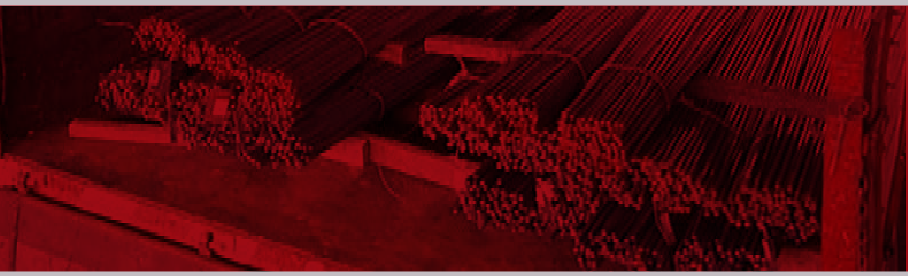

Head Office
Wisma Masteel
29C, Off Jalan Tandang, Section 51,
46050 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Tel : 603 7781 1611   Fax : 603 7781 5811
www.masteel.com.my

Masteel
MALAYSIA STEEL WORKS (KL) BHD
(7878-V)

ANNUAL REPORT 2008

Putting The Steel into Malaysia's Growth

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Thirty-Seventh Annual General Meeting of the Company will be held at Rebana 1 & 2, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 18 June 2009 at 3.00 p.m. to transact the following businesses:-

AGENDA

As Ordinary Business

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2008 together with the Directors' and Auditors' Reports thereon. **Ordinary Resolution 1**

2. To approve a first and final single-tier dividend of 2.5 sen per share in respect of the financial year ended 31 December 2008. **Ordinary Resolution 2**

3. To approve the payment of Directors' Fees amounting to RM42,000 in respect of the financial year ended 31 December 2008. **Ordinary Resolution 3**

4. To re-elect the Director, Mr Lim Hoo Teck who is retiring under Article 79 of the Articles of Association of the Company. **Ordinary Resolution 4**

5. To re-elect the Director, Mr Lau Yoke Leong who is retiring under Article 79 of the Articles of Association of the Company. **Ordinary Resolution 5**

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

As Special Business

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

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

   "**THAT** pursuant to Section 132D of the Companies Act, 1965, the Directors be and they are hereby authorised to issue shares in the Company at any time and from time to time until the conclusion of the next Annual General Meeting of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the issued share capital of the Company for the time being, subject always to the approval of all the relevant regulatory bodies being obtained for such allotment and issue." **Ordinary Resolution 7**

8. **Proposed Renewal of Shareholders' Mandate For Recurrent Related Party Transactions of a Revenue or Trading Nature ["Proposed Renewal of Shareholders' Mandate"]**

   "THAT subject always to the Companies Act, 1965, the Memorandum and Articles of Association of the Company and the Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries, to enter and give effect to the recurrent related party transactions of a revenue or trading nature (hereinafter to be referred to as "Recurrent Transactions") with the Related Parties as stated in Section 3.3 of the Circular to Shareholders dated 26 May 2009 which are necessary for the day-to-day operations of the Company and its subsidiaries subject further to the following:-

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

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

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

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

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

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

whichever is the earlier.

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

9. **Proposed Renewal of Share Buy-Back Mandate**

"**THAT** subject to the Companies Act, 1965 ("Act"), the Memorandum and Articles of Association of the Company, the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant governmental and/or regulatory authorities (if any), the Company be and is hereby authorised to utilise an amount not exceeding the audited retained profits and/or share premium of the Company as at 31 December 2008 of RM279,479,482 and RM22,976,455 respectively to purchase such amount of ordinary shares of RM0.50 each in the Company ("Proposed Share Buy-Back") as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of shares purchased and/or held pursuant to this resolution does not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

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

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

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

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company (being the Thirty-Eighth ("38th") AGM of the Company), at which time the said authority will lapse unless by an ordinary resolution passed at a general meeting of the Company, the authority is renewed, either unconditionally or subject to conditions;

(ii) the expiration of the period within which the 38th AGM of the Company is required by law to be held; or

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

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

AND THAT the Directors of the Company be authorised to take all steps necessary to implement, complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Renewal of Share Buy-Back Mandate as may be agreed or allowed by any relevant governmental and/or regulatory authority." **Ordinary Resolution 9**

Date of Entitlement and Payment of First and Final Dividend

NOTICE IS HEREBY GIVEN THAT subject to the approval of shareholders at the Thirty-Seventh Annual General Meeting, a first and final single-tier dividend of 2.5 sen per share in respect of the financial year ended 31 December 2008 will be paid on 31 July 2009. The entitlement date for the said dividend shall be 17 July 2009.

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

a. Shares transferred to the Depositor's securities account before 4.00 p.m. on 17 July 2009 in respect of transfers; and

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

BY ORDER OF THE BOARD
TAI YIT CHAN (MAICSA 7009143)
WONG LAI KUAN (MAICSA 7032123)
Company Secretaries

Selangor Darul Ehsan
Date: 26 May 2009

NOTE:

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

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

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

4. The instrument appointing a Proxy and the power of attorney or other authority, if any, under which it is signed or notarially certified copy of that power or authority must be deposited at the Registered Office of the Company at Unit 1009, 10th Floor, Amcorp Tower, Amcorp Trade Centre, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the Meeting or at any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

The Ordinary Resolution 7 proposed under item 7 of the Agenda, if passed, will empower the Directors to allot and issue shares in the Company up to an amount not exceeding in total ten per centum (10%) of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next Annual General Meeting.

2. Proposed Renewal of Shareholders' Mandate

Further information on Ordinary Resolution 8 is set out in the Circular to Shareholders dated 26 May 2009 which is despatched together with the Company's 2008 Annual Report.

3. Proposal Renewal of Share Buy-Back Mandate.

Please refer to the Share Buy-Back Statement as set out in the Circular to Shareholders dated 26 May 2009 for further information.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.28(2) of the Listing Requirements of Bursa Malaysia Securities Berhad

Directors who are standing for re-election at the Thirty-Seventh Annual General Meeting of the Company are as follows:-

Pursuant to Article 79 of the Articles of Association of the Company

- Mr Lim Hoo Teck
- Mr Lau Yoke Leong

The details of the Directors seeking re-election are set out in their respective profiles, which appear in the Directors' Profile on pages 9 to 10 of this Annual Report. They have no shareholdings in the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

Lee Kean Binh
(Executive Director)

Lau Yoke Leong
(Executive Director)

Lim Hoo Teck
(Independent Non-Executive Director)

Ng Wah Lok
(Independent Non-Executive Director)

Muhammad Hanizam bin Haji Borhan
(Independent Non-Executive Director)

COMPANY SECRETARIES

Tai Yit Chan
Wong Lai Kuan

REGISTERED OFFICE

Unit 1009, 10th Floor, Amcorp Tower
Amcorp Trade Centre
No. 18, Jalan Persiaran Barat
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7955 7889
Fax : 03-7956 0389

PRINCIPAL OFFICE

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

SHARE REGISTRAR

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

AUDITORS

SSY Partners
Chartered Accountants
1A, Suite 1
Jalan USJ 21/11
47620 Subang Jaya
Selangor Darul Ehsan
Tel : 03-8025 9793
Fax : 03-8025 9803

PRINCIPAL BANKERS

EON Bank Berhad
OCBC Bank (Malaysia) Berhad
Standard Chartered Bank (M) Berhad

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad

CORPORATE STRUCTURE

MALAYSIA STEEL WORKS (KL) BHD

www.masteel.com.my

(Company No. 7878-V)

(wholly owned subsidiaries)

STEEL DYNAMICS (M) SDN BHD
(Company No. 690681-U)
- Dormant

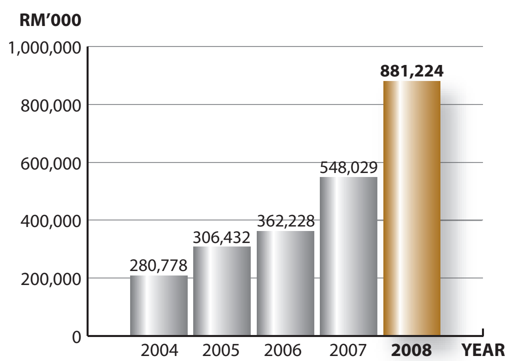
BIO MOLECULAR INDUSTRIES SDN BHD
(Company No. 691229-K)
Principal activities - Manufacturing and research and development of radioisotopes and radiopharmaceuticals products

FINANCIAL HIGHLIGHTS

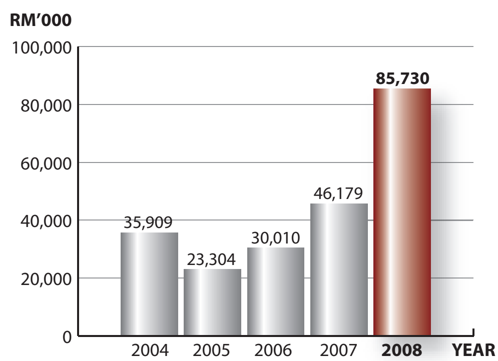
	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000
Revenue	280,778	306,432	362,228	548,029	881,224
Profit before taxation	35,909	23,304	30,010	46,179	85,730
Net Profit for the financial year	35,909	23,304	30,010	44,334	79,301
Total Assets Employed	370,754	462,179	567,868	646,278	734,521
Total Shareholders' funds	190,123	272,744	301,268	355,387	430,308
Paid-up Share Capital	54,852	66,500	66,500	73,000	97,333
No. of Ordinary Shares in Issue ('000)	109,703	133,000	133,000	146,000	194,667
Net Assets per Share (RM)	1.73	2.05	2.27	2.43	2.21
Earnings per Share (sen)	44.54	17.78	22.56	22.93 *	40.74
Gross Dividend per Share (sen)	–	1.50	2.10	3.00	2.50

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

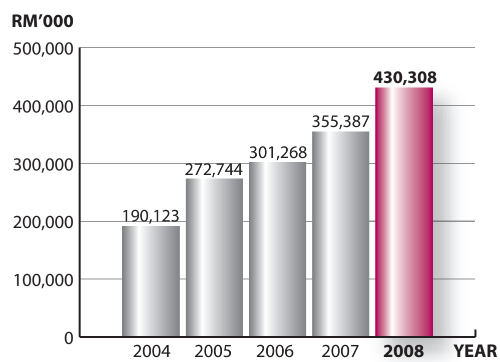
REVENUE



PROFIT BEFORE TAXATION



TOTAL SHAREHOLDERS' FUNDS



DIRECTORS' PROFILE

Senator Dato' Ikhwan Salim bin Dato' Haji Sujak aged 52, Non-Executive Chairman since 22 May 2003 and a Non-Executive Director of Masteel since 23 July 1998. He obtained a Bachelor of Science degree in Economics/ Accounting in 1977 from Queen's University, Belfast, Ireland. He joined Nestle (M) Sdn Bhd as a Finance Executive in 1979. In 1980, he joined Bandar Management Sdn Bhd, a subsidiary of General Corporation Berhad as the Group Finance Planning Manager and upon restructuring his family's varied business operations in 1981, he was made the Director for the holding company, Jaya Holdings Sdn Bhd. In 2000, he was appointed as Executive Chairman/ Director of Konsortium Jaringan Selangor Sdn Bhd and was also appointed as an Independent Director as well as Chairman of the audit committee of Glomac Berhad. He was an Independent Director of Kumpulan Perangsang Selangor Berhad in 2001 to 2008. He was also appointed as a Director in Land and General Berhad on 1 December 2007. He was formerly a committee member of Automobile Association of Malaysia and the British Graduates Association of Malaysia. He was a Council Member of the Petaling Jaya City Council between 2002 to 2008 and is the Division Head of Petaling Jaya Utara Division of United Malay National Organisation (UMNO). Senator Dato' Ikhwan Salim also sits on the Board of several private companies in Malaysia.

Senator Dato' Ikhwan Salim attended all 5 Board meetings of the Company held during the financial year ended 31 December 2008.

Dato' Sri Tai Hean Leng @ Tek Hean Leng aged 45, was appointed as an Executive Director of Masteel on 25 April 1994. He is also the Managing Director/Chief Executive Officer of Masteel. He obtained a Bachelor of Science degree in Mechanical Engineering from University of Southern California in 1987 and a Master of Business Administration degree from the University of Hull, United Kingdom in 1993. He began his practical training in 1987 as a Plant Manager in charge of Malaysian Industrial Products Sdn Bhd, which produces LPG pressure vessel for the oil and gas industries. He is also involved in the formulation and implementation of Masteel's corporate strategies as he is in charge of corporate planning, business expansion and operations. In his more than 20 years of business experience, he has successfully led the commissioning of a new meltshop in Klang. Dato' Sri Tai also sits on the Board of Steel Dynamics (M) Sdn Bhd and Bio Molecular Industries Sdn Bhd, wholly-owned subsidiaries of Masteel. He also sits on the Board of several private companies in Malaysia. Dato' Sri Tai was bestowed with the honorific title "Dato' Sri" by His Royal Highness Sultan of Pahang in February 2009.

Dato' Sri Tai attended all 5 Board meetings of the Company held during the financial year ended 31 December 2008.

Lee Kean Binh aged 52, was appointed as an Executive Director of Masteel on 4 June 2003. He is a Fellow Chartered Management Accountant, an Associate Chartered Secretary by profession and a member of the Malaysia Institute of Accountants. He has more than 27 years of extensive local and international experience in management, accounting and secretarial matters. Upon graduation in 1981, he joined Messrs. Porter Gee & Co, a public accounting firm in London as an auditor until 1983 when he returned to Malaysia and joined Transwater Engineering Sdn Bhd as an Accountant and Office Manager until 1985. From 1985 to 1990, he was with Gas Pantai Timur Sdn Bhd as Group Accountant and from 1990 to 1993, he was with Sitt Tatt Berhad as Senior Manager in Finance and Administration cum Company Secretary. He joined Masteel in November 1993 as a Finance Manager. He also sits on the Board of several private companies in Malaysia.

Mr Lee attended all 5 Board meetings of the Company held during the financial year ended 31 December 2008.

Lau Yoke Leong aged 40 was appointed as an Executive Director of Masteel on 16 April 2007. He joined Masteel as an Accountant in July 2000 and was promoted as Chief Accountant in June 2004. He is a Fellow Chartered Certified Accountant and a member of the Malaysian Institute of Accountants. He has more than 13 years of experience in various fields of accounting, audit, taxation and management matters as well as in-house training instructor on updating of accounting standards and audit software program, corporate restructuring, corporate exercise and due diligence assignments. He started his accounting profession in 1994 as an auditor with Messrs Ong & Wong. He completed the professional qualification from The Association of Chartered Certified Accountants in late 1995. Upon graduation in 1995, he joined another public accounting firm, Messrs T.H.Liew & Gan as an auditor before moving on to Messrs Deloitte Touche Tohmatsu as an auditor from 1996 to 1999. From 1999 to 2000, he was an accountant with Bell Management Services Sdn Bhd before joining Masteel. Mr Lau also sits on the Board of Bio Molecular Industries Sdn Bhd, a wholly-owned subsidiary of Masteel. He also sits on the Board of several private companies in Malaysia.

Mr Lau attended all 5 Board meetings of the Company held during his term in office for the financial year ended 31 December 2008.

DIRECTORS' PROFILE *(cont'd)*

Ng Wah Lok aged 48, was appointed as an Independent Non-Executive Director of Masteel on 29 July 2004. He obtained his Bachelor of Engineering degree in 1984 and a Master degree in Engineering Science in 1989 from the University of Malaya. Upon graduation, he worked as a Project Engineer for a research project in the University of Malaya developing a hand pump to eradicate waterborne diseases in rural areas. In 1989, he joined Malaysian Industrial Products Sdn Bhd as a Project Engineer. In 1993, he was appointed as the General Manager of Masteel and was responsible for the upgrading of the rolling mill in Petaling Jaya and managed the expansion of the Bukit Raja plant in Klang. In 1999, he resigned as Senior General Manager and alternate Director of Masteel. He is currently a Director of a private limited company and 2 unlisted public companies in Malaysia.

Mr Ng attended all 5 Board meetings of the Company held during the financial year ended 31 December 2008.

Lim Hoo Teck aged 44, was appointed as an Independent Non-Executive Director of Masteel on 5 July 2006. He is a member of the Malaysian Institute of Accountants (MIA), Chartered Tax Institute of Malaysia (CTIM) (formerly known as Malaysian Institute of Taxation) and Malaysian Institute of Certified Public Accountants (MICPA). He is also a member of the Accounting & Auditing Committee, Financial Statements Review Committee, Small & Medium Practices Task Force of MIA and Disciplinary Committee Panel (Lembaga Tatatertib Peguam-Peguam) pursuant to the Legal Profession Act, 1976. He also acts as an Adjudicator for the 2007 National Annual Corporate Report Awards (NACRA) competition and a speaker for the Companies Commission of Malaysia's Corporate Directors' Training Programme. He started his accounting profession in 1984 as an Audit Assistant with Messrs Mustapha Law, where he served for 5 years. In 1989, he joined the international accounting firm of PriceWaterhouseCoopers, Kuala Lumpur for about 2 years. He joined Coopers & Lybrand, Singapore as an Audit Manager in 1991. Currently, he is the Managing Partner in his two-partner audit practice, Messrs. Steven Lim & Associates. He has more than 18 years experience in public accounting which includes, handling large audits of multinational and public-listed companies as well as small and medium-sized audits for companies engaged in trading, manufacturing, banking, plantation, hotel, construction, property holding and service industries. He has also been involved in initial public offer (IPO) assignments, acquisition reviews and investigation works. On 7 April 2008, he was appointed as a Non-Executive Director to YGL Convergence Berhad, a listed company on the Mesdaq Market.

Mr Lim attended all 5 Board meetings of the Company held during the financial year ended 31 December 2008.

Muhammad Hanizam bin Haji Borhan, aged 36, was appointed as an Independent Non-Executive Director on 12 November 2007. He is a member of the Malaysian Institute of Accountants (MIA). He obtained his Bachelor in Accountancy (Hons) Degree from The Universiti Teknologi MARA (UiTM) Shah Alam in 1997. He started his career in an accounting firm Messrs Ali Jaafar & Co, in Kuala Lumpur as an audit assistant between 1996 to 1999 before he moved on to become audit supervisor with Messrs. MNZ Associates, a Public Accountants firm between 1999 to 2000. He re-joined Messrs Ali Jaafar & Co in October, 2000 as Audit Assistant Manager and was subsequently promoted to become the Audit Manager from 2002 to 2004. He joined Messrs. Ismail Adam & Co as Tax Manager from May, 2004 to September, 2005. Thereafter, he started his own professional firm Messrs. My Accounting Services where he is currently offering accounting and business advisory services to a variety of clients. He has more than 11 years of experience in small and medium-sized firms involving in trading, manufacturing, marketing, plantation, construction, property development, quasi government agencies and services industries. Currently, he is a member of the Audit Committee.

Encik Muhammad Hanizam bin Haji Borhan attended 5 Board meeting during his term in office for the financial year ended 31 December 2008.

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (Board), it is my pleasure to present the Annual Report and Audited Financial Statements of Malaysia Steel Works (KL) Bhd ("Masteel") for the financial year ended 31st December 2008.

OVERVIEW

Masteel responded well to the favorable business environment and continued to excel in both the local and international market. Masteel achievement is reflected in the commendable financial results over the previous years. China's imposition of export duties on billets and bars as well as removal of rebates for steel products had helped to increase the prices of steel billets and bars. Meanwhile, the cost of raw materials and other consumables had also increased in tandem with the higher finished steel products.

The gradual implementation of the 9th Malaysia Plan had also spurred the demand for steel for most part of 2008. However, in 4th quarter, the effects of the global financial crisis have started to impact the demand and prices of steel. Overall the performance of Masteel was satisfactory and a new level of profitability was achieved for this year.

FINANCIAL PERFORMANCE

During the year under review, Masteel had achieved a starling revenue of RM 881.2 million and net profit before tax of RM 85.7 million. These results also showed a 61% and 86% increase respectively over its 2007 performance. The robust demand and higher selling price for steel bars and billets as well as the various cost reduction programmes that was successfully carried out and plant capacity improvement also helped in contributing to the better bottom line.

The government's lifting of the ceiling control price for billets and bars during first half of 2008 had also aided the rapid raised of turnover for the company and ended many decades of government intervention in domestic steel prices.

DIVIDENDS

The Board of Directors is pleased to announce a first and final single tier dividend of 2.5 sen per share (2007 : 3 sen per share) net dividend payable. If approved at the Annual General Meeting, will amount to RM 4.87 million (2007 : RM 4.38 million).

OUTLOOK

The financial performance of 2009 will largely be dependent on the effectiveness of the various stimulus packages and the restructuring of the financial and banking sectors in America and European Community countries. With the new government headed by Yang Amat Berhormat Dato' Sri Najib Tun Razak, the effects of the RM 60.0 billion stimulus plan is expected to be felt by the 4th quarter of 2009. However, the demand and prices of steel globally are expected to be substantially reduced for 2009. The performance of the company is expected to gradually improved form the latter part of the year.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend our deepest appreciation to our valued clients, shareholders, business associates, financiers and relevant authorities for their continuous supports and confidence shown to us. I would like to take this opportunity to extend my appreciation to our management and staff for their continued dedications and contribution toward the future growth of the Group.

SENATOR DATO' IKHWAN SALIM BIN DATO' HAJI SUJAK
CHAIRMAN

MANAGING DIRECTOR/CEO'S STATEMENT

FINANCIAL PERFORMANCE

During the financial year under review, 2008 represents significant improvement of sale and profit over the previous year. A turnover of RM881.2million was achieved with a profit before tax of RM85.7million.

This performance was attributed to the exceptional demand and high prices of steel from China and the Middle East. The previous years' investment by the company in technological equipment, process and training for cost reduction had resulted in improved operational efficiency which was completed in time to capitalize on the exceptional market condition of 2008.

The management's conservative stance in late July 2008 that resulted in the rapid reduction in the company's raw material purchase for the 3rd quarter and 4th quarter had spared the company from severe stock value impairment and write downs.

BUSINESS OUTLOOK

With the onset of the global financial crisis triggered by the widespread U.S subprime housing mortgage defaults in the 2nd half of 2008, this had resulted in the substantial contraction of Gross Domestic Product (GDP) in many countries worldwide.

And as a consequence, the demand for steel is expected to be significantly reduced. A period of soft uptake and price volatility is expected to prevail for most part of 2009.

The effects of various governments' rescue packages are expected to be felt in late 2009 onwards. The Malaysian government's stimulus budgets of RM7.0 billion and RM60.0 billion coupled with the expenditure from the 9th Malaysia Plan is expected to help to stabilise steel prices domestically and improve the demand for steel products during the later part of 2009.

CORPORATE DEVELOPMENT

There is no placement took place during the year as the investment community took a cautious stand on various sectors and with the lower share price, the management decided to wait for the right opportunity to come by again when the stock market improves in the future.

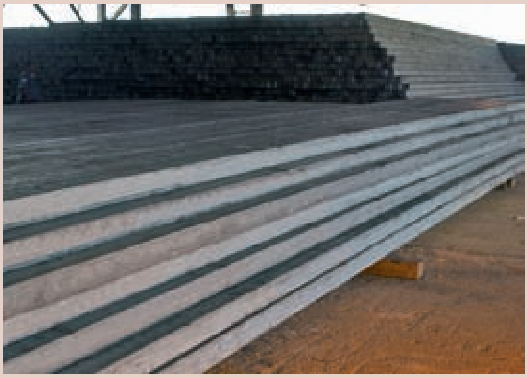
CORPORATE RESPONSIBILITY

Under the Corporate Social Responsibility (CSR) initiatives, the Group continues to improve on our plant environment by planting trees to enhance our 'green lung' programme initiated during 2007. A sum of RM130,000 has been spent on this CSR project.

APPRECIATION

On behalf of the board, I would like to take this opportunity to thank our valuable clients, shareholders, bankers, suppliers, and relevant government authorities for their continuous supports to our group. My appreciation is also extended to the management and staffs for their hard work and contributions during the year.

DATO' SRI TAI HEAN LENG @ TEK HEAN LENG
MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER



CORPORATE GOVERNANCE STATEMENT

Recognizing the importance of good governance as a fundamental part of discharging their responsibilities, the Board of Directors ("Board") has taken steps to evaluate the status of the Group's corporate governance policies and procedures. The Board is committed to ensure that good corporate governance is practiced and complied with throughout the Group within the framework as expounded by the principles and best practices as set out in the revised 2007 Malaysian Code of Corporate Governance ("the Code").

This statement sets out the manner in which the Group has applied the principles and best practices of Part 2 of the Code. Unless otherwise stated, the Group has complied with the best practices of Part 2 of the Code throughout the financial year ended 31 December 2008.

BOARD OF DIRECTORS

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

A brief description of each Director is presented in the profile of Directors on pages 9 to 10 of this Annual Report.

None of the Directors has family relationship with any other directors/major shareholders, except for the Managing Director/ Chief Executive Officer ("MD/CEO"), who is related to one of the major shareholders, and he does not have any conflict of interest with the Group. The Board has no convictions for any offences within the past ten (10) years.

COMPOSITION AND BALANCE

The Board currently has seven (7) members, comprising three (3) Executive Directors, three (3) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director. This composition satisfies the requirement of the Code and the Listing Requirements of Bursa Securities for Independent Non-Executive Directors to make up at least one third of the Board membership.

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

The composition of the Board ensures that Independent Non-Executive Directors will be able to exercise independent judgment on the affairs of the Company. They play a strong and vital role in entrenching good governance practices in the affairs of the Group and through their participation in the Audit, Remuneration and Nomination Committees. The Chairman holds a Non-Independent Non-Executive position and is primarily responsible for the conduct of Board meetings and overseeing the implementation of the Board's decisions and policies. The Executive Directors, supported by the management staff, are closely involved in the Company's day-to-day operations. They also have the responsibility of reporting, clarifying and communicating matters to the Board.

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

BOARD MEETING AND SUPPLY OF INFORMATION

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

NUMBER OF MEETINGS HELD AND ATTENDANCE AT MEETINGS

During the financial year ended 31 December 2008, five (5) board meetings were held and each Director has attended 100% of the total board meetings held during the financial year. The details of attendance are as follows:-

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

All Directors have access to the advice of Company Secretaries and may obtain independent professional advice at the Company's expense as and when necessary.

BOARD COMMITTEES

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

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

i) Nomination Committee

For the financial year ended 31 December 2008, the Nomination Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The Nomination Committee was headed by Encik Muhammad Hanizam bin Haji Borhan while the other two (2) members are Mr Lim Hoo Teck and Mr Ng Wah Lok.

The duties of the Nomination Committee are to:-

➢ recommend to the Board, candidates for all directorships. In making the recommendations, the Nomination Committee should also consider candidates proposed by the MD/CEO, and within the bounds of practicability, by any other senior executives, Directors or shareholders. In making its recommendations, the Nomination Committee shall consider the candidates':-

- skills, knowledge, expertise and experience;
- professionalism;
- integrity; and
- in the case of candidates for the position of Independent Non-Executive Directors, the Committee shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Non-Executive Directors;

- recommend to the Board, Directors to fill the seats on Board Committees;
- review annually the required mix of skills and experience of the Board, including the core competencies which Non-Executive Directors should bring to the Board;
- assess annually the effectiveness of the Board as a whole, the Nomination Committees of the Board and the contribution of each individual Director including Independent Non-Executive Directors, as well as the Managing Director/Chief Executive Officer. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions shall be properly documented;
- review, recommend and ensure training and orientation needs/requirements for each individual Director.

The Nomination Committee had met and reviewed and assessed the mix of skills and experience and size of the Board, contribution of each director and effectiveness of the Board and Board Committees for the financial year.

ii) Remuneration Committee

The Remuneration Committee comprising three (3) members and is headed by Senator Dato' Ikhwan Salim bin Dato' Haji Sujak with Mr Lim Hoo Teck and Mr Ng Wah Lok being the other two (2) members.

The duty of the Remuneration Committee is to recommend to the Board the remuneration of the Executive Directors in all its forms and fees payable to Non-Executive Directors.

The Remuneration Committee met once during the financial year ended 31 December 2008.

iii) Audit Committee

The terms of reference of the Audit Committee are set out under the Audit Committee Report on pages 19 to 22 of this Annual Report.

RE-ELECTION OF DIRECTORS

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

The profile of Directors seeking for re-election can be found in pages 9 to 10 of this Annual Report.

DIRECTORS' TRAINING AND DEVELOPMENT

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

During the year 2008, the Directors attended seminars or briefings conducted by the Regulatory Authorities or members of professional bodies or industries, in order to stay abreast with the latest developments and updates, and to enhance and fulfill their responsibilities as Directors of the Company.

Seminars or briefings attended by the Directors during the year 2008 were as follows:

- Code of Corporate Compliance and Ethical Conduct
- Controversies of Financial Reporting Practices in Malaysia
- Audit Committee Role and Internal Audit Function
- The Inside Story of the Annual Report : What You Need To Know
- Finance for Non-Finance Managers
- Contemporary Issues In Business Combinations and Consolidated Financial Statements

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

DIRECTORS' REMUNERATION

The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors lie with the Remuneration Committee. Nevertheless, it is the ultimate responsibility of the Board to approve the remuneration of these Directors.

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

LEVEL AND MAKE UP

The remuneration of each individual Director is not disclosed due to security reason. The transparency and accountability aspects of corporate governance as applicable to Directors' remuneration recommended by the best practices of the Code are deemed appropriately complied with the following disclosures:-

1. The Directors' fees are subject to the approval by shareholders at the forthcoming Annual General Meeting ("AGM") of the Company.

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

	Directors' Fees (RM)	Directors' Salaries, Bonus and Other Emoluments (RM)	Directors' Allowances (RM)	Total (RM)
Executive Directors	16,250	1,206,757	44,250	1,267,257
Non-Executive Directors	18,817	–	217,950	236,767

Directors' remuneration are broadly categorized as follows:-

	Number of Directors	
Range of remuneration	**Executive Directors**	**Non-Executive Directors**
Up to RM50,000	–	3
RM100,001 – RM150,000	–	1
RM150,001 – RM200,000	1	–
RM250,001 – RM300,000	1	–
RM800,001 – RM850,000	1	–

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

SHAREHOLDERS

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

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

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

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

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

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

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

INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining a sound system of internal control, which provides reasonable assurance of effective and efficient operations and compliance with laws and regulations as well as with the internal financial administration procedures and guidelines.

The Audit Committee also acts as the Risk Management Committee to identify and assess the risks and control measures within the Group.

The Statement of Internal Control is set out on pages 23 to 24 of this Annual Report.

RELATIONSHIP WITH THE AUDITORS

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

The Audit Committee also meet up with the external auditors twice a year without the presence of the Executive Directors and the Management as part of good governance practice.

COMPLIANCE WITH THE CODE

The Group has complied with the best practices of corporate governance set out in Part 2 of the Code throughout the financial year ended 31 December 2008.

DIRECTORS' RESPONSIBILITY STATEMENT

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

The Board is satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2008, the Group has used the appropriate accounting policies and applied them consistently, modified to include new and revised FRSs where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

ADDITIONAL COMPLIANCE INFORMATION

The following additional information is provided in compliance with Paragraph 9.25 of the Listing Requirements as set out in Appendix 9C thereto:-

1. CORPORATE EXERCISE

The Company had on 18 February 2008, announced to undertake a Private Placement of shares of not more than ten per centum (10%) of the issued share capital of the Company ("Private Placement") and was approved by the Securities Commission ("SC"), SC on behalf of the Foreign Investment Committee, Bursa Securities and the Ministry of International Trade and Industry on 6 March 2008, 14 March 2008 and 5 March 2008 respectively.

The Company has managed to get extensions of time to complete the private placement exercise from Securities Commission from their approval on 6 March 2008 to 6 September 2009, then to 6 March 2009 and latest extension is to 6 September 2009.

2. SHARE BUY-BACK

There was no share buy-back by the Company during the financial year under review, however two (2) share buy-back accounts were opened for this purpose.

3. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

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

4. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAMME

During the financial year, the Company did not sponsor any ADR or GDR programme.

5. IMPOSITION OF SANCTIONS AND/OR PENALTIES

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

6. NON-AUDIT FEES

The amount of non-audit fees incurred for the services rendered to the Group by a company affiliated to the external auditors during the financial year was RM3,500 meant for tax consultation fee.

7. VARIATION IN RESULTS

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

8. PROFIT GUARANTEE

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

9. MATERIAL CONTRACTS

There were no material contracts of the Company involving Directors and/or major shareholders entered into since the end of the financial year.

10. CONTRACTS RELATED TO LOANS

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

11. RECURRENT RELATED PARTY TRANSACTIONS

Significant related party transactions of the Company during the financial year are disclosed in Note 24 to the financial statements on page 58 of this Annual Report.

At the Thirty-Sixth Annual General Meeting of the Company held on 19 June 2008, the Company had obtained a mandate from its shareholders to enter into recurrent related party transactions of a revenue or trading nature, which are necessary for its day-to-day operations and in the ordinary course of its business with its related party, Soon Seng Co (Selangor) Sdn Bhd and Soon Seng Co (Penang) Sdn Bhd.

The said mandate is subject to annual renewal and shall only continue to be in force until the conclusion of the forthcoming AGM of the Company.

At the forthcoming AGM to be held on 18 June 2009, the Company intends to seek its shareholders' approval to renew the existing mandate for recurrent related party transactions of a revenue or trading nature. The details of the shareholders' mandate to be sought will be furnished in the Circular to Shareholders dated 26 May 2009 accompanying this Annual Report.

12. REVALUATION OF LANDED PROPERTIES

During the financial year ended 31 December 2008, no valuation was carried out on its landed properties as set out in Note 16 to the financial statements and on pages 54 and 62 of this Annual Report.

AUDIT COMMITTEE REPORT

MEMBERS

The Audit Committee comprising the following members:-

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

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

AUDIT COMMITTEE
(TERMS OF REFERENCE)

1. OBJECTIVES

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

In addition, the Audit Committee shall:-

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

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

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

2. COMPOSITION

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

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

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

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

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

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

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

      ▪ he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act, 1967; or
      ▪ he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967, or

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

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

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

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

3. FUNCTIONS

The functions of the Audit Committee are as follows:-

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

   i) with the external auditors, the audit plan;

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

   iii) with the external auditor, his audit report;

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

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

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

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

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

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

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

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

g) To do the following where an internal audit function exists:-

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

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

i) To ensure the internal audit function established is independent of the activities it audits and to identify a head of internal audit who reports directly to the Audit Committee. The head of internal audit will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within the Company.

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

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

4. RIGHTS OF THE AUDIT COMMITTEE

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

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

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

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

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

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

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

5. MEETINGS

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

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

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

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

A quorum shall consist of a majority of independent directors.

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

During the financial year under review, six (6) Audit Committee meetings were held for which full attendance were recorded for all the members of the Audit Committee:-

	Attendance
Mr Lim Hoo Teck	6 / 6
Mr Ng Wah Lok	6 / 6
Encik Muhammad Hanizam bin Haji Borhan	6 / 6

SUMMARY OF AUDIT COMMITTEE ACTIVITIES

The Audit Committee carried out activities during the financial year ended 31 December 2008 in discharging its duties and responsibilities in accordance with its Terms of Reference which are as follows:-

Financial Results

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

Internal Audit

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

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

Reviewed and assessed new investments and business ventures before recommending to the Board for approval and adoption.

Corporate Governance

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

Risk Management

Reviewed and assessed the corporate restructuring of refinancing activities before recommending to the Board for approval and adoption.

External Audit

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

Related Party Transactions

Reviewed the related party transactions entered into by the Company.

TRAINING

Finance for Non-Finance Managers
Audit Committee Role & The Internal Audit Function
Controversies of Financial Reporting Practices in Malaysia

INTERNAL AUDIT FUNCTION

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

An overview of the state of internal control within the Company is set out in the Statement on Internal Control on pages 23 to 24 of this Annual Report.

STATEMENT OF INTERNAL CONTROL

Pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Securities, the Board of Directors ("Board") is pleased to provide the following statement on the state of internal control of the Group for the financial year ended 31 December 2008, which has been prepared in accordance with the "Statement of Internal Control Guidance for Directors of Public Listed Companies" issued by the Institute of Internal Auditors Malaysia, and adopted by Bursa Securities.

BOARD RESPONSIBILITIES

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

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

RISK MANAGEMENT

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

INTERNAL AUDIT

Internal Audit Report – Function

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

Control and Monitoring Process

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

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

- A Strategic Business Plan to determine the overall direction of the Group;
- Analysis of actual performance against budgets;
- Documentation of the Group's processes in the Standard Operation Procedures (SOP) which will be regularly reviewed and updated, and to be implemented through ISO and QA accreditation programs.

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

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

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

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

Risk Management Framework ("RMF")

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

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

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

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

Conclusion

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

financial statements

DIRECTORS' REPORT
for the year ended 31 December 2008

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2008.

Principal activities

The principal activity of the Company is manufacturing of steel bars and steel billets. The principal activities of the subsidiaries are as stated in Note 8 to the financial statements.

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

Financial results

	Group RM'000	Company RM'000
Profit for the year	79,301	79,585
Attributable to:		
Equity holders of the Group and the Company	79,301	79,585

Dividends

Dividends paid since the end of the previous financial year were as follows:-

In respect of the financial year ended 31 December 2007 as reported in the Director's report of that financial year:

	RM'000
A first and final single tier dividend of 3.0 sen per share on 146,000,000 ordinary shares of RM0.50 each, paid on 10 July 2008	4,380

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2008, of 2.5 sen per share on 194,666,666 ordinary shares of RM0.50 each, amounting to the net dividends payable of RM4,866,667 will be proposed for shareholders' approval. This dividend is exempt from income tax in the hands of the shareholders. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2009.

Reserves and provisions

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

Issue of shares and debentures

On 19 June 2008, the authorised share capital of the Company was increased from 200,000,000 ordinary shares of RM0.50 each to 1,000,000,000 ordinary shares of RM0.50 each by the creation of 800,000,000 new ordinary shares of RM0.50 each.

On 14 August 2008, the Company issued 48,666,666 new ordinary shares of RM0.50 each through a bonus issue on the basis of one (1) bonus issue for every three (3) existing ordinary shares held. The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

The Company has not issued any debenture during the financial year.

Directors

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

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

In accordance with the Company's Articles of Association, Lim Hoo Teck and Lau Yoke Leong retire pursuant to Article 79 at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' interests

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

	Number of ordinary shares of RM0.50 each in the Company				
	At 1.1.2008	**Bought**	**Bonus issue**	**Sold**	**At 31.12.2008**
Shareholdings in the name of the Directors:					
Senator Dato' Ikhwan Salim bin Dato' Haji Sujak	7,650,000	–	2,549,999	–	10,199,999
Dato' Sri Tai Hean Leng @ Tek Hean Leng	3,061,500	–	1,020,500	–	4,082,000
Shareholdings in which the Director is deemed to have an interest:					
Dato' Sri Tai Hean Leng @ Tek Hean Leng*	42,245,516	2,905,400	15,051,436	–	60,202,352

* Deemed interest by virtue of his shareholdings in TYY Resources Sdn. Bhd. (formerly known as Soon Seng Company Sdn. Bhd.), a body corporate holding shares in the Company.

None of the other Directors in office at the end of the financial year held any interest in the shares of the Company or its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than Directors' remuneration as disclosed in Note 19 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest, except as disclosed in Note 24 to the financial statements.

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

Other statutory information

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

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

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

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

(a) which would render the amounts written off or provided for bad and doubtful debts of the Group and the Company inadequate to any substantial extent or the values attributed to current assets of the Group and the Company misleading; and

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transactions or event of a material and unusual nature.

As detailed in Note 26 to the financial statements, there are pending litigation in respect of claims instituted against the Company. The contingent liabilities arising from the said claims amounts to approximately RM11.48 million.

Apart from the above, no contingent liability or other liability of the Group and of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet its obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Significant event

On 5 November 2008, the Company has entered into a Sale and Purchase Agreement for the purchase of two office suites at a purchase consideration of RM4,000,000. The purchase has not been finalised as at year end.

Auditors

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

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 April 2009.

Senator Dato' Ikhwan Salim bin Dato' Haji Sujak
Director

Dato' Sri Tai Hean Leng @ Tek Hean Leng
Director

Subang Jaya

STATEMENT BY DIRECTORS

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

We, Senator Dato' Ikhwan Salim bin Dato' Haji Sujak and Dato' Sri Tai Hean Leng @ Tek Hean Leng, being two of the Directors of Malaysia Steel Works (KL) Bhd, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 32 to 61 are drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2008 and of the results and cash flows of the Group and of the Company for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 21 April 2009.

Senator Dato' Ikhwan Salim bin Dato' Haji Sujak
Director

Dato' Sri Tai Hean Leng @ Tek Hean Leng
Director

Subang Jaya

STATUTORY DECLARATION

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

I, Dato' Sri Tai Hean Leng @ Tek Hean Leng, being the Director primarily responsible for the financial management of Malaysia Steel Works (KL) Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 32 to 61 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Dato' Sri Tai Hean Leng @ Tek Hean Leng at Petaling Jaya in the state of Selangor Darul Ehsan on 21 April 2009.

Dato' Sri Tai Hean Leng @ Tek Hean Leng
Director

Before me,

M. KHANDIMADDI (NO. B106)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

to the members of Malaysia Steel Works (KL) Bhd

Report on the Financial Statements

We have audited the financial statements of Malaysia Steel Works (KL) Bhd, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and the summary of significant accounting policies and other explanatory notes, as set out on pages 32 to 61.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia. This responsibility includes: designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

INDEPENDENT AUDITORS' REPORT

to the members of Malaysia Steel Works (KL) Bhd (cont'd)

Report on Other Legal and Regulatory Requirements

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

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

(b) We have considered the financial statements and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 8 to the financial statements.

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

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

Other Matters

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

SSY Partners
AF: 0040
Chartered Accountants

Jason Sia Sze Wan
No. 2376/05/10 (J)
Partner

Subang Jaya
21 April 2009

BALANCE SHEETS
as at 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	**336,913**	315,030	**326,598**	314,345
Prepaid land lease payments	7	**61,950**	62,119	**61,950**	62,119
Investment in subsidiaries	8	**–**	–	**10,000**	#
Other investments	9	**9,000**	9,000	**9,000**	9,000
		407,863	386,149	**407,548**	385,464
Current assets					
Inventories	10	**163,662**	114,995	**163,662**	114,995
Trade and other receivables	11	**134,482**	110,637	**135,647**	111,544
Fixed deposits with licensed banks		**4,521**	–	**4,521**	–
Cash and bank balances		**23,993**	34,497	**23,652**	34,490
		326,658	260,129	**327,482**	261,029
TOTAL ASSETS		**734,521**	646,278	**735,030**	646,493
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the Company					
Share capital	14	**97,333**	73,000	**97,333**	73,000
Share premium	15	**22,977**	47,310	**22,977**	47,310
Revaluation reserves	16	**31,030**	31,030	**31,030**	31,030
Retained earnings	17	**278,968**	204,047	**279,480**	204,275
TOTAL EQUITY		**430,308**	355,387	**430,820**	355,615

 # - Nominal amount of RM4/-

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

BALANCE SHEETS

as at 31 December 2008 (cont'd)

	Note	Group		Company	
		2008	2007	**2008**	2007
		RM'000	RM'000	**RM'000**	RM'000
Non-current liabilities					
Borrowings	13	**124,053**	108,222	**124,053**	108,222
Current liabilities					
Trade and other payables	12	**50,295**	60,065	**50,292**	60,052
Taxation		**2,288**	1,745	**2,288**	1,745
Borrowings	13	**127,577**	120,859	**127,577**	120,859
		180,160	182,669	**180,157**	182,656
TOTAL LIABILITIES		**304,213**	290,891	**304,210**	290,878
TOTAL EQUITY AND LIABILITIES		**734,521**	646,278	**735,030**	646,493

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

INCOME STATEMENTS
for the year ended 31 December 2008

	Note	Group 2008 RM'000	Group 2007 RM'000	Company 2008 RM'000	Company 2007 RM'000
Revenue		**881,224**	548,029	**881,183**	548,029
Cost of sales		**(746,002)**	(456,584)	**(746,001)**	(456,584)
Gross profit		**135,222**	91,445	**135,182**	91,445
Other operating income		**731**	936	**731**	936
		135,953	92,381	**135,913**	92,381
Distribution costs		**(15,966)**	(8,958)	**(15,966)**	(8,958)
Administrative expenses		**(20,372)**	(21,336)	**(20,170)**	(21,219)
Other operating expenses		**(122)**	(57)	**–**	–
Profit from operations	20	**99,493**	62,030	**99,777**	62,204
Finance costs	21	**(13,763)**	(15,851)	**(13,763)**	(15,851)
Profit before taxation		**85,730**	46,179	**86,014**	46,353
Taxation	22	**(6,429)**	(1,845)	**(6,429)**	(1,845)
Profit for the year		**79,301**	44,334	**79,585**	44,508
Basic earnings per share (sen)	25	**40.74**	22.93		

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

STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 December 2008

	Note	Share capital RM'000	Share premium RM'000	Revaluation reserves RM'000	Retained earnings RM'000	Total RM'000
Group						
At 1 January 2008		**73,000**	**47,310**	**31,030**	**204,047**	**355,387**
Issue of shares	14, 15	**24,333**	**(24,333)**	**–**	**–**	**–**
Profit for the year		**–**	**–**	**–**	**79,301**	**79,301**
Dividends paid	29	**–**	**–**	**–**	**(4,380)**	**(4,380)**
At 31 December 2008		**97,333**	**22,977**	**31,030**	**278,968**	**430,308**
At 1 January 2007		66,500	41,787	31,030	161,951	301,268
Issue of shares	14	6,500	–	–	–	6,500
Share premium net of share issue expenses	15	–	5,523	–	–	5,523
Profit for the year		–	–	–	44,334	44,334
Dividends paid	29	–	–	–	(2,238)	(2,238)
At 31 December 2007		73,000	47,310	31,030	204,047	355,387
Company						
At 1 January 2008		**73,000**	**47,310**	**31,030**	**204,275**	**355,615**
Issue of shares	14, 15	**24,333**	**(24,333)**	**–**	**–**	**–**
Profit for the year		**–**	**–**	**–**	**79,585**	**79,585**
Dividends paid	29	**–**	**–**	**–**	**(4,380)**	**(4,380)**
At 31 December 2008		**97,333**	**22,977**	**31,030**	**279,480**	**430,820**
At 1 January 2007		66,500	41,787	31,030	162,005	301,322
Issue of shares	14	6,500	–	–	–	6,500
Share premium net of share issue expenses	15	–	5,523	–	–	5,523
Profit for the year		–	–	–	44,508	44,508
Dividends paid	29	–	–	–	(2,238)	(2,238)
At 31 December 2007		73,000	47,310	31,030	204,275	355,615

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

CASH FLOW STATEMENTS
for the year ended 31 December 2008

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before taxation	**85,730**	46,179	**86,014**	46,353
Adjustments for:				
Deposits written off	**27**	–	**27**	–
Depreciation of property, plant and equipment	**14,936**	13,168	**14,929**	13,167
Interest expense	**13,763**	15,851	**13,763**	15,851
Amortisation of prepaid land lease payment	**169**	169	**169**	169
Impairment of inventories	**154**	–	**154**	–
Gain on disposal of property, plant and equipment	**–**	(70)	**–**	(70)
Unrealised foreign exchange loss	**528**	–	**528**	–
Unrealised foreign exchange gain	**–**	(515)	**–**	(515)
Reversal of provision for doubtful debts	**(449)**	(199)	**(449)**	(199)
Interest income	**(282)**	(152)	**(282)**	(152)
Operating profit before working capital changes	**114,576**	74,431	**114,853**	74,604
Increase in inventories	**(48,821)**	(36,070)	**(48,821)**	(36,069)
Increase in receivables	**(24,808)**	(25,044)	**(25,066)**	(25,727)
(Decrease)/increase in payables	**(9,770)**	14,962	**(9,760)**	14,950
Cash generated from operations	**31,177**	28,279	**31,206**	27,758
Interest paid	**(13,403)**	(15,391)	**(13,403)**	(15,391)
Tax paid	**(4,500)**	(927)	**(4,500)**	(927)
Net cash generated from operating activities	**13,274**	11,961	**13,303**	11,440
Cash flows from investing activities				
Interest received	**282**	152	**282**	152
Proceeds from disposal of property, plant and equipment	**–**	76	**–**	76
Investment in subsidiaries	**–**	–	**(10,000)**	–
Other investments	**–**	(4,000)	**–**	(4,000)
Purchases of property, plant and equipment (Note 23)	**(36,421)**	(28,880)	**(26,784)**	(28,359)
Net cash used in investing activities	**(36,139)**	(32,652)	**(36,502)**	(32,131)
Cash flows from financing activities				
Banker's acceptances	**30,738**	(20,037)	**30,738**	(20,037)
Drawdown of revolving credit	**–**	18,000	**–**	18,000
Repayment of revolving credit	**(3,130)**	(50,783)	**(3,130)**	(50,783)
Repayment of finance lease liabilities	**(1,034)**	(915)	**(1,034)**	(915)
Drawdown of term loans	**–**	72,240	**–**	72,240
Repayment of term loans	**(4,952)**	(1,269)	**(4,952)**	(1,269)
Proceeds from issuance of shares, net of share issue expenses	**–**	12,023	**–**	12,023
Payment of finance lease interest	**(360)**	(460)	**(360)**	(460)
Dividends paid	**(4,380)**	(2,238)	**(4,380)**	(2,238)
Net cash generated from financing activities	**16,882**	26,561	**16,882**	26,561

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

CASH FLOW STATEMENTS
for the year ended 31 December 2008 (cont'd)

	Group	**Company**		
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Net (decrease)/increase in cash and cash equivalents	**(5,983)**	5,870	**(6,317)**	5,870
Cash and cash equivalents at beginning of the year	**34,497**	28,627	**34,490**	28,620
Cash and cash equivalents at end of the year	**28,514**	34,497	**28,173**	34,490
Cash and cash equivalents comprise:				
Fixed deposits with licensed banks	**4,521**	–	**4,521**	–
Cash at banks	**23,980**	34,408	**23,639**	34,401
Cash in hand	**13**	89	**13**	89
	28,514	34,497	**28,173**	34,490

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

1. Corporate information

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

The registered office of the Company is located at Unit 1009, 10th Floor, Amcorp Tower, Amcorp Trade Centre, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Wisma Masteel, Lot 29C, Section 51, Off Jalan Tandang, 46050 Petaling Jaya, Selangor Darul Ehsan.

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

The principal activities of the subsidiaries are as stated in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 21 April 2009.

2. Basis of preparation of the financial statements

The financial statements comply with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for the financial periods beginning on or after 1 July 2007 as described fully in Note 4.

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

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the applicable MASB Approved Accounting Standards for Entities Other Than Private Entities in Malaysia requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

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

3. Significant accounting policies

All significant accounting policies set out below are consistent with those applied in the previous financial year.

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

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

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

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

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

(b) Property, plant and equipment, and depreciation

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

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

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

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

The Directors have applied the transitional provisions of Financial Reporting Standard (FRS) 116 which allows freehold and leasehold land and buildings to be stated at their previous years' valuation less accumulated depreciation, if any. Accordingly, the valuations of these properties have not been updated.

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

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

Leasehold land	1/62
Factory	2.0% - 7.5%
Buildings	5.0%
Plant and machinery	3.0% - 10.0%
Factory equipment	10.0%
Motor vehicles	20.0%
Office equipment	15.0%
Furniture and fittings	15.0%
Electrical installation	7.5%

3. Significant accounting policies (continued)

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

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

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

(c) Investment in subsidiaries

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

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

(d) Goodwill or reserve arising on consolidation

Goodwill or reserve arising on consolidation represents the difference of the fair value of purchase consideration of subsidiaries acquired over the Group's share of the fair values of their identifiable assets and liabilities at the date of acquisition.

Reserve arising on consolidation will be written off in income statement.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(e) Inventories

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

(f) Receivables

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

(g) Cash and cash equivalents

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

3. Significant accounting policies (continued)

(h) Provision for liabilities

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

(i) Leases

i Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases, with the following exceptions:

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

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

ii Finance lease

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

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

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

iii Operating leases

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

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

3. Significant accounting policies (continued)

(i) Leases (continued)

iii Operating leases (continued)

Leasehold land which was previously classified under property, plant and equipment is now classified as prepaid lease rental as non-current asset.

The prepaid lease rental's lease periods range between 62 and 99 years.

(j) Interest bearing loans and borrowings

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

(k) Payables

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

(l) Equity instruments

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

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

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

(m) Income tax

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

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

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

3. Significant accounting policies (continued)

(n) Employee benefits

i Short term benefits

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

ii Defined contribution plan

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

iii Termination benefits

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

(o) Revenue

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

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

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

(p) Foreign currency

i Functional and presentation currency

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

ii Foreign currency transactions

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

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

3. Significant accounting policies (continued)

(p) Foreign currency (continued)

ii Foreign currency transactions (continued)

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

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

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

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

iii Foreign operations

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate prevailing at the balance sheet date;
- Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and
- All resulting exchange differences are taken to the foreign currency translation reserve within equity.

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

Foreign currency	2008 RM	2007 RM
1 United States Dollar	**3.508**	3.345
100 Japanese Yen	**3.895**	2.953
1 European Dollar	**4.973**	4.836
1 Singapore Dollar	**2.447**	2.317
1 Australian Dollar	**2.350**	2.876

3. Significant accounting policies (continued)

(q) Impairment of assets

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

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

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

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

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

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

(r) Financial instruments

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

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instruments classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are recognised directly in equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3. Significant accounting policies (continued)

(s) Research and development costs

All research costs are recognised in the income statement as incurred.

Expenditure incurred on project to develop new products is capitalised and deferred only when the Group and the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits; the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet.

4. Changes in accounting policies and effects arising from adoption of new FRSs

On 1 January 2008, the Group adopted the following FRSs mandatory for financial periods beginning on or after 1 July 2007:

<u>FRSs, Amendments to FRS and Interpretations</u>

FRS 107	:	Cash Flow Statements
FRS 112	:	Income Taxes
FRS 118	:	Revenue
FRS 134	:	Interim Financial Reporting
FRS 137	:	Provisions, Contingent Liabilities and Contingent Assets
Amendment to FRS 121	:	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation
IC Interpretation 1	:	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IC Interpretation 6	:	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electrical Equipment
IC Interpretation 7	:	Applying the Restatement Approach under IAS 29 – Financial Reporting in Hyperinflationary Economies
IC Interpretation 8	:	Scope of FRS 2

The adoption of the abovementioned FRSs, Amendment to FRS and IC Interpretations, where applicable does not result in any significant impact on the financial statements of the Group.

The Group has not early adopted the following FRSs:

			Effective Date
FRS 7	:	Financial Instruments: Disclosures	1 January 2010
FRS 8	:	Operating Segments	1 July 2009
FRS 139	:	Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 10	:	Interim Financial Reporting and Impairment	1 January 2010

5. Significant accounting estimates

Key Sources of Estimation Uncertainty

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

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

(i) Impairment of inventories

Inventories are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of the inventories have been determined based on their fair value less costs to sell. The fair value less costs to sell was arrived at by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market condition existing at each balance sheet date. The Group has written down the inventories by RM154,359 for the financial year ended 31 December 2008.

(ii) Depreciation of property, plant and machinery

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

(iii) Deferred taxation

Deferred tax assets are recognised for all unutilised reinvestment allowances to the extent that it is probable that taxable profit will be available against which the reinvestment allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

6. Property, plant and equipment

Group	Freehold land and building RM'000	Leasehold buildings RM'000	Plant and machinery, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Electrical installation RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount								
At 1 January 2008	112	24,192	288,184	1,150	706	–	686	315,030
Additions	167	–	16,742	519	281	89	19,021	36,819
Depreciation charge	(12)	(952)	(13,341)	(438)	(192)	(1)	–	(14,936)
At 31 December 2008	267	23,240	291,585	1,231	795	88	19,707	336,913
At 31 December 2008								
Cost	275	31,200	426,529	3,496	2,228	265	19,707	483,700
Valuation	65	–	–	–	–	–	–	65
Accumulated depreciation	(73)	(7,960)	(134,944)	(2,265)	(1,433)	(177)	–	(146,852)
Carrying amount	267	23,240	291,585	1,231	795	88	19,707	336,913

6. Property, plant and equipment (continued)

Group	Freehold land and building RM'000	Leasehold buildings RM'000	Plant and machinery, factory and electrical equipment RM'000	Motor vehicles RM'000	Office equipment, furniture and fittings RM'000	Electrical installation RM'000	Capital work-in-progress RM'000	Total RM'000
Carrying amount								
At 1 January 2007	117	24,409	241,925	1,304	384	46	30,899	299,084
Additions	–	562	27,306	263	468	–	521	29,120
Reclassifications	–	–	30,734	–	–	–	(30,734)	–
Disposals	–	–	–	(6)	–	–	–	(6)
Depreciation charge	(5)	(779)	(11,781)	(411)	(146)	(46)	–	(13,168)
At 31 December 2007	112	24,192	288,184	1,150	706	–	686	315,030
At 31 December 2007								
Cost	108	31,200	409,787	2,977	1,947	176	686	446,881
Valuation	65	–	–	–	–	–	–	65
Accumulated depreciation	(61)	(7,008)	(121,603)	(1,827)	(1,241)	(176)	–	(131,916)
Carrying amount	112	24,192	288,184	1,150	706	–	686	315,030
Company								
Carrying amount								
At 1 January 2008	**112**	**24,192**	**288,184**	**1,150**	**707**	**–**	**–**	**314,345**
Additions	**–**	**–**	**16,742**	**519**	**281**	**89**	**9,551**	**27,182**
Depreciation charge	**(5)**	**(952)**	**(13,341)**	**(438)**	**(192)**	**(1)**	**–**	**(14,929)**
At 31 December 2008	**107**	**23,240**	**291,585**	**1,231**	**796**	**88**	**9,551**	**326,598**
At 31 December 2008								
Cost	**108**	**31,200**	**426,705**	**3,323**	**2,229**	**265**	**9,551**	**473,381**
Valuation	**65**	**–**	**–**	**–**	**–**	**–**	**–**	**65**
Accumulated depreciation	**(66)**	**(7,960)**	**(135,120)**	**(2,092)**	**(1,433)**	**(177)**	**–**	**(146,848)**
Carrying amount	**107**	**23,240**	**291,585**	**1,231**	**796**	**88**	**9,551**	**326,598**
Carrying amount								
At 1 January 2007	117	24,409	241,925	1,304	384	46	30,734	298,919
Additions	–	562	27,306	263	468	–	–	28,599
Reclassifications	–	–	30,734	–	–	–	(30,734)	–
Disposals	–	–	–	(6)	–	–	–	(6)
Depreciation charge	(5)	(779)	(11,781)	(411)	(145)	(46)	–	(13,167)
At 31 December 2007	112	24,192	288,184	1,150	707	–	–	314,345
At 31 December 2007								
Cost	108	31,200	409,787	2,850	1,948	176	–	446,069
Valuation	65	–	–	–	–	–	–	65
Accumulated depreciation	(61)	(7,008)	(121,603)	(1,700)	(1,241)	(176)	–	(131,789)
Carrying amount	112	24,192	288,184	1,150	707	–	–	314,345

6. Property, plant and equipment (continued)

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

	Group and Company	
	2008	2007
	RM'000	RM'000
Plant and machinery	**3,185**	3,284
Motor vehicles	**1,194**	1,134
	4,379	4,418

(b) The carrying amounts of property, plant and equipment charged as securities for borrowings as disclosed in Note 13 are as follows:

	Group and Company	
	2008	2007
	RM'000	RM'000
Leasehold buildings	**18,911**	19,380
Plant and machinery	**247,360**	249,893
	266,271	269,273

7. Prepaid land lease payments

	Group and Company	
	2008	2007
	RM'000	RM'000
At revaluation		
At 1 January	**62,119**	62,288
Amortisation charge	**(169)**	(169)
At 31 December	**61,950**	62,119

The carrying amount of property charged as securities for borrowings as disclosed in Note 13 is as follows:

	Group and Company	
	2008	2007
	RM'000	RM'000
Leasehold land	**52,000**	52,000

8. Investment in subsidiaries

	Company	
	2008	2007
	RM'000	RM'000
Unquoted shares, at cost	**10,000**	#

8. Investment in subsidiaries (continued)

Name of Company	Equity interest held 2008	2007	Principal activities
Steel Dynamics (M) Sdn. Bhd.	100%	100%	Dormant
Bio Molecular Industries Sdn. Bhd.	100%	100%	Manufacturing, research and development of radioisotopes and radiopharmaceuticals products

All of the above subsidiaries were incorporated in Malaysia and audited by a firm of auditors other than SSY Partners.

 # - Nominal amount of RM4

9. Other investments

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

Details of subordinated bonds are as follows:

Stock code	Issue No	Coupon rate % p.a.	Maturity date	Group and Company 2008 RM'000	2007 RM'000
FJ050001	CAPONE	No fixed rate	20.9.2010	**5,000**	5,000
DI070008	PRIMA UNO	No fixed rate	26.1.2012	**4,000**	4,000
				9,000	9,000

10. Inventories

	Group and Company 2008 RM'000	2007 RM'000
Raw materials	**153,093**	106,765
Finished goods	**10,723**	8,230
Impairment of inventories	**(154)**	–
	163,662	114,995

The cost of inventories recognised as an expense during the financial year in the Group and the Company amounted to RM648,213,161 (2007: RM363,528,008) and RM648,213,161 (2007: RM363,528,008) respectively.

11. Trade and other receivables

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Trade receivables				
Related parties	**9**	6	**9**	6
Non related parties	**133,263**	110,214	**133,263**	110,214
Less: Allowance for doubtful debts	**(731)**	(1,180)	**(731)**	(1,180)
	132,541	109,040	**132,541**	109,040
Other receivables				
Due from subsidiaries	**–**	–	**1,420**	1,008
Deposits	**576**	194	**476**	93
Prepayments	**–**	5	**–**	5
Overpayment of taxation	**–**	1,386	**–**	1,386
Sundry receivables	**1,365**	12	**1,210**	12
	1,941	1,597	**3,106**	2,504
	134,482	110,637	**135,647**	111,544

The normal trade credit terms of the Company range from 30 to 90 days (2007: 30 to 90 days).

The amount due from related parties of which is trade in nature is subject to the Company's normal trade credit terms.

The amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

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

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Malaysian Ringgit	**132,095**	86,318	**132,095**	86,318
Australian Dollar	**446**	–	**446**	–
United States Dollar	**–**	22,722	**–**	22,722
	132,541	109,040	**132,541**	109,040

12. Trade and other payables

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Trade payables				
Related parties	**77**	107	**77**	107
Non related parties	**41,587**	48,089	**41,587**	48,089
	41,664	48,196	**41,664**	48,196
Other payables				
Accruals	**7,192**	10,753	**7,189**	10,751
Staff costs payable	**1,439**	1,116	**1,439**	1,105
Deposits	*	*	*	*
	8,631	11,869	**8,628**	11,856
	50,295	60,065	**50,292**	60,052

* - Negligible as the individual amount is below RM500

The normal trade credit terms of the Company range from 30 to 90 days (2007: 30 to 90 days).

The amount due to related parties of which is trade in nature is subject to the Company's normal trade credit terms.

13. Borrowings

	Group and Company	
	2008	2007
	RM'000	RM'000
Current		
Secured:		
Banker's acceptances	**118,144**	87,406
Revolving credit	**3,130**	17,217
Finance lease liabilities	**1,215**	1,008
Term loans	**5,088**	15,228
	127,577	120,859
Non-current		
Secured:		
Revolving credit	**10,957**	–
Finance lease liabilities	**2,152**	2,994
Term loans	**110,944**	105,228
	124,053	108,222
Total Borrowings		
Banker's acceptances	**118,144**	87,406
Revolving credit	**14,087**	17,217
Finance lease liabilities	**3,367**	4,002
Term loans	**116,032**	120,456
	251,630	229,081

13. Borrowings (continued)

The interest rates incurred during the financial year for borrowings, excluding finance lease liabilities, ranged from 2.92% to 7.50% (2007: 4.88% to 7.50%) per annum.

The bank overdrafts, banker's acceptances, revolving credit and term loans are secured by the following:

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

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

	Group and Company	
	2008	2007
	RM'000	RM'000
Secured:		
Malaysian Ringgit	**102,000**	104,440
United States Dollar	**14,032**	16,056
	116,032	120,456

	2008 **RM'000**	2007 RM'000
Repayment terms		
Secured:		
Bank borrowings excluding finance lease liabilities		
- not later than 1 year	**126,362**	119,851
- later than 1 year and not later than 2 years	**58,218**	15,601
- later than 2 years and not later than 5 years	**63,683**	49,558
- later than 5 years	**–**	40,069
	248,263	225,079
Finance lease liabilities		
- not later than 1 year	**1,422**	1,358
- later than 1 year and not later than 2 years	**1,395**	3,306
- later than 2 years and not later than 5 years	**935**	72
- later than 5 years	**56**	–
	3,808	4,736
Future finance charges on finance lease	**(441)**	(734)
Present value of finance lease liabilities	**3,367**	4,002
Present value of finance lease liabilities		
- not later than 1 year	**1,215**	1,008
- later than 1 year and not later than 2 years	**1,216**	2,933
- later than 2 years and not later than 5 years	**882**	61
- later than 5 years	**54**	–
	3,367	4,002

The finance lease liabilities bear interest at the rates of between 2.40% to 7.35% (2007: 2.54% to 6.02%) per annum.

14. Share capital

	Group and Company 2008 RM'000	2007 RM'000
Authorised		
Ordinary shares of RM0.50 each		
At 1 January – 200,000,000 ordinary shares	**100,000**	100,000
Created during the year – 800,000,000 ordinary shares	**400,000**	–
At 31 December – 1,000,000,000 (2007: 200,000,000) ordinary shares	**500,000**	100,000
Issued and fully paid		
Ordinary shares of RM0.50 each		
At 1 January – 146,000,000 (2007: 133,000,000) ordinary shares	**73,000**	66,500
Issued during the year – 48,666,666 (2007: 13,000,000) ordinary shares	**24,333**	6,500
At 31 December – 194,666,666 (2007: 146,000,000) ordinary shares	**97,333**	73,000

During the financial year, the Company issued 48,666,666 new ordinary shares of RM0.50 each through a bonus issue on the basis of one (1) bonus issue for every three (3) existing ordinary shares held. The amount of RM24,333,333 allotted from the issuance of the new ordinary shares have been transfer from the share premium account.

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

15. Share premium

	Group and Company 2008 RM'000	2007 RM'000
At 1 January	**47,310**	41,787
Add: Issue of 13,000,000 new ordinary shares of RM0.50 at a premium of RM0.45 per share	**–**	5,850
Less: Share issue expenses	**–**	(327)
Less: Bonus issue (Note 14)	**(24,333)**	–
At 31 December	**22,977**	47,310

16. Revaluation reserves

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

17. Retained earnings

Effective 1 January 2008, the Company is given an irrevocable option to elect for the single tier tax system or to continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution during the transitional period of up to 6 years until 31 December 2013. The Company has elected to move to a single tier tax system.

18. Staff costs

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Salaries, bonus, allowances and overtime	**18,104**	16,752	**17,993**	16,642
Social security costs	**148**	140	**148**	140
Employees' Provident Fund	**1,241**	1,276	**1,241**	1,276
Other benefits	**41**	31	**41**	31
	19,534	18,199	**19,423**	18,089

Included in staff costs of the Group and of the Company are Directors' remuneration as disclosed in Note 19.

19. Directors' remuneration

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Directors of the Company				
Executive:				
Salaries and other emoluments	**1,207**	1,038	**1,207**	1,038
Fees	**127**	123	**16**	12
Allowances	**44**	43	**44**	43
	1,378	1,204	**1,267**	1,093
Non-executive:				
Fees	**19**	24	**19**	24
Allowances	**218**	170	**218**	170
	237	194	**237**	194
Total executive Directors' remuneration	**1,378**	1,204	**1,267**	1,093
Total non-executive Directors' remuneration	**237**	194	**237**	194
Grand total	**1,615**	1,398	**1,504**	1,287

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

	Number of Directors	
	2008	2007
Executive Directors:		
RM50,001 – RM100,000	**–**	1
RM150,001 – RM200,000	**1**	–
RM200,001 – RM250,000	**–**	1
RM250,001 – RM300,000	**1**	–
Over RM500,001	**1**	1
Non-executive Directors:		
Below RM50,000	**3**	5
Over RM100,001	**1**	1

20. Profit from operations

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Profit from operations is arrived at after charging:				
Amortisation of prepaid lease land payments	**169**	169	**169**	169
Auditors' remuneration	**62**	41	**60**	40
Depreciation of property, plant and equipment	**14,936**	13,168	**14,929**	13,167
Deposits written off	**27**	–	**27**	–
Hire of equipment	**760**	224	**760**	224
Impairment of inventories	**154**	–	**154**	–
Unrealised foreign exchange loss	**528**	–	**528**	–
Rental of premises	**197**	220	**197**	220
Research and development expenses	**122**	57	**–**	–
Staff costs (Note 18)	**19,534**	18,199	**19,423**	18,089
and crediting:				
Fixed deposit interest	**282**	152	**282**	152
Gain on disposal of property, plant and equipment	**–**	70	**–**	70
Unrealised foreign exchange gain	**–**	515	**–**	515
Reversal of provision for doubtful debts	**449**	199	**449**	199

21. Finance costs

	Group and Company	
	2008	2007
	RM'000	RM'000
Interest expenses on borrowings:		
- Banker's acceptances	**4,177**	4,432
- Bank overdrafts and revolving credit	**1,608**	3,810
- Finance leases	**360**	460
- Term loans	**7,618**	7,149
	13,763	15,851

22. Taxation

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Malaysian income tax				
Current year	**6,429**	1,746	**6,429**	1,746
Underprovision in prior years	**–**	99	**–**	99
	6,429	1,845	**6,429**	1,845

Current income tax is calculated at the statutory tax rate of 26% (2007: 27%) of the estimated assessable profit for the year. The statutory tax rate will be reduced to 25% from the current year's rate of 26%, effective year of assessment 2009. The computation of deferred tax as at 31 December 2008 has reflected these changes.

22. Taxation (continued)

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

	Group		Company	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Profit before taxation	**85,730**	46,179	**86,014**	46,353
Tax at Malaysian statutory tax rate of 26% (2007: 27%)	**22,290**	12,468	**22,364**	12,515
Expenses not deductible for tax purposes	**4,618**	1,421	**4,544**	1,374
Underprovision in prior years	**–**	99	**–**	99
Income not subject to tax	**–**	(196)	**–**	(196)
Utilisation of reinvestment allowances	**(20,479)**	(3,974)	**(20,479)**	(3,974)
Utilisation of previously unrecognised capital allowances	**–**	(7,973)	**–**	(7,973)
Tax expense for the year	**6,429**	1,845	**6,429**	1,845

Subject to agreement with the Inland Revenue Board, the Company has unutilised reinvestment allowances amounting to approximately RM228,443,762 (2007: RM263,642,182) for set off against future chargeable income.

Deferred tax assets have not been recognised in respect of the unutilised reinvestment allowances and allowance for doubtful debts of the Company amounting to approximately RM59,585,406 (2007: RM71,501,871). The unutilised reinvestment allowances are available for set off against future taxable profits of the Company. Deferred tax assets have not been recognised in the financial statements as the Directors are uncertain whether future taxable profits from the Company will be available for set off against the unutilised reinvestment allowances.

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

	Company	
	2008 RM'000	2007 RM'000
Unutilised reinvestment allowances	**59,395**	71,183
Allowance for doubtful debts	**190**	318
	59,585	71,501

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

23. Purchase of property, plant and equipment

During the financial year, the Group and the Company acquired property, plant and equipment with aggregate cost of RM36,819,464 (2007: RM29,120,379) and RM27,182,290 (2007: RM28,599,405) respectively which were satisfied as follows:

	Group		Company	
	2008 RM'000	2007 RM'000	**2008 RM'000**	2007 RM'000
Finance lease financing	**398**	240	**398**	240
Cash payments	**36,421**	28,880	**26,784**	28,359
	36,819	29,120	**27,182**	28,599

24. Significant related party transactions

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Purchase of materials from related party in which a Director has interest:				
Soon Seng Co. (Selangor) Sdn. Bhd.	**51**	6,763	**51**	6,763
Sales to subsidiary:				
Bio Molecular Industries Sdn. Bhd.	**–**	–	**346**	–

The Directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

25. Earnings per share

(a) Basic earnings per share

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

	Group	
	2008	2007
	RM'000	RM'000
Profit attributable to shareholders	**79,301**	44,334
Weighted average number of ordinary shares in issue *	**194,667**	193,337
Basic earnings per share (sen)	**40.74**	22.93

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

(b) Diluted earnings per share

There is no diluted earnings per share in this financial year.

26. Contingent liabilities

The following are pending litigation in respect of claims instituted against the Company:

(i) Claim of RM1.33 million (USD0.38 million) for the balance of the purchase price for the goods sold. The Company has filed a defence and counter claim for damages of RM3.73 million. On 19 September 2006, the High Court dismissed the claim and gave judgement in favour of the Company for the counter claim. Subsequently, the supplier filed an appeal against the judgement and on 15 May 2008 the Court of Appeal was handed down wherein the supplier's appeal was allowed and the High Court judgement was set aside. The Company filed a Notice of Motion to apply for leave to appeal and waiting for the date hearing at the Federal Court.

26. Contingent liabilities (continued)

(ii) Arbitration for letter of demand against the Company for RM2.59 million (SGD1.06 million) has commenced and the parties have filed their respective claims and counter claims. The Company has a counter claim in excess of the claim. The solicitors of the Company are of the opinion that the Company chances of success in the claim proper are good. On 21 June 2007, the Learned Judge allowed the application for the security costs of RM75,000. The supplier has filed an appeal to the Court of Appeal against this order for security of cost. Both parties had filed leave application to the Court of Appeal and leave was granted for both parties to file the Appeal. The Company has filed their Notice of Appeal and now pending the filing of Record of Appeal by both parties.

(iii) Claim of RM7.56 million for goods sold and delivered together with interest. The solicitors of the Company are of the opinion that the claim will fail in court since there were no agreement whatsoever nor any prior demand or claim made against the Company previously. The supplier has filed their Statement of Claim to which the Company has filed a Statement of Defence and Counterclaim. The supplier has subsequently filed their Defence to the Counterclaim and their Summary Judgment Application. This matter has been fixed for hearing on 22 April 2009.

27. Financial risk management policies

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

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

(i) Interest Rate Risk

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

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

(ii) Credit Risk

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

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

27. Financial risk management policies (continued)

(iii) Foreign Currency Risk

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

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

(iv) Liquidity Risk

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

28. Fair values of the financial instruments

The fair values of the financial instruments of the Group and of the Company as at 31 December 2008 are not materially different from their carrying values.

29. Dividends

	Group and Company	
	2008	2007
	RM'000	RM'000
Recognised during the year:		
A first and final single tier dividend for 2007: 3.0 sen per share on 146,000,000 ordinary shares	**4,380**	–
A first and final dividend for 2006: 2.1 sen per share less 27% taxation on 146,000,000 ordinary shares	**–**	2,238
	4,380	2,238

At the forthcoming Annual General Meeting, a first and final single tier dividend in respect of the financial year ended 31 December 2008, of 2.5 sen per share on 194,666,666 ordinary shares of RM0.50 each, amounting to the net dividends payable of RM4,866,667 will be proposed for shareholders' approval. This dividend is exempt from income tax in the hands of the shareholders. The financial statements for the current financial year do not reflect this proposed dividend. Such dividends, if approved by shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2009.

30. Segment information

(a) Primary reporting format – by business segment

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

(b) Secondary reporting format – by geographical

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

Area	Sales		Total Assets		Capital Expenditure	
	2008	2007	**2008**	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000	**RM'000**	RM'000
Malaysia	**765,710**	466,122	**734,521**	646,278	**36,819**	29,120
Outside Malaysia	**115,514**	81,907	**–**	–	**–**	–
	881,224	548,029	**734,521**	646,278	**36,819**	29,120

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

31. Capital commitments

	Group		Company	
	2008	2007	**2008**	2007
	RM'000	RM'000	**RM'000**	RM'000
Capital expenditure				
Approved and contracted for:				
Property, plant and equipment	**20,253**	24,288	**4,419**	–

32. Significant event

On 5 November 2008, the Company has entered into a Sale and Purchase Agreement for the purchase of two office suites at a purchase consideration of RM4,000,000. The purchase has not been finalised as at year end.

LIST OF PROPERTIES

Location	Existing Use	Approximate Age of Building (Years)	Tenure	Land Area (Built-up Area)	Net Book Value (RM'000)	Date of Revaluation
HSD 161066 Lot No. PT29C Section 28 Town of Petaling Jaya, District of Petaling, Selangor Darul Ehsan	Office, factory and warehouse	26 years	Leasehold for 99 years expiring on 15.04.2067	130,897 sq. ft. (63,187 sq. ft.)	Land – 9,950 Building – 4,329	30.09.2005
Lot 2 of Parent Lot 13039, Kawasan Perusahaan Bukit Raja Mukim Kapar District of Klang Selangor Darul Ehsan	Office, factory and warehouse	8 years	Leasehold for 99 years (pending issuance of title to the land)	1,566,067 sq. ft. (187,220 sq. ft.)	Land – 52,000 Building – 18,911	30.09.2005
GRN 33304 Lot 3780 Mukim of Pasir Panjang, District of Port Dickson, Negeri Sembilan Darul Khusus	Bungalow	24 years	Freehold	5,403 sq. ft. (1,334 sq. ft)	Land – 65 Building – 42	30.09.2005
H. S (D) 169519 No. PT 28200 Mukim Labu Daerah Seremban Negeri Sembilan Darul Khusus	Double story link house	1 year	Freehold	1,320 sq. ft. (1,566 sq. ft)	Land – 25 Building – 135	Nil

ANALYSIS OF SHAREHOLDINGS

as at 27 April 2009

SHARE CAPITAL

Authorised Capital	:	RM500,000,000
Issued and Fully Paid-Up Capital	:	RM97,333,333
Class of Shares	:	Ordinary shares of RM0.50 each
Voting Rights	:	One (1) vote per ordinary share

SHAREHOLDINGS BY RANGE GROUP

Size of Holdings	No. of Shareholders /Depositors	% of Shareholders /Depositors	No of Shares Held	% of Issued Capital
1 to 99 shares	98	2.31	4,047	0.00
100 to 1,000 shares	160	3.77	95,690	0.05
1,001 to 10,000 shares	2,728	64.28	11,863,375	6.10
10,001 to 100,000shares	1,143	26.93	30,019,150	15.42
100,0001 to 9,733,332 shares	112	2.64	63,117,552	32.42
9,733,333 and above	3	0.07	89,566,852	46.01
Total	4,244	100.00	194,666,666	100.00

List of Top 30 Shareholders/Depositors

No.	Name of Shareholders	No. of Shares	%
1	TYY RESOURCES SDN BHD *(FORMERLY KNOWN AS SOON SENG COMPANY SDN BHD)*	60,202,352	30.93
2	LEMBAGA TABUNG HAJI	19,364,500	9.95
3	ROSLY BIN AZIZ	10,000,000	5.14
4	IKHWAN SALIM BIN SUJAK	9,333,333	4.79
5	RAYA REKAJAYA SDN BHD	4,578,405	2.35
6	TAI HEAN LENG @ TEK HEAN LENG	4,082,000	2.10
7	NG TENG SONG	3,369,900	1.73
8	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *CIMB-PRINCIPAL SMALL CAP FUND 2*	2,904,366	1.49
9	KEMAJUAN REKACEKAP SDN BHD	2,666,666	1.37
10	HLG NOMINEE (ASING) SDN BHD *HONG LEONG FUND MANAGEMENT SDN BHD FOR* *ASIA FOUNTAIN INVESTMENT COMPANY LIMITED*	1,968,000	1.01
11	CITIGROUP NOMINEES (ASING) SDN BHD *CIPLC FOR CLASSICS FUND LTD.*	1,686,500	0.87
12	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD *CIMB ISLAMIC SMALL CAP FUND*	1,646,366	0.85
13	TAI HO SENG @ TEH HOO SING	1,333,333	0.68
14	HLG NOMINEE (TEMPATAN) SDN BHD *HONG LEONG FUND MANAGEMENT SDN BHD FOR* *HONG LEONG ASSURANCE BHD (LIFE)*	1,332,000	0.68
15	MAYBAN NOMINEES (TEMPATAN) SDN BHD *AMANAHRAYA-JMF ASSET MANAGEMENT SDN. BHD.* *FOR NOORSHAH BINTI ISMAIL (C245-240115)*	1,146,133	0.59
16	MAYBAN NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR NEOH SOON KEE*	1,131,400	0.58
17	LIM JIT HAI	888,500	0.46
18	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR IKHWAN SALIM BIN SUJAK (MSW ESOS)*	866,666	0.45
19	LIM KHUAN ENG	836,600	0.43
20	TAI CHET SIANG & SONS SENDIRIAN BERHAD	696,000	0.36

ANALYSIS OF SHAREHOLDINGS
as at 27 April 2009 (cont'd)

List of Top 30 Shareholders/Depositors (continued)

No.	Name of Shareholders	No. of Shares	%
21	P.G.DORAISAMY A/L P.GOPAL	680,000	0.35
22	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (MALAYSIA) TRUSTEE BERHAD FOR AMANAH SAHAM SARAWAK*	666,666	0.34
23	MAYBAN NOMINEES (TEMPATAN) SDN BHD *MAYBAN TRUSTEES BERHAD FOR MAAKL VALUE FUND (950290)*	663,000	0.34
24	HSBC NOMINEES (TEMPATAN) SDN BHD *HSBC (M) TRUSTEE BHD FOR MAAKL PROGRESS FUND (4082)*	640,000	0.33
25	DAIMAN DEVELOPMENT BERHAD	600,000	0.31
26	TAY KIA HONG & SONS SDN BHD	600,000	0.31
27	AMSEC NOMINEES (TEMPATAN) SDN BHD *PT AMCAPITAL INDONESIA FOR SOH KWEE CHIN*	582,800	0.30
28	LEE THIAN LYE	536,000	0.28
29	HLG NOMINEE (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR QUEK KON SEAN (CCTS)*	533,333	0.27
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR ENG SU LIM (E-BMM)*	500,000	0.26
		136,034,819	69.88

DIRECTORS' INTERESTS AS AT 27 APRIL 2009

Name of Directors	Direct Interest No. of Shares	Direct Interest % of Issued Capital	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital
Senator Dato' Ikhwan Salim bin Dato' Haji Sujak	10,199,999	5.24	–	–
Dato' Sri Tai Hean Leng @ Tek Hean Leng	4,082,000	2.10	60,202,352*	30.93

* *Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 by virtue of his interest in TYY Resources Sdn Bhd (formerly known as Soon Seng Company Sdn Bhd).*

SUBSTANTIAL SHAREHOLDERS AS AT 27 APRIL 2009

Name of Substantial Shareholders	Direct Interest No. of Shares	Direct Interest % of Issued Capital	Indirect Interest No. of Shares	Indirect Interest % of Issued Capital
TYY Resources Sdn Bhd (formerly known as Soon Seng Company Sdn Bhd)	60,202,352	30.93	–	–
Lembaga Tabung Haji	19,364,500	9.95	–	–
Senator Dato' Ikhwan Salim bin Dato' Haji Sujak	10,199,999	5.24	–	–
Rosly bin Aziz	10,000,000	5.14	–	–
Dato' Sri Tai Hean Leng @ Tek Hean Leng	4,082,000	2.10	60,202,352*	30.93
Tai Ho Seng @ Teh Hoo Sing	1,333,333	0.68	60,202,352*	30.93
Tai May Chean	–	–	62,869,018#	32.30
Tay Kwok Peng (Administrator of the Estate of Tai Chet Siang)	–	–	60,202,352*	30.93

* *Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 by virtue of their interests in TYY Resources Sdn Bhd (formerly known as Soon Seng Company Sdn Bhd).*

\# *Deemed interested pursuant to Section 6A(4)(c) of the Companies Act, 1965 by virtue of her interest in TYY Resources Sdn Bhd (formerly known as Soon Seng Company Sdn Bhd) and Kemajuan Rekacekap Sdn Bhd.*

Masteel

MALAYSIA STEEL WORKS (KL) BHD

www.masteel.com.my

(Company No. 7878-V)

(Incorporated in Malaysia)

CDS account no. of authorised nominee

PROXY FORM

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

of ....

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

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

of ....or failing whom ....

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

....,

as my/our Proxy(ies) to vote for me/us on my/our behalf at the Thirty-Seventh Annual General Meeting of the Company to be held at Rebana 1 & 2, Level 1, Convention Centre, Grand BlueWave Hotel Shah Alam, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Thursday, 18 June 2009 at 3.00 p.m. and at any adjournment thereof for/against the resolutions to be proposed thereat.

	RESOLUTIONS		FOR	AGAINST
1.	Adoption of the Audited Financial Statements for the financial year ended 31 December 2008 and Directors' and Auditors' Reports thereon	Ordinary Resolution 1		
2.	Declaration of first and final single tier dividend of 2.5 sen per share in respect of the financial year ended 31 December 2008	Ordinary Resolution 2		
3.	Approval of Directors' Fees	Ordinary Resolution 3		
4.	Re-election of Mr Lim Hoo Teck as Director	Ordinary Resolution 4		
5.	Re-election of Mr Lau Yoke Leong as Director	Ordinary Resolution 5		
6.	Re-appointment of Auditors	Ordinary Resolution 6		
7.	Authority under Section 132D of the Companies Act, 1965 for the Directors to issue shares	Ordinary Resolution 7		
8.	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature	Ordinary Resolution 8		
9.	Proposed Renewal of Share Buy-Back Mandate	Ordinary Resolution 9		

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

____

Signature/Common Seal

Number of shares held: ____________________

Date: ______________________________

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

	Percentage
Proxy 1	%
Proxy 2	%
Total	100%

NOTE:

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

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

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

4. *The instrument appointing a Proxy must be deposited at the Registered Office of the Company at Unit 1009, 10th Floor, Amcorp Tower, Amcorp Trade Centre, No. 18, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for the Meeting or at any adjournment thereof.*

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Stamp

The Secretary
MALAYSIA STEEL WORKS (KL) BHD (7878-V)
Unit 1009, 10th Floor, Amcorp Tower
Amcorp Trade Centre
No. 18, Jalan Persiaran Barat
46050 Petaling Jaya
Selangor Darul Ehsan
Malaysia

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