
Chartered Accountant

April 2, 2014

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

		The Group		The Company	
	Note	2013 RM	2012 RM	2013 RM	2012 RM
Revenue	5	1,141,727,617	1,126,993,592	4,892,535	4,852,428
Cost of sales		(1,084,284,408)	(1,072,542,990)	-	-
Gross profit		57,443,209	54,450,602	4,892,535	4,852,428
Investment revenue	7	8,100,264	7,606,864	1,707,190	371,086
Other income		9,128,293	8,443,382	249,200	-
Sales and marketing expenses		(21,524,414)	(20,584,265)	-	-
General and administrative expenses		(12,511,010)	(11,479,062)	(3,637,448)	(3,855,688)
Finance costs	8	-	(144)	-	-
Other expenses		(1,770,223)	(924,421)	-	-
Share of loss of an associate		(133,000)	-	-	-
Profit before tax	9	38,733,119	37,512,956	3,211,477	1,367,826
Tax expense	10	(9,382,835)	(9,505,252)	(583,929)	(404,644)
Profit for the year		29,350,284	28,007,704	2,627,548	963,182
Other comprehensive income					
Items that may be reclassified subsequently to profit and loss:					
Net fair value gain on available-for-sale financial assets	16	732,256	23,666	732,256	23,666
Total comprehensive income for the year		30,082,540	28,031,370	3,359,804	986,848
Basic earnings per ordinary share (sen)	11	7.89	7.51		

The accompanying Notes form an integral part of the Financial Statements.

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2013

		The Group		The Company	
		2013	**2012**	**2013**	**2012**
	Note	**RM**	**RM**	**RM**	**RM**
ASSETS					
Non-current assets					
Property, plant and equipment	12	241,733,631	264,207,931	862,000	944,128
Prepaid lease payments	13	18,503,367	18,740,493	-	-
Investment in subsidiary companies	14	-	-	387,032,531	387,032,531
Investment in associated company	15	8,131,368	-	8,264,368	-
Other investments	16	4,479,636	3,207,208	4,479,636	3,207,208
Total non-current assets		272,848,002	286,155,632	400,638,535	391,183,867
Current assets					
Inventories	17	200,584,750	194,943,434	-	-
Trade receivables	18	75,884,299	96,888,807	-	-
Other receivables and prepaid expenses	18	9,019,765	9,259,952	244,796	979,465
Amount due from ultimate holding company	19	6,953,073	20,041,177	-	-
Amount due from other related company	19	-	43,886	-	-
Amount due from associated company	19	12,516,939	-	-	-
Tax recoverable		1,672,332	3,412,287	224,070	483,116
Fixed income fund, fixed deposits, short-term placements and cash and bank balances	20	259,997,624	236,832,965	39,664,154	71,819,741
Total current assets		566,628,782	561,422,508	40,133,020	73,282,322
Total Assets		839,476,784	847,578,140	440,771,555	464,466,189

(Forward)

	Note	The Group 2013 RM	The Group 2012 RM	The Company 2013 RM	The Company 2012 RM
EQUITY AND LIABILITIES					
Capital and reserves					
Issued capital	21	380,000,000	380,000,000	380,000,000	380,000,000
Treasury shares	22	(8,950,090)	(7,992,219)	(8,950,090)	(7,992,219)
Retained earnings	23	371,939,103	368,625,284	36,055,445	59,464,362
Reserves	23	33,197,061	32,464,805	33,197,061	32,464,805
Total equity		776,186,074	773,097,870	440,302,416	463,936,948
Non-current liability					
Deferred tax liabilities	24	27,985,835	33,375,819	-	-
Current liabilities					
Trade payables	25	3,872,496	3,255,769	-	-
Other payables and accrued expenses	25	30,144,125	37,060,205	469,139	529,241
Amount due to other related companies	19	1,288,254	788,477	-	-
Total current liabilities		35,304,875	41,104,451	469,139	529,241
Total liabilities		63,290,710	74,480,270	469,139	529,241
Total Equity and Liabilities		839,476,784	847,578,140	440,771,555	464,466,189

The accompanying Notes form an integral part of the Financial Statements.

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2013

				Non-distributable reserves		Distributable	
The Group	**Note**	**Issued capital RM**	**Treasury shares RM**	**Share premium RM**	**Investment revaluation reserve RM**	**reserve- Retained earnings RM**	**Total RM**
Balance as of January 1, 2012		380,000,000	(7,415,698)	32,441,139	-	366,741,580	771,767,021
Profit for the year		-	-	-	-	28,007,704	28,007,704
Other comprehensive income for the year		-	-	-	23,666	-	23,666
Total comprehensive income for the year		-	-	-	23,666	28,007,704	28,031,370
Dividends	26	-	-	-	-	(26,124,000)	(26,124,000)
Shares buy-back	22	-	(576,521)	-	-	-	(576,521)

(Forward)

The Group	Note	Issued capital RM	Treasury shares RM	Non-distributable reserves Share premium RM	Investment revaluation reserve RM	Distributable reserve- Retained earnings RM	Total RM
Balance as of December 31, 2012/January 1, 2013		380,000,000	(7,992,219)	32,441,139	23,666	368,625,284	773,097,870
Profit for the year		-	-	-	-	29,350,284	29,350,284
Other comprehensive income for the year		-	-	-	732,256	-	732,256
Total comprehensive income for the year		-	-	-	732,256	29,350,284	30,082,540
Dividends	26	-	-	-	-	(26,036,465)	(26,036,465)
Shares buy-back	22	-	(957,871)	-	-	-	(957,871)
Balance as of December 31, 2013		380,000,000	(8,950,090)	32,441,139	755,922	371,939,103	776,186,074

(Forward)

The Company	Note	Issued capital RM	Treasury shares RM	Non-distributable reserves Share premium RM	Non-distributable reserves Investment revaluation reserve RM	Distributable reserve- Retained earnings RM	Total RM
Balance as of January 1, 2012		380,000,000	(7,415,698)	32,441,139	-	84,625,180	489,650,621
Profit for the year		-	-	-	-	963,182	963,182
Other comprehensive income for the year		-	-	-	23,666	-	23,666
Total comprehensive income for the year		-	-	-	23,666	963,182	986,848
Dividends	26	-	-	-	-	(26,124,000)	(26,124,000)
Shares buy-back	22	-	(576,521)	-	-	-	(576,521)
Balance as of December 31, 2012/January 1, 2013		380,000,000	(7,992,219)	32,441,139	23,666	59,464,362	463,936,948
Profit for the year		-	-	-	-	2,627,548	2,627,548
Other comprehensive income for the year		-	-	-	732,256	-	732,256
Total comprehensive income for the year		-	-	-	732,256	2,627,548	3,359,804
Dividends	26	-	-	-	-	(26,036,465)	(26,036,465)
Shares buy-back	22	-	(957,871)	-	-	-	(957,871)
Balance as of December 31, 2013		380,000,000	(8,950,090)	32,441,139	755,922	36,055,445	440,302,416

The accompanying Notes form an integral part of the Financial Statements.

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
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STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Cash flows from operating activities				
Profit for the year	29,350,284	28,007,704	2,627,548	963,182
Adjustments for:				
Tax expense	9,382,835	9,505,252	583,929	404,644
Depreciation of property, plant and equipment	39,214,646	38,454,939	82,128	82,128
Provision for onerous contracts	8,313,143	4,846,952	-	-
(Reversal of impairment loss on other investments)/Impairment loss on other investments	(249,200)	249,200	(249,200)	249,200
Amortisation of prepaid lease payments	237,126	237,169	-	-
Property, plant and equipment written off	1,024,414	18,337	-	-
Finance costs	-	144	-	-
Write-down of inventories	12,619,537	12,662,632	-	-
Interest income	(8,100,264)	(7,606,864)	(1,707,190)	(371,086)
Unrealised gain on foreign exchange	(872,271)	-	-	-
Gain on disposal of property, plant and equipment	(87,000)	(3,100)	-	-
Dividend income	(40,695)	(588)	(40,695)	(588)
Share of loss of associated company	133,000	-	-	-
	90,925,555	86,371,777	1,296,520	1,327,480
Movements in working capital:				
Increase in inventories	(18,260,853)	(7,899,811)	-	-
Decrease/(Increase) in trade receivables	21,004,508	(9,968,445)	-	-
Decrease/(Increase) in other receivables and prepaid expenses	(121,732)	22,911,987	(139,608)	(893,457)
Decrease/(Increase) in amount due from ultimate holding company	13,962,604	(20,041,177)	-	-

(Forward)

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Increase in amount due from associated company	(12,516,939)	-	-	-
Increase/(Decrease) in trade payables	614,498	(367,926)	-	-
(Decrease)/Increase in other payables and accrued expenses	(10,382,271)	6,658,783	(60,102)	22,631
Decrease in amount due to ultimate holding company	-	(269,570)	-	-
Increase/(Decrease) in amount due to other related companies	499,777	(1,840,259)	-	-
Cash from operations	85,725,147	75,555,359	1,096,810	456,654
Income tax paid - net	(13,032,864)	(6,259,942)	(324,883)	(556,410)
Provision for onerous contracts utilised	(4,846,952)	(6,054,583)	-	-
Interest paid	-	(144)	-	-
Net cash generated from/(used in) operating activities	67,845,331	63,240,690	771,927	(99,756)
Cash flows from investing activities				
Purchase of property, plant and equipment	(17,764,760)	(39,114,475)	-	-
Proceeds from disposal of property, plant and equipment	87,000	3,100	-	-
Proceeds from compulsory land acquisition by government	-	38,636	-	-
Acquisition of associated company	(7,446,688)	-	(7,446,688)	-
Additions to other investments (Note 16)	(290,972)	(1,121,542)	(290,972)	(1,121,542)
Interest received	7,644,503	7,339,841	1,763,787	290,078
Repayment from subsidiary company	-	-	-	88,100,000
Decrease/(Increase) in amount due from other related company	43,886	(43,886)	-	-
Dividend received	40,695	588	40,695	588

(Forward)

	Note	The Group 2013 RM	The Group 2012 RM	The Company 2013 RM	The Company 2012 RM
Net cash (used in)/from investing activities		(17,686,336)	(32,897,738)	(5,933,178)	87,269,124
Cash flows from financing activities					
Shares buy-back		(957,871)	(576,521)	(957,871)	(576,521)
Dividends paid		(26,036,465)	(26,124,000)	(26,036,465)	(26,124,000)
Net cash used in financing activities		(26,994,336)	(26,700,521)	(26,994,336)	(26,700,521)
Net increase/(decrease) in cash and cash equivalents		23,164,659	3,642,431	(32,155,587)	60,468,847
Cash and cash equivalents at beginning of year		236,832,965	233,190,534	71,819,741	11,350,894
Cash and cash equivalents at end of year	28	259,997,624	236,832,965	39,664,154	71,819,741

The accompanying Notes form an integral part of the Financial Statements.

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)
AND ITS SUBSIDIARY COMPANIES

NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The Company is principally involved in investment holding and provision of management services. The principal activities of its subsidiary companies are as disclosed in Note 14.

There have been no significant changes in the nature of the principal activities of the Company and its subsidiaries during the financial year.

The registered office of the Company is located at 49-B, Jalan Melaka Raya 8, Taman Melaka Raya, 75000 Melaka. The principal place of business of the Company is located at 180, Kawasan Perindustrian Ayer Keroh, Ayer Keroh, 75450 Melaka.

The financial statements of the Group and of the Company were authorised by the Board of Directors for issuance in accordance with a resolution of the directors on April 2, 2014.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Adoption of revised MFRSs and Amendments to MFRSs

In the current financial year, the Group and the Company adopted the following revised MFRSs and amendments to MFRSs issued by Malaysian Accounting Standards Board that are relevant to its operations and mandatory for financial periods beginning on or after January 1, 2013:

MFRS 7	Financial Instruments: Disclosures (Amendments relating to Disclosures - Offsetting Financial Assets and Liabilities)
MFRS 10	Consolidated Financial Statements
MFRS 10	Consolidated Financial Statements (Amendments relating to Transition Guidance)
MFRS 12	Disclosures of Interests in Other Entities

MFRS 12	Disclosures of Interests in Other Entities (Amendments relating to Transition Guidance)
MFRS 13	Fair Value Measurement
MFRS 101	Presentation of Financial Statements (Amendments relating to Presentation of Items of Other Comprehensive Income)

Amendments to MFRSs contained in the document entitled Annual Improvements 2009-2011 cycle

The adoption of these revised MFRSs and amendments to MFRSs have not had any significant financial impact on the financial statements of the Group and the Company for the current and prior financial years.

Standards and Amendments in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and revised Standards and Amendments relevant to the Company which were in issue but not yet effective and not early adopted by the Company are as listed below.

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)[1]
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)[1]
Amendments to MFRS 9 and MFRS 7	Mandatory Effective Date of MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and Transition Disclosures[1]
Amendments to MFRS 132	Financial Instruments: Presentation (Amendments relating to Offsetting Financial Assets and Financial Liabilities)[2]
Amendments to MFRS 136	Impairment of Assets (Amendments relating to Recoverable Amounts Disclosures for Non-Financial Assets)[2]
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement (Amendments relating to Novation of Derivatives and Continuation of Hedge Accounting)[2]

[1] Effective for annual periods beginning on or after January 1, 2015 instead of January 1, 2013 immediately upon the issuance of Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009 and October 2010 respectively) and MFRS 7 relating to “Mandatory Effective Date of MFRS 9 and Transition Disclosures” on March 1, 2012

[2] Effective for annual periods beginning on or after January 1, 2014

The directors anticipate that the abovementioned Standards and Amendments will be adopted in the annual financial statements of the Group and the Company when they become effective and that the adoption of these Standards will have no material impact on the financial statements of the Group and the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements of the Group and the Company have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The significant accounting policies are set out below.

Revenue

Revenue from sales of goods is measured at the fair value of the consideration received or receivable and is recognised when goods are delivered and title has passed to the customers. Sales represent amounts receivable for goods sold in the normal course of business, net of returns and trade discounts.

Dividend income represents gross dividend from quoted and unquoted investments and is recognised when the shareholder’s right to receive payment is established.

Management fee is recognised on time basis, in respect of services rendered and by reference to the agreements entered into.

Foreign currencies

The financial statements of the Group and the Company are presented in Ringgit Malaysia, the currency of the primary economic environment in which the Group and the Company operates (its functional currency).

In preparing the financial statements of the Group and the Company, transactions in currencies other than the Group’s and the Company’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the date of transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Employee benefits

(a) **Short term benefits**

Wages, salaries, paid leave and bonuses are recognised in the year in which the associated services are rendered by employees of the Group and of the Company.

(b) **Defined contribution plan**

The Group and the Company are required by law to make monthly contributions to the Employees Provident Fund ("EPF"), a statutory defined contribution plan for all their eligible employees based on certain prescribed rates of the employees' salaries. Once the contributions have been paid, the Group and the Company have no further payment obligations. The Group's and the Company's contribution to EPF are disclosed separately. The employees' contributions to EPF are included in staff costs.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's and the Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) **Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unused tax credits can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group and the Company intend to settle its current tax assets and liabilities on a net basis.

(c) **Current and deferred tax for the period**

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The subsidiary companies are consolidated using the acquisition method of accounting whereby, on acquisition, the assets acquired and liabilities and contingent liabilities assumed of the subsidiary companies are measured at their fair values at the date of acquisition. Any excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with MFRS 2 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where a business combination is achieved in stages, the Group's previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation of property, plant and equipment, except for freehold land and plant and machinery under installation which are not depreciated, is computed on the straight-line method at the following annual rates based on the estimated useful lives of the various assets. The annual depreciation rates are as follows:

Buildings under long leases	2% - 4%
Plant and machinery	5% - 66.67%
Motor vehicles	10% - 20%
Equipment, furniture, fixture and fittings	6.67% - 50%

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

A gain or loss arising from the disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset, and is recognised in profit or loss.

Prepaid lease payments

Lease of land with title not expected to pass to the lessee by the end of the lease term is treated as operating lease as land normally has an indefinite economic life. The upfront payments made on entering into a lease or acquiring a leasehold land that is accounted for as an operating lease are accounted for as prepaid lease payments that are amortised over the lease term on a straight-line basis and charged to the profit or loss for the period.

Investments

Investment in unquoted shares of subsidiary companies and other investments in unquoted shares are stated at cost. Where there is an indication of impairment in the value of the assets, the carrying amounts of the investments are assessed and written down immediately to its recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of raw materials comprises the original purchase price plus the cost of bringing the inventories to their present location and condition. The costs of work-in-progress and finished goods include the cost of raw materials, direct labour and a proportion of the manufacturing overheads. Net realisable value represents the estimated selling price in the ordinary course of business less selling and distribution costs and all other estimated costs to completion.

In arriving at net realisable values, due allowance is made for all obsolete and slow moving inventories.

Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Investment in associated company

An associated company is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associated company are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investment in associated company are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associated company, less any impairment in the value of individual investments. When the Group’s share of losses of an associated company exceeds the Group’s interest in that associated company (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associated company), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associated company.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associated company recognised at the date of acquisition is recognised as goodwill which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of MFRS 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group’s investment in an associated company. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with MFRS 136 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associated company that results in the Group losing significant influence over that associated company, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with MFRS 139. The difference between the previous carrying amount of the associated company attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as that would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in the other comprehensive income by that associated company would be reclassified to profit or loss on disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associated company.

Where a group entity transacts with its associated company, profits and losses resulting from the transactions with the associated company are recognised in the Group's consolidated financial statements only to the extent of the Group's interest in the associated company that are not related to the Group.

Investment in associated company is stated in the Company's separate financial statements at cost less any accumulated impairment losses.

Financial instruments

(a) **Initial recognition and measurement**

A financial instrument is recognised in the financial statements when, and only when, the Group and the Company become a party to the contractual provisions of the instrument.

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

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

(b) **Financial instrument categories and subsequent measurement**

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

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

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives or financial assets that are specifically designated into this category upon initial recognition.

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

(ii) **Held-to-maturity investments**

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

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

(iii) **Loans and receivables**

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

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

(iv) **Available-for-sale financial assets**

Available-for-sale category comprises non-derivative financial assets that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of unquoted equity instruments 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 interest calculated using the effective interest method which are recognised in profit or loss.

On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into statement of comprehensive income.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

Financial liabilities

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

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

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

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

(c) **Derecognition**

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

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

Impairment of financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, and fixed and call deposits) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised.

For an equity investment classified as available for sale, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

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 assets is reduced by the impairment loss directly except for trade receivables where the carrying amount is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised in profit or loss.

Impairment losses recognised in other comprehensive income for an investment in an equity instrument is not reversed through profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Impairment of non-financial assets

At the end of each reporting period, the Group and the Company review the carrying amounts of the non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Treasury shares

Shares bought back held as treasury shares are accounted for on the cost method and presented as a deduction from equity. Should such shares be cancelled, their nominal amounts will be eliminated, and the differences between their cost and nominal amounts will be taken to reserves as appropriate.

Segment reporting

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

Statements of cash flows

The Group and the Company adopt the indirect method in the preparation of the statements of cash flows.

Cash equivalents are short-term, highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

In the application of the Group's and the Company's accounting policies, which are described in Note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

(a) **Impairment of non-financial assets**

The Group and the Company assess whether there are any indicators of impairment for all non-financial assets at the end of each reporting period, and non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The preparation of estimated future cash flows involves significant judgement and estimations. Based on existing knowledge, the Group and the Company believe that the assumptions are appropriate and reasonable, any significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to changes in impairment charges.

(b) **Useful lives and residual value of property, plant and equipment**

The Group and the Company estimate the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives and residual values of property, plant and equipment are reviewed at the end of each reporting period and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives and residual values of property, plant and equipment are based on the internal technical evaluation, maintenance programmes and experience with similar assets in the same industry. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above. The amounts and timing of depreciation expense for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives and residual values of the property, plant and equipment would increase the depreciation expense and decrease the carrying amounts of property, plant and equipment.

(c) **Inventories**

In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period.

5. REVENUE

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Manufacturing and marketing of steel products	1,141,686,922	1,126,993,004	-	-
Dividend income from other investments	40,695	588	40,695	588
Management fee from subsidiary company (Note 19)	-	-	4,800,000	4,800,000
Rental income (Note 19)	-	-	51,840	51,840
	1,141,727,617	1,126,993,592	4,892,535	4,852,428

6. SEGMENT REPORTING

Business segments

For management purposes, the Group is organised into the following operating divisions:

- Cold rolled and coated steel products
- Investment holding
- Others (including direct/indirect subsidiary company which is dormant)

Inter-segment sales are charged at cost plus a percentage profit mark-up.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	The Group			
	Segment revenue		**Segment profit**	
	2013	**2012**	**2013**	**2012**
	RM	**RM**	**RM**	**RM**
Cold rolled and coated steel products	1,141,686,922	1,126,993,004	29,768,590	29,373,531
Investment holding	4,958,535	4,918,428	1,530,504	1,018,770
Others	-	-	(666,239)	(486,065)
	1,146,645,457	1,131,911,432	30,632,855	29,906,236
Less: Eliminations	(4,917,840)	(4,917,840)	-	-
	1,141,727,617	1,126,993,592	30,632,855	29,906,236
Investment revenue			8,100,264	7,606,864
Finance costs			-	(144)
Profit before tax			38,733,119	37,512,956
Tax expense			(9,382,835)	(9,505,252)
Profit for the year			29,350,284	28,007,704

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities:

	Segment assets		**Segment liabilities**	
	2013	**2012**	**2013**	**2012**
The Group	**RM**	**RM**	**RM**	**RM**
Cold rolled and coated steel products	638,207,594	623,956,495	33,674,115	39,542,331
Investment holding	187,795,659	207,432,772	651,339	535,441
Others	11,801,199	12,776,586	979,421	1,026,679
	837,804,452	844,165,853	35,304,875	41,104,451
Unallocated	1,672,332	3,412,287	27,985,835	33,375,819
Total	839,476,784	847,578,140	63,290,710	74,480,270

Other segment information

The Group	Capital additions 2013 RM	Capital additions 2012 RM	Depreciation of property, plant and equipment 2013 RM	Depreciation of property, plant and equipment 2012 RM
Cold rolled and coated steel products	17,394,570	28,890,933	39,094,899	38,347,490
Investment holding	-	3,700	97,203	97,184
Others	370,190	10,219,842	22,544	10,265
	17,764,760	39,114,475	39,214,646	38,454,939

Geographical segments

The Group's revenue from external customers by geographical location is detailed below:

The Group	Malaysia RM	Asia Pacific RM	Consolidated RM
Year ended December 31, 2013			
Revenue from external customers by location of customers	1,004,514,173	137,213,444	1,141,727,617
Segment asset by location of assets	839,476,784	-	839,476,784
Capital expenditure by location of assets	17,764,760	-	17,764,760
Year ended December 31, 2012			
Revenue from external customers by location of customers	1,021,255,131	105,738,461	1,126,993,592
Segment asset by location of assets	847,578,140	-	847,578,140
Capital expenditure by location of assets	39,114,475	-	39,114,475

7. INVESTMENT REVENUE

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Interest income from fixed income fund, fixed deposits and short-term placements with licensed banks	8,100,264	7,606,864	1,707,190	371,086

8. FINANCE COSTS

	The Group	
	2013	2012
	RM	RM
Interest expense on bank overdraft	-	144

9. PROFIT BEFORE TAX

Profit before tax is arrived at after crediting/(charging):

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Unrealised gain on foreign exchange	872,271	-	-	-
Changes in inventories of finished goods and work-in-progress	1,461,690	5,327,269	-	-
Realised gain on foreign exchange	7,014,498	7,584,089	-	-
Gain on disposal of property, plant and equipment	87,000	3,100	-	-
Raw materials and consumables used	(973,486,311)	(969,360,720)	-	-
Depreciation of property, plant and equipment (Note 12)	(39,214,646)	(38,454,939)	(82,128)	(82,128)
Staff costs	(30,294,200)	(28,016,404)	(2,753,982)	(2,717,169)

(Forward)

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Write-down of inventories	(12,619,537)	(12,662,632)	-	-
Provision for onerous contracts	(8,313,143)	(4,846,952)	-	-
Directors' remuneration:				
The directors of the Company	(346,432)	(336,915)	(346,432)	(336,915)
The directors of the subsidiary companies	(401,234)	(399,876)	-	-
Reversal of impairment loss on other investments/ (Impairment loss on other investments)	249,200	(249,200)	249,200	(249,200)
Amortisation of prepaid lease payments (Note 13)	(237,126)	(237,169)	-	-
Audit fee:				
Statutory	(112,900)	(112,900)	(24,000)	(24,000)
Others	(3,500)	(3,500)	(3,500)	(3,500)
Property, plant and equipment written off	(1,024,414)	(18,337)	-	-
Rental of building	(257,920)	(45,520)	-	-

Staff costs include salaries, contributions to EPF, bonuses and all other related expenses. EPF contributions made during the financial year by the Group and the Company amounted to RM3,086,766 (2012: RM2,789,350) and RM317,025 (2012: RM298,524) respectively.

Directors' remuneration consists of:

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Executive directors:				
Salaries and other emoluments	597,779	587,655	250,554	241,320
Benefits-in-kind	55,087	54,336	1,078	795
Non-executive directors:				
Fees	94,800	94,800	94,800	94,800
	747,666	736,791	346,432	336,915

10. TAX EXPENSE

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Estimated tax payable:				
Current year	14,820,667	11,919,135	583,929	404,510
(Over)/Underprovision in prior years	(47,848)	595,905	-	134
	14,772,819	12,515,040	583,929	404,644
Deferred tax (Note 24):				
Current year	(5,482,126)	(2,978,137)	-	-
Under/(Over)provision in prior year	92,142	(31,651)	-	-
	(5,389,984)	(3,009,788)	-	-
	9,382,835	9,505,252	583,929	404,644

A numerical reconciliation of tax expense to profit before tax at the applicable statutory income tax rate to tax expense at the effective income tax rate is as follows:

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Profit before tax	38,733,119	37,512,956	3,211,477	1,367,826
Tax at the statutory income tax rate of 25%	9,683,280	9,378,239	802,869	341,957
Tax effect of expenses not deductible in determining taxable profit	415,555	436,382	23,132	135,387
Tax effect of income not taxable in determining taxable profit	(756,428)	(817,513)	(242,072)	(72,834)
Tax effect of double deduction on import insurance	(37,116)	(56,110)	-	-
Tax effect of share of loss of an associate	33,250	-	-	-

(Forward)

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Under/(Over)provision in prior years:				
Current tax	(47,848)	595,905	-	134
Deferred tax	92,142	(31,651)	-	-
Tax expense for the year	9,382,835	9,505,252	583,929	404,644

As of December 31, 2013, the subsidiary companies have the following tax-exempt income accounts amounting to about:

(a) RM229,455,000 (2012: RM229,455,000) arising from investment tax allowances claimed and utilised under the Promotion of Investment Act, 1986;

(b) RM2,113,900 (2012: RM2,113,900) arising from reinvestment allowances claimed and utilised under Schedule 7A of the Income Tax Act, 1967; and

(c) RM269,000 (2012: RM269,000) arising from chargeable income waived in 1999 in accordance with Section 12 of the Income Tax (Amended) Act, 1999.

The balances in the tax exempt income accounts, which are subject to the agreement with the tax authorities, are available for distribution of tax exempt dividends to the shareholders of the Company.

11. EARNINGS PER ORDINARY SHARE

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

	The Group	
	2013	2012
	RM	RM
Profit for the year	29,350,284	28,007,704
Weighted average number of ordinary shares of RM1 in issue	372,046,363	373,122,854
Basic earnings per ordinary share (sen)	7.89	7.51

12. PROPERTY, PLANT AND EQUIPMENT

The Group

Cost	**Freehold land RM**	**Buildings under long leases RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Equipment, furniture, fixture and fittings RM**	**Plant and machinery under installation RM**	**Total RM**
Balance at January 1, 2012	4,170,809	77,934,020	474,856,559	4,331,880	23,051,844	12,897,850	597,242,962
Additions	-	39,290	8,568,026	233,500	2,200,437	28,073,222	39,114,475
Disposals/Write-offs	-	-	(3,284,863)	(59,231)	(71,745)	-	(3,415,839)
Reclassification	-	-	1,142,378	-	717,953	(1,860,331)	-
Balance at December 31, 2012/ January 1, 2013	4,170,809	77,973,310	481,282,100	4,506,149	25,898,489	39,110,741	632,941,598
Additions	-	118,500	11,327,558	170,482	637,488	5,510,732	17,764,760
Disposals/Write-offs	-	-	(39,628,675)	(263,726)	(824,804)	-	(40,717,205)
Reclassification	-	-	17,158,047	-	-	(17,158,047)	-
Balance at December 31, 2013	4,170,809	78,091,810	470,139,030	4,412,905	25,711,173	27,463,426	609,989,153

(Forward)

Accumulated depreciation	**Freehold land RM**	**Buildings under long leases RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Equipment, furniture, fixture and fittings RM**	**Plant and machinery under installation RM**	**Total RM**
Balance at January 1, 2012	-	33,720,146	267,605,247	3,840,160	16,334,123	-	321,499,676
Charge for the year	-	4,028,112	31,805,751	268,554	2,352,522	-	38,454,939
Disposals/Write-offs	-	-	(3,274,657)	(59,231)	(60,310)	-	(3,394,198)
Balance at December 31, 2012/ January 1, 2013	-	37,748,258	296,136,341	4,049,483	18,626,335	-	356,560,417
Charge for the year	-	4,037,573	33,171,132	180,744	1,825,197	-	39,214,646
Disposals/Write-offs	-	-	(27,938,431)	(263,726)	(508,380)	-	(28,710,537)
Balance at December 31, 2013	-	41,785,831	301,369,042	3,966,501	19,943,152	-	367,064,526

(Forward)

Accumulated impairment loss	**Freehold land RM**	**Buildings under long leases RM**	**Plant and machinery RM**	**Motor vehicles RM**	**Equipment, furniture, fixture and fittings RM**	**Plant and machinery under installation RM**	**Total RM**
Balance at January 1, 2012	-	-	11,857,463	-	319,091	-	12,176,554
Write-offs	-	-	-	-	(3,304)	-	(3,304)
Balance at December 31, 2012/ January 1, 2013	-	-	11,857,463	-	315,787	-	12,173,250
Write-offs	-	-	(10,700,055)	-	(282,199)	-	(10,982,254)
Balance at December 31, 2013	-	-	1,157,408	-	33,588	-	1,190,996
Net book value							
Balance at December 31, 2013	4,170,809	36,305,979	167,612,580	446,404	5,734,433	27,463,426	241,733,631
Balance at December 31, 2012	4,170,809	40,225,052	173,288,296	456,666	6,956,367	39,110,741	264,207,931

(Forward)

The Company

	Furniture and fittings RM	Buildings RM	Total RM
Cost			
Balance at January 1, 2012	330,183	800,282	1,130,465
Additions	-	-	-
Balance at December 31, 2012/ December 31, 2013	330,183	800,282	1,130,465
Accumulated depreciation			
Balance at January 1, 2012	74,683	29,526	104,209
Charge for the year	66,043	16,085	82,128
Balance at December 31, 2012/ January 1, 2013	140,726	45,611	186,337
Charge for the year	66,043	16,085	82,128
Balance at December 31, 2013	206,769	61,696	268,465
Net book value			
Balance at December 31, 2013	123,414	738,586	862,000
Balance at December 31, 2012	189,457	754,671	944,128

Included in property, plant and equipment of the Group are fully depreciated property, plant and equipment which are still in use with an aggregate cost of approximately RM 70,353,157 (2012: RM91,474,000).

13. PREPAID LEASE PAYMENTS

	Long-term Leasehold Land The Group	
	2013	2012
	RM	RM
Cost:		
At beginning of year	22,910,201	22,957,863
Compulsory acquisition by the government	-	(47,662)
At end of year	22,910,201	22,910,201
Less: Cumulative amortisation		
At beginning of year	(4,169,708)	(3,941,565)
Amortisation for the year (Note 9)	(237,126)	(237,169)
Compulsory acquisition by the government	-	9,026
At end of year	(4,406,834)	(4,169,708)
Net	18,503,367	18,740,493

Prepaid lease payments relate to the lease of land for the Group's factory and office buildings located in Ayer Keroh. The lease will expire in year 2092 and the Group does not have an option to purchase the leased land at the expiry of the lease period.

14. INVESTMENT IN SUBSIDIARY COMPANIES

	The Company	
	2013	2012
	RM	RM
Unquoted shares – at cost	415,445,306	415,445,306
Less: Accumulated impairment losses	(28,412,775)	(28,412,775)
	387,032,531	387,032,531

Details of the subsidiary companies, all incorporated in Malaysia, are as follows:

Direct subsidiary company	**Effective Percentage Ownership 2013**	**Effective Percentage Ownership 2012**	**Principal Activity**
CSC Steel Sdn. Bhd.	100%	100%	Manufacturing and marketing of steel products.
Group Steel Corporation (M) Sdn. Bhd.	100%	100%	Ceased operations.
CSC Bio-Coal Sdn. Bhd.	100%	100%	In 2011, re-commenced its business activity in production of bio-coal.
Indirect subsidiary company			
Constant Mode Sdn. Bhd. * (held through CSC Steel Sdn. Bhd.)	100%	100%	Investment holding in real property.

* The financial statements of this subsidiary company are audited by auditors other than the auditors of the Company.

15. INVESTMENT IN ASSOCIATED COMPANY

	The Group 2013 RM	The Group 2012 RM	The Company 2013 RM	The Company 2012 RM
Unquoted shares, at cost	8,264,368	-	8,264,368	-
Share of post acquisition loss	(133,000)	-	-	-
	8,131,368	-	8,264,368	-

On 19 April 2013, the Company completed the acquisition of the shares in Tatt Giap Steel Centre Sdn. Bhd. pursuant to the sale and purchase agreement dated 9 November 2012, for a total consideration of RM8,264,368. The fair value of assets acquired and liabilities assumed were as follows:

	2013 RM
Property, plant and equipment	34,426,290
Investment property	643,640

(Forward)

	2013 **RM**
Other investment	124,200
Inventories	44,160,570
Cash & cash equivalents	3,601,195
Trade receivables	79,669,814
Other receivables and prepaid expenses	4,721,093
Trade payables	25,395,487
Bank borrowings	97,014,298
Other payables	7,687,870
	37,249,147
Share of fair value of net assets acquired	7,449,829
Goodwill on acquisition	814,539
Total cost of acquisition	8,264,368

Details of the associated company, which is incorporated in Malaysia, are as follows:

Name of company	**Effective equity interest** **2013** **%**	**2012** **%**	**Principal Activity**
Tatt Giap Steel Centre Sdn. Bhd.*	20	-	Manufacturing and sales of stainless steel tubes and pipes and other ferrous and non-ferrous metal products.

* Audited by auditors other than the auditors of the Company.

The Group has significant influence in Tatt Giap Steel Centre Sdn. Bhd. as it holds 20% of the equity interest.

A summary of financial information of the associated company, not adjusted for the percentage ownership held by the Group, is as follows:

	As of December 31, 2013 **RM**
Total assets	141,026,143
Total liabilities	105,057,578
Net assets	35,968,565

(Forward)

	As of December 31, 2013 RM
Results for the year ended December 31, 2013	
Revenue	130,879,808
Loss for the year	2,353,346

16. OTHER INVESTMENTS

	The Group and The Company	
	2013 RM	2012 RM
Available-for sale investment carried at fair value		
In Malaysia:		
Quoted shares (including fair value gain of RM732,256 (2012: RM23,666))	2,168,436	1,145,208
Other investment carried at amortised cost		
Outside Malaysia:		
Unquoted shares	2,311,200	2,311,200
Less: Accumulated impairment losses		
At beginning of year	(249,200)	-
Impairment loss recognised in the year	-	(249,200)
Impairment loss no longer required	249,200	-
At end of year	-	(249,200)
Net	2,311,200	2,062,000
	4,479,636	3,207,208
Market value of quoted shares	2,168,436	1,145,208

17. INVENTORIES

	The Group	
	2013	2012
	RM	RM
At cost:		
Consumables	25,509,885	27,352,341
At net realisable value:		
Raw materials	66,454,207	60,432,125
Work-in-progress	48,439,461	43,182,802
Finished goods	60,181,197	63,976,166
	175,074,865	167,591,093
	200,584,750	194,943,434

The cost of inventories recognised as an expense of the Group includes RM12,619,537 (December 31, 2012: RM12,662,632) in respect of write-downs of inventories to net recognised value.

18. TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAID EXPENSES

Trade receivables comprise amounts receivable for the sales of goods. The credit period granted on sales of goods ranges from cash terms to 60 days (December 31, 2012: cash terms to 60 days).

The currency exposure profile of trade receivables of the Group is as follows:

	The Group	
	2013	2012
	RM	RM
Ringgit Malaysia	74,632,477	91,682,418
United States Dollar	1,251,822	5,206,389
	75,884,299	96,888,807

Trade receivables disclosed above include amounts (see below for aged analysis) that are past due at the end of the reporting period but against which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

To reduce potential losses related to settlement risk, the Group requires certain customers that do not meet its credit standards to post collateral in order to ensure their performance of settlement obligations arising from sales. The Group holds collateral in the form of various guarantees and letter of credit. Guarantees and letter of credit are excluded from the statements of financial position. The Group maintained collateral as follows:

	The Group	
	2013	**2012**
	RM	**RM**
Personal guarantee	48,094,985	35,994,081
Corporate guarantee	6,461,093	33,242,086
Bank guarantee	3,271,145	2,863,072
Letter of credit	1,251,822	5,206,389
Total	59,079,045	77,305,628

Ageing of past due but not impaired:

	The Group	
	2013	**2012**
	RM	**RM**
Overdue 1 – 60 days	21,535,337	23,938,357
Average age (days)	30	30

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

Other receivables and prepaid expenses consist of:

	2013	**2012**
The Group	**RM**	**RM**
Refundable deposits	4,369,690	5,247,550
Other receivables	1,314,832	1,009,829
Advance payments to suppliers	2,092,360	1,563,352
Prepaid expenses	505,269	339,688
Interest receivable	737,614	281,853
Deposit paid for acquisition of other investment	-	817,680
	9,019,765	9,259,952

The Company	2013 RM	2012 RM
Refundable deposits	116,350	5,000
Other receivables	102,985	74,577
Prepaid expenses	1,050	1,200
Interest receivable	24,411	81,008
Deposit paid for acquisition of other investment	-	817,680
	244,796	979,465

Included in refundable deposits of the Group is a security deposit amounting to RM4,000,000 (2012: RM5,000,000) paid to a supplier for the purchase of raw materials.

Advance payments to suppliers of the Group are made for purchase of raw materials by a subsidiary company in the normal course of business.

19. HOLDING COMPANIES AND RELATED PARTY TRANSACTIONS

The Company is a subsidiary of China Steel Asia Pacific Holdings Pte. Ltd., a company incorporated in the Republic of Singapore. The directors regard China Steel Corporation, a company incorporated in Taiwan, as the ultimate holding company.

Amount due from ultimate holding company, which is denominated in United States Dollar, arose mainly from trade transactions and payments on behalf, is unsecured, interest-free and repayable on demand. Included in amount due from ultimate holding company is a net security deposit in respect of purchase of raw materials amounting to RM6,774,806 (2012: RM16,995,000).

Amount due from other related company, which is denominated in United States Dollar, arose mainly from payments on behalf, is interest-free and repayable on demand.

Amount due from associated company, which arose mainly from trade transactions, is repayable within the normal trade terms of 60 days, and bears interest at 8% per annum for late payments.

Amount due to other related companies, which is denominated in United States Dollar, arose mainly from trade transactions, is unsecured, interest-free and repayable on demand except for liabilities arising from purchases of raw materials which are payable within the normal trade terms of 14 days (2012: 14 days).

Related party refers to a consultancy firm in which Mr. Chong Khim Leong @ Chong Kim Leong, a director of the Company, is also a member.

During the financial year, significant related party transactions undertaken on a basis negotiated between the Group and the related parties are as follows:

The Group	2013 RM	2012 RM
Ultimate holding company		
Purchases of raw materials	396,673,009	432,499,521
Sales of bio-coal samples	224,886	-
Other related companies		
Purchases of raw materials	21,671,441	24,560,170
Purchases of spare parts and consumables	1,592,058	1,794,835
Purchase of property, plant and equipment	1,225,221	8,778,454
Sales commission paid and payable	47,401	58,489
Technical fees paid and payable	158,900	109,067
Associated company		
Sales of goods	25,763,736	-
Interest charges on late payments	294,613	-
Management fee received	84,000	-
Related party		
Consultancy fee paid	-	1,000
The Company		
Subsidiary companies		
Management fee receivables (Note 5)	4,800,000	4,800,000
Rental received (Note 5)	51,840	51,840
Advances to	-	9,550,000

Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company includes Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Group and of the Company.

The remuneration of key management personnel during the year are as follows:

The Group	**2013 RM**	**2012 RM**
Short-term benefits	1,154,287	1,063,292
Post-employment benefits	164,781	149,229
The Company		
Short-term benefits	312,510	304,227
Post-employment benefits	33,936	32,688

20. FIXED INCOME FUND, FIXED DEPOSITS, SHORT-TERM PLACEMENTS AND CASH AND BANK BALANCES

The Group	**2013 RM**	**2012 RM**
Fixed deposits and short-term placements with licensed banks	162,011,095	150,920,767
Fixed income fund with licensed financial institutions	89,713,456	79,344,739
Cash and bank balances	8,273,073	6,567,459
	259,997,624	236,832,965
The Company		
Fixed deposits and short-term placements with licensed banks	12,600,000	52,400,000
Fixed income fund with licensed financial institutions	26,793,966	19,116,577
Cash and bank balances	270,188	303,164
	39,664,154	71,819,741

Fixed income fund, fixed deposits and short-term placements of the Group are denominated in Ringgit Malaysia. The currency exposure profile of cash and bank balances of the Group is as follows:

The Group	2013 RM	2012 RM
Cash and bank balances		
Ringgit Malaysia	5,279,168	6,033,813
United States Dollar	2,993,905	533,646
	8,273,073	6,567,459

Fixed income fund has no maturity period and a notice of 1 to 30 days is required for withdrawals. The maturity period for fixed deposits and short-term placements of the Group ranges from overnight to 1 year (2012: overnight to 1 year).

The interest rates are as follows:

The Group and The Company	2013 RM %	2012 RM %
Fixed deposits and short-term placements with licensed banks	2.88 - 3.72	2.88 - 3.72
Fixed income fund with licensed financial institutions	2.66 - 3.66	2.75 - 3.17

21. SHARE CAPITAL

The Group and The Company	2013 RM	2012 RM
Authorised:		
1,000,000,000 ordinary shares of RM1 each	1,000,000,000	1,000,000,000
Issued and fully paid:		
380,000,000 ordinary shares of RM1 each	380,000,000	380,000,000

22. TREASURY SHARES

The Group and The Company	2013 RM	2012 RM
At cost:		
At beginning of year	(7,992,219)	(7,415,698)
Repurchased during the year	(957,871)	(576,521)
At end of year	(8,950,090)	(7,992,219)
Number of treasury shares	8,083,200	7,284,100
Total number of outstanding shares in issue after set off (excluding treasure shares held)	371,916,800	372,715,900
Total number of issued and fully paid ordinary shares	380,000,000	380,000,000

23. RESERVES

The Group	2013 RM	2012 RM
Distributable reserve:		
Retained earnings	371,939,103	368,625,284
Non-distributable reserve:		
Share premium	32,441,139	32,441,139
Investment revaluation	755,922	23,666
	405,136,164	401,090,089
The Company		
Distributable reserve:		
Retained earnings	36,055,445	59,464,362
Non-distributable reserve:		
Share premium	32,441,139	32,441,139
Investment revaluation	755,922	23,666
	69,252,506	91,929,167

Retained earnings

Distributable reserves are those available for distribution as dividends.

In accordance with the Finance Act 2007, the single tier tax system became effective from the year of assessment 2008. Under this system, tax on a company's profit is a final tax, and dividends paid are exempted from tax in the hands of the shareholders.

As of December 31, 2013, the Company is under the single tier tax system.

Share premium

Share premium arose from the issuance of 379,999,998 ordinary shares of RM1 each for the acquisitions of CSC Steel Sdn. Bhd. and Group Steel Corporation (M) Sdn. Bhd. at an issue price of approximately RM1.09 per ordinary share in prior years.

24. DEFERRED TAX LIABILITIES

The Group	At beginning of year RM	Recognised in profit or loss (Note 10) RM	At end of year RM
As of December 31, 2013			
Deferred tax liability:			
Temporary differences in respect of:			
Property, plant and equipment	(39,454,739)	5,545,730	(33,909,009)
Deferred tax assets:			
Temporary differences in respect of:			
Inventories	4,377,396	855,774	5,233,170
Other payables and accrued expenses	1,701,524	(1,011,520)	690,004
	6,078,920	(155,746)	5,923,174
	(33,375,819)	5,389,984	(27,985,835)

(Forward)

The Group	At beginning of year RM	Recognised in profit or loss (Note 10) RM	At end of year RM
As of December 31, 2012			
Deferred tax liability:			
Temporary differences in respect of:			
Property, plant and equipment	(44,365,850)	4,911,111	(39,454,739)
Deferred tax assets:			
Temporary differences in respect of:			
Inventories	5,245,583	(868,187)	4,377,396
Other payables and accrued expenses	2,734,660	(1,033,136)	1,701,524
	7,980,243	(1,901,323)	6.078,920
	(36,385,607)	3,009,788	(33,375,819)

As mentioned in Note 3, deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. As of December 31, 2013, the estimated amount of unused tax losses and unabsorbed capital allowances pertaining to a subsidiary company, for which deferred tax assets have not been recognised in the financial statements due to uncertainty of their realisation are as follows:

The Group	2013 RM	2012 RM
Unused tax losses	1,958,000	1,958,000
Unabsorbed capital allowances	6,000	6,000
	1,964,000	1,964,000

The unused tax losses and unabsorbed capital allowances of the subsidiary company are subject to the agreement by the tax authorities.

25. TRADE PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The credit period granted to the Group for trade purchases is 60 days (2012: 60 days).

Other payables and accrued expenses consist of:

The Group	**2013 RM**	**2012 RM**
Other payables	9,656,541	10,244,189
Advances received from customers	2,983,847	12,337,053
Retention sum payable to contractors for installation of plant and machinery	863,115	1,317,521
Accrued expenses	8,327,479	8,314,490
Provision for onerous contracts	8,313,143	4,846,952
	30,144,125	37,060,205
Provision for onerous contracts:		
At beginning of year	4,846,952	6,054,583
Provision utilised	(4,846,952)	(6,054,583)
Provision for the year	8,313,143	4,846,952
At end of year	8,313,143	4,846,952
The Company		
Other payables	324,291	237,031
Accrued expenses	144,848	292,210
	469,139	529,241

The provision for onerous contracts represents purchase commitments for raw materials that the Group is presently obligated to make under non-cancellable onerous contracts, less revenue expected to be earned.

26. DIVIDENDS

The Group and The Company	2013 RM	2012 RM
In respect of financial year ended December 31, 2012:		
Final single tier dividend - 5% per share	14,066,465	-
Special single tier dividend - 2% per share	11,970,000	-
In respect of financial year ended December 31, 2011:		
Final single tier dividend - 5% per share	-	18,660,000
Special single tier dividend - 2% per share	-	7,464,000
	26,036,465	26,124,000

27. FINANCIAL INSTRUMENTS

Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2012.

The capital structure of the Group consists of equity of the Company (comprising issued capital and retained earnings as disclosed in Notes 21 and 23).

Categories of Financial Instruments

The Group	2013 RM	2012 RM
Financial Assets:		
Other investment	2,311,200	2,062,000
Trade receivables	75,884,299	96,888,807
Amount due from ultimate holding company	6,953,073	20,041,177
Amount due from other related company	-	43,886
Amount due from associated company	12,516,939	-
Other receivables	2,052,446	1,291,682
Refundable deposits	4,369,690	5,247,550
Fixed deposits and short-term placements, fixed income fund, cash and bank balances	259,997,624	236,832,965
Total loans and receivables, at amortised cost	364,085,271	362,408,067

(Forward)

The Group	**2013 RM**	**2012 RM**
Available-for sales investment carried at fair value	2,168,436	1,145,208
Financial Liabilities:		
Trade payables	3,872,496	3,225,769
Amount due to other related companies	1,288,254	788,477
Other payables	9,656,541	10,244,189
Accrued expenses	8,327,479	8,314,490
Retention sum payable to contractors for installation of plant and machinery	863,115	1,317,521
Total financial liabilities, at amortised cost	24,007,885	23,890,446

The Company	**RM**	**RM**
Financial Assets:		
Other investment	2,311,200	2,062,000
Other receivables	127,396	155,585
Refundable deposits	116,350	5,000
Fixed deposits and short-term placements, fixed income fund, cash and bank balances	39,664,154	71,819,741
Total loans and receivables, at amortised cost	42,219,100	74,042,326
Available-for sale investment carried at fair value	2,168,436	1,145,208
Financial Liabilities:		
Other payables	324,291	237,031
Accrued expenses	144,848	292,210
Total financial liabilities, at amortised cost	469,139	529,241

Financial Risk Management Objectives and Policies

The operations of the Group are subject to a variety of financial risks, such as market risk (including foreign currency risk and interest rate risk), credit risk, liquidity risk and cash flow risk. The Group has taken measures to minimise the Group's exposure to risk and/or costs associated with the financing, investing and operating activities of the Group.

(a) **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The key features of the Group's market risk management practices and policies is a group-wide market risk policy setting out the evaluation and determination of what constitutes market risk for the Group.

(b) **Foreign currency risk**

The Group undertakes certain transactions in foreign currencies where the amounts outstanding are exposed to foreign currency risk. The Group monitors its foreign exchange exposure closely.

The Group did not engage in any transactions involving financial derivatives instruments during the financial year.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

The Group	**2013** **RM**	**2012** **RM**
Assets		
United States Dollar (Notes 18, 19 and 20)	4,423,993	8,830,098
Liabilities		
United States Dollar (Note 19)	12,382,947	893,127

Foreign currency sensitivity

The Group is mainly exposed to the currency of United States of America (USD).

The following table details the Group's sensitivity to a 10% increase and decrease in the RM against the relevant foreign currency. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number below indicates a decrease in profit where the RM strengthens 10% against the relevant currency. For a 10% weakening of the RM against the relevant currency, there would be a comparable impact on the profit, and the balances below would be positive.

	Impact of USD	
	2013	**2012**
	RM	**RM**
Profit or loss before tax	795,895	793,697

This is mainly attributable to the exposure outstanding on USD receivables and payables of the Group at the end of the reporting period.

(c) **Interest rate risk**

The interest rate profile of the Group's and the Company's significant interest-earning financial asset, based on carrying amounts as at the end of the reporting period are as follows:

	2013	**2012**
The Group	**RM**	**RM**
Fixed rate instruments		
Financial assets	251,724,551	230,265,506
The Company		
Fixed rate instruments		
Financial assets	39,393,966	71,516,577

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. A change in interest rates at the end of the reporting period will not have a significant effect on profit or loss.

(d) **Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of customers.

The Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to few major customers did not exceed 10% of gross monetary assets at any time during the year.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

(e) **Liquidity risk**

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities and to maintain sufficient credit facilities for contingent funding requirement of working capital.

(f) **Cash flow risk**

The Group reviews its cash flow position regularly to manage its exposure to fluctuations in future cash flows associated with its monetary financial instruments.

Fair values

	The Group and The Company			
	2013 Carrying Amount RM	**2013 Fair Value RM**	**2012 Carrying Amount RM**	**2012 Fair Value RM**
Financial Assets:				
Other investments (Note 16):				
Quoted shares	2,168,436	2,168,436	1,145,208	1,145,208
Unquoted shares	2,311,200	*	2,062,000	*

* It is not practical to estimate the fair value of the unquoted shares of the Group and of the Company as there is a lack of quoted market prices and related information.

Cash and cash equivalents, short-term borrowing, inter-company indebtedness, receivables and payables

The carrying amounts approximate their fair values because of the short-term maturity of these instruments.

28. CASH AND CASH EQUIVALENTS

The Group	2013 RM	2012 RM
Fixed deposits and short-term placements with licensed banks	162,011,095	150,920,767
Fixed income fund with licensed financial institutions	89,713,456	79,344,739
Cash and bank balances	8,273,073	6,567,459
	259,997,624	236,832,965
The Company		
Fixed deposits and short-term placements with licensed banks	12,600,000	52,400,000
Fixed income fund with licensed financial institutions	26,793,966	19,116,577
Cash and bank balances	270,188	303,164
	39,664,154	71,819,741

29. CAPITAL COMMITMENTS

As of December 31, 2013, the Group has the following capital commitments in respect of purchase of property, plant and equipment:

The Group	2013 RM	2012 RM
Approved and contracted for	14,117,443	4,240,962
Approved but not contracted for	66,886,033	16,829,405
	81,003,476	21,070,367

30. CONTINGENT LIABILITIES - UNSECURED

As of December 31, 2013, the Company has issued corporate guarantees totalling RM126,750,000 (2012: RM154,500,000) in respect of credit facilities granted by certain local licensed banks to its subsidiary company. Accordingly, the Company is contingently liable to the extent of the amount of the credit facilities utilised by the subsidiary company as of December 31, 2013. As of December 31, 2013, the credit facilities were unutilised.

31. SUPPLEMENTARY INFORMATION – DISCLOSURE ON REALISED AND UNREALISED PROFITS/LOSSES

On March 25, 2010, Bursa Malaysia Securities Berhad (“Bursa Malaysia”) issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of the Bursa Securities Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as of the end of the reporting period, into realised and unrealised profits or losses.

On December 20, 2010, Bursa Malaysia further issued guidance on the disclosure and the prescribed format of disclosure.

The breakdown of the retained earnings of the Group and of the Company as of December 31, 2013 into realised and unrealised profits or losses, pursuant to the directive, is as follows:

	Group		Company	
	2013 RM	**2012 RM**	**2013 RM**	**2012 RM**
Total retained earnings of the Company and its subsidiaries				
Realised	434,540,051	432,880,586	36,055,445	59,464,362
Unrealised	(36,298,978)	(38,222,771)	-	-
	398,241,073	394,657,815	36,055,445	59,464,362
Less: Consolidation adjustments	(26,301,970)	(26,032,531)	-	-
Total retained earnings as per statements financial position	371,939,103	368,625,284	36,055,445	59,464,362

The determination of realised and unrealised profits or losses is based on Guidance of Special Matter No. 1 “Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements” as issued by the Malaysian Institute of Accountants on December 20, 2010. A charge or a credit to the profit or loss of a legal entity is deemed realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use. Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should not be deemed as realised until the consumption of resource could be demonstrated.

This supplementary information have been made solely for complying with the disclosure requirements as stipulated in the directives of Bursa Malaysia Securities Berhad and is not made for any other purposes.

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

The directors of **CSC STEEL HOLDINGS BERHAD** state that, in their opinion, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of December 31, 2013 and of their financial performance and the cash flows of the Group and of the Company for the year ended on that date.

The supplementary information set out in Note 31 to the Financial Statements, which is not part of the financial statements, is prepared in all material respects, 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 and the directive of Bursa Malaysia Securities Berhad.

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

CHEN, CHUNG-TE

TAN CHIN TENG

Melaka
April 2, 2014

Company No. 640357 - X

CSC STEEL HOLDINGS BERHAD
(Incorporated in Malaysia)

DECLARATION BY THE DIRECTOR PRIMARILY RESPONSIBLE FOR THE FINANCIAL MANAGEMENT OF THE COMPANY

I, **TAN CHIN TENG**, the director primarily responsible for the financial management of **CSC STEEL HOLDINGS BERHAD**, do solemnly and sincerely declare that the accompanying financial statements are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN CHIN TENG

Subscribed and solemnly declared by the abovenamed **TAN CHIN TENG** at **Melaka** this 2nd day of April, 2014.

Before me,

COMMISSIONER FOR OATHS