YKGI HOLDINGS BERHAD

(COMPANY NO. 032939 - U)

strong & sustainable

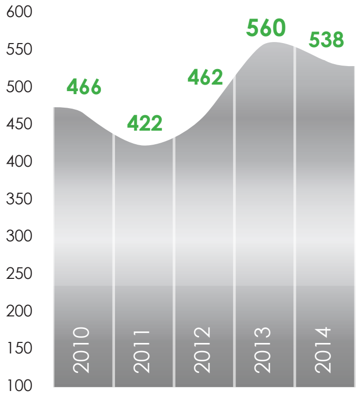
2014
ANNUAL REPORT

Financial Highlights

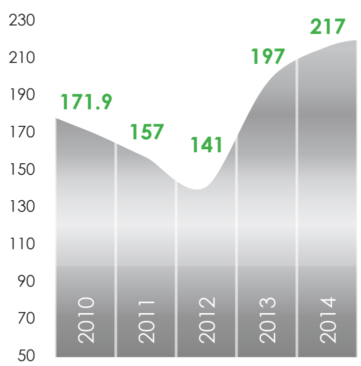
(RM'000)	2010	2011	2012	2013	2014
Revenue	466,399	422,159	461,744	560,343	537,689
Profit/(loss) before tax	17,266	(22,810)	(20,716)	541	(32,093)
Profit/(loss) attributable to owners of the Company	9,562	(17,969)	(15,343)	255	(26,642)
Issued and paid-up capital	108,630	108,630	108,630	185,032	185,032
Shareholders' funds	171,908	157,523	140,707	196,872	217,080
Total Assets	538,379	539,268	549,120	605,067	601,027
Weighted average number of ordinary share in issue* ('000 shares)	227,201	227,201	227,201	300,172	348,338
Basic earnings/(loss) per share (sen) - restated**	4	(8)	(7)	0.08	(7.60)
Net assets per share of RM0.50 (sen)	88	77	72	57	62
Dividends for Ordinary Shares					
Rate	2.5% TE	Nil	Nil	1 sen (2%)	Nil
Net Amount (RM'000)	2,444.2	0.0	0.0	3,483.4	0.0

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

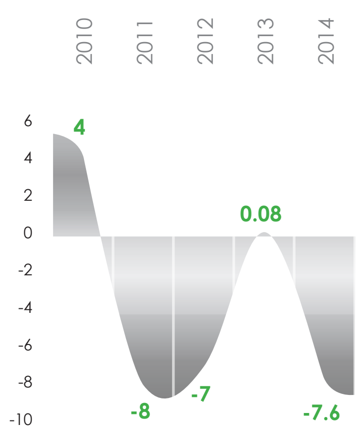
** The basic earnings per share is recomputed after taking account of the effect of the Bonus Issue during the year 2013.



GROUP REVENUE (RM Million)



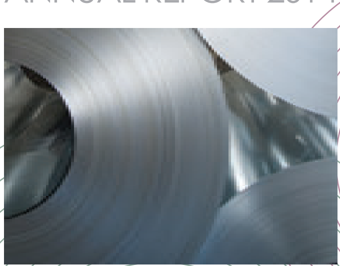
SHAREHOLDERS' FUNDS (RM Million)



EARNINGS PER SHARE (SEN)

contents

YKGI HOLDINGS BHD
ANNUAL REPORT 2014



Financial Highlights

02 Chairman's Statement

05 CEO's Message

07 Management Discussion and Analysis

10 Corporate Profile

Corporate Information
Corporate Structure
Directors' Profile

017 Corporate Governance

Corporate Governance Statement
Statement on Risk Management and Internal Control
Report of Audit Committee
Corporate Social Responsibilities
Contacts of YKGI Group of Companies

033 Financial Information

Statement of Directors' Responsibilities in Respect of the Financial Statements
Directors' Report
Statements of Financial Position
Statements of Profit or Loss and other Comprehensive Income
Consolidated Statement of Changes in Equity
Statements of Cash Flow
Notes to the Financial Statements
Statement by Directors
Statutory Declaration
Independent Auditors' Report

123 Additional Investor Information

Analysis of Shareholdings
Analysis of Warrant Holdings
Additional Information

129 Notices

Notice of Annual General Meeting
Form of Proxy

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I hereby present the Annual Report and Audited Financial Statements of YKGI Holdings Berhad for the Financial Year Ended 31 December 2014.

The Malaysian economy

In 2014, The Malaysia Economy recorded a growth of 6.0% (2013 : 4.7%), driven by continued strength of domestic demand and supported by an improved external trade performance. Net exports turned around to contribute positively to growth after seven years of negative contribution as Malaysia benefitted from the recovery in the advanced economies and the sustained demand from the regional economies.

Internationally, the global economy expanded at a moderate pace in 2014, with uneven growth across and within regions. The US continued to show broader signs of improvement, economic activity in the Euro area and Japan remained subdued. In Asia, most economies benefitted from higher external demand. Nevertheless, economic growth was divergent across the region as domestic demand moderated in a number of economies especially China. The slower domestic growth in China has prompted the exports from China to intensify, as a result of intensive capacity build up (resulted in excess capacity)over the past few years. This trend from China has inadvertently determined the general profitability of our business as ASEAN has now become a favorite destination of their products.

The continuing Euro-zone difficulties and slower growth in China and a cooling of emerging economies took a toll on the steel industry in 2014. The global and domestic steel industry remain uncertain as steel prices remained low and are likely to be price-elastic. The Government's policies on steel industry, volatility in foreign exchange and market and the development of the steel industry in the region are impacting the performance of the local steel industry and above all, the influx of imports remain the greatest challenge to us.

Outlook For The Malaysian Economy in 2015

Despite a challenging external environment and uncertainty to the prices of the commodities prices right from the beginning of 2015, the Malaysian economy is expected to register a steady growth of 4.5% to 5.5%, supported mainly by sustained expansion in domestic demand amid strong domestic fundamentals and resilient export sector. Domestic demand will continue to anchor growth in 2015 driven by private sector spending despite the implementation of GST from 1 April 2015 and the lower earnings in the commodity related sectors are expected to affect spending. This may be partially offset by higher household disposable incomes from the lower fuel price, favorable labor market condition and Government measures to assist the low and middle-income households. Although the growth momentum is gathering pace in the US, weaknesses in several major economies may suggest that we remain vulnerable to downside risks.

Financial Performance

The year under review has been challenging and difficult for the Group. We were ruthlessly and relentlessly affected by the influx of cheap steel import from China and this over- supply situation led to depressed steel prices and consequential to this, we were not able to find our profitability from a cross section of steel products manufactured and traded. Under this unfavorable operating environment, the Group reported a lower revenue of RM537.7 million (2013 : RM560.3 million) and operating loss of RM18.4 million (2013 :RM14.4 million in profit). Correspondingly, the Group registered a loss for the year of RM26.6 million (2013 : RM0.5 million in profit). The sharp reversal of numbers underpins the very difficult situation the Group is faced with but we remain resolved in unison in seeing this crisis through.

During the year under review, the delayed effort by the Government to curb the rampant import of steel and steel related products from China has depressed the average selling price of our product. This drop in selling price has resulted in the Company operating with a very slim gross profit margin of 2.37% (2013 : 9.1%). Despite maintaining the tonnage manufactured, the lower revenue clearly reflected this downward bias. The Board do not envisage this situation to improve significantly in the first half of 2015 as the cost of purchase is adversely affected by the weakening of Ringgit. We are also wary of the possibility of electricity tariff increase and the possible hike in the minimum wage policy in the near future.

Dividends

In view of the loss incurred, the Board did not recommend any dividends to be paid for financial year ended 2014.

Corporate Development

In 2014, we incorporated ASTEEL Resources Sdn Bhd on 31 July 2014 to streamline the shareholdings structure of the ASTEEL related group of Companies for our East Malaysia operations. We also completed the acquisition of an industry property to expand the operation of ASTEEL (Sabah) Sdn Bhd in Kota Kinabalu. Our Bintulu operations which we started in 2013 under ASTEEL (Bintulu) Sdn Bhd is also progressing well as planned.

Prospects and Challenges

The influx of cheap import remains a key issue for the domestic iron and steel industry. The Government's policy on steel import is crucial to uphold the local production and our profitability inevitably hinge on this. No doubt the Government has initiated steps to investigate and to study the possibility of imposing anti-dumping duty on several types of steel products imported from certain countries, it is our hope that these initiatives will gather pace so that more stringent guidelines may be imposed soon. We are constantly in cooperation with the Government to address the problem of excessive imports and to prevent Malaysia as a dumping ground for the foreign millers operating in excess capacity.

In the lack of a wholesome and effective measures to curb these imports , our operating environment remain tough as we anticipate another difficult year ahead in the midst of depressed selling price, volatile foreign exchange rate, weak ringgit and senseless dumping by foreign millers operating in excess capacity.

Board of Directors

Ir. Michael Hii Ee Sing resigned on 30 June 2014 as Board member. On behalf of the Board, we would like to thank him for his long service to the Board and we wish him well to all his future endeavor. However, he remains as the Joint Company Secretary of the Group despite retiring as Company Director.

Acknowledgement

On behalf of the Board, I wish to extend my sincere thanks and appreciation to all our valued customers, financiers, business associates, Government authorities and shareholders for their continued support, co-operation and confidence in the Group.

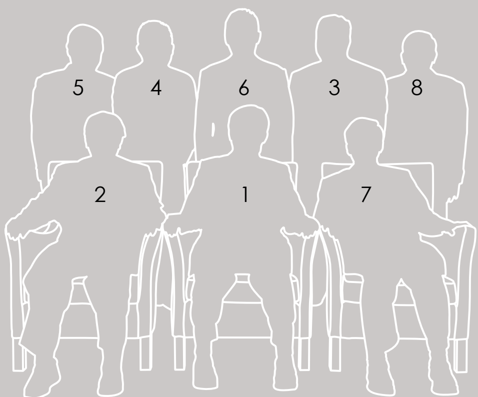
I would also like to express my appreciation and gratitude to our Advisors and my fellow Directors for their guidance, support and contribution throughout the year. To all our employees, we would not have last the year if not for your untiring hard work and dedication. The Board appreciated your steadfast commitment and your unwavering trust in us to grow the YKGI Group of Companies together into an organization of excellence.

Thank you.

Lim Pang Kiam
Chairman

5 May 2015

YKGI BOARD OF DIRECTORS



1 Lim Pang Kiam
2 Dato' Soh Thian Lai
3 Victor Hii Lu Thian
4 Christopher Hii Lu Ming
5 Yoshiki Kaneko
6 Francis Hii Lu Sheng
7 Fong Yee Kow
8 Chong Jee Min

• Toshihiko Takahashi Not In Photo

CEO'S MESSAGE

The Steel Industry Performance and Outlook

According to the Worldsteel Association, world crude steel production reached 1,662 million tonnes for year 2014, up by 1.2% compared to 2013. China, alone, produced 822.7 million tonnes, an increase of 0.9% on 2013. China's share of world crude steel production was 49.5% in 2014. Despite the positive momentum in global steel production, global uncertainties and the slowdown in the Chinese economy casts an uncertain outlook for the industry.

Global excess steel capacity, mainly from China, remains as one of the main challenges facing the global steel industry. The growing gap between global steelmaking capacity and weak demand has led to the deterioration in the financial situation of many steelmakers, and has raised concerns about the long-term economic viability and cost efficiency of the industry. For 2015, Worldsteel has indicated a "restrained growth outlook" mainly due to the deceleration of China, predicting an increase in global demand of 0.5%.

For the Malaysian Steel Industry, the gap between excess supply and weak demand continues to be the fundamental challenge. The events in the global arena has weighed-in into the Malaysian Steel Industry, resulting in the unwarranted influx of cheap imports and subsequent depressed selling prices of Malaysian steel products. While China's rebalancing efforts continue, export of its excess capacity is a global threat to all parts of the world – Asia, Europe, Africa and the Americas, which has resulted in numerous trade measures being taken against it.

Unsparingly, the Malaysian steel demand has been overwhelmed by cheaper imports from China, which saw an increase of 75% in the past 4 years. The increasing downward selling pressure on the local steel producers' prices had affected the production volumes and revenues. The situation deteriorated further with rising costs of production; the implementation of minimum wage policy, the Minimum Retirement Age Act 2012 (MRA) with effect of 1 July 2013, raising the retirement age to 60 for employees in the private sector, and the announcement on the electricity tariff hike and gas price increases.

Operational Performance & Overview

Year 2014 was considered a most challenging year for the Group as we faced an unprecedented loss. The main cause for this loss was due to the worsening market conditions of the local steel industry, coupled with the weakening of the international selling price that made our group experience a drop in selling price of almost USD60/mt. YKGI recorded a pre-tax loss of RM32.09 million in 2014 as compared to pre-tax profit of RM0.54 million in year 2013. The Group generated an EBITDA of RM2.8 million, a reduction of RM31.2 million compared to year 2013, mainly due to the drop in GP margin. For the financial year 2014, the Group's turnover was RM537.7 million, lowered by 4% against RM560.3 million achieved in the previous financial year.

One of the biggest leadership challenge in this industry under the current market scenario is to manage to a competitive position in that sector of the industry. To stay competitive, YKGI has to become a more "LEAN and MEAN" organization. YKGI Holdings Berhad (YKGI) has to reevaluate its product lines, operating models, and target markets, thus seeking to align its portfolios of businesses and products to sustain from recent industry challenges and pursue higher performance for the future.

The Group has carried out its business re-engineering exercise, the radical redesign of business processes and organizational structure in order to achieve significant improvements. Among the strategic action plans taken are financial re-engineering to ease the funding requirement and the gearing of the Group, cost-effective procurement management and operational cost-down measures to achieve the Lean and Mean costs structure.

Besides that, the Group has merged some of its operations, for instance, ASTEEL Resources Sdn Bhd was incorporated in Malaysia on 31st July 2014 to undertake operations in East Malaysia region. The entire equity of 3 wholly-owned subsidiary companies of YKGI, i.e. ASTEEL Sdn Bhd, ASTEEL (Bintulu) Sdn Bhd and ASTEEL (Sabah) Sdn Bhd has been transferred to ASTEEL Resources Sdn Bhd. The internal reorganization was made to streamline the Company's operating structure for better management and control. In line with the streamlining in its operation, the Group also looked into human capital right-sizing; Mutually Separation Scheme (MSS) was carried out in Year 2014 to reduce staff cost.

Business Outlook

The local steel industry is still viable and competitive given the increasing demand in the apparent steel consumption (ASC), which has crossed the 10 million tonnes mark in 2013. The ASC is expected to grow by 4% per annum from 2014 to 2016 with the projection of 10.5 million tonnes for 2014, 10.8 million tonnes in 2015 and 11 million tonnes in 2016 based on the current baseline growth. This was despite the industry facing significant risks such as increased dumping of cheaper imported steel, high costs and volatile prices of raw materials such as scrap and iron ore as well as the hikes in domestic electricity and gas prices in recent years.

Budget 2015 offers a flurry of construction activities. The steel industry's earnings prospect remains strong backed by mega highways such as the West Coast Expressway and the Pan Borneo Highway, and rail-lines development projects, i.e. the Klang Valley Mass Rapid Transit Line 2 and the LRT 3. The multiplier effect from physical infrastructure projects will continue to be the catalyst to the other sectors as well as to attract domestic and foreign investments to support the country's economic growth. This will reaffirm the robustness of the steel industry.

In the year of 2015, YKGI Group will focus on 5 key areas to turnaround the Group:-

i. Financial Restructuring to strengthen balance sheet and cash flow stability;

ii. Operation Re-engineering to have effective and efficient operations for output optimization;

iii. Cost-Effective Procurement and Best Practice Inventory Management;

iv. Market Positioning and Products Value Proposition to enhance better selling price and higher profit margin; and

v. Human Capital Development to achieve higher productivity.

The challenges for steel industry would persist with steel prices continuing to be weak unless the Government approves and imposes potential trade measures on both long and flat products in Malaysia to help the local producers to compete in a fair and level playing field against the dumped cheap steel imports. Besides that, Government's initiative in promoting 'buy Made-in-Malaysia steel products' is most welcomed by steel industry players. If all the government-linked companies (GLCs) and government owned projects promote the use of local steel products, we believe that the demand for local steel products per year will increase by at least two to three million tonnes.

With the implementation of GST from 1st April 2015, private consumption is expected to ease as consumers would likely adopt a wait-and-see attitude and its impact would be visualized in the second quarter. However, this would be a temporary stop-gap as the market will take months to adjust itself to incorporate this new tax regime.

The journey ahead is going to be arduous and remains very challenging. YKGI is confident of meeting the challenges in 2015 and will continue to stay ahead of the competition in the industry. We look forward in unleashing the talents and skills of all our employees and with the support of all our stakeholders we aspire to achieve a successful year.

Acknowledgement

My heartfelt appreciation and thanks to our management and all staff of YKGI Group for your untiring commitment, dedication and contribution with a very positive outlook during these difficult times; our customers and shareholders for their continued support and all other relevant authorities for your invaluable advice, guidance and support accorded at all times.

Thank you.

Dato' Soh Thian Lai
Group Managing Director/CEO

5 May 2015

Management Discussion and Analysis

Business and Operations

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

YKGI distributed the Group's products directly to its customers in Peninsular Malaysia, Sabah and Sarawak market. The Group's products were also distributed through the marketing arms namely Starshine Holdings Sdn Bhd and its subsidiaries for Peninsular Malaysia market. YKGI Group also involved in the manufacture and sale of roll-formed products and trading of hardware and building materials in East Malaysia through its deemed subsidiaries, i.e. ASTEEL Sdn Bhd, ASTEEL (Sabah) Sdn Bhd and ASTEEL (Bintulu) Sdn Bhd. YKGI Group's products are mainly sold in domestic market with less than 2% are for export.

The main production lines of the Group are as follows:

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

Other downstream production facilities of the Group include the following:

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

Objectives and Strategies

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

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

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

Review of Financial Results

During the financial year 2014, the Group achieved a total revenue of RM538 million, a decrease of 4% as compared to RM560 million registered in the previous financial year. Gross profit margin has dropped from 9.1% in 2013 to 2.37% in 2014, resulted a revenue loss of RM38 million. Administrative expenses increased by 5% or RM1.4 million, attributable to expenses incurred by two new subsidiaries in Sabah and Bintulu.

Finance costs were RM0.25 million lower than previous financial year attributable to savings from trade financing.

Other income was RM5.63 million higher than 2013, mainly attributed to the reversal of employees retirement benefits amounted to RM4.84 million and reversal of impairment on trade receivable no longer required.

Total loss before tax for the year was RM32.09 million, reduced by RM32.63 million from 2013's pretax profit of RM0.54 million. Earnings before Interest, Tax, Depreciation and Amortisation dropped from 2013's RM34 million to current year's RM2.78 million.

Management Discussion and Analysis (cont'd)

Review of Operating Activities

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

	SBU 1 RM'000	SBU 2 RM'000	SBU 3 RM'000	Inter-segment RM'000	Total RM'000
2014					
Revenue from external customers	109,488	171,898	256,304	-	537,690
Inter-segment	-	148,057	3,309	(151,366)	-
	109,488	319,955	259,613	(151,366)	537,690
2013					
Revenue from external customers	123,262	17,341	419,740	-	560,343
Inter-segment	-	351,344	1,749	(353,093)	-
	123,262	368,685	421,489	(353,093)	560,343
Increase/(decrease)	(13,774)	(48,730)	(161,876)	201,727	(22,653)
	-11.2%	-13.2%	-38.4%	-57.1%	-4.0%

During the financial year 2014, the Group has experienced severe competition from the influx of cheap imported materials. This has resulted the average selling price of the Group's products to drop by RM250 per metric tonne as compared to previous year. As such, gross profit ("GP") margin decreased from 9.1% in 2013 to 2.37%, which translated into a GP loss of RM38 million.

Industry Outlook

Private consumption has been a key driver of economic growth in the last few years. While a tight labor market (unemployment rate of 2.7 percent in October 2014) has helped keep nominal wages high so far, real wages are likely to face pressure from rising inflation due to an easing of fuel subsidies and the introduction of the GST which will likely curb household consumption. As Malaysia's economy enters 2015, fundamentals appear good enough to ensure medium-term growth of 4.0–5.0 percent although it is likely to face headwinds from short-term inflation, high household debt, and slowing growth in China, the economy will benefit from a gradually improving fiscal situation and strong growth in the United States. Moreover, as stalled projects are cleared, the country is likely to witness more public investment in infrastructure. If the government couples this with efforts to reform education and the labor market, 2015 will indeed turn out to be a good year for Malaysia.

It is envisaged that 2015 will continue to be a tough year for the local steelmakers as the Malaysian Iron and Steel Industry is still facing the influx of cheap imports. The Government with the relevant authorities should undertake effective and efficient trade remedy actions such as anti-dumping, safeguard and countervailing for those companies that faced injuries.

Management Discussion and Analysis (cont'd)

Future Plans

2015 overall outlook for the domestic steel industry could remain challenging. The Group, through various trade bodies, has continuous dialogs with the government authorities for trade measures to reduce cheap import of steel products. So far the authorities have put in place the following measures which one way or another has benefited the Group's operations:

- The Government has decided to impose a provisional safeguard duty of 23.93% ad-valorem on imports of Hot Rolled Steel Plate ("HRP") with effect from 14 December 2014, for a period of 200 days.
- On 13 Feb 2015, Ministry of International Trade and Industry ("MITI") has announced the final determination of investigation on Anti-Dumping concerning imports of Hot Rolled Coils originating or exported from the People's Republic of China and Republic of Indonesia effective 14 February 2015 for a period of 5 years.
- On 28 April 2015, MITI announced initiation of anti-dumping duty investigation with regard to the imports of Prepainted, painted or colour coated steel coils originating or exported from The People's Republic of China and Socialist Republic of Vietnam.

Moving forward, the Group will focus on the following five key areas:

i. Financial Restructuring to strengthen balance sheet and cash flow stability;

ii. Operation Re-engineering to have effective and efficient operations for output optimization;

iii. Cost-Effective Procurement and Best Practice Inventory Management;

iv. Market Positioning and Products Value Proposition to enhance better selling price and higher profit margin; and

v. Human Capital Development to achieve higher productivity

Besides increasing its sales, the Group will continue to strive for lowering down the cost along the whole value chain of the business process by implementing budgetary control and monitoring, mastering operational excellence and lower down cost base by having maximum production output with additional improved yield, cost effective procurement practice, tighten inventory management, cash flow management and cost down measures. The Group has also taken steps for its regional mapping by penetrating into ASEAN countries, i.e. Thailand and Indonesia. YKGI will keep looking out for regular updates on the progress and the impact of the actions that outlined above. With the commitment from staff and support from stakeholders, the business objectives will be accomplished.

Corporate Information

Board of Directors

Mr Lim Pang Kiam
Independent Director / Non-Executive Chairman

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

Mr Victor Hii Lu Thian
Executive Director

Mr Christopher Hii Lu Ming
Executive Director

Mr Yoshiki Kaneko
Executive Director

Mr Fong Yee Kow @ Fong Yoo Kaw
Senior Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

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

Mr Toshihiko Takahashi
Non-Independent Non-Executive Director

Alternate Director

Mr Yoshiyuki Komaki
(to Mr Toshihiko Takahashi)

Company Secretaries

Ms Siew Suet Wei *(MAICSA No. 7011254)*
Ir Michael Hii Ee Sing *(LS 000872)*

Incorporation

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

Listing

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

Bursa LINK Agent

Cosec Solutions & Services

Registered Address

Wisma YKGI
Lot 6472, Lorong Sg. Puloh/KU06,
Kawasan Perindustrian Sungai Puloh,
42100 Klang, Selangor Darul Ehsan.

Phone : +603 3297 5555
Fax : +603 3297 5678

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

Audit Committee

Mr Fong Yee Kow @ Fong Yoo Kaw
Senior Independent Director

Mr Lim Pang Kiam
Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

Bankers

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

Merchant Bankers

AmInvestment Bank Berhad

Legal Advisors

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

Auditors

KPMG (AF: 0758)

Internal Auditors

Ernst & Young Advisory Services Sdn Bhd

Share Registrar

Tricor Investor Services Sdn Bhd
Level 17 The Gardens North Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur, Malaysia

Phone : +60 3 2264 3883
Fax : +60 3 2282 1886

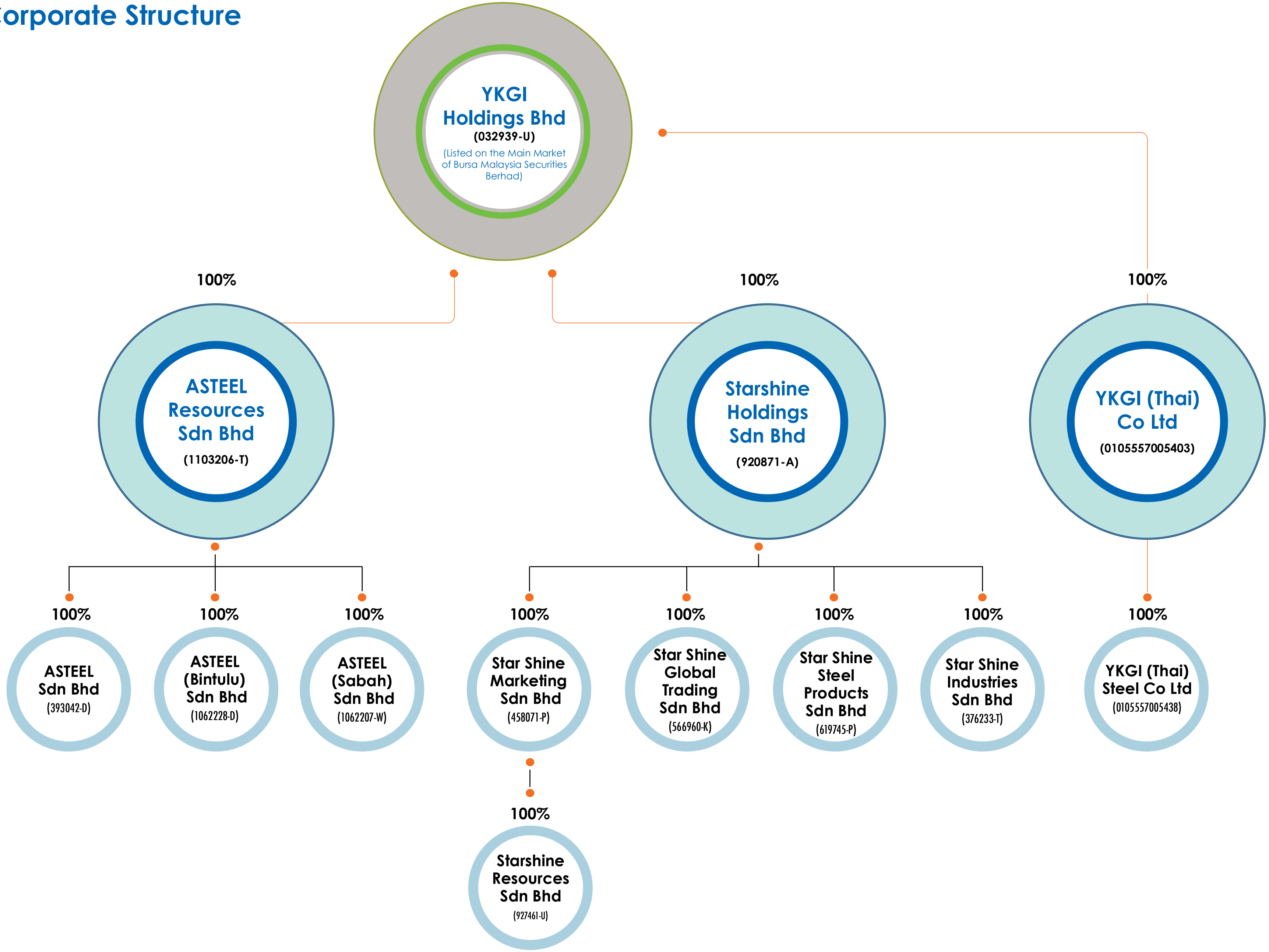
Certification

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

ISO 14001:2004
MS ISO 14001:2004
EN ISO 14001:2004
BS EN ISO 14001:2004

OHSAS 18001:2007

Corporate Structure



LIM PANG KIAM
• 52 Malaysian
• Independent Director / Non-Executive Chairman

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

He graduated from Universiti Sains Malaysia in 1988 with a Bachelor of Science (Honours) Degree and obtained his Master of Science from the same university in 1989.

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

During the financial year ended 31 December 2014, he has attended five (5) out of the five (5) Board meetings held. He is also a member of the Audit, Nomination and Remuneration Committees.

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

DATO' SOH THIAN LAI
DIMP
• 54 Malaysian
• Managing Director / Chief Executive Officer

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

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

Dato' Soh has over 30 years of experience in the steel industry. Dato' Soh has been instrumental in the development and success of our Group as well as the Malaysian Steel Industry. Over the years, he has served as the President of Malaysia Iron and Steel Industry Federation (MISIF), Council Member of Malaysian Steel Council (MSC), Founding member and Director of Malaysia Steel Institute, Vice-President of ASEAN Iron and Steel Council, Director of South East Asia Iron and Steel Institute (SEAISI), Council Member of the Federation of Malaysian Manufacturers (FMM), Chairman of FMM Selangor Branch, Co-Chairman of Pemudah of Selangor, Chairman of FMM Membership Committee, Council Member of Malaysia Logistics and Supply Chain Council and 1st Vice President of Malaysia National Shippers Council.

He has attended all the five (5) Board meetings held during the financial year ended 31 December 2014. Dato' Soh is the Chairman of the Risk Management Committee and he has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

His shareholdings in the Company and the Group are disclosed in the Directors' Interest in the Analysis of Shareholdings on page 124 of this annual report.

Directors' Profile
(cont'd)

VICTOR HII LU THIAN
• 40 Malaysian
• Executive Director

Mr Victor Hii was appointed to the Board on 27 February 2006. Victor Hii is the Managing Director of ASTEEL Group of Companies and a member of the Risk Management Committee. He sits on the Board of Yung Kong Co. Bhd. He holds a Master of Business Administration in Management, Bachelor of Business Administration in Management, Bachelor of Science (Project Management), and Diploma in Executive Secretaryship. He is a member of Malaysian Institute of Management (MMIM). He is the Chairman of Persatuan Alumni AOTS Malaysia (PAAM) Sarawak Branch, Malaysian Iron & Steel Industry Federation (MISIF) Sarawak branch and Persatuan Industri Demak Laut (PIDE). He is also a council member of Federation of Malaysian Manufacturers Sarawak Branch and Koh Yang (Kho Clan) Association.

He attended all the five (5) Board meetings held during the financial year.

His shareholdings in the Company and the Group are disclosed in the Directors' Interest in the Analysis of Shareholdings on page 124 of this annual report.

Mr Victor Hii is a cousin of Francis Hii Lu Sheng and brother of Christopher Hii Lu Ming, all of whom are Directors and major shareholders of the Company. He has no conflict of interests with the Company.

CHRISTOPHER HII LU MING
• 38 Malaysian
• Executive Director

Mr Christopher Hii was appointed to the Board on 2 January 2014. Christopher Hii is the Managing Director of Starshine Holdings Sdn Bhd. and a member of the Risk Management Committee. He graduated from University of Canterbury, New Zealand with a Bachelor's of Science Honours Degree in Mechanical Engineering in 2000.

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

He attended all the five (5) Board meetings held during the financial year.

His shareholdings in the Company and the Group are disclosed in the Directors' Interest in the Analysis of Shareholdings on page 124 of this annual report.

Mr Christopher Hii is a cousin of Francis Hii Lu Sheng and brother of Victor Hii Lu Thian, all of whom are Directors and major shareholders of the Company. He has no conflict of interests with the Company.

Directors' Profile
(cont'd)

YOSHIKI KANEKO
- 62 Japanese
- Executive Director

Mr Kaneko was appointed to the Board on 1 April 2011 as a Non-Executive Director. Since 1 May 2013 Mr Kaneko was appointed as an Executive Director. He holds a Degree in Bachelor of Law from Keio University, Tokyo, Japan and has worked with Marubeni-Itochu Steel (M) Sdn Bhd since 2010.

Mr Kaneko attended all the five (5) Board meetings during the financial year ended 31 December 2014. He does not have any direct or indirect shareholdings in the Company and Group. Mr Yoshiki Kaneko has no family relationship with any Directors or major shareholders of the Company. He has no conflict of interests with the Company.

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

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

He attended five (5) out of five (5) Board meetings which were held during the financial year.

His shareholdings in the Company and the Group are disclosed in the Directors' Interest in the Analysis of Shareholdings on page 124 of this annual report.

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

Directors' Profile
(cont'd)

Toshihiko Takahashi
• 54 Japanese
• Non-Independent Non-Executive Director

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

Mr.Takahashi with his 32 years business career in Marubeni-Itochu Steel Inc., contributes especially in the aspect of procurement of raw materials such as HRC, CRC and Coated Steel.

He attended three (3) of the five (5) Board meetings applicable to him during the financial year ended 31 December 2014.

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

FONG YOO KAW @ FONG YEE KOW
• 63 Malaysian
• Senior Independent Director

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

Mr Fong attended all the five (5) Board meetings held during the financial year ended 31 December 2014.

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

Directors' Profile
(cont'd)

LIEW JEE MIN
@ CHONG JEE MIN
- 56 Malaysian
- Independent Director

Mr Chong was appointed to the Board on 28 February 2013 as an Independent Non-Executive Director of the Company. He graduated from the University of Leeds, England in 1984 with an Honours degree in Law and obtained his Certificate of Legal Practice, Malaya in 1985. Mr Chong was admitted as an advocate and solicitor at the High Court of Malaya in 1986. He has been practicing law, concentrating on banking, property and corporate matters since 1986 when he established the firm, J.M. Chong, Vincent Chee & Co. He also sits on the board of three other public listed companies, namely, Lion Industries Corporation Berhad, Jaks Resources Berhad and Sunsuria Berhad.

Mr Chong is the Chairman for Legal Affairs Committee for Klang Chinese Chamber of Commerce and Industry, Chairman for the Legal Affairs Committee for The Associated Chinese Chamber of Commerce and Industry of Coastal Selangor, Deputy Chairman for Legal Affairs Committee for Kuala Lumpur, Selangor Chinese Chamber of Commerce and Industry and a Member for Legal Affairs Committee for The Associated Chinese Chamber of Commerce and Industry of Malaysia. He is also the legal advisor for the Malaysia Used Vehicle Autoparts Traders' Association, The Kuala Lumpur and Selangor Furniture Entrepreneurs' Association and Sekolah Menegah Chung Hwa (PSDN) Klang.

Mr Chong was appointed to the Board on 28 February 2013. He has attended all the five (5) Board meetings during the financial year ended 31 December 2014.

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

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

Corporate Governance Statement

The Board of Directors of the Company ("the Board") recognises the importance of Corporate Governance in increasing investors' confidence, enhancing stakeholders' values and establishing customers' trust while maintaining the stability and continuity of YKGI Group. The Board and the top management fully support the implementation of all appropriate frameworks to develop high standards of corporate governance within the Group.

This statement, together with the Report of Audit Committee as appears on pages 25 to 28 and Internal Control Statement on pages 23 to 24 of this Annual Report set out how the Group has applied the principles and observed the recommendations as set out in the Malaysian Code on Corporate Governance 2012 ("Code").

1. BOARD OF DIRECTORS

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

1.1 Board Composition, Board Size and Board Balance

As at 31 December 2014, the Board consists of nine (9) members and is balanced, with one-third (1/3) of the Directors being independent. The details are as follows:

- one (1) Non-Executive Chairman / Independent Director
- one (1) Managing Director / Chief Executive Officer
- three (3) Executive Directors
- two (2) Independent Directors
- two (2) Non-Independent Non-Executive Directors

There is a clear division of responsibility between the Chairman and the Managing Director/Chief Executive Officer to ensure that there is a balance of power and authority, such that no one individual dominates the decision-making process. Independent Directors provide unbiased and independent views, advice and judgment, after taking into consideration the interests of all its stakeholders.

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

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

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

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

The Group's activities to promote sustainability during the financial year under review are also disclosed in the report of the Corporate Social Responsibilities set out on pages 29 of this Annual Report.

Recommendation 3.5 of the Code states that the Board must comprise a majority of independent directors when the Chairman of the Board is not an independent director. To comply with this recommendation, Independent Director Mr Lim Pang Kiam was appointed as the Chairman of the Board with effect from 2 January 2014. The current size and composition of the Board are considered adequate to provide an optimum mix of skills and experience. Further, the Board is of the view that with the current Board size, there is no disproportionate imbalance of power and authority on the Board between the non-independent and independent directors.

The Board has yet to adopt a gender diversity policy or target. Board membership is dependent on each candidate's skills, experience, core competencies and other qualities as well as the needs of the Company for the time being, regardless of gender, including, where appropriate, the ability of the candidates to act as Independent Director as the case may be. The Board does not consider gender to be a bar to Board membership. The appointment of woman directors in the past reflects that the Board recognizes the value of woman member of the Board. The Board will continue to assess the needs to adopt a gender diversity policy or target and ensure women candidates are sought as part of its recruitment exercise.

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

The Board is satisfied with the level of time commitment given by all the Directors in fulfilling their roles and responsibilities as Directors of the Company. This is evidenced by their attendance at the meetings of the Board and the Board Committees. All the Directors hold less than five (5) directorships in listed issuers.

1. BOARD OF DIRECTORS (cont'd)

1.1 Board Composition, Board Size and Board Balance (cont'd)

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

Profile of the Directors, detailing their qualifications and working experiences are set out on pages 12 to16 of this Annual Report.

1.2 Appointments and re-elections of Directors

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

In accordance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and the Articles of Association of the Company, one-third (1/3) of the Directors for the time being, including the Managing Director, together with those newly appointed shall retire from office at the annual general meeting but shall be eligible for re-election. All Directors shall retire from office at least once every three (3) years but shall be eligible for re-election.

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

1.3 Board Meetings

The Directors met quarterly with additional meetings convened to deliberate on urgent and important matters in between the scheduled meetings. The Board met five (5) times during the financial year ended 31 December 2014.

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

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

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

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

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

1.4 Access to and Supply of Information

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

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

1.5 Board Committees

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

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

Corporate Governance Statement (cont'd)

1. **BOARD OF DIRECTORS** (cont'd)

1.5 ***Board Committees*** *(cont'd)*

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

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

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

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

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

   The Report of the AC is set out on pages 25 to 28 of this Annual Report.

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

   The NC met once during the financial year ended 31 December 2014.

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

   The RC met two (2) times during the financial year ended 31 December 2014.

d) **Risk Management Committee ("RMC")** was formed on 25 October 2002 to undertake the review of risks within the Group and to oversee the effective implementation of a risk management framework.

   The RMC met four (4) times during the financial year ended 31 December 2014.

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

   The ERS met once during the financial year ended 31 December 2014 and this Committee was dissolved with effect from 1st July 2014.

Details of the membership for each Board Committee as at 31 December 2014 are as follows :

Names	Designation	AC	NC	RC	RMC
Lim Pang Kiam	Non-Executive Chairman / Independent Director	M	M	M	
Dato' Soh Thian Lai	Managing Director / Chief Executive Officer				C
Victor Hii Lu Thian	Executive Director				M
Yoshiki Kaneko	Executive Director				M
Christopher Hii Lu Ming	Executive Director				M
Francis Hii Lu Sheng	Non–Independent Non–Executive Director		M		
Fong Yoo Kaw @ Fong Yee Kow	Senior Independent Director	C	C	M	
Liew Jee Min @ Chong Jee Min	Independent Director	M	M	C	

Note: C = Chairman; M = Member.

Corporate Governance Statement (cont'd)

1. BOARD OF DIRECTORS (cont'd)

1.6 Directors' Training

All the Directors have attended the MAP as required by Bursa Malaysia Securities Berhad. The Board acknowledges that continuous training is important to broaden the Directors' perspective and to keep them abreast with regulatory and corporate governance developments. The details of training/seminar attended by all the Directors during the financial year ended 31 December 2014 are as follows :

Title of Training/Seminar

1 Are You Ready for GST ? Seminar
2 GST Seminar Accounting for Tax
3 Implementation of GST and Business Preparation
4 Implementation of Goods & Services Tax (GST)
5 SEAISI Conference - Strengthening the ASEAN Iron & Steel Industry for the next decade
6 11th Conference on Status Outlook of the Malaysian Steel Industry
7 Strong Leadership in Crisis Management
8 Survive and Sustain
9 Related Party Transaction Seminar
10 Risk Management & Internal Control: Workshop for Audit Committee Members

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

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

2. DIRECTORS' REMUNERATION

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

In the case of Non-Executive Directors, directors' fees are paid that reflect the experience and levels of responsibilities undertaken by the particular Director concerned.

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

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

- The RC carries out annual review on the performances and recommends the remuneration of Directors and Key Personnel to the Board of Directors; and
- The Board as a whole, determines the remuneration of the Non-Executive Directors.

Meetings of the RC are held at least once a year, and as and when necessary. The Board is of the opinion that matters in relation to Directors' remuneration are of a personal nature. However, in compliance with the Listing Requirements, the fees and remuneration paid to the Directors during the financial year ended 31 December 2014, in aggregation and analysed into the respective bands of RM50,000, are as outlined below:

	Executive Directors RM	Non-Executive Directors RM
Fee	-	-
Salary	2,256,987	-
Ex-Gratia	352,250	-
Allowances	418,600	41,880
Benefits-in-kind	-	-
Commissions	-	-

Corporate Governance Statement (cont'd)

2. DIRECTORS' REMUNERATION (cont'd)

	Executive Directors Number	Non-Executive Directors Number
RM1,200,00 to RM1,250,000	1	-
RM800,000 to RM850,000	1	-
RM700,000 to RM750,000	1	-
RM100,000 to RM150,000	1	-
RM 50,000 and below	-	5

3. RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS

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

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

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

Publications and Corporate Announcements

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

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

The Group also places special importance on holding general meetings with shareholders. During such meetings, the Chairman and Managing Director use the forum to disseminate information in person to the meeting and endeavour to answer all questions.

Senior Independent Director's contact

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

General Meetings

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

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

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

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

Corporate Governance Statement (cont'd)

4. ACCOUNTABILITY AND AUDIT

4.1 *Financial Reporting*

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

The Statement of Directors' Responsibilities in respect of the preparation of the annual audited financial statements of the Company is set out on page 33 of this Annual Report.

4.2 *Internal Control*

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

The Statement on Risk Management & Internal Control, which provides an overview of the state of internal control within the Group, is set out on page 23 to 24 of this Annual Report.

4.3 *Relationship With Auditors*

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

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

Details of the activities carried out by the AC are set out in the Report of Audit Committee on page 27 to 28.

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

The total amount of audit and non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2014 by the Company's external auditors, Messrs KPMG, and a firm or company affiliated to KPMG are set out below:

	RM
Audit fees	170,000
Non-audit fees	22,245

5.0 *Compliance Statement*

The Board is committed to inculcating good corporate governance for the Group. The Company has complied most of the principles and recommendations as outlined in the Code except for those disclosed in this statement. The Board will continuously look into the principles and recommendations which have yet to be adopted by the Group in 2014.

This statement is issued in accordance with a resolution of the Board of Directors dated 27 April 2015.

Statement on Risk Management & Internal Control

INTRODUCTION

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

Accordingly, the Board of Directors ("the Board") of YKGI Holdings Berhad ("YKGI") is pleased to provide the Statement on Risk Management and Internal Control ("Statement") for the year ended 31 December 2014 that was prepared in accordance with the "Guidance for Directors of Public Listed Company" issued by Bursa Malaysia Securities Berhad which outlines the processes that the Board has adopted in reviewing the adequacy, effectiveness and integrity of the system of risk management and internal control of the Group.

RESPONSIBILITY

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

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

CONTROL STRUCTURE

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

RISK MANAGEMENT

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

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

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

INTERNAL AUDIT FUNCTION

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

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

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

The details of the Internal Audit Function's activities are highlighted in the Audit Committee Report on page 28.

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

Audit Committee

The AC meets on quarterly basis or as often as necessary to review the internal control issues identified in reports prepared by Internal Auditors, the external auditors and the management. AC ensures the internal audit's independence, reviews its scope of work and assesses adequacy of resources. AC also reviews the Internal Audit Plan, internal audit activities and external audit plan and findings. The details of the AC's activities are highlighted in the Audit Committee Report on page 27 to 28.

OTHER KEY ELEMENTS OF RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

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

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

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

- Established standard operating procedures under ISO 9001:2008 Quality Management System that cover all major critical processes of the Group entities. The relevant operation manuals and guidelines are updated from time to time. Surveillance audits are conducted twice a year by a third party on the Group entities to ensure that the system is adequately implemented.

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

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

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

BOARD REVIEW

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

The Board has also received assurance from the Chief Executive Officer and the Chief Financial Officer on the adequacy and effectiveness of the risk management and internal control system of the Group.

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

The Statement is issued in accordance with a resolution of the Board of Directors dated 27 April 2015.

Report Of Audit Committee

The Audit Committee ("Committee") of YKGI Holdings Berhad was formed on 25 April 1997. The Board of Directors ("Board") of the Company is pleased to present the Report of the Committee for the financial year ended 31 December 2014.

1. MEMBERSHIP AND ATTENDANCE OF EACH MEMBER

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

During the financial year ended 31 December 2014, the Committee met five (5) times. Details of the members and their attendance at Committee meetings held are as follows:

Names	Designation	Attendance
Mr Fong Yee Kow @ Fong Yoo Kaw (MIA No. 3187)	Chairman, Senior Independent Director	5/5
Mr Lim Pang Kiam	Member, Independent Director	5/5
Mr Liew Jee Min @ Chong Jee Min	Member, Independent Director	5/5

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

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

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

2. COMPOSITION AND TERMS OF REFERENCE

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

The terms of reference of the Committee are as follows:

2.1 Members

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

2.2 Chairman/Chairperson

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

2.3 Meetings, Quorum and Secretary

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

Report Of Audit Committee (cont'd)

2. COMPOSITION AND TERMS OF REFERENCE (cont'd)

2.4 Authorities

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

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

2.5 Responsibilities and Duties

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

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

(i) External Audit

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

(ii) Internal Audit

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

(iii) Financial Reporting

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

(iv) Related Party Transactions

- Any related party transactions and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity.

Report Of Audit Committee (cont'd)

2. COMPOSITION AND TERMS OF REFERENCE (cont'd)

2.5 Responsibilities and Duties (cont'd)

b. To ensure the co-ordination of external audit with internal audit.

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

2.6 Vacancy and Review

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

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

2.7 Reporting of Breaches to Bursa Securities

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

3. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

In line with the terms of reference of the Committee, the following activities were carried out during the financial year ended 31 December 2014:

3.1 Financial Reporting

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

3.2 Internal Audit

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

3.3 External Audit

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

Report Of Audit Committee (cont'd)

3. SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR (cont'd)

3.4 Related Party Transactions

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

3.5 Risk Management

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

4. INTERNAL AUDIT FUNCTION

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

Ernst & Young Advisory Services Sdn Bhd ("EYAS") was engaged as the internal auditors of the Group for a three years period. The 3-Year Internal Audit Plan was prepared based on the risk assessment exercise conducted by the internal auditors in order to determine the area of processes. The said plan was reviewed by the Committee and approved by the Board.

During the financial year ended 31 December 2014, the internal auditors had carried out three (3) audit visits for the Group. During the financial year, the internal auditors had also been appointed to carry out a review on the Recurrent Related Party Transactions procedures. The Committee has also met the internal auditors, without the presence of other Directors and employees, twice during the financial year under review.

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

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

The total costs incurred for the internal audit function of the Company in respect of the financial year ended 31 December 2014 was RM 106,900.

Corporate Social Responsibilities

Communities

YKGI has always encouraged its employees to render support to the community, whether as volunteer or as donor. This is one of the activities for YKGI to develop and maintain strong and mutually beneficial relationship with its community.

This year we offered some help to the flood victims in East Coast of Peninsular Malaysia. YKGI and its subsidiary, Star Shine Marketing Sdn. Bhd.(SSM) has contributed 15 mt (worth RM50,000) of pre-painted galvanizing iron (PPGI) and corrugated sheet respectively to Jawatankuasa Bencana Banjir Kelantan.

PPGI and corrugated sheets for flood victims in Kelantan.

Category	2014 Community Aids
Fund Assistance	• Salvation Army Children's Home
	• Sarawak Blood Donor Society
	• Dyslexia Association
	• Jawatankuasa Bencana Banjir Kelantan
	• Children Education Assistance Fund
	• Catholic Mutual Benefit Society of theArchdiocese of Kuching
	• Sarawak Society for the Deaf
	• Social Welfare Council of Sarawak
Blood Donation	• 161 pints donated

Blood donation campaign organised together with Pusat Perubatan Universiti Malaya (PPUM) – 6 June 2014.
The aim of the program is to raise health awareness and the importance of blood donation.

Corporate Social Responsibilities (cont'd)

Left :
Datuk Abang Abdul Karim Tun Openg, President of Sarawak Chamber of Commerce and Industry (SCCI) accompanied by Mr. Victor Hii, CEO East Malaysia of YKGI, at the blood donation campaign held at Malaysia Productivity Corporation (MPC) Sarawak on 24 September 2014.

Right :
Children Education Assistance Ceremony, Kuching – 14 December 2014

Bottom :
This year we received over 300 visitors at YKGI Kuching factory. They are from local colleges, universities, suppliers, architects, government bodies and associates from overseas.

Training and Development Opportunities

YKGI believe "People as an asset". We invest in our employees' professional development from their first day at work and at all levels of the company. Learning opportunities nurture the skills needed to create and implement our business strategies. These opportunities also give employees the tools they need to build their careers in YKGI.

Category	2014
External Training Hours per Employee (average)	17 hours


Coaching program held in June 2014


Lean management training discussion


ISO 9001 / 14001 and 18001 training


Teambuilding

A Safe and Healthy Work Environment

YKGI invest in health, safety and wellness of our employees because we care about their well-being. We want our employees to stay productive and creative.

Category	2014
Recreation & Sports Activities	9 days
Safety & Health – Lost Time Injury	535 days


Talk on Dengue Fever in July 2014

Corporate Social Responsibilities (cont'd)




Left Top :
Taekwondo class

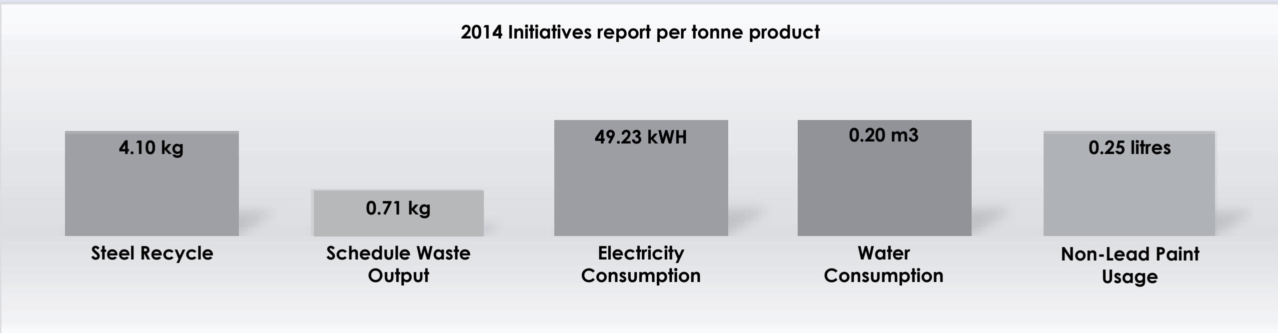
Right Top :
Road accident awareness by SOCSO, distribution of free helmets to staff – July 2014

Left Bottom :
Mr. Victor Hii presenting the prize to the champion team – in-house bowling competition, 31 August 2014

Right Bottom :
Traditional Christmas gift exchange among the jolly staff of YKGI, 19 December 2014

Environment

We are always finding ways to reduce, reuse, recycle and manage waste more efficiently. This includes reuse of packing material, waste water treatment and scheduled recycling campaign were organised. Below are some of the quantitative reports.



Earth Hour is a global movement that aims at uniting the world to take action for the planet against climate change. YKGI proudly took part in Earth Hour on 28 March 2014.

Contacts of YKGI Group of Companies

YKGI HOLDINGS BERHAD (032939-U)

Registered Address/Head Office
Wisma YKGI, Lot 6472 Lorong Sg. Puloh/KU06,
Kawasan Perindustrian Sungai Puloh, 42100 Klang,
Selangor Darul Ehsan, Malaysia.
Tel: +603 3297 5555 Fax: +603 3297 5678

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

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

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

Subsidiaries (Sabah & Sarawak)

ASTEEL Resources Sdn. Bhd. (1103206-T)
ASTEEL Sdn Bhd (393042-D)
Lot 712, Block 7, Demak Laut Industrial Park,
93050 Kuching, Sarawak, Malaysia.
Tel: +6082 433 888 Fax: +6082 433 889

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

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

Subsidiaries (Peninsular Malaysia)

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

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

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

Subsidiaries (Kingdom of Thailand)

YKGI (Thai) Co. Ltd. (0105557005403)
YKGI (Thai) Steel Co. Ltd. (0105557005438)

1350/40-41 Thairong Tower 6th Floor, Pattanakarn Road,
Kwang Suanluang, Khet Suanlung, Bangkok, 10250, Thailand.
T • +66(0)2 713-7701 F • +66(0)2 713 7702

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

The Board of Directors hereby confirms that suitable accounting policies have been consistently applied in respect of preparation of the financial statements. The Board of Directors also confirms that the Group maintains adequate accounting records and sufficient internal controls to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities. These are described more fully in the Statement on Corporate Governance outlined on pages 17 to 24 of this Annual Report.

Directors' Report for the year ended 31 December 2014

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2014.

Principal activities

The Company is principally engaged in the manufacture and sale of galvanised and coated steel products, pickled and oiled hot rolled coils and cold rolled coils while the principal activities of the subsidiaries are as stated in Note 4 to the financial statements. There has been no significant change in the nature of these activities during the year.

Results

	Group RM	Company RM
Loss for the year attributable to owners of the Company	26,642,400	13,722,227

Dividends

Since the end of the previous financial year, the Company paid the following dividends in respect of the financial year ended 31 December 2013 on 21 July 2014:

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

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

Reserves and provisions

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

Directors of the Company

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

Director	Alternate
Lim Pang Kiam	-
Dato' Soh Thian Lai	-
Yoshiki Kaneko	-
Francis Hii Lu Sheng	-
Victor Hii Lu Thian	-
Fong Yoo Kaw @ Fong Yee Kow	-
Liew Jee Min @ Chong Jee Min	-
Christopher Hii Lu Ming	-
Toshihiko Takahashi	Yoshiyuki Komaki
Ir. Michael Hii Ee Sing (resigned on 30.6.2014)	-

Directors' interests in shares

The interests of the Directors (including where applicable the interests of their spouses or children who themselves are not Directors of the Company) in the ordinary shares and warrants over ordinary shares of the Company and of its related corporations (other than wholly owned subsidiaries) during and at the year end as recorded in the Register of Directors' Shareholdings are disclosed in the ensuing pages.

Directors' Report
for the year ended 31 December 2014 (cont'd)

Directors' interests in shares(cont'd)

	Number of ordinary shares of RM0.50 each							
	Direct interests				Deemed interests			
	At 1.1.2014	Bought	Sold	At 31.12.2014	At 1.1.2014	Bought	Sold	At 31.12.2014
Interests in the Company								
Dato' Soh Thian Lai	13,934,346	-	-	13,934,346	11,477,816	-	-	11,477,816
Francis Hii Lu Sheng	301,730	-	-	301,730	64,908,239	-	-	64,908,239
Victor Hii Lu Thian	4,269,356	-	-	4,269,356	64,907,799	-	-	64,907,799
Christopher Hii Lu Ming	4,258,546	-	-	4,258,546	64,907,799	-	-	64,907,799

	Number of Warrants B (2013/2020)							
	Direct interests				Deemed interests			
	At 1.1.2014	Bought	Sold	At 31.12.2014	At 1.1.2014	Bought	Sold	At 31.12.2014
Interests in the Company								
Dato' Soh Thian Lai	3,800,276	-	-	3,800,276	3,070,804	-	-	3,070,804
Francis Hii Lu Sheng	82,290	-	-	82,290	17,702,247	-	(830,070)	16,872,177
Victor Hii Lu Thian	138,990	-	-	138,990	17,702,127	-	(830,070)	16,872,057
Christopher Hii Lu Ming	12,180	-	-	12,180	17,702,127	-	(830,070)	16,872,057

The other Directors do not have any interests in the shares of the Company and of its related corporations during and at the end of the financial year.

Directors' Report for the year ended 31 December 2014 (cont'd)

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have significant financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 27 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

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

Options granted over unissued shares

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

The number of outstanding Warrants B as of 31 December 2014, issued in conjunction with the share issue exercises undertaken by the Company on 29 May 2013 and exercisable at RM0.50 for each ordinary share in the Company over a period of seven years to 28 May 2020, is 95,000,428 (2013: 95,000,428). None of the said warrants have been exercised during the year.

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report, other than the following:

i) the gain recognised of RM4,843,855 arising from the termination of the Group's and the Company's employee retirement benefits scheme (see Note 14); and

ii) the gain recognised by the Company on the disposal of investment in subsidiaries of RM3,294,257 pursuant to group restructuring (see Note 29).

Directors' Report for the year ended 31 December 2014 (cont'd)

Auditors

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

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

Dato' Soh Thian Lai

Yoshiki Kaneko

Klang,

Date: 27 April 2015

Statements of financial position as at 31 December 2014

		Group		Company	
	Note	2014 RM	2013 RM	2014 RM	2013 RM
Assets					
Property, plant and equipment	3	354,755,728	309,851,441	260,989,228	227,766,830
Investment in subsidiaries	4	-	-	38,002,096	33,903,365
Other investments	5	9,775	9,775	-	-
Total non-current assets		354,765,503	309,861,216	298,991,324	261,670,195
Inventories	6	128,682,891	153,617,036	99,479,803	89,492,000
Trade and other receivables	7	85,538,352	107,642,825	104,745,652	150,331,507
Deposits and prepayments	8	2,144,410	2,775,738	1,186,501	1,452,988
Current tax recoverable		704,544	664,955	162,906	155,300
Derivative financial assets	9	2,368,589	1,108,016	2,368,589	1,108,016
Cash and cash equivalents	10	26,822,503	29,396,996	1,546,406	2,688,686
Total current assets		246,261,289	295,205,566	209,489,857	245,228,497
Total assets		601,026,792	605,066,782	508,481,181	506,898,692
Equity					
Share capital	11.1	185,031,840	185,031,840	185,031,840	185,031,840
Reserves	11.2	32,048,433	11,840,850	37,121,507	19,304,374
Total equity		217,080,273	196,872,690	222,153,347	204,336,214
Liabilities					
Loans and borrowings	12	37,861,613	44,952,573	14,642,986	23,674,873
Deferred tax liabilities	13	3,805,000	9,342,000	3,366,000	8,556,000
Retirement benefits	14	-	4,843,855	-	4,843,855
Total non-current liabilities		41,666,613	59,138,428	18,008,986	37,074,728
Trade and other payables	15	131,339,742	113,625,184	121,824,046	94,319,966
Loans and borrowings	12	210,872,828	235,387,174	146,494,802	171,167,784
Current tax payables		67,336	43,306	-	-
Total current liabilities		342,279,906	349,055,664	268,318,848	265,487,750
Total liabilities		383,946,519	408,194,092	286,327,834	302,562,478
Total equity and liabilities		601,026,792	605,066,782	508,481,181	506,898,692

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2014

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Continuing operations					
Revenue	16	537,689,587	560,343,054	422,769,097	485,857,423
Cost of sales		(524,922,676)	(509,535,615)	(420,084,025)	(455,165,994)
Gross profit		12,766,911	50,807,439	2,685,072	30,691,429
Other income		9,118,321	3,344,002	11,572,083	4,256,791
Selling and distribution expenses		(6,937,436)	(7,914,532)	(3,865,794)	(4,672,548)
Administrative expenses		(33,316,830)	(31,863,220)	(20,158,313)	(18,631,797)
Results from operating activities	17	(18,369,034)	14,373,689	(9,766,952)	11,643,875
Finance income	18	1,011,760	1,150,597	570,295	1,928,209
Finance costs	18	(14,736,185)	(14,982,879)	(9,974,713)	(10,637,978)
Net finance costs		(13,724,425)	(13,832,282)	(9,404,418)	(8,709,769)
(Loss)/Profit before tax		(32,093,459)	541,407	(19,171,370)	2,934,106
Tax expense	19	5,451,059	(1,384,942)	5,449,143	(907,000)
(Loss)/Profit from continuing operations		(26,642,400)	(843,535)	(13,722,227)	2,027,106
Discontinued operation					
Profit from discontinued operation, net of tax	20	-	1,343,768	-	-
(Loss)/Profit for the year		(26,642,400)	500,233	(13,722,227)	2,027,106
Other comprehensive income, net of tax					
Remeasurement of defined benefit liability	14	-	402,914	-	402,914
Revaluation of property, plant and equipment		50,596,245	-	35,285,622	-
Total comprehensive income for the year		23,953,845	903,147	21,563,395	2,430,020
(Loss)/Profit attributable to:					
- Owners of the Company		(26,642,400)	254,962	(13,722,227)	2,027,106
- Non-controlling interests		-	245,271	-	-
(Loss)/Profit for the year		(26,642,400)	500,233	(13,722,227)	2,027,106
Total comprehensive income attributable to:					
- Owners of the Company		23,953,845	657,876	21,563,395	2,430,020
- Non-controlling interests		-	245,271	-	-
Total comprehensive income for the year		23,953,845	903,147	21,563,395	2,430,020
Basic/diluted (loss)/earnings per ordinary share from (sen):	21				
- continuing operations		(7.6)	(0.4)		
- discontinued operation		-	0.5		

Consolidated statement of changes in equity
for the year ended 31 December 2014

Group	Note	Ordinary share RM	Redeemable convertible preference share RM	Warrant reserve RM	Share premium RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company							
		Non-distributable				Distributable			
At 1 January 2013		90,923,729	10,863,050	6,843,721	1,968,881	30,108,006	140,707,387	11,305,568	152,012,955
Remeasurement of defined benefit liability	14	-	-	-	-	402,914	402,914	-	402,914
Profit for the year		-	-	-	-	254,962	254,962	245,271	500,233
Total comprehensive income for the year		-	-	-	-	657,876	657,876	245,271	903,147
		90,923,729	10,863,050	6,843,721	1,968,881	30,765,882	141,365,263	11,550,839	152,916,102
Contributions by owners of the Company									
- Issuance of ordinary shares	11.1	43,953,489	-	-	-	-	43,953,489	-	43,953,489
- Conversion of warrants	11.1	3,750	-	(651)	-	-	3,099	-	3,099
- Bonus issue of shares	11.1	15,833,173	-	-	-	(15,833,173)	-	-	-
		59,790,412	-	(651)	-	(15,833,173)	43,956,588	-	43,956,588
Changes in ownership interests in a subsidiary	29.2	16,611,579	-	-	-	(5,060,740)	11,550,839	(11,550,839)	-
Total transactions with owners of the Company		76,401,991	-	(651)	-	(20,893,913)	55,507,427	(11,550,839)	43,956,588
Expiry of warrants	11.2	6,843,070	-	(6,843,070)	-	-	-	-	-
At 31 December 2013		174,168,790	10,863,050	-	1,968,881	9,871,969	196,872,690	-	196,872,690
		(Note 11)	(Note 11)	(Note 11)	(Note 11)				

Consolidated statement of changes in equity
for the year ended 31 December 2014 (cont'd)

		Attributable to owners of the Company							
		Non-distributable							
Group	**Note**	**Ordinary share RM**	**Redeemable convertible preference share RM**	**Revaluation reserve RM**	**Share premium RM**	**Retained earnings/ (Accumulated losses) RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2014		174,168,790	10,863,050	-	1,968,881	9,871,969	196,872,690	-	196,872,690
Revaluation surplus	3.1	-	-	50,596,245	-	-	50,596,245	-	50,596,245
Loss for the year		-	-	-	-	(26,642,400)	(26,642,400)	-	(26,642,400)
Total comprehensive income for the year		-	-	50,596,245	-	(26,642,400)	23,953,845	-	23,953,845
Dividends to the owner of the company	22	-	-	-	-	(3,746,262)	(3,746,262)	-	3,746,262)
At 31 December 2014		174,168,790	10,863,050	50,596,245	1,968,881	(20,516,693)	217,080,273	-	217,080,273
		(Note 11)	(Note 11)	(Note 11)	(Note 11)				

Statement of changes in equity
for the year ended 31 December 2014 (cont'd)

Company	Note	Ordinary share	Redeemable convertible preference share RM	Warrant reserve RM	Revaluation reserve RM	Share premium RM	Retained earnings/ (Accumulated losses) RM	Total RM RM
		Non-distributable						
At 1 January 2013		90,923,729	10,863,050	6,843,721		1,968,881	33,163,937	143,763,318
Remeasurement of defined benefit liability	14	-	-	-	-	-	402,914	402,914
Profit for the year		-	-	-	-	-	2,027,106	2,027,106
Total comprehensive income for the year		-	-	-	-	-	2,430,020	2,430,020
Contributions by owners of the Company								
- Issuance of ordinary shares	11.1	43,953,489	-	-	-	-	-	43,953,489
- Conversion of warrants	11.1	3,750	-	(651)	-	-	-	3,099
- Bonus issue of shares	11.1	15,833,173	-	-	-	-	(15,833,173)	-
		59,790,412	-	(651)	-	-	(15,833,173)	43,956,588
Changes in ownership interests in a subsidiary	29.2	16,611,579	-	-	-	-	(2,425,291)	14,186,288
Total transactions with owners of the Company		76,401,991	-	(651)	-	-	(18,258,464)	58,142,876
Expiry of warrants	11.2	6,843,070	-	(6,843,070)	-	-	-	-
At 31 December 2013 / 1 January 2014		174,168,790	10,863,050	-	-	1,968,881	17,335,493	204,336,214
Revaluation surplus	3.1	-	-	-	35,285,622	-	-	35,285,622
Loss for the year		-	-	-	-	-	(13,722,227)	(13,722,227)
Total comprehensive income for the year		-	-	-	35,285,622	-	(13,722,227)	21,563,395
Dividends to owner of the company	22	-	-	-	-	-	(3,746,262)	(3,746,262)
At 31 December 2014		174,168,790	10,863,050		35,285,622	1,968,881	(132,996)	222,153,347
		(Note 11)	(Note 11)	(Note 11)	(Note 11)	(Note 11)		

Statements of cash flows for the year ended 31 December 2014

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Cash flows from operating activities				
(Loss)/Profit before tax from:				
- continuing operations	(32,093,459)	541,407	(19,171,370)	2,934,106
- discontinued operation (Note 20)	-	26,773	-	-
	(32,093,459)	568,180	(19,171,370)	2,934,106
Adjustments for:				
Depreciation of property, plant and equipment	20,213,691	18,449,526	15,259,091	13,527,957
Dividend income	-	(263)	-	(1,300,000)
Finance income	(1,011,760)	(1,153,920)	(570,295)	(1,928,209)
Finance costs	14,736,185	15,211,111	9,974,713	10,637,978
(Gain)/Loss on disposal of:				
- property, plant and equipment	(162,230)	(2,001,221)	(141,509)	(1,761,567)
- properties held for sale	-	(54,160)	-	-
- subsidiary	-	-	(3,294,257)	86,225
Unrealised foreign exchange loss	2,684,583	1,074,653	2,684,583	1,074,653
Derivative gain on forward foreign exchange contracts	(2,368,589)	(1,108,016)	(2,368,589)	(1,108,016)
(Termination)/Provision for retirement benefits (Note 14)	(4,843,855)	152,355	(4,843,855)	152,355
Operating (loss)/profit before changes in working capital	(2,845,434)	31,138,245	(2,471,488)	22,315,482
Changes in inventories	24,934,145	(56,553,674)	(9,987,803)	(28,225,345)
Changes in trade and other receivables, deposits and prepayments	23,843,818	(20,300,849)	46,960,357	(36,131,087)
Changes in trade and other payables	15,029,975	35,258,885	24,819,497	23,172,129
Cash generated from/ (used in) operations	60,962,504	(10,457,393)	59,320,563	(18,868,821)
Tax paid	(636,500)	(15,819)	(283,463)	(7,340)
Interest paid	(11,681,682)	(11,200,943)	(8,426,102)	(8,788,041)
Interest received	323,981	450,060	526,365	1,842,940
Retirement benefits paid (Note 14)	-	(112,500)	-	(112,500)
Net cash from/(used in) operating activities	48,968,303	(21,336,595)	51,137,363	(25,933,762)
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (i)]	(12,775,917)	(16,053,663)	(10,773,913)	(9,941,275)
Subscription of shares in new subsidiaries	-	-	(198,931)	(1,000,100)
Increase in investment in existing subsidiaries	-	-	(605,543)	-
Proceeds from disposal of				
- property, plant and equipment	1,578,413	1,341,416	485,557	1,103,589
- properties held for sale	-	2,023,000	-	-
- subsidiaries (Note 20)	-	8,361,830	-	7,413,775
Interest received	687,779	703,860	43,930	85,269
Dividends received	-	263	-	1,300,000
Increase in deposits pledged to banks	(1,017,665)	(1,827,387)	(1,425,877)	-
Net cash used in investing activities	(11,527,390)	(5,450,681)	(12,474,777)	(1,038,742)

Statements of cash flows for the year ended 31 December 2014 (cont'd)

	Group		Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Cash flows from financing activities				
Dividends paid to the owners of the Company (Note 22)	(3,746,262)	-	(3,746,262)	-
Net repayment of term loans	(17,151,146)	(12,579,960)	(20,904,266)	(8,722,877)
Net (repayment of)/proceeds from bankers' acceptances and revolving credits	(9,983,361)	(5,989,602)	(11,577,000)	(6,710,000)
Proceeds from issuance of shares	-	43,953,489	-	43,953,489
Proceeds from conversion of warrants	-	3,099	-	3,099
Repayment of finance lease liabilities	(3,730,279)	(4,672,448)	(612,393)	(1,338,916)
Interest paid	(3,054,503)	(4,010,168)	(1,548,611)	(1,849,937)
Net cash (used in)/from financing activities	(37,665,551)	16,704,410	(38,388,532)	25,334,858
Net (decrease)/increase in cash and cash equivalents	(224,638)	(10,082,866)	274,054	(1,637,646)
Cash and cash equivalents at beginning of year	105,812	10,188,678	(2,899,630)	(1,261,984)
Cash and cash equivalents at end of year [Note (ii)]	(118,826)	105,812	(2,625,576)	(2,899,630)

Notes

(i) Acquisition of property, plant and equipment

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

	Group		Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Continuing operations				
Paid in cash	12,775,917	12,831,793	10,773,913	9,941,275
In the form of finance lease assets	2,627,000	1,555,591	2,231,000	479,000
Other payables	-	7,622,800	-	378,000
Subtotal (see Note 3)	15,402,917	22,010,184	13,004,913	10,798,275
Discontinued operation				
Paid in cash	-	3,221,870	-	-
Total	15,402,917	25,232,054	13,004,913	10,798,275

(ii) Cash and cash equivalents

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

	Group		Company	
	2014 RM	**2013 RM**	**2014 RM**	**2013 RM**
Deposits placed with licensed banks with maturities less than three months	2,605,000	1,382,736	-	1,382,736
Cash in hand and at banks	3,309,346	8,123,768	120,529	1,305,950
Total (see Note 10)	5,914,346	9,506,504	120,529	2,688,686
Less: Bank overdrafts (Note 12)	(6,033,172)	(9,400,692)	(2,746,105)	(5,588,316)
	(118,826)	105,812	(2,625,576)	(2,899,630)

Notes to the financial statements

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

Principal places of business

- Kuching branch	Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak.
- Klang branch	Lot 6479, Lorong Sg. Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor Darul Ehsan.

Registered office
Wisma YKGI, Lot 6472, Lorong Sungai Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the year ended 31 December 2014 do not include other entities.

The Company is principally engaged in the manufacture and sale of galvanised and coated steel products, pickled and oiled hot rolled coils and cold rolled coils while the principal activities of the subsidiaries are as stated in Note 4 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 27 April 2015.

1. Basis of preparation

(a) Statement of compliance

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

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

MFRS/Amendment/Interpretation	Effective date
Amendments to MFRS 1, *First-time Adoption of Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*	1 July 2014
Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*	1 July 2014
Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*	1 July 2014
Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*	1 July 2014
Amendments to MFRS 124, *Related Parties Disclosures (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*	1 July 2014
Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*	1 July 2014
Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*	1 January 2016
Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*	1 January 2016
Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to MFRS 10, *Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
MFRS 14, *Regulatory Deferral Accounts*	1 January 2016
Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*	1 January 2016
Amendments to MFRS 116, *Property, Plant and Equipment and MFRS 138, Intangible Asset - Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016

Notes to the financial statements (cont'd)

1. Basis of preparation (cont'd)

(a) Statement of compliance (cont'd)

MFRS/Amendment/Interpretation	**Effective date**
Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*	1 January 2016
Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*	1 January 2016
Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*	1 January 2016
Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*	1 January 2016
MFRS 15, Revenue from Contracts with Customers	1 January 2017
MFRS 9, *Financial Instruments (2014)*	1 January 2018

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 2, Amendments to MFRS 119, Amendments to MFRS 138 and Amendments to MFRS 140 which are assessed as presently not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretation that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 11, Amendments to MFRS 14, Amendments to MFRS 119, Amendments to MFRS 127 and Amendments to MFRS 116 and MFRS 141, which are assessed as presently not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

Material impacts of the initial application of those accounting standards, amendments or interpretations, which are or are likely to be applicable to the Group and the Company and which are to be applied retrospectively are discussed in ensuing page:

(i) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in FRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

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

(b) Basis of measurement

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

The Directors have prepared the financial statements of the Group and of the Company on a going concern basis, notwithstanding that as of 31 December 2014, the current liabilities exceeded the current assets of the Group and Company by RM96,018,617 (2013: RM53,850,098) and RM58,828,991 (2013: RM20,259,253) respectively. During the financial year, the Group and the Company have incurred net loss of RM26,642,400 and RM13,722,227 respectively as compared to net profit achieved of RM500,233 and RM2,027,106 respectively in last financial year.

The Group and the Company are in the process of carrying out action plans in order to address the net current liabilities position, amongst which, include refinancing and rationalisation of loans and borrowings, streamlining operations to achieve cost savings, renegotiating the pricing of raw materials with major suppliers and maintaining the existing credit facility offered by a substantial shareholder of the Company in order to achieve positive cash flows.

Notes to the financial statements (cont'd)

1. **Basis of preparation** (cont'd)

(b) Basis of measurement (cont'd)

In view of the above, the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful execution of the abovementioned plans, continued support of the shareholders and major suppliers and that the Group and the Company achieving future profitable operations. Accordingly, the financial statements of the Group and of the Company do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to additional amounts and classification of liabilities that may be necessary should the aforesaid plans were not forthcoming or successfully implemented.

In reaching the conclusion on the going concern assessment of the Group and of the Company, the Group and of the Company have prepared cashflow projection for the financial year of 2015 based on the financial budgets approved by the management using key assumptions as follows:

a) No further depreciation of RM against United States Dollar ("USD") projected at RM3.70 per USD1.00.

b) Average purchase price of raw materials is projected based on the latest committed price in February 2015.

c) Average selling price of the products sold is projected based on the average selling price in January 2015.

d) Sales volume is projected to increase by about 20% as compared to 2014 in reaping the positive impact from the various trade measures to be implemented.

e) Collections from trade receivables, settlement of trade payables as well as repayment of loans and borrowings will be made in accordance with the current credit arrangements and agreed repayment schedule.

f) Inventory turnover period is projected to remain at the same level as 2014.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on historical data from both external and internal sources.

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 1(b), going concern assumption used in the preparation of the financial statements;
- Note 3, impairment assessment of property, plant and equipment;
- Note 6, assessment of valuation on inventories; and
- Note 7, assessment of impairment loss on receivables.

2. **Significant accounting policies**

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

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(i) Subsidiaries (cont'd)

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

(ii) Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Acquisitions from entities under common controls

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

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

(v) Loss of control

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Non-controlling interests

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

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

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

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

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

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

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

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") within equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations, are translated to RM at exchange rates at the dates or the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(i) Initial recognition and measurement (cont'd)

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

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

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

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

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

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

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

(b) Held-to-maturity investments

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

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

(c) Loans and receivables

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

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

(d) Available-for-sale financial assets

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

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

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial liabilities

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

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

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

(iii) Financial guarantee contracts

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

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

(iv) Regular way purchase or sale of financial assets

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

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

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

(v) Derecognition

A financial asset or a part thereof is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial assets are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

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

2. **Significant accounting policies** (cont'd)

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

(i) ***Recognition and measurement***

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

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

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

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date and in accordance to Note 2(s).

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

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

Property, plant and equipment under the revaluation model

The Group and the Company revalue their property comprising freehold land and leasehold land every three (3) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

(ii) ***Subsequent costs***

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

(iii) ***Depreciation***

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Assets under construction are not depreciated until their assets are ready for their intended use. Spare parts, stand-by equipment and servicing equipment are not depreciated as their carrying amounts approximate their residual values, determined based on directors' best estimates. Spare parts, stand-by equipment and servicing equipment once in use are depreciated on a straight-line basis over the estimated useful lives of each component.

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

Buildings	10, 20 and 50 years
Plant and machinery	5, 7, 8, 10, 15, 20 and 25 years
Office equipment, furniture and fittings, equipment and tools	2, 4, 5 and 10 years
Motor vehicles	5 and 7 years
Moulds, loose tools and implement	10 years

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(e) Leased assets

(i) Finance lease

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

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

(ii) Operating lease

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

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

(f) Inventories

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

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

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

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

(g) Construction work-in-progress

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

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

(h) Cash and cash equivalents

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

2. Significant accounting policies (cont'd)

(i) Impairment

(i) Financial assets

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

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

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

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

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

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

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill with indefinite useful lives, the recoverable amount is estimated each period at the same time.

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

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

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

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(i) Impairment (cont'd)

(ii) Other assets (cont'd)

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

(j) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

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

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

(k) Employee benefits

(i) Short-term employee benefits

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

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

(ii) State plans

Contributions to statutory pension funds are charged to profit or loss in the year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit retirement plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

2. Significant accounting policies (cont'd)

(k) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

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

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

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

(l) Contingent liabilities

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

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

(m) Revenue and other income

(i) Goods sold

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

(ii) Services rendered

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

(iii) Construction contract income

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

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

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

(iv) Dividend income

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(m) Revenue and other income (cont'd)

(v) Rental income

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

(vi) Interest income

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

(n) Borrowing costs

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

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

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

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

(o) Income tax

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

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

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

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

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

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(p) Discontinued operations

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

(q) Earnings per ordinary share

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

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

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

(r) Operating segments

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

(s) Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. **Property, plant and equipment**

Group	Freehold land RM	Long-term leasehold land (unexpired lease term more than 50 years) RM	Short-term leasehold land (unexpired lease term less than 50 years) RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Subtotal RM
Cost/Valuation							
At 1 January 2013	37,760,000	-	3,299,500	100,821,563	284,320,570	12,135,344	438,336,977
Additions	-	3,972,000	-	6,178,588	3,882,658	1,055,286	15,088,532
Disposals	-	-	-	(7,897,710)	(109,668)	(34,751)	(8,042,129)
Write-offs	-	-	-	-	(15,957,531)	(511,507)	(16,469,038)
Reclassifications	-	-	-	410,222	37,309,954	(7,200)	37,712,976
At 31 December 2013/ 1 January 2014	37,760,000	3,972,000	3,299,500	99,512,663	309,445,983	12,637,172	466,627,318
Additions	-	-	-	1,015,468	2,273,982	1,303,507	4,592,957
Disposals	-	-	-	-	(2,721,348)	(443,946)	(3,165,294)
Reclassifications	-	-	-	291,841	-	-	291,841
Revaluation of assets (Note 3.1)	48,940,000	-	1,327,500	-	-	-	50,267,500
At 31 December 2014	86,700,000	3,972,000	4,627,000	100,819,972	308,998,617	13,496,733	518,614,322
Representing items at:							
Cost	-	-	-	100,819,972	308,998,617	13,496,733	423,315,322
Directors' valuation	86,700,000	3,972,000	4,627,000	-	-	-	95,299,000
At 31 December 2014	86,700,000	3,972,000	4,627,000	100,819,972	308,998,617	13,496,733	518,614,322

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

Group (cont'd)	Freehold land RM	Long-term leasehold land (unexpired lease term more than 50 years) RM	Short-term leasehold land (unexpired lease term less than 50 years) RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Subtotal RM
Depreciation							
At 1 January 2013	-	-	686,217	29,524,317	132,672,848	6,935,255	169,818,637
Depreciation for the year	-	3,894	63,452	3,631,578	12,637,240	934,649	17,270,813
Disposals	-	-	-	(4,455,203)	(109,666)	(30,815)	(4,595,684)
Write-offs	-	-	-	-	(15,957,531)	(511,507)	(16,469,038)
Reclassifications	-	-	-	345,646	(553,182)	98,380	(109,156)
At 31 December 2013/ 1 January 2014	-	3,894	749,669	29,046,338	128,689,709	7,425,962	165,915,572
Depreciation for the year	-	46,729	63,452	3,639,473	14,087,983	1,061,920	18,899,557
Disposals	-	-	-	-	(1,347,931)	(404,473)	(1,752,404)
Revaluation of assets (Note 3.1)	-	(50,623)	(813,121)	-	-	-	(863,744)
At 31 December 2014	-	-	-	32,685,811	141,429,761	8,083,409	182,198,981
Carrying amounts							
At 31 December 2013/ 1 January 2014	37,760,000	3,968,106	2,549,831	70,466,325	180,756,274	5,211,210	300,711,746
At 31 December 2014	86,700,000	3,972,000	4,627,000	68,134,161	167,568,856	5,413,324	336,415,341

Notes to the financial statements (cont'd)

3. Property, plant and equipment (cont'd)

Group (cont'd)	Subtotal RM	Motor vehicles RM	Moulds, loose tools and implement RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Cost/Valuation (cont'd)						
At 1 January 2013	438,336,977	7,903,269	1,588,477	6,420,237	32,442,827	486,691,787
Additions	15,088,532	1,259,012	-	654,212	5,008,428	22,010,184
Disposals	(8,042,129)	(1,748,123)	-	-	-	(9,790,252)
Write-offs	(16,469,038)	-	-	-	-	(16,469,038)
Reclassifications	37,712,976	109,157	-	(904,987)	(36,917,146)	-
At 31 December 2013/ 1 January 2014	466,627,318	7,523,315	1,588,477	6,169,462	534,109	482,442,681
Additions	4,592,957	1,484,649	-	154,629	9,170,682	15,402,917
Disposals	(3,165,294)	(629,776)	-	-	-	(3,795,070)
Reclassifications	291,841	-	-	-	(291,841)	-
Revaluation of assets (Note 3.1)	50,267,500	-	-	-	-	50,267,500
At 31 December 2014	518,614,322	8,378,188	1,588,477	6,324,091	9,412,950	544,318,028
Representing items at:						
Cost	423,315,322	8,378,188	1,588,477	6,324,091	9,412,950	449,019,028
Directors' valuation	95,299,000	-	-	-	-	95,299,000
At 31 December 2014	518,614,322	8,378,188	1,588,477	6,324,091	9,412,950	544,318,028

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

Group (cont'd)	Subtotal RM	Motor vehicles RM	Moulds, loose tools and implement RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Depreciation (cont'd)						
At 1 January 2013	169,818,637	5,467,099	1,238,321	-	-	176,524,057
Depreciation for the year (Note 17)	17,270,813	780,217	103,745	-	-	18,154,775
Disposals	(4,595,684)	(1,022,870)	-	-	-	(5,618,554)
Write-offs	(16,469,038)	-	-	-	-	(16,469,038)
Reclassifications	(109,156)	109,156	-	-	-	-
At 31 December 2013/ 1 January 2014	165,915,572	5,333,602	1,342,066	-	-	172,591,240
Depreciation for the year (Note 17)	18,899,557	693,223	177,115	443,796	-	20,213,691
Disposals	(1,752,404)	(626,483)	-	-	-	(2,378,887)
Revaluation of assets (Note 3.1)	(863,744)	-	-	-	-	(863,744)
At 31 December 2014	182,198,981	5,400,342	1,519,181	443,796	-	189,562,300
Carrying amounts						
At 31 December 2013/ 1 January 2014	300,711,746	2,189,713	246,411	6,169,462	534,109	309,851,441
At 31 December 2014	336,415,341	2,977,846	69,296	5,880,295	9,412,950	354,755,728

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

Company	Freehold land RM	Short-term leasehold land (unexpired lease term less than 50 years) RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Motor vehicles RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Cost/Valuation									
At 1 January 2013	27,020,000	3,299,500	64,156,403	229,310,513	5,913,703	4,861,388	6,420,237	32,181,827	373,163,571
Additions	-	-	979,130	2,466,738	885,937	937,122	654,212	4,875,136	10,798,275
Disposals	-	-	(7,897,710)	-	(5,160)	(966,771)	-	-	(8,869,641)
Write-offs	-	-	-	(2,580)	(2,510)	-	-	-	(5,090)
Reclassifications	-	-	410,222	37,048,956	(7,200)	109,157	(904,987)	(36,656,148)	-
At 31 December 2013/ 1 January 2014	27,020,000	3,299,500	57,648,045	268,823,627	6,784,770	4,940,896	6,169,462	400,815	375,087,115
Additions	-	-	747,478	1,824,561	952,888	170,000	154,629	9,155,357	13,004,913
Disposals	-	-	-	(741,710)	(6,213)	(522,897)	-	-	(1,270,820)
Reclassifications	-	-	151,051	-	-	-	-	(151,051)	-
Revaluation of assets (Note 3.1)	33,680,000	1,327,500	-	-	-	-	-	-	35,007,500
At 31 December 2014	60,700,000	4,627,000	58,546,574	269,906,478	7,731,445	4,587,999	6,324,091	9,405,121	421,828,708
Representing items at:									
Cost	-	-	58,546,574	269,906,478	7,731,445	4,587,999	6,324,091	9,405,121	356,501,708
Directors' valuation	60,700,000	4,627,000	-	-	-	-	-	-	65,327,000
At 31 December 2014	60,700,000	4,627,000	58,546,574	269,906,478	7,731,445	4,587,999	6,324,091	9,405,121	421,828,708

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

Company (cont'd)	Freehold land RM	Short-term leasehold land (unexpired lease term less than 50 years) RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Motor vehicles RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Depreciation									
At 1 January 2013	-	686,217	26,960,717	104,070,606	3,764,168	3,343,329	-	-	138,825,037
Depreciation for the year (Note 17)	-	63,452	2,837,455	9,540,043	650,074	436,933	-	-	13,527,957
Disposals	-	-	(4,455,203)	-	(1,223)	(571,193)	-	-	(5,027,619)
Write-offs	-	-	-	(2,580)	(2,510)	-	-	-	(5,090)
Reclassifications	-	-	260,116	(369,272)	-	109,156	-	-	-
At 31 December 2013/ 1 January 2014	-	749,669	25,603,085	113,238,797	4,410,509	3,318,225	-	-	147,320,285
Depreciation for the year (Note 17)	-	63,452	2,593,117	10,929,887	780,626	448,213	443,796	-	15,259,091
Disposals	-	-	-	(400,866)	(3,011)	(522,898)	-	-	(926,775)
Revaluation of assets	-	(813,121)	-	-	-	-	-	-	(813,121)
At 31 December 2014	-	-	28,196,202	123,767,818	5,188,124	3,243,540	443,796	-	160,839,480
Carrying amounts									
At 31 December 2013/ 1 January 2014	27,020,000	2,549,831	32,044,960	155,584,830	2,374,261	1,622,671	6,169,462	400,815	227,766,830
At 31 December 2014	60,700,000	4,627,000	30,350,372	146,138,660	2,543,321	1,344,459	5,880,295	9,405,121	260,989,228

Notes to the financial statements (cont'd)

3. Property, plant and equipment (cont'd)

3.1 Property, plant and equipment under the revaluation model

During the year, the Group and the Company have changed their accounting policy for both freehold land and leasehold land from the cost model to revaluation model. The revaluation was performed by independent professional valuers, namely Raine & Horne International Zaki + Partners Sdn. Bhd. and Henry Butcher (Malaysia) Sdn. Bhd. using the comparison method in December 2014. Following the exercise, revaluation surplus of RM50,596,245 and RM35,285,622 respectively were taken up in the revaluation reserve accounts of the Group and of the Company (see Note 11).

Had the freehold land and leasehold land been carried under the cost model, their carrying amounts, net of any accumulated depreciation and accumulated impairment loss where applicable, that would have been included in the financial statements at the end of the financial year are as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Carrying amounts				
Freehold land	37,760,000	37,760,000	27,020,000	27,020,000
Short term leasehold land	2,486,289	2,549,831	2,486,289	2,549,831
Long-term leasehold land	3,921,377	3,968,106	-	-
	44,167,666	44,277,937	29,506,289	29,569,831

3.2 Security

The following property, plant and equipment are charged as security for certain loans and borrowings (see Note 12).

	Carrying amounts	
Group	**2014 RM**	**2013 RM**
Fixed legal charges		
Freehold land	26,000,000	10,740,000
Leasehold land	3,972,000	-
Buildings	32,610,260	33,243,570
	62,582,260	43,983,570
Under debentures		
Plant and machinery	7,072,220	8,606,642
	69,654,480	52,590,212

3. Property, plant and equipment (cont'd)

3.2 Security (continued)

Assets under finance leases are also charged to secure the lease obligations of the Group and of the Company (see Note 12).

3.3 Assets under construction

These comprise building under construction.

Included in assets under construction of the Group and of the Company subsisting at 31 December 2013 was interest capitalised of RM431,893.

3.4 Impairment review of property, plant and equipment

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

3.5 Title

The individual issue document of title or subsidiary title to a long-term leasehold land of the Group with a carrying amount of RM3,972,000 (2013: RM3,968,106) has yet to be issued by the relevant authority.

3.6 Leased property, plant and equipment

The carrying amounts of the property, plant and equipment under finance leases are as follows:

	Carrying amounts	
	2014	**2013**
Group	**RM**	**RM**
Plant and machinery	9,225,348	12,693,538
Motor vehicles	1,440,777	1,708,719
	10,666,125	14,402,257

Notes to the financial statements (cont'd)

4. Investment in subsidiaries

	Company 2014 RM	Company 2013 RM
Unquoted shares, at cost	38,002,096	33,903,365

Details of the subsidiaries, all of which were incorporated in Malaysia except for YKGI (Thai) Co. Ltd. and YKGI (Thai) Steel Co. Ltd., which were incorporated in Kingdom of Thailand and the Company's interests therein are as follows:

Subsidiary	Principal activities	Effective ownership interest/Voting interest 2014 %	Effective ownership interest/Voting interest 2013 %
Direct			
ASTEEL Resources Sdn. Bhd. ("AR")	Investment holding	100.00	-
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	100.00	100.00
ASTEEL Sdn. Bhd.	Manufacture and sale of metal roofing, coated steel products and related products	-	100.00
ASTEEL (Sabah) Sdn. Bhd.^	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	-	100.00
ASTEEL (Bintulu) Sdn. Bhd.^	Dormant	-	100.00
YKGI (Thai) Co. Ltd. ("YKGI Thai")^^	Investment holding	49.00/100.00	-
Indirect through SSH			
Star Shine Marketing Sdn. Bhd. ("SSM")	Trading of galvanised iron and coated galvanised iron steel sheets in coils and building materials	100.00	100.00

Notes to the financial statements (cont'd)

4. Investment in subsidiaries (cont'd)

Subsidiary	Principal activities	Effective ownership interest/Voting interest 2014 %	2013 %
Indirect through SSH (cont'd)			
Star Shine Global Trading Sdn. Bhd.	Trading of flat steel products	100.00	100.00
Star Shine Steel Products Sdn. Bhd.	Manufacture and sale of steel products and trading of other building and construction materials as well as provision of shearing and slitting services	100.00	100.00
Star Shine Industries Sdn. Bhd.	Manufacture and trading of steel tubes and pipes as well as provision of slitting services	100.00	100.00
Indirect through SSM			
Starshine Resources Sdn. Bhd.	Dormant	100.00	100.00
Indirect through AR			
ASTEEL Sdn. Bhd.^ metal roofing, coated steel	Manufacture and sale of products and related products	100.00	-
ASTEEL (Sabah) Sdn. Bhd.^	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100.00	-
ASTEEL (Bintulu) Sdn. Bhd.^	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100.00	-
Indirect through YKGI Thai			
YKGI (Thai) Steel Co. Ltd.^^	Dormant	49.00/100.00	-

^ *Arising from the Group reorganisation between the Company and AR through shares swap (see Note 29).*
^^ *Not audited by member firms of KPMG International.*

Notes to the financial statements (cont'd)

4. Investment in subsidiaries (cont'd)

4.1 **Auditors' reports**

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

Emphasis of matter

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

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

4.2 Although the Group owns less than half of the ownership interest in YKGI (Thai) Co. Ltd. and its subsidiary, the Directors have determined that the Group controls these two entities. The Group controls YKGI (Thai) Co. Ltd. by virtue of a trust agreement entered with the other shareholders who held the shares on trust for the Company as absolute beneficial owner. The Group is exposed and has rights to variable return from its involvement in YKGI (Thai) Co. Ltd. and its subsidiaries and has the current ability to direct these entities activities that affect those returns through its power. Hence, the Group has accounted for 100% of the returns in these entities in its consolidated financial statements.

4.3 As the Group does not have material non-controlling interests, no disclosure of the financial information of non-controlling interests is required.

5. Other investments

	Group 2014 RM	Group 2013 RM
Non-current		
Available-for-sale financial assets		
- quoted shares in Malaysia	21,400	21,400
Less: Impairment loss	(11,625)	(11,625)
	9,775	9,775
Representing items:		
Market value of quoted shares (Note 23.4)	9,775	9,775

Notes to the financial statements (cont'd)

6. Inventories

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
At cost				
Raw materials	28,044,162	45,268,273	25,664,816	21,572,131
Manufactured inventories	13,349,186	43,910,153	7,381,075	26,041,028
Trading products	14,411,490	18,451,965	-	-
Consumables	11,376,821	12,455,697	11,292,307	12,455,697
Work-in-progress	21,628,508	17,039,218	15,409,065	15,525,429
Goods in transit	20,611,538	9,980,155	20,504,256	9,980,155
	109,421,705	147,105,461	80,251,519	85,574,440
At net realisable value				
Manufactured inventories	19,228,284	5,828,821	19,228,284	3,917,560
Trading products	32,902	682,754	-	-
	19,261,186	6,511,575	19,228,284	3,917,560
Total	128,682,891	153,617,036	99,479,803	89,492,000

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Recognised in profit or loss:				
- Inventories recognised as cost of sales	506,190,615	493,523,362	420,084,025	455,165,994
- Write-down to net realisable value	553,341	658,461	553,341	560,041
- Write-offs	677,695	6,958	-	-

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

Notes to the financial statements (cont'd)

6. Inventories

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Trade				
Trade receivables (Note 7.3)	88,170,755	106,020,729	50,401,994	1,865,324
Less: Allowance for impairment losses	(2,820,720)	(3,127,063)	(124,814)	(124,814)
	85,350,035	102,893,666	50,277,180	1,740,510
Subsidiaries (Note 7.1)	-	-	50,756,561	141,700,330
Subtotal	85,350,035	102,893,666	101,033,741	143,440,840
Non-trade				
Subsidiaries (Note 7.2)	-	-	3,657,355	2,299,817
Other receivables (Note 7.6)	188,317	4,749,159	54,556	4,590,850
	188,317	4,749,159	3,711,911	6,890,667
Total	85,538,352	107,642,825	104,745,652	150,331,507

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

Included in trade balances due from subsidiaries is an amount of RM37,431,837 (2013: RM117,723,540) of which any balance if not paid within the agreed credit term bears interest at 6.00% (2013: 6.00%) per annum.

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

7.3 Included in trade receivables of the Group and of the Company are amounts of RM1,223,459 (2013: RM1,325,009) and Nil (2013: RM43,969) respectively due from a former subsidiary of the Group which are unsecured and interest free. The outstanding balance subsisting as 31 December 2014 has been fully impaired during the year.

7.4 Included in trade receivables of the Group are retention sums of RM166,731 (2013: RM128,586) relating to assets under construction.

7.5 Assessment of impairment loss on receivables

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

7.6 Included in other receivables subsisting at 31 December 2013 of the Group and of the Company was the sales proceed of RM4,500,000 receivable from a third party for the disposal of property, plant and equipment in prior year. The Company had entered into separate agreements with the third party to construct a new factory of which the costs of construction were partially settled by the said sales proceed arising from the disposal of property, plant and equipment.

Notes to the financial statements (cont'd)

8. Deposits and prepayments

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Deposits	907,744	1,574,275	397,542	1,002,000
Prepayments	1,236,666	1,201,463	788,959	450,988
	2,144,410	2,775,738	1,186,501	1,452,988

9. Derivative financial assets

	Group and Company	
	2014	2013
	RM	RM
Derivatives held for trading at fair value throug profit or loss		
- Forward foreign exchange contracts	2,368,589	1,108,016

Nominal value of the outstanding forward foreign exchange contracts as at 31 December 2014 is RM64,005,170 (2013: RM37,716,371).

Forward foreign exchange contracts are used to manage the foreign currency exposures arising from the Group and the Company's payables denominated in currencies other than the functional currencies of group entities. Most of the forward foreign exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward foreign exchange contracts are rolled over at maturity.

10. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Deposits placed with licensed banks with maturities less than three months	2,605,000	1,382,736	-	1,382,736
Cash in hand and at banks	3,309,346	8,123,768	120,529	1,305,950
Total cash and cash equivalents	5,914,346	9,506,504	120,529	2,688,686
Deposits placed with licensed banks with maturities more than three months and pledged with financial institutions	20,908,157	19,890,492	1,425,877	-
	26,822,503	29,396,996	1,546,406	2,688,686

Notes to the financial statements (cont'd)

11. Capital and reserves

11.1 Share capital

	Group and Company			
	Amount		Number of shares	
	2014 RM	2013 RM	2014	2013
Authorised				
Ordinary shares of RM0.50 each	450,000,000	450,000,000	900,000,000	900,000,000
Redeemable convertible preference shares of RM0.50 each	50,000,000	50,000,000	100,000,000	100,000,000
	500,000,000	500,000,000	1,000,000,000	1,000,000,000
Issued and fully paid up				
Ordinary shares of RM0.50 each				
Opening balances	174,168,790	90,923,729	348,337,580	195,534,900
Issuance of ordinary shares	-	60,565,068	-	121,130,136
Conversion of Warrants A	-	3,750	-	6,198
Bonus issue of shares	-	15,833,173	-	31,666,346
Expiry of warrants	-	6,843,070	-	-
Closing balances	174,168,790	174,168,790	348,337,580	348,337,580
Redeemable convertible preference shares of RM0.50 each				
Opening and closing balances	10,863,050	10,863,050	21,726,100	21,726,100
Total	185,031,840	185,031,840	370,063,680	370,063,680

Ordinary shares

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

Notes to the financial statements (cont'd)

11. Capital and reserves (cont'd)

11.1 Share capital (cont'd)

Redeemable convertible preference shares ("RCPS")

All outstanding RCPS may be redeemed by the Company at its option at any time after the tenth (10th) anniversary of their issue, by giving three (3) months notice to the holders of the RCPS. The RCPS rank equally with regards to the Company's residual assets, except that RCPS holders participate only to the extent of the par value of the preference shares.

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements (cont'd)

11. Capital and reserves (cont'd)

11.1 Share capital (cont'd)

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

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

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

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

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

Warrants B (2013/2020)

The main features of the Warrants B are as follows:

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

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

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

The number of outstanding Warrants B as of 31 December 2014, issued in conjunction with the share issue exercises undertaken by the Company on 29 May 2013 and exercisable at RM0.50 for each ordinary share in the Company over a period of seven years to 28 May 2020, is 95,000,428 (2013: 95,000,428). None of the said warrants have been exercised during the year.

Notes to the financial statements (cont'd)

11. Capital and reserves (cont'd)

11.2 Reserves

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
(Accumulated losses)/ Retained earnings	(20,516,693)	9,871,969	(132,996)	17,335,493
Share premium	1,968,881	1,968,881	1,968,881	1,968,881
Revaluation reserve	50,596,245	-	35,285,622	-
	32,048,433	11,840,850	37,121,507	19,304,374

Revaluation reserve

Revaluation reserve (net of deferred tax liability recognised) represents non distributable surplus arising from the revaluation of freehold land and leasehold land (see Note 3).

Share premium

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

Warrant reserve

This represented the reserve arising from the rights issue with free detachable Warrants A on 9 July 2008 which had expired on 8 July 2013 and subsequently adjusted against the ordinary share capital of the Company.

12. Loans and borrowings

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Non-current				
Term loans				
- secured	20,759,958	17,371,126	-	-
- unsecured	13,354,602	23,138,397	13,354,602	23,138,397
Finance lease liabilities				
- secured	3,747,053	4,443,050	1,288,384	536,476
	37,861,613	44,952,573	14,642,986	23,674,873

Notes to the financial statements (cont'd)

12. Loans and borrowings (cont'd)

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Current				
Term loans				
- secured	3,495,870	3,131,582	-	-
- unsecured	9,792,538	14,694,976	9,792,538	14,694,976
Finance lease liabilities				
- secured	3,030,238	3,437,520	1,280,159	413,459
Bankers' acceptances and revolving credits				
- secured	55,845,010	52,050,701	-	-
- unsecured	132,676,000	146,453,670	132,676,000	144,253,000
Bank overdrafts				
- unsecured	2,746,105	5,588,316	2,746,105	5,588,316
- secured	3,287,067	3,812,376	-	-
Foreign currency trade loan				
- unsecured	-	6,218,033	-	6,218,033
	210,872,828	235,387,174	146,494,802	171,167,784
Total	248,734,441	280,339,747	161,137,788	194,842,657

(i) Security

Bank overdrafts, term loans and bankers' acceptances

Subsidiaries

- Secured by a pledge of term deposits (see Note 10).
- Secured by fixed charges over certain subsidiaries' freehold land, long-term leasehold land and buildings erected thereon (see Note 3).
- Secured by debentures over certain plant and equipment (see Note 3).
- Covered by a negative pledge over certain subsidiaries' present and future assets.
- Covered by corporate guarantees from the Company and two subsidiaries.
- Joint and several guarantees of certain Directors of the Group and of the Company.

Finance leases liabilities

Company and subsidiaries

Finance lease liabilities are secured on the respective finance lease assets (see Note 3). Outstanding finance lease liabilities of RM856,373 (2013: RM1,297,745) granted to certain subsidiaries are guaranteed by the Company. In addition, the finance lease liabilities of certain indirect subsidiaries amounting to Nil (2013: RM985,492) are also guaranteed by an indirect subsidiary whereas the finance lease liabilities of another indirect subsidiary of RM2,754,438 (2013: RM4,299,157) are jointly and severally guaranteed by certain Directors of the Group and of the Company.

(ii) Significant covenants on loans and borrowings

The Group and the Company are required to maintain a gearing ratio not exceeding 1.75 times (2013: 1.75 times) and 1.25 times (2013: 1.25 times) respectively in respect of the banking facilities granted by a licensed bank to the Group/Company. The total outstanding loans and borrowings of the Group/Company with the said bank as at 31 December 2014 are RM24,090,539 (2013: RM29,084,378).

12. **Loans and borrowings** (cont'd)

(iii) Finance lease liabilities

Finance lease liabilities are payable as follows:

	2014			2013		
	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
Group						
Less than one year	2,806,818	405,126	2,401,692	3,880,884	443,364	3,437,520
Between one and five years	4,854,996	479,396	4,375,600	4,830,476	387,426	4,443,050
	7,661,814	884,522	6,777,292	8,711,360	830,790	7,880,570
Company						
Less than one year	818,928	167,315	651,613	449,862	36,403	413,459
Between one and five years	2,218,335	301,405	1,916,930	563,892	27,416	536,476
	3,037,263	468,720	2,568,543	1,013,754	63,819	949,935

13. Deferred tax

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2014 RM	Assets 2013 RM	Liabilities 2014 RM	Liabilities 2013 RM	Net 2014 RM	Net 2013 RM
Property, plant and equipment	-	-	(30,573,000)	(31,054,000)	(30,573,000)	(31,054,000)
Revaluation reserve	-	-	(535,000)	-	(535,000)	-
Retirement benefits	-	1,338,000	-	-	-	1,338,000
Capital allowances carried forward	24,000,000	19,464,000	-	-	24,000,000	19,464,000
Tax losses carried forward	3,200,000	764,000	-	-	3,200,000	764,000
Other items	103,000	146,000	-	-	103,000	146,000
Tax assets/(liabilities)	27,303,000	21,712,000	(31,108,000)	(31,054,000)	(3,805,000)	(9,342,000)
Set off of tax	(27,303,000)	(21,712,000)	27,303,000	21,712,000	-	-
Net tax liabilities	-	-	(3,805,000)	(9,342,000)	(3,805,000)	(9,342,000)

Company	Assets 2014 RM	Assets 2013 RM	Liabilities 2014 RM	Liabilities 2013 RM	Net 2014 RM	Net 2013 RM
Property, plant and equipment	-	-	(30,031,000)	(30,087,000)	(30,031,000)	(30,087,000)
Revaluation reserve	-	-	(535,000)	-	(535,000)	-
Retirement benefits	-	1,338,000	-	-	-	1,338,000
Capital allowances carried forward	24,000,000	19,429,000	-	-	24,000,000	19,429,000
Tax losses carried forward	3,200,000	764,000	-	-	3,200,000	764,000
Tax assets/(liabilities)	27,200,000	21,531,000	(30,566,000)	(30,087,000)	(3,366,000)	(8,556,000)
Tax assets/(liabilities)	27,200,000	21,531,000	(30,566,000)	(30,087,000)	(3,366,000)	(8,556,000)
Set off of tax	(27,200,000)	(21,531,000)	27,200,000	21,531,000	-	-
Net tax liabilities	-	-	(3,366,000)	(8,556,000)	(3,366,000)	(8,556,000)

13. **Deferred tax** (cont'd)

Recognised deferred tax (cont'd)

Movements in deferred tax during the year are as follows:

Group	**At 1.1.2013 RM**	**Recognised in profit or loss RM**	**At 31.12.2013/ 1.1.2014 RM**	**Recognised in profit or loss RM**	**Revaluation of asset RM**	**At 31.12.2014 RM**
Property, plant and equipment	(29,996,000)	(1,058,000)	(31,054,000)	481,000	-	(30,573,000)
Retirement benefits	935,000	403,000	1,338,000	(1,338,000)	-	-
Revaluation reserve	-	-	-	-	(535,000)	(535,000)
Capital allowances carried forward	19,959,000	(495,000)	19,464,000	4,536,000	-	24,000,000
Tax losses carried forward	764,000	-	764,000	2,436,000	-	3,200,000
Other items	1,000	145,000	146,000	(43,000)	-	103,000
	(8,337,000)	(1,005,000)	(9,342,000)	6,072,000	(535,000)	(3,805,000)
		(Note 19)		(Note 19)		

Company	**At 1.1.2013 RM**	**Recognised in profit or loss RM**	**At 31.12.2013/ 1.1.2014 RM**	**Recognised in profit or loss RM**	**Revaluation of asset RM**	**At 31.12.2014 RM**
Property, plant and equipment	(29,350,000)	(737,000)	(30,087,000)	56,000	-	(30,031,000)
Retirement benefits	935,000	403,000	1,338,000	(1,338,000)	-	-
Revaluation reserve	-	-	-	-	(535,000)	(535,000)
Capital allowances carried forward	19,959,000	(530,000)	19,429,000	4,571,000	-	24,000,000
Tax losses carried forward	764,000	-	764,000	2,436,000	-	3,200,000
	(7,692,000)	(864,000)	(8,556,000)	5,725,000	(535,000)	(3,366,000)
		(Note 19)		(Note 19)		

Notes to the financial statements (cont'd)

13. Deferred tax (cont'd)

Unrecognised deferred tax

Deferred tax assets have not been recognised in respect of the following temporary differences (stated at gross) because it is uncertain if future taxable profits will be available against which the group entities concerned can utilise the benefits therefrom:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Capital allowances carried forward	4,104,000	1,711,000	-	-
Tax losses carried forward	9,640,000	5,943,000	-	-
Reinvestment allowances carried forward	68,094,000	68,246,000	51,037,000	51,037,000
	81,838,000	75,900,000	51,037,000	51,037,000
Deferred tax assets	19,641,000	18,216,000	12,250,000	12,250,000

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

14. Retirement benefits

	Group and Company	
	2014	**2013**
	RM	**RM**
Net defined benefit liability	-	4,843,855

Liability for defined benefit obligations

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

14. Retirement benefits (cont'd)

Movement in net defined benefit liability

	Group and Company	
	2014	**2013**
	RM	**RM**
Balance at 1 January	4,843,855	5,206,914
Included in profit or loss		
Current service costs	-	321,230
Past service credit	-	(431,372)
Interest costs	-	262,497
Termination of retirement benefits	(4,843,855)	-
	(4,843,855)	152,355
Included in other comprehensive income		
Remeasurement loss		
- Actuarial loss/(gain) arising from:		
- Demographic assumptions	-	(427,292)
- Experience adjustments	-	24,378
	-	(402,914)
Benefits paid by the plan	-	(112,500)
Balance at 31 December	-	4,843,855

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

Notes to the financial statements (cont'd)

14. Retirement benefits (cont'd)

Actuarial assumptions

	Group and Company	
	2014	2013
	RM	RM
Discount rate	-	5.50%
Average age of Directors	-	47
Average years of service of Directors	-	17
Average age of employees	-	31
Average years of service of employees other than Directors	-	5
Turnover rate	-	11.00%
Mortality and disability rate	-	10.00%

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

In the current financial year, the retirement benefits plan has been terminated mutually by the Company and the eligible Directors and employees of the Company. The existing liability subsisting at the date of termination has been recognised as other income of RM4,843,855 in profit or loss (see Note 17).

15. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Trade				
Trade payables	125,291,639	100,914,433	116,583,492	91,319,626
Amount due to contract customers	-	76,024	-	-
	125,291,639	100,990,457	116,583,492	91,319,626
Non-trade				
Other payables	2,336,597	8,757,636	-	499,500
Accrued expenses	3,711,506	3,877,091	3,589,126	2,500,840
Subsidiary	-	-	1,651,428	-
	6,048,103	12,634,727	5,240,554	3,000,340
Total	131,339,742	113,625,184	121,824,046	94,319,966

Notes to the financial statements (cont'd)

15. Trade and other payables (cont'd)

15.1 Trade payables of the Group/Company include an amount of RM106,769,023 (2013: RM64,759,878) due to a substantial foreign shareholder of the Company, which bears interest of 2.50% (2013: 1.04% to 2.50%) per annum. Included in trade payables of the Group/Company is an amount of RM788,918 (2013: RM19,054,493) due to a company in which a substantial foreign shareholder of the Company has interests and bears interest at 7.75% (2013: 7.75%) per annum. The Group and the Company have utilised the credit facilities offered by the substantial foreign shareholder and a company that the foreign shareholder has interests which carry credit terms of 180 days and 97 days respectively to purchase raw materials.

15.2 Amount due to a subsidiary is unsecured, interest free and repayable on demand.

15.3 Included in other payables of the Group subsisting at 31 December 2013 was a payable of RM7,244,800 for the purchase of long-term leasehold land and buildings of which the payable if not paid within the agreed period bore interest at 6.00% per annum.

15.4 Amount due to a contract customer

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

16. Revenue

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Continuing operations				
Sale of goods	536,733,546	556,108,854	422,769,097	485,857,423
Services rendered	551,724	1,303,903	-	-
Contract revenue	404,317	2,930,297	-	-
	537,689,587	560,343,054	422,769,097	485,857,423

Notes to the financial statements (cont'd)

17. Results from operating activities

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Results from operating activities are arrived at after charging:					
Auditors' remuneration:					
- Audit fees					
- KPMG		170,000	164,000	60,000	65,000
- Non-audit fees					
- KPMG		11,000	31,000	11,000	31,000
- Local affiliates of KPMG		11,245	8,900	7,245	6,900
- Others		104,750	134,500	82,750	117,500
Depreciation of property, plant and equipment	3	20,213,691	18,154,775	15,259,091	13,527,957
Foreign exchange loss					
- realised		275,199	2,860,433	275,199	2,819,153
- unrealised		2,684,583	1,074,653	2,684,583	1,074,653
Impairment loss on receivables		263,459	75,617	-	-
Inventories written off	6	677,695	6,958	-	-
Inventories written down	6	553,341	658,461	553,341	560,041
Loss on disposal of subsidiaries	29.3	-	-	-	86,225
Personnel expenses (including key management personnel):					
- contributions to state plans		2,932,898	2,596,389	1,841,439	1,585,306
- expenses related to retirement benefits	14	-	152,355	-	152,355
- wages, salaries and others		27,611,016	26,577,480	16,932,315	17,020,829
Rental of premises and land		383,855	195,000	383,855	195,000
Rental of equipment		-	1,960	416,000	-
and after crediting:					
Dividend income from:					
- an unquoted subsidiary		-	-	-	1,300,000
- quoted shares in Malaysia		-	263	-	-
Derivative gain on forward foreign exchange contracts		2,368,589	1,108,016	2,368,589	1,108,016

Notes to the financial statements (cont'd)

17. Results from operating activities (cont'd)

	Note	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Results from operating activities are arrived at after charging: (cont'd)					
Gain on disposal of:					
- property, plant and equipment		162,230	1,827,655	141,509	1,761,567
- properties held for sale		-	54,160	-	-
- discontinued operation	20	-	1,316,995	-	-
- investment in subsidiaries		-	-	3,294,257	-
Rental income from property leased out		193,740	83,300	417,740	83,300
Termination of retirement benefits scheme	14	4,843,855	-	4,843,855	-

18. Finance income and costs

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Finance income				
Interest income of financial assets that are not at fair value through profit or loss				
- term deposits	687,779	703,860	43,930	85,269
- other finance income	323,981	446,737	526,365	1,842,940
Recognised in profit or loss	1,011,760	1,150,597	570,295	1,928,209
Finance costs				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- term loans	3,054,503	3,459,417	1,548,611	1,914,283
- overdrafts	1,128,666	995,534	861,918	966,484
- other borrowings	9,956,385	9,283,033	7,021,263	6,512,316
	14,139,554	13,737,984	9,431,792	9,393,083
- other finance costs	596,631	1,676,788	542,921	1,676,788
	14,736,185	15,414,772	9,974,713	11,069,871

Notes to the financial statements (cont'd)

18. Finance income and costs (cont'd)

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Recognised in profit or loss	14,736,185	14,982,879	9,974,713	10,637,978
Capitalised in property, plant and equipment (see Note 3.3)	-	431,893	-	431,893
	14,736,185	15,414,772	9,974,713	11,069,871

19. Tax expense

Recognised in profit or loss

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Current tax expense				
Malaysian - current year	309,000	295,573	-	2,000
- prior years	311,941	88,559	275,857	41,000
	620,941	384,132	275,857	43,000
Deferred tax expense (Note 13)				
- current year	(5,706,000)	1,388,000	(5,222,000)	1,111,000
- prior year	(366,000)	(383,000)	(503,000)	(247,000)
	(6,072,000)	1,005,000	(5,725,000)	864,000
Real property gain tax	-	(4,190)	-	-
Total tax expense	(5,451,059)	1,384,942	(5,449,143)	907,000

Reconciliation of tax expense

	Group 2014	Group 2013	Company 2014	Company 2013
(Loss)/Profit for the year	(26,642,400)	500,233	(13,722,227)	2,027,106
Total tax (income)/expense	(5,451,059)	1,384,942	(5,449,143)	907,000
(Loss)/Profit excluding tax	(32,093,459)	1,885,175	(19,171,370)	2,934,106

Notes to the financial statements (cont'd)

19. Tax expense (cont'd)

Reconciliation of tax expense (cont'd)

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Income tax calculated using Malaysian tax rate of 25% (2013: 25%)*	(8,023,000)	471,000	(4,793,000)	734,000
Non-deductible expenses	848,000	690,573	42,000	1,007,000
Non-taxable income	-	(379,000)	(824,000)	(325,000)
Reversal of accumulated depreciation from revaluation of assets	535,000	-	535,000	-
Effect of deferred tax assets not recognised (Note 13)	1,425,000	1,204,000	-	-
Effect of changes in tax rate*	(182,000)	(303,000)	(182,000)	(303,000)
	(5,397,000)	1,683,573	(5,222,000)	1,113,000
Over-provision in prior years	(54,059)	(294,441)	(227,143)	(206,000)
Real property gain tax	-	(4,190)	-	-
Total tax expense	(5,451,059)	1,384,942	(5,449,143)	907,000

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

20. Discontinued operation/Disposal of subsidiary

In May 2012, the Group committed itself to a plan to sell Integrated Coil Coating Industries Sdn. Bhd. ("ICCI") and its subsidiary (together referred to as ICCI Group) due to the strategic business decision. The operation from ICCI Group was a discontinued operation and classified as held for sale as at 31 December 2012. The Group completed the disposal of ICCI on 26 June 2013 following the fulfillment of the conditions precedent set out in the Share Sale Agreements entered into with the acquirer [see Note 29.3].

Notes to the financial statements (cont'd)

20. Discontinued operation/Disposal of subsidiary (cont'd)

Profit attributable to the discontinued operation was as follows:

Results of discontinued operation	Group 1.1.2013 - 26.6.2013 RM
Revenue	14,085,427
Expense	(14,058,654)
Results from operating activities	26,773
Tax expense	
- current tax	-
- deferred tax	-
	-
Results from operating activities, net of tax	26,773
Gain on sale of discontinued operation	1,316,995
Profit for the period	1,343,768

The profit from discontinued operation of RM26,773 was attributable entirely to the owners of the Company.

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

	Group 1.1.2013 - 26.6.2013 RM
Depreciation of property, plant and equipment	294,751
Personnel expenses	
- contributions to state plans	164,059
- wages, salaries and others	1,399,134
Rental expense of premises	329,400
Rental of equipment and vehicles	11,760
Gain on disposal of property, plant and equipment	(173,566)
Finance income - other interest income	(3,323)
Finance costs - interest expense on loans and borrowings	228,232

Notes to the financial statements (cont'd)

20. Discontinued operation/Disposal of subsidiary (cont'd)

Cash flows from discontinued operation

	Group 1.1.2013 - 26.6.2013 RM
Net cash from operating activities	11,681,788
Net cash from investing activities	3,832,192
Net cash used in financing activities	(7,597,035)
Effect on cash flows	7,916,945

Effect of disposal on the financial position of the Group

	Note	2013 RM
Property, plant and equipment		7,878,150
Other investments		780
Inventories		6,208,505
Trade and other receivables		7,446,737
Current tax recoverable		184,425
Cash and cash equivalents		628,145
Deposits and prepayments		87,112
Loans and borrowings, including overdrafts		(7,682,201)
Trade and other payables		(8,654,873)
Net assets		6,096,780
Gain on sale of discontinued operation	17	1,316,995
Consideration received, satisfied in cash		7,413,775
Cash and cash equivalents disposed of		948,055
Net cash inflows		8,361,830

Notes to the financial statements (cont'd)

21. (Loss)/Earnings per ordinary share - Group

Basic (loss)/earnings per ordinary share

The calculation of basic (loss)/earnings per ordinary share at 31 December 2014 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2014 RM	2013 RM
(Loss)/Profit attributable to ordinary shareholders		
- continuing operations	(26,642,400)	(1,088,806)
- discontinued operation	-	1,343,768
	(26,642,400)	254,962
Weighted average number of ordinary shares at 1 January	348,337,580	195,534,900
Effect of bonus issue of shares during the year	-	21,110,897
Effect of new shares issued during the year	-	83,522,021
Effect of warrants conversion	-	3,949
Weighted average number of shares at 31 December	348,337,580	300,171,767
Basic (loss)/earnings per ordinary share from (sen)		
- continuing operations	(7.6)	(0.4)
- discontinued operation	-	0.5
	(7.6)	0.1

Diluted (loss)/earnings per ordinary share

The calculation of diluted (loss)/earnings per ordinary share at 31 December 2014 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	2014 RM	2013 RM
(Loss)/profit attributable to ordinary shareholders		
- continuing operations	(26,642,400)	(1,088,806)
- discontinued operation	-	1,343,768
	(26,642,400)	254,962

Notes to the financial statements (cont'd)

21. (Loss)/Earnings per ordinary share - Group (cont'd)

Weighted average number of ordinary shares (diluted)

	2014 RM	2013 RM
Weighted average number of ordinary shares at 31 December (basic)	348,337,580	300,171,767
Effect of outstanding warrants	-*	518,909^
Weighted average number of ordinary shares at 31 December (diluted)	348,337,580	300,690,676
Diluted (loss)/earnings per ordinary share from (sen)		
- continuing operations	(7.6)	(0.4)
- discontinued operation	-	0.5
	(7.6)	0.1

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

* *The exercise price of Warrants B issued in 2013 was higher than the average market price of the ordinary shares of the Company during the year ended 31 December 2014. As the warrants were anti-dilutive in nature, no consideration for adjustment in the form of an increase in the number of shares had been applied in computing potential dilution of loss per ordinary share for the year ended 31 December 2014.*

22. Dividends

22.1 Dividend per share

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

	Company	
	2014	2013
Single-tier dividend per share (sen)		
- ordinary	-	1.00
- redeemable convertible preference	-	1.21

Notes to the financial statements (cont'd)

22. Dividends (cont'd)

22.2 *Dividend expense*

Total dividends recognised in the statement of changes in equity comprise:

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

23. Financial instruments

23.1 *Categories of financial instruments*

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

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

	Carrying amount RM	L&R/ (FL) RM	AFS RM	FVTPL RM
Financial assets/(liabilities)				
2014				
Group				
Quoted investments	9,775	-	9,775	-
Trade and other receivables	85,538,352	85,538,352	-	-
Derivative financial assets	2,368,589	-	-	2,368,589
Cash and cash equivalents	26,822,503	26,822,503	-	-
Loans and borrowings	(248,734,441)	(248,734,441)	-	-
Trade and other payables	(131,339,742)	(131,339,742)	-	-
Company				
Trade and other receivables	104,745,652	104,745,652	-	-
Derivative financial assets	2,368,589	-	-	2,368,589
Cash and cash equivalents	1,546,406	1,546,406	-	-
Loans and borrowings	(161,137,788)	(161,137,788)	-	-
Trade and other payables	(121,824,046)	(121,824,046)	-	-

23. **Financial instruments** (cont'd)

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

	Carrying amount RM	L&R/ (FL) RM	2014 AFS RM	2013 FVTPL RM
Financial assets/(liabilities)				
2013				
Group				
Quoted investments	9,775	-	9,775	-
Trade and other receivables	107,642,825	107,642,825	-	-
Derivative financial assets	1,108,016	-	-	1,108,016
Cash and cash equivalents	29,396,996	29,396,996	-	-
Loans and borrowings	(280,339,747)	(280,339,747)	-	-
Trade and other payables	(113,549,160)	(113,549,160)	-	-
Company				
Trade and other receivables	150,331,507	150,331,507	-	-
Derivative financial assets	1,108,016	-	-	1,108,016
Cash and cash equivalents	2,688,686	2,688,686	-	-
Loans and borrowings	(194,842,657)	(194,842,657)	-	-
Trade and other payables	(94,319,966)	(94,319,966)	-	-

23.2 ***Net gains and losses arising from financial instruments***

	Group 2014 RM	Group 2013 RM	Company 2014 RM	Company 2013 RM
Continuing operations				
Net losses on:				
Financial instruments at FVTPL	2,368,589	1,108,016	2,368,589	1,108,016
L&R	748,301	1,074,980	570,295	1,928,209
FL	(17,695,967)	(19,349,859)	(12,934,495)	(15,004,957)
	(14,579,077)	(17,166,863)	(9,995,611)	(11,968,732)
Discontinued operation				
Net losses on:				
L&R	-	3,323	-	-
FL	-	(228,232)	-	-
	-	(224,909)	-	-

Notes to the financial statements (cont'd)

23. Financial instruments (cont'd)

23.3 Financial risk management

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

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

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

(a) Credit risk

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

Risk management objectives, policies and processes for managing the risk

- ***Receivables from external parties***

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

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

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

Receivables

Exposure to credit risk, credit quality and collateral

The exposure to credit risk is only concentrated in Malaysia as the business activities of the Group are carried out locally. As at the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amounts of the receivables in the statements of financial position. Cash and cash equivalents are only placed with licensed banks.

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

23. Financial instruments (cont'd)

23.3 Financial risk management (cont'd)

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

Receivables (cont'd)

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

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Amount due from four (2013: four) subsidiaries	-	-	43,357,551	140,146,117

Impairment losses

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

Group	**Gross RM**	**Impairment RM**	**Net RM**
2014			
Not past due	60,261,528	(200,980)	60,060,548
Past due 0-30 days	17,708,987	(130,815)	17,578,172
Past due 31-120 days	4,749,705	(401,045)	4,348,660
Past due 121-180 days	1,340,692	(21,080)	1,319,612
Past due more than 180 days	4,298,160	(2,066,800)	2,231,360
	88,359,072	(2,820,720)	85,538,352
2013			
Not past due	74,000,997	-	74,000,997
Past due 0-30 days	22,136,777	-	22,136,777
Past due 31-120 days	9,704,208	-	9,704,208
Past due 121-180 days	669,435	-	669,435
Past due more than 180 days	4,258,471	(3,127,063)	1,131,408
	110,769,888	(3,127,063)	107,642,825

Notes to the financial statements (cont'd)

23. Financial instruments (cont'd)

23.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

Company	Gross RM	Impairment RM	Net RM
2014			
Not past due	64,804,231	-	64,804,231
Past due 0-30 days	19,664,250	-	19,664,250
Past due 31-120 days	13,080,797	-	13,080,797
Past due 121-180 days	6,961,806	-	6,961,806
Past due more than 180 days	359,382	(124,814)	234,568
	104,870,466	(124,814)	104,745,652
2013			
Not past due	105,023,661	-	105,023,661
Past due 0-30 days	23,775,128	-	23,775,128
Past due 31-120 days	18,521,264	-	18,521,264
Past due 121-180 days	2,966,796	-	2,966,796
Past due more than 180 days	169,472	(124,814)	44,658
	150,456,321	(124,814)	150,331,507

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

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
At 1 January	3,127,063	3,944,866	124,814	124,814
Impairment loss recognised	1,223,459	296,614	-	-
Impairment loss reversed	(960,000)	(220,997)	-	-
Impairment loss written off	(569,802)	(893,420)	-	-
At 31 December	2,820,720	3,127,063	124,814	124,814

Notes to the financial statements (cont'd)

23. Financial instruments (cont'd)

23.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

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

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk from unsecured financial guarantees to banks amounts to RM60,524,939 (2013: RM52,520,353), representing the outstanding banking facilities of subsidiaries and a former subsidiary guaranteed by the Company as at the end of the reporting period.

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

(b) Liquidity risk

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

Risk management objectives, policies and processes for managing the risk

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

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

23. **Financial instruments** (cont'd)

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

(b) Liquidity risk (cont'd)

Maturity analysis

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

Group	Carrying amount Note	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2014							
Trade and other payables							
- interest free	23,781,801	-	23,781,801	23,781,801	-	-	-
- interest bearing	107,557,941	2.50 – 7.75	107,557,941	107,557,941	-	-	-
Loans and borrowings							
- finance lease liabilities	6,777,291	4.30 – 10.01	7,661,814	2,806,818	2,641,344	2,213,652	-
- secured bankers' acceptances	55,845,010	5.02 – 5.85	55,845,010	55,845,010	-	-	-
- unsecured bankers' acceptances and revolving credits	132,676,000	3.79 – 8.35	133,489,769	133,489,769	-	-	-
- secured term loans	24,255,828	3.80 – 7.35	30,221,701	5,346,897	4,407,198	11,645,528	2,391,474
- unsecured term loans	23,147,140	4.60 – 5.40	24,638,232	11,862,510	6,471,104	7,297,039	1,022,569
- secured bank overdrafts	3,287,067	6.85 – 8.60	3,287,067	3,287,067	-	-	-
- unsecured bank overdrafts	2,746,105	7.35 – 8.60	2,746,105	2,746,105	-	-	-
- corporate guarantee granted*	-	-	6,000,000	6,000,000	-	-	-
	380,074,183		395,229,440	352,723,918	13,519,646	21,156,219	3,414,043

* *Being corporate guarantees granted for banking facilities of a former subsidiary, which will only be encashed in the event of default by the former subsidiary. These financial guarantees do not have an impact on group contractual cash flows.*

Notes to the financial statements (cont'd)

23. Financial instruments (cont'd)

23.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Group (cont'd)	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2013							
Trade and other payables							
- interest free	29,734,789	-	29,734,789	29,734,789	-	-	-
- interest bearing	83,814,371	1.04 - 7.75	83,814,371	83,814,371	-	-	-
Loans and borrowings							
- finance lease liabilities	7,880,570	4.55 - 8.47	8,711,360	3,880,884	2,314,556	2,515,920	-
- secured bankers' acceptances	52,050,701	3.20 - 5.10	52,050,701	52,050,701	-	-	-
- unsecured bankers' acceptances and revolving credits	146,453,670	4.05 - 5.06	147,267,438	147,267,438	-	-	-
- secured term loans	20,502,708	3.80 - 7.40	26,358,397	4,470,985	4,146,025	8,765,668	8,975,719
- unsecured term loans	44,051,406	4.60 - 5.48	47,278,155	22,457,412	10,626,630	13,290,012	904,101
- secured bank overdrafts	3,812,376	7.85 - 8.50	3,812,376	3,812,376	-	-	-
- unsecured bank overdrafts	5,588,316	7.10 - 8.35	5,588,316	5,588,316	-	-	-
- corporate guarantee granted*	-	-	6,000,000	6,000,000	-	-	-
	393,888,907		410,615,903	359,077,272	17,087,211	24,571,600	9,879,820

* *Being corporate guarantees granted for banking facilities of a former subsidiary, which will only be encashed in the event of default by the former subsidiary. These financial guarantees do not have an impact on group contractual cash flows.*

Notes to the financial statements (cont'd)

23. Financial instruments (cont'd))

23.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Carrying amount Note	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2014							
Trade and other payables							
- interest free	14,266,105	-	14,266,105	14,266,105	-	-	-
- interest bearing	107,557,941	2.50 - 7.75	107,557,941	107,557,941	-	-	-
Loans and borrowings							
- finance lease liabilities	2,568,543	4.30 - 6.09	3,037,263	818,928	677,991	1,540,344	-
- unsecured bankers' acceptances and revolving credits	132,676,000	3.79 - 8.35	133,489,769	133,489,769	-	-	-
- unsecured term loans	23,147,140	4.60 - 5.40	24,638,232	10,631,025	6,471,104	7,297,039	239,064
- unsecured bank overdrafts	2,746,105	7.35 - 8.60	2,746,105	2,746,105	-	-	-
- corporate guarantee granted*	-	-	64,957,700	64,957,700	-	-	-
	282,961,834		350,693,115	334,467,573	7,149,095	8,837,383	239,064

* *Being corporate guarantees granted for banking facilities of certain subsidiaries and a former subsidiary, which will only be encashed in the event of default by these entities. These financial guarantees do not have an impact on group contractual cash flows.*

23. Financial instruments (cont'd)

23.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company (cont'd)	Carrying amount Note	Contractual interest rate RM	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2013							
Trade and other payables							
- interest free	10,505,595	-	10,505,595	10,505,595	-	-	-
- interest bearing	83,814,371	1.04 - 7.75	83,814,371	83,814,371	-	-	-
Loans and borrowings							
- finance lease liabilities	949,935	4.31 - 6.09	1,013,754	449,862	332,018	231,874	-
- unsecured bankers' acceptances and revolving credits	144,253,000	4.05 - 5.06	145,066,769	145,066,769	-	-	-
- unsecured term loans	44,051,406	4.60 - 5.48	47,278,155	22,457,412	10,626,630	13,290,012	904,101
- unsecured bank overdrafts	5,588,316	7.10 - 8.35	5,588,316	5,588,316	-	-	-
- corporate guarantee granted*	-		54,843,700	54,843,700	-	-	-
	289,162,623		348,110,660	322,726,025	10,958,648	13,521,886	904,101

* *Being corporate guarantees granted for banking facilities of certain subsidiaries and a former subsidiary, which will only be encashed in the event of default by these entities. These financial guarantees do not have an impact on group contractual cash flows.*

Notes to the financial statements (cont'd)

23. Financial instruments (cont'd)

23.3 Financial risk management (cont'd)

(c) Market risk

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

(i) Currency risk

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

Risk management objectives, policies and processes for managing the risk

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

Exposure to foreign currency risk

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

	2014 RM	2013 RM
Denominated in USD		
Group and Company		
Balances recognised in the statement of financial position		
Trade payables	(106,769,023)	(64,759,878)
Unsecured trade loan	-	(6,218,033)
Net exposure in the statement of financial position	(106,769,023)	(70,977,911)

Currency risk sensitivity analysis

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

	Profit or loss	
	2014 RM	2013 RM
In USD		
Group and Company	10,677,000	7,098,000

Notes to the financial statements (cont'd)

23. Financial instruments (cont'd)

23.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(i) Currency risk (cont'd)

Currency risk sensitivity analysis (cont'd)

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

Foreign exchange forward contracts are used to hedge foreign exchange risk associated with the purchases of raw materials. The outstanding contracted principal amounts of the foreign exchange forward contracts falling due within a year as at 31 December 2014 are RM64,005,170 (2013: RM37,716,371) and the fair value changes are recognised in profit or loss.

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group is also exposed to interest rate risk on the term deposits placed with licensed banks. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk, except for the interest bearing balances due to certain related parties (see Note 15.1).

Risk management objectives, policies and processes for managing the risk

Borrowings with floating interest rates expose the Group to certain elements of risk when there are unexpected adverse interest rate movements.

The Group's policy is to manage its interest rate risk on an on-going basis, working within an agreed framework, to ensure that there are no undue exposures to this risk. Management exercises a certain element of discretion on whether to borrow at fixed or floating interest rates, depending on the situation and the outlook of the financial market.

The investment in interest-bearing assets is mainly short-term in nature and they are not held for speculative purposes but have been mostly placed as term deposits and cash funds.

The interest rate profile of the Group's and the Company's significant interest-bearing financial instruments, based on their carrying amounts as at the end of the reporting period was:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	23,513,157	21,273,228	38,857,714	119,106,276
Financial liabilities	(303,168,704)	(297,342,714)	(242,802,484)	(235,235,339)
	(279,655,547)	(276,069,486)	(203,944,770)	(116,129,063)
Floating rate instrument				
Financial liabilities	(53,123,678)	(66,811,404)	(25,893,245)	(43,421,689)

Notes to the financial statements (cont'd)

23. Financial instruments (cont'd)

23.3 Financial risk management (cont'd)

(c) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased (decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100bp increase RM	100bp decrease RM
Group		
Floating rate instruments		
- 2014	(531,000)	531,000
- 2013	(668,000)	668,000

	Profit or loss	
	100bp increase RM	100bp decrease RM
Company		
Floating rate instruments		
- 2014	(259,000)	259,000
- 2013	(434,000)	434,000

(iii) Other price risk

Equity price risk arises from the Group's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management monitors the equity investments on an individual basis.

The carrying amount of quoted investments as at the end of the reporting period is RM9,775 (2013: RM9,775) (see Note 5).

Equity price risk sensitivity analysis

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

23. Financial instruments (cont'd)

23.4 Fair value information

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term loans and borrowings approximate fair values due to the relatively short-*term nature of these financial instruments.*

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

	Fair value of financial instruments carried at fair value			Fair value of financial instrument not carried at fair value			
2014	**Level 1 RM**	**Level 2 RM**	**Total RM**	**Level 3 RM**	**Total RM**	**Total fair value RM**	**Carrying amount RM**
Group							
Financial assets							
Quoted shares	9,775	-	9,775	-	-	9,775	9,775
Forward foreign exchange contracts	-	2,368,589	2,368,589	-	-	2,368,589	2,368,589
	9,775	2,368,589	2,378,364	-	-	2,378,364	2,378,364
Financial liabilities							
Secured term loans	-	-	-	23,980,703	23,980,703	23,980,703	24,255,828
Unsecured term loans	-	-	-	23,147,140	23,147,140	23,147,140	23,147,140
Finance lease liabilities	-	-	-	6,764,143	6,764,143	6,764,143	6,777,291
	-	-	-	53,891,986	53,891,986	53,891,986	54,180,259

23. **Financial instruments** (cont'd)

23.4 Fair value information *(cont'd)*

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

23. **Financial instruments** (cont'd)

23.4 ***Fair value information*** (cont'd)

	Fair value of financial instruments carried at fair value		Fair value of financial instrument not carried at fair value			
	Level 2	Total	Level 3	Total	Total fair value	Carrying amount
2014	RM	RM	RM	RM	RM	RM
Company						
Financial assets						
Forward foreign exchange contracts	2,368,589	2,368,589	-	-	2,368,589	2,368,589
Financial liabilities						
Unsecured term loans	-	-	23,147,140	23,147,140	23,147,140	23,147,140
Finance lease liabilities	-	-	2,541,507	2,541,507	2,541,507	2,568,543
	-	-	25,688,647	25,688,647	25,688,647	25,715,683
2013						
Company						
Financial asset						
Forward foreign exchange contracts	1,108,016	1,108,016	-	-	1,108,016	1,108,016
Financial liabilities						
Unsecured term loans	-	-	44,051,406	44,051,406	44,051,406	44,051,406
Finance lease liabilities	-	-	944,917	944,917	944,917	949,935
	-	-	44,996,323	44,996,323	44,996,323	45,001,341

Notes to the financial statements (cont'd)

23. Financial instruments (continued)

23.4 Fair value information *(continued)*

Policy on transfer between levels

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

Level 1 fair value

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

Level 2 fair value

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

Derivatives

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

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the year (2013: No transfers in either directions).

Level 3 fair value

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

Financial instruments not carried at fair value

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

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

24. Capital management

As in the previous financial year, the Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain the confidence of investors, creditors and other stakeholders in the Group and to sustain the future development of its business. The Directors monitor and ensure that the Group and the Company maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During the year, the Group's and the Company's strategy, is to maintain the debt-to-equity ratio at not more than 1.75 times and 1.25 times respectively. The debt-to-equity ratios of the Group and of the Company as at 31 December 2014 and 31 December 2013 were as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Total loans and borrowings	248,734,441	280,339,747	161,137,788	194,842,657
Total equity	217,080,273	196,872,690	222,153,347	204,336,214
Debt-to-equity ratio	1.15	1.42	0.73	0.95

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

The Group and the Company are also required to maintain a maximum gearing level of 1.75 times (2013: 1.75 times) and 1.25 times (2013: 1.25 times) respectively to comply with certain bank covenants, failing which the affected banking facilities as well as loans and borrowings are subject to recall. The Group and the Company have not breached these covenants.

25. Capital expenditure commitments

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Property, plant and equipment				
Contracted but not provided for	5,433,000	13,565,000	4,977,000	13,040,000

Notes to the financial statements (cont'd)

26. Contingencies - unsecured

The Directors are of the opinion that provision is not required in respect of the following corporate guarantees utilised, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Corporate guarantees utilised:				
- to suppliers of subsidiaries	-	-	330,409	1,112,591
- for banking facilities of a former subsidiary	6,000,000	6,000,000	6,000,000	6,000,000
- for banking facilities of certain subsidiaries	-	-	54,524,939	46,520,353
	6,000,000	6,000,000	60,855,348	53,632,944

27. Related parties

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

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

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

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Group and the Company are shown below. The balances related to the below transactions are shown in Notes 7 and 15.

Transactions with subsidiaries

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Nature of transaction				
Sale of galvanised and other steel products	-	-	(187,407,607)	(467,444,363)
Income from shearing and slitting charges	-	-	(155,131)	(254,647)
Tolling charges expense	-	-	188,786	201,630
Purchase of steel related products	-	-	1,957,644	1,033,677
Interest income	-	-	(470,617)	(1,842,940)
Purchase of property, plant and equipment	-	-	234,748	-
Rental of property, plant and equipment received	-	-	(224,000)	-
Rental of property, plant and equipment paid	-	-	416,000	-

Notes to the financial statements (cont'd)

27. Related parties (cont'd)

Significant related party transactions (cont'd)

Transactions with substantial shareholders of the Company *(cont'd)*

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Purchase of consumables	57,660	50,833	55,806	50,833
Purchase of raw materials	280,591,722	209,987,439	280,591,722	209,987,439
Freight and handling charges	235,552	263,643	192,812	263,643
Sale of galvanised and other steel products	(7,033,516)	(6,561,459)	(1,714,278)	-

In conjunction with the share issue exercise completed in 2013, the Company had issued 48,799,998 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share via a restricted issue to a substantial foreign shareholder for a total cash consideration of RM24,399,999.

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Repair and maintenance charges	74,404	22,000	74,404	22,000
Insurance premium paid	893,053	914,780	850,983	871,203
Purchase of consumables	4,740,862	1,929,021	1,548,731	1,862,587
Purchase of raw materials	28,574,046	86,933,763	28,574,046	86,402,916
Sale of galvanised and other steel products	(55,207,667)	(56,345,804)	(22,573,606)	(7,425,437)
Purchase of property, plant and equipment	76,847	36,000	55,160	36,000
Sale of property, plant equipment	(65,290)	(200,876)	(65,000)	(150,876)
Secretarial service	-	10,000	-	10,000
Rental of premises and land	60,000	195,000	60,000	195,000
Income from rental of premises	(108,500)	(72,000)	(108,500)	(72,000)
Repayment of finance leases for acquisition of property, plant and equipment *	716,318	470,485	280,248	402,325
Income from tolling and transportation fee	(87,581)	(787)	(66,630)	-
Tolling and transportation fee	113,097	86,682	36,560	8,514
Interest income	(105,000)	(240,000)	-	-
Interest expense	542,921	1,676,788	542,921	1,676,788

* *Interest is charged at fixed rates ranging from 2.90% to 5.50% (2013: 2.90% to 4.50%) flat per annum.*

Notes to the financial statements (cont'd)

27. Related parties (cont'd)

Significant related party transactions (cont'd)

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

In 2013, the Company had acquired part of the remaining 45.51% equity interests in Starshine Holdings Sdn. Bhd. not already owned by the Company from companies in which certain substantial shareholders of the Company had substantial interests for a total purchase consideration of RM6,241,910 satisfied via issuance of 12,483,820 new ordinary shares of RM0.50 each of the Company at an issue price of RM0.50 per ordinary share through shares swap.

Transactions with key management personnel

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Nature of transaction				
Sale of property, plant and equipment	-	556,000	-	214,000
Nature of transaction				
Compensations to key management personnel:				
Directors of the Company				
- Fees	-	447,500	-	368,500
- Other short-term employee benefits	3,536,976	5,516,769	2,184,784	3,901,185
	3,536,976	5,964,269	2,184,784	4,269,685
Directors of subsidiaries				
- Fees	-	33,000	-	-
- Other short-term employee benefits	1,897,153	1,099,179	-	-
	1,897,153	1,132,179	-	-
Other key management personnel				
- Short-term employee benefits	1,303,006	1,433,104	1,127,532	1,002,284
Total	6,737,135	8,529,552	3,312,316	5,271,969

Notes to the financial statements (cont'd)

27. Related parties (cont'd)

Significant related party transactions (cont'd)

Transactions with key management personnel (cont'd)

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

In addition to their salaries, the Group also provides non-cash benefits to certain key management personnel of the Company. For salaried key management personnel, the Group also contributes to state plans at the minimum statutory rate.

In conjunction with the share issue exercise completed in 2013, the Company had issued 10,576,980 new ordinary shares of RM0.50 each at an issue price of RM0.50 per ordinary share via a private placement to a Director of the Company for a total cash consideration of RM5,288,490.

Further and in addition, the Company had acquired part of the remaining 45.51% equity interest in Starshine Holdings Sdn. Bhd. not already owned by the Company in 2013 from certain key management personnel of the Group and of the Company for a total purchase consideration of RM9,990,586 satisfied via issuance of 19,981,172 new ordinary shares of RM0.50 each of the Company at an issue price of RM0.50 per ordinary share through shares swap.

Certain key management personnel of the Group and of the Company are also entitled to the warrants issued to take up unissued shares of the Company (see Note 11).

The amount due from/to subsidiaries is disclosed in Notes 7 and 15 to the financial statements. The outstanding balances with other related parties are as follows:

	Group		Company	
	2014	2013	2014	2013
	RM	RM	RM	RM
Amount due from	8,918,870	12,718,797	3,657,191	1,296,373
Amount due to	(109,155,078)	(84,624,066)	(107,756,107)	(83,965,889)

28. Operating segments

The Group has three reporting segments, as described below, which are the Group's strategic business units ("SBU"). The Managing Director, being the Chief Operating Decision Maker of the Group, reviews internal management reports for resource allocation and decision making on a monthly basis.

The following summary describes the operations in each of the Group's reportable segments:

- SBU 1:
  Manufacture and sale of coated steel products and downstream roofing products in Sabah and Sarawak, East Malaysia.

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

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

Geographical segments and major customers

Group sales were mostly to customers in Malaysia and there were very limited export sales. None of the customers individually accounted for 10% or more of Group revenue.

Notes to the financial statements (cont'd)

28. Operating segments (cont'd)

2014	SBU 1 RM	SBU 2 RM	SBU 3 RM	Inter-segment RM	Total RM
Revenue					
External customers	109,487,902	171,897,762	256,303,923	-	537,689,587
Inter-segment	-	148,057,720	3,308,864	(151,366,584)	-
	109,487,902	319,955,482	259,612,787	(151,366,584)	537,689,587
Segment profit/(loss)	1,067,128	(23,534,945)	(9,925,642)	300,000	(32,093,459)
Tax expense					5,451,059
Loss for the year from continuing operations					(26,642,400)
Other comprehensive income					50,596,245
Total comprehensive income for the year					23,953,845
Non-controlling interests					-
Total comprehensive income attributable to owners of the Company					23,953,845
Included in the measure of segment profit/(loss) are:					
Depreciation and amortisation	(2,423,320)	(13,494,823)	(4,295,548)	-	(20,213,691)
Finance costs	(2,955,579)	(7,458,066)	(4,793,157)	470,617	(14,736,185)
Finance income	221,338	512,338	748,701	(470,617)	1,011,760
Inventories written down/written off	-	(553,341)	(677,695)	-	(1,231,036)
Impairment loss on receivables	-	-	(263,459)	-	(263,459)

28. **Operating segments** (cont'd)

2013	**SBU 1 RM**	**SBU 2 RM**	**SBU 3 RM**	**Inter-segment RM**	**Total RM**
Revenue					
External customers	123,261,701	17,340,901	419,740,452	-	560,343,054
Inter-segment	-	351,343,691	1,748,889	(353,092,580)	-
	123,261,701	368,684,592	421,489,341	(353,092,580)	560,343,054
Segment profit/(loss)	2,340,288	262,775	(1,526,881)	(534,775)	541,407
Tax expense					(1,384,942)
Loss for the year from continuing operations					(843,535)
Profit from discontinued operations					1,343,768
Other comprehensive income					402,914
Total comprehensive income for the year					903,147
Non-controlling interests					(245,271)
Total comprehensive income attributable to owners of the Company					657,876
Included in the measure of segment profit/(loss) are:					
Depreciation and amortisation	(1,894,143)	(11,772,303)	(4,488,329)	-	(18,154,775)
Finance costs	(2,814,830)	(7,835,071)	(6,212,355)	1,879,377	(14,982,879)
Finance income	441,195	1,875,385	713,394	(1,879,377)	1,150,597
Inventories written down/written off	-	(560,041)	(105,378)	-	(665,419)
Impairment loss on receivables	-	-	-	(75,617)	(75,617)

Notes to the financial statements (cont'd)

29. Acquisitions and disposals of subsidiaries

29.1 Incorporation of new subsidiaries

On 10 January 2014, YKGI (Thai) Co. Ltd. was incorporated in the Kingdom of Thailand with an authorised share capital of 5,000,000 Baht comprising 50,000 ordinary shares of 100 Baht each. The total paid up share capital is 2,000,000 Baht out of which 24,500 ordinary shares are held by the Company and 25,500 ordinary shares are held by two nominee shareholders in the Kingdom of Thailand who hold the shares on trust for the Company as absolute beneficial owner.

The Group then through, YKGI (Thai) Co. Ltd. incorporated YKGI (Thai) Steel Co. Ltd. with an authorised share capital of 2,000,000 Baht comprising of 20,000 ordinary shares of 100 Baht. The total paid up share capital is 500,000 Baht out of which 19,998 ordinary shares are held by YKGI (Thai) Co. Ltd. and the remaining two (2) ordinary shares are held one (1) each by the Company and Dato' Soh Thian Lai. Total investment cost for the two Thailand subsidiaries is RM198,831.

ASTEEL Resources Sdn. Bhd. ("ARSB"), a wholly owned subsidiary of the Company, was incorporated in Malaysia on 31 July 2014 with an authorised share capital of RM5,000,000. Total paid-up share capital of ARSB is RM100 comprising of 100 ordinary shares of RM1.00 each.

On 18 April 2014, ASTEEL (Bintulu) Sdn. Bhd. ("ABSB") has issued additional 199,900 new ordinary shares of RM1.00 each at par to the Company for RM199,900.

On 24 October 2014, ARSB has issued additional 405,643 new ordinary shares of RM1.00 each to the Company at par for RM405,643. On the same day, the Company swaped its investments in ASTEEL Sdn. Bhd. ("ASB"), ASTEEL (Sabah) Sdn. Bhd. ("ASSB") and ABSB of RM100,000, RM1,000,000 and RM200,000 respectively for a total consideration of RM4,594,257, satisfied via the issuance of 4,594,257 new ordinary shares of ARSB at an issue price of RM1.00 per ordinary share. The net gain on the disposal of these subsidiaries to ARSB of RM3,294,257 has been recognised as other income in profit or loss of the Company.

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

On 20 September 2013, the Company acquired the remaining two (2) shares held by the Directors in both ASSB and ABSB. As a consequence, ASSB and ABSB became wholly owned subsidiaries of the Group. On 11 October 2013, ASSB had issued 999,900 new ordinary shares of RM1.00 each to the Company at par for cash to raise working capital.

29.2 Additional investment in existing subsidiaries

In prior year, on 17 April 2013, the Company acquired the remaining 45.51% equity interest in Starshine Holdings Sdn. Bhd. ("SSH") owned by the Company, for a purchase consideration of RM16,611,579, satisfied via the issuance of 33,223,158 new ordinary shares of the Company at an issue price of RM0.50 per ordinary share through shares swap. As a consequence, SSH became a wholly owned subsidiary of the Company.

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

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

Notes to the financial statements (cont'd)

29. Acquisitions and disposals of subsidiaries (cont'd)

29.3 Disposal of subsidiaries

In prior year, on 26 June 2013 the Company had completed the disposal of 7,500,000 ordinary shares of RM1.00 each in Integrated Coil Coating Industries Sdn. Bhd. ("ICCI"), representing 100% of equity interest of ICCI for a cash consideration of RM7,421,500.

On 26 June 2013, the Board of Directors of the Company announced that the conditional Share Sale Agreements ("SSAs") with the acquirer had become unconditional following the fulfillment of the conditions precedent set out in the SSAs. The disposal was completed for a net cash consideration of RM7,413,775 on the same day where the conditions precedent were fulfilled and thereafter ICCI had ceased to be subsidiary of the Company. As a consequence, the disposal of ICCI was presented in the financial statements for the financial year ended 31 December 2013 as a discontinued operation (see Note 20 to the financial statements).

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

30. Significant changes in accounting policies

Accounting for freehold land and leasehold land

During the year, the Group and the Company have changed their accounting policy with respect to the freehold land and leasehold land from the cost to the revaluation model. The effect of the change is recognised as a revaluation. The opening balance of equity is not adjusted and comparatives are not restated. Any surplus arising on the revaluation is recognised in other comprehensive income except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in profit or loss, in which case the credit to that extent is recognised in profit or loss. Any deficit on revaluation is recognised in profit or loss except to the extent that it reverses a provisions revaluation surplus on the same asset, in which case the debit to that extent is recognised in other comprehensive income.

The change of accounting policy by the Group and the Company has resulted in recognition of revaluation surplus (net of deferred tax liability recognised) of RM50,596,245 and RM35,285,622 respectively taken up in the revaluation reserve (see Note 11).

(The rest of this page is intentionally left blank)

Notes to the financial statements (cont'd)

31. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the (accumulated losses)/retained earnings of the Group and of the Company as at 31 December into realised and unrealised profits or losses, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirement, is as follows:

	Group		Company	
	2014 RM	2013 RM	2014 RM	2013 RM
Total (accumulated losses)/retained earnings of the Company and its subsidiaries				
- realised	(31,122,228)	2,234,821	(6,312,696)	15,996,436
- unrealised	10,114,057	4,883,414	6,179,700	1,339,057
	(21,008,171)	7,118,235,	(132,996)	17,335,493
Less: Consolidation adjustments	491,478	2,753,734	-	-
Total (accumulated losses)/retained earnings as per statement of changes in equity (also see Note 11.2)	(20,516,693)	9,871,969	(132,996)	17,335,493

The determination of realised and unrealised profits or losses is based on Guidance on *Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants on 20 December 2010, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

(The rest of this page is intentionally left blank)

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors,

a) the financial statements set out on pages 38 to 118 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended, and

b) the information set out in Note 31 on page 119 to the financial statements has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

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

Dato' Soh Thian Lai

Yoshiki Kaneko

Klang,

Date: 27 April 2015

Statutory declaration pursuant to Section 169(16) of the Companies Act, 1965

I, **Aw Chiew Lan**, the officer primarily responsible for the financial management of YKGI Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 38 to 119 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed
in Kuching in the State of Sarawak
on 27 April 2015

Aw Chiew Lan

Before me:

Independent Auditors' Report To The Members Of YKGI Holdings Berhad

Report on the Financial Statements

We have audited the financial statements of YKGI Holdings Berhad, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Company, and statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 118.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(b) in the financial statements which describes that the Group and the Company as of 31 December 2014 have current liabilities that exceeded the current assets by RM96,018,617 and RM58,828,991 respectively. This condition, along with the other matters as set forth in Note 1(b) indicate the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful executions of the action plans mentioned in Note 1(b), which are uncertain, as well as the continued support of the stakeholders and the ability of the Group and of the Company to achieve future profitability.

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

Report on Other Legal and Regulatory Requirements

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

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

b) We have considered the accounts and the auditors' reports of all the subsidiaries of which we have not acted as auditors as indicated in Note 4 to the financial statements.

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

d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act, except as disclosed in Note 4 to the financial statements.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 31 on page 119 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by the Malaysian Financial Reporting Standards and International Financial Reporting Standards. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

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

KPMG
Firm Number: AF 0758
Chartered Accountants

Nicholas Chia Wei Chit
Approval Number: 3102/03/16 (J)
Chartered Accountant

Kuching,

Date: 27 April 2015

Analysis Of Shareholdings
as at 30 April 2015

Class of Shares : (1) Ordinary Share of RM0.50 each
(2) Redeemable Convertible Preference Share ("RCPS") of RM0.50 each
Voting rights is one (1) vote per ordinary share.
Total number of ordinary shareholders is 1,926.
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
	44	Less than 100 shares	1,533	0.00*
	187	100 - 1,000 shares	50,068	0.01
	760	1,001 - 10,000 shares	3,890,552	1.12
	742	10,001 - 100,000 shares	22,337,909	6.41
	190	100,001 to less than 5% of issued shares	144,035,057	41.35
	3	5% and above of issued shares	178,022,461	51.11
Total	1,926		348,337,580	100.00

* less than 0.01%

THIRTY LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

	Accounts Holders	No. of Ordinary Shares Held	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	93,279,991	26.78
2	Yung Kong Co Bhd	59,079,343	16.96
3	Hii Wi Sing	25,663,127	7.37
4	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai	11,634,678	3.34
5	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh TL Holdings Sdn Bhd (MX3613)	11,039,616	3.17
6	Hii Ngo Sing	6,610,109	1.90
7	Mt Sungai Sdn Bhd	5,337,865	1.53
8	Ting Chuo Kiew	4,324,859	1.24
9	Alexander Hii Lu Kwong	4,271,636	1.23
10	Hu Ik Ming @ Rose Hii Ik Ming	4,140,205	1.19
11	Christopher Hii Lu Ming	4,037,686	1.16
12	Arthur Hii Lu Choon	4,003,036	1.15
13	Ling Eng Leh	3,763,610	1.08
14	Victor Hii Lu Thian	3,439,726	0.99
15	Alam Mantap Development Sdn Bhd	3,300,000	0.95
16	Chan Wah Kiang	3,300,000	0.95
17	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Choong	3,300,000	0.95
18	Hii Brothers Enterprises Sdn Bhd	3,043,590	0.87
19	Michael Hii Ee Sing	2,418,587	0.69
20	Lee Wei Chuen	2,300,000	0.66
21	Dato' Soh Thian Lai	2,299,668	0.66
22	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Andrew Yap Hoong Yee (8121295)	1,711,728	0.49
23	Wong Kiew Ing	1,546,380	0.44
24	Tan Pak Nang	1,430,000	0.41
25	Yung Kong Holdings Sdn Bhd	1,210,000	0.35
26	Yong Ai Ting	1,207,800	0.35
27	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kam Seng (IPH)	1,200,000	0.34
28	Hii Lu Foong	1,186,900	0.34
29	Elizabeth Hii Lu Yen	1,103,555	0.32
30	Century Logistics Sdn Bhd	1,100,000	0.32
	Total	272,283,695	78.18

Analysis Of Shareholdings
as at 30 April 2015 (cont'd)

Redeemable Convertible Preference Shares Account Holder

	Account Holder	No. of RCPS	Percentage
1	Nippon Steel & Sumitomo Metal Corporation	21,726,100	100.00

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' interests in shares in the Company as per the Register of Substantial Shareholders as at 30 April 2015 are as follows :

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Marubeni-Itochu Steel Inc.	93,279,991	26.78	-	-
2	Yung Kong Co Bhd	59,079,343	16.96	-	-
3	Dato' Hii Ngo Sing	6,610,109	1.90	64,907,799 (1)	18.63%
4	Dato' Dr Hii Wi Sing	25,663,127	7.37	64,907,799 (1)	18.63%
5	Arthur Hii Lu Choon	4,003,036	1.15	64,907,799 (1)	18.63%
6	Ir Michael Hii Ee Sing	2,418,587	0.69	71,191,004 (2)	20.44%
7	Victor Hii Lu Thian	4,294,356 (3)	1.23	64,907,799 (1)	18.63%
8	Francis Hii Lu Sheng	301,730	0.09	64,907,799 (1)	18.63%
9	Alexander Hii Lu Kwong	5,123,036 (4)	1.47	64,907,799 (1)	18.63%
10	Christopher Hii Lu Ming	4,283,546 (5)	1.23	64,907,799 (1)	18.63%

Notes

(1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.

(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd.

(3) 854,630 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

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

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

DIRECTORS' INTEREST

The directors' interests in shares in the Company and its related corporations as per the Register of Directors' Shareholdings as at 30 April 2015 are as follows:

In The Company

		No. of Ordinary Shares of RM0.50 each			
		Direct	%	Indirect	%
1	Lim Pang Kiam	-	-	-	-
2	Dato' Soh Thian Lai	13,934,346	4.00	11,500,716 (1)	3.30%
3	Victor Hii Lu Thian	4,294,356 (4)	1.23	64,907,799 (2)	18.63%
4	Christopher Hii Lu Ming	4,283,546 (5)	1.23	64,907,799 (2)	18.63%
5	Yoshiki Kaneko	-	-	-	-
6	Fong Yee Kow @ Fong Yoo Kaw	-	-	-	-
7	Liew Jee Min @ Chong Jee Min	-	-	-	-
8	Francis Hii Lu Sheng	301,730	0.09	64,908,239 (3)	18.63%
9	Toshihiko Takahashi	-	-	-	-
10	Yoshiyuki Komaki (Alternate to Toshihiko Takahashi)	-	-	-	-

Notes

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

(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.

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

(4) 854,630 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

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

Analysis of Warrant Holdings
as at 30 April 2015

No. of Warrants issued : 95,000,428
Exercise price of the Warrants : RM0.50 each
Expiry date of the Warrants : 28 May 2020

DISTRIBUTION SCHEDULE FOR WARRANTS

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Warrants Issued
	207	Less than 100 warrants	10,050	0.01*
	203	100 - 1,000 warrants	115,372	0.12
	965	1,001 - 10,000 warrants	3,176,297	3.34
	296	10,001 - 100,000 warrants	10,688,858	11.25
	87	100,001 to less than 5% of issued warrants	34,820,520	36.65
	3	5% and above of issued warrants	46,189,331	48.62
Total	1,761		95,000,428	100.00

* less than 0.01%

THIRTY LARGEST WARRANT ACCOUNTS HOLDERS

	Name of Account Holders	No. of Warrants Held	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	25,439,997	26.78
2	Yung Kong Co Bhd	13,750,300	14.47
3	Hii Wi Sing	6,999,034	7.37
4	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai	3,173,094	3.34
5	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh TL Holdings Sdn Bhd (MX3613)	3,010,804	3.17
6	Mt Sungai Sdn Bhd	1,455,781	1.53
7	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hee Yuen Sang	1,230,000	1.29
8	Lim Keng Jin	1,200,000	1.26
9	Ting Chuo Kiew	1,179,507	1.24
10	Soo Lai Yin	1,029,600	1.08
11	Ngoi Leong Ee	1,000,000	1.05
12	Tan Ah Bee	1,000,000	1.05
13	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Andrew Yap Hoong Yee (8121295)	846,840	0.89
14	Arthur Hii Lu Choon	811,000	0.85
15	Ang Yook Chu @ Ang Yoke Fong	755,110	0.79
16	Hu Ik Ming @ Rose Hii Ik Ming	673,900	0.71
17	Michael Hii Ee Sing	659,614	0.69
18	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Boon Kim Yu (CCTS)	647,600	0.68
19	Dato' Soh Thian Lai	627,182	0.66
20	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Gaik Suan	600,700	0.63
21	GV Asia Fund Limited	522,300	0.55
22	James A/K Tiam	450,000	0.47
23	Alam Mantap Development Sdn Bhd	400,000	0.42
24	Lim Eng Chye	400,000	0.42
25	Tan Pak Nang	390,000	0.41
26	Ng Ken Kuan	370,800	0.39
27	Low Hing Noi	350,000	0.37
28	Yung Kong Holdings Sdn Bhd	330,000	0.35
29	Yong Ai Ting	329,400	0.35
30	Hii Lu Foong	323,700	0.34
	Total	69,956,263	73.60

Analysis of Warrant Holdings
as at 30 April 2015 (cont'd)

DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 30 April 2015 are as follows :

		Direct	%	Indirect	%
1	Lim Pang Kiam	-	-	-	-
2	Dato' Soh Thian Lai	3,800,276	4.00	3,070,804 (1)	3.23
3	Victor Hii Lu Thian	138,990 (4)	0.15	14,509,809 (2)	18.63
4	Christopher Hii Lu Ming	12,180 (5)	0.01	14,509,809 (2)	18.63
5	Yoshiki Kaneko	-	-	-	-
6	Fong Yee Kow @ Fong Yoo Kaw	-	-	-	-
7	Liew Jee Min @ Chong Jee Min	-	-	-	-
8	Francis Hii Lu Sheng	82,290	0.09	14,509,929 (3)	18.63
9	Toshihiko Takahashi	-	-	-	-
10	Yoshiyuki Komaki (Alternate to Toshihiko Takahashi)	-	-	-	-

Notes

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

(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd and Kwong Yung Co Pte Ltd.

(3) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Kwong Yung Co Pte Ltd and the interests of his spouse in the Company.

(4) 138,990 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(5) 12,180 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(The rest of this page is intentionally left blank)

Additional Information

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2014

Location	Tenure	Land Area/ Built-Up Area	Brief Description	Date of Acquisition/ Revaluation	Average Age of Building (Year)	Carrying Amount (RM'000)
Lot 712 Section 7 Muara Tebas Land District Kuching Sarawak	Leasehold (60 years) expiring on 8 Jan 2052	3.40 Ha/ 2.48 Ha	Industrial Land and Buildings	Jan 1992 acquired Dec 2014 revalued on land	20	7,433
Lot 6479 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	10.04 Ha/ 3.89 Ha	Industrial Land and Buildings	July 2002 acquired Dec 2014 revalued on land	10	85,179
Lot 6472 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	3.695 Ha/ 2.155 Ha	Industrial Land and Buildings	Dec 2005 acquired Dec 2014 revalued on land	7	58,610
Lot 10, Package 1 General Industrial Zone, Kota Kinabalu Industrial Park, KM 26, Jalan Tuaran, District of Kota Kinabalu.	Leasehold (99 years) expiring on 31 Dec 2098	0.84 Ha/ 0.46 Ha	Industrial Land and Buildings	Oct 2013 acquired Dec 2014 revalued on land	8	9,145

Note : The revaluation policy on landed properties is disclosed under note 2(d)(i) of the notes to the financial statements.

2. MATERIAL CONTRACTS

Apart from the related party transactions as disclosed in Note 27 of the Notes to the Financial Statements, there are no other material contracts of the Company or its subsidiaries involving the Directors' and major shareholders' interests, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

(The rest of this page is intentionally left blank)

Additional Information (cont'd)

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

The significant RRPTs entered into during the financial year ended 31 December 2014 are disclosed in Note 27 to the Financial Statements. A breakdown of the aggregate value of the RRPTs conducted pursuant to the shareholder mandate during the financial year, where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09 (1) of the Main Market Listing Requirements are set out below :-

Nature of RRPT with YKGI Group	Names of Related Party(ies)	Relationship of Related Party(ies) with YKGI Group	Actual value of RRPT as at 31 December 2014 (RM)
Purchase of YKGI Group Products from YKGI Group	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	7,033,515
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	62,847
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	26,716,759
	Yunco Integrated Sdn Bhd ("YIS")	Company connected to certain Directors	869,293
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	210
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	7,332,466
	Golden Shogun Sdn Bhd	Company connected to certain Directors	142,477
	Milicorp Sdn Bhd	Company connected to certain Directors	1,666,115
	Northern Steel Centre Sdn Bhd	Company connected to Marubeni-Itochu Steel Inc ("MISI")	4,893,826
	Asia Wire Steel Mesh Manufacturers Sdn Bhd	Company connected to YKC and certain Directors	80,948
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd ("MISM")	Company connected to MISI	1,643,518
		Total	**50,441,974**
Purchase of raw materials and consumables by YKGI Group	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	280,591,722
	MISM	Company connected to MISI	28,574,064
		Total	**309,165,786**
Purchase of consumables by YKGI Group	YKC	Major shareholder of YKGI	57,660
	YIS	Company connected to certain Directors	491,072
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	75,546
	Continental Strength Sdn Bhd ("CSSB")	Company connected to certain Directors	2,046,505
		Total	**2,670,783**
Purchase of down graded products from YKGI Group	CSSB	Company connected to certain Directors	11,754,445
	Yuyo Trading	Company connected to certain Directors	8,582
		Total	**11,763,027**

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirty-Eighth Annual General Meeting of YKGI Holdings Berhad will be held at the Meeting Room, 3rd Floor, Wisma YKGI, Lot 6472, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan on Tuesday, 30 June 2015 at 3:00 pm to transact the following businesses: -

A G E N D A

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of Directors' and Auditors' Report thereon. **(Please refer to Explanatory Note A)**

2. To re-elect the following Directors, who retire in accordance with Article 103 of the Company's Articles of Association and, being eligible, have offered themselves for re-election:

   (i) Mr. Fong Yoo Kaw @ Fong Yee Kow **Resolution 1**
   (ii) Mr. Liew Jee Min @ Chong Jee Min **Resolution 2**
   (iii) Mr. Francis Hii Lu Sheng **Resolution 3**

3. To appoint Messrs KPMG as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 4**

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass the following Ordinary Resolutions: -

   AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965

   "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act") and subject to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and also empowered to obtain approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **Resolution 5**

5. **PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("SHAREHOLDERS' MANDATE")** **Resolution 6**

   "THAT approval be and is hereby given to the Company and its subsidiaries ("YKGI Group") to enter into any of the category of related party transactions which are recurrent, of a revenue or trading nature and are necessary for day-to-day operations of YKGI Group as described in Item 3(b) (pages 4 to 12) of the Circular to Shareholders dated 28 May 2015 ("Circular"), with the specific related parties mentioned therein subject further to the following:

   (i) the transactions are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the interest of the minority shareholders; and

   (ii) disclosure is made in the annual report a breakdown of the aggregate value of the transactions conducted pursuant to the Shareholders' Mandate during the financial year where the aggregate value is equal to or more than the threshold prescribed under Paragraph 10.09(1) of the Main Market Listing Requirements, and amongst others based on the following information:

   - the type of the recurrent related party transactions made; and
   - the names of the related party involved in each type of the recurrent related party transactions made and their relationship with the Company.

Notice of Annual General Meeting (cont'd)

AND THAT such approval will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by ordinary resolution passed at the meeting, the authority is renewed;
(ii) the expiration of the period within which the next AGM of the Company after that date is required to be held pursuant to Section 143(1) of the Companies Act, 1965 ("Act") [but must not extend to such extension as may be allowed pursuant to Section 143(2) of the Act]; or
(iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors of the Company be and are hereby authorized to complete and do all such acts and things as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

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

BY ORDER OF THE BOARD
SIEW SUET WEI (MAICSA NO. 7011254)
IR MICHAEL HII EE SING (LS 000872)
Company Secretaries

Klang, Selangor
Date: 28 May 2015

NOTES: -

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.

2. To be valid, the form of proxy, duly completed must be deposited at the Registered office of the Company at Wisma YKGI, Lot 6472, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or any adjournment thereof.

3. A member of the Company entitled to attend and vote at this Annual General Meeting ("AGM") shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. If the appointer is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.

6. A depositor whose name appears in the Record of Depositors as at 24 June 2015 shall be regarded as a member of the Company entitled to attend this AGM or appoint proxy(ies) to attend and vote on his/her behalf.

EXPLANATORY NOTE A

This Agenda item is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965, the audited financial statements do not require the approval of the shareholders. As such, this matter will not be put forward for voting.

EXPLANATORY NOTE TO SPECIAL BUSINESS

(a) **RESOLUTION 5**

The proposed Resolution 5, if passed, is primarily to give flexibility to the Board of Directors to issue and allot shares at any time in their absolute discretion without convening a general meeting. This authority, unless revoked or varied by the Company in general meeting, will expire at the next Annual General Meeting.

The general mandate sought for the issue of shares is a renewal of the mandate that was approved by the shareholders at the Company's AGM held on 29 May 2014 ("AGM 2014"). The Company did not utilize the mandate that was approved at the AGM 2014.

The renewal of the general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions.

(b) **RESOLUTION 6**

The proposed Resolution 6, if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading in nature with mandated related parties which are necessary for the Group's day-to-day operations and are in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company. The details of the proposal are set out in Item 3(b) (pages 4 to 12) of the Circular to Shareholders dated 28 May 2015 ("Circular"), which is dispatched together with the Company's 2014 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF 38TH ANNUAL GENERAL MEETING
(pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There is no individual who is seeking for election as a Director (excluding directors standing for a re-election).

YKGI HOLDINGS BERHAD
(COMPANY NO. 032939 - U)

FORM OF PROXY

No. of shares	
CDS Account No.	

I / We ______________________________ of ______________________________

______________________________ being a member of **YKGI HOLDINGS BERHAD** ("the Company"),

hereby appoint (1) ______________________________ (NRIC No.: ______________________)

of ______________________________

(*) and/or failing him/her, (2) ______________________________ (NRIC No.: ______________________)

of ______________________________

or THE CHAIRMAN OF THE MEETING, as my/our proxy, to vote for me/us on my/our behalf at the 38th Annual General Meeting of the Company to be held at the Meeting Room, 3rd Floor, Wisma YKGI, Lot 6472, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan on Tuesday, 30 June 2015 at 3:00 pm or at any adjournment thereof.

The proportion of *my/our proxies are as follows (this paragraph should be completed only when two proxies are appointed):

First Proxy (1) ____________ % Second Proxy (2) ____________ %

*My/Our Proxy is to vote as indicated below:

		FOR	AGAINST
RESOLUTION 1	To re-elect Mr. Fong Yoo Kaw @ Fong Yee Kow who retires in accordance with Article 103 of the Company's Articles of Association		
RESOLUTION 2	To re-elect Mr. Liew Jee Min @ Chong Jee Min who retires in accordance with Article 103 of the Company's Articles of Association		
RESOLUTION 3	To re-elect Mr. Francis Hii Lu Sheng who retires in accordance with Article 103 of the Company's Articles of Association		
RESOLUTION 4	To appoint Messrs KPMG as Auditors and to authorise the Board to fix their remuneration		
RESOLUTION 5	Proposed authority to allot shares pursuant to Section 132D of the Companies Act, 1965		
RESOLUTION 6	Proposed renewal of shareholders' mandate for recurrent related party transaction		

Please indicate with an 'X' in the appropriate box against each resolution on how you wish your votes to be casted. If no instruction is given, the Proxy will vote or abstain from voting at his/her discretion.

Signed (and sealed) this ______ day of ______________ 2015 Signature/Seal ____________________

NOTES: -

1. *A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
2. *To be valid, the form of proxy, duly completed must be deposited at the Registered office of the Company at Wisma YKGI, Lot 6472, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or any adjournment thereof.*
3. *A member of the Company entitled to attend and vote at this Annual General Meeting ("AGM") shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
4. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is not limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *If the appointer is a corporation, the form of proxy must be executed under its common seal or under the hand of an officer or attorney duly authorised.*
6. *A depositor whose name appears in the Record of Depositors as at 24 June 2015 shall be regarded as a member of the Company entitled to attend this AGM or appoint proxy(ies) to attend and vote on his/her behalf.*

Fold here for sealing

Fold along this line (1)

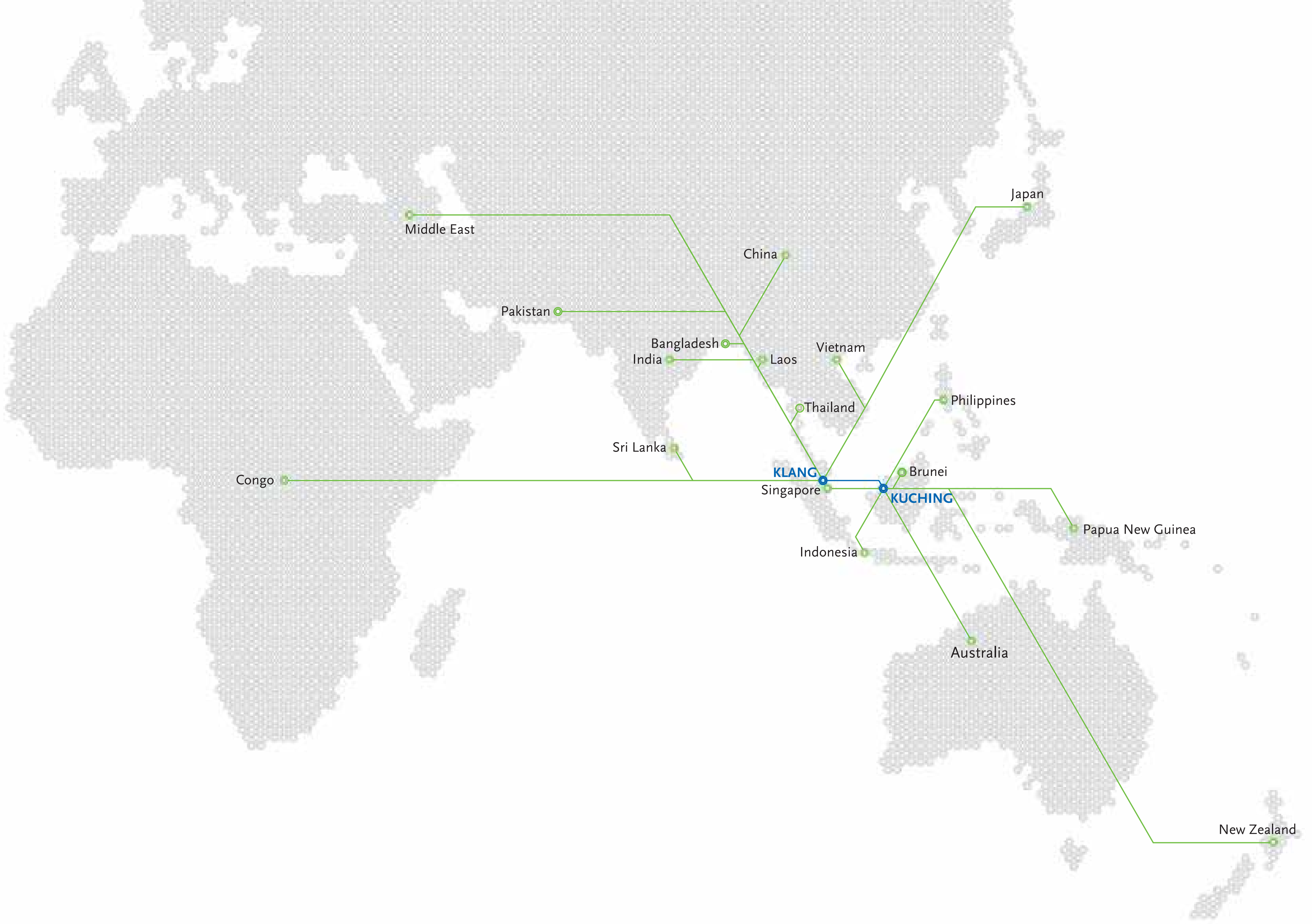
Affix
Stamp
Here

The Company Secretaries

YKGI HOLDINGS BERHAD
(032939 - U)

CORPORATE OFFICE : WISMA YKGI
Lot 6472, Lorong Sungai Puloh/KU06,
Kawasan Perindustrian Sungai Puloh,
42100 Klang, Selangor, Malaysia.

Fold along this line (2)


Middle East
China
Japan
Pakistan
Bangladesh
India
Laos
Vietnam
Thailand
Philippines
Sri Lanka
KLANG
Brunei
Congo
Singapore
KUCHING
Papua New Guinea
Indonesia
Australia
New Zealand

YKGI HOLDINGS BERHAD
(COMPANY NO. 032939 - U)

CORPORATE OFFICE : WISMA YKGI

Lot 6472, Lorong Sungai Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor, Malaysia.

T • +603 3297 5555 **F** • +603 3297 5678 **E** • ykgi@ykgigroup.com **W** • www.ykgigroup.com