YKGI HOLDINGS BERHAD

(COMPANY NO. 032939 - U)

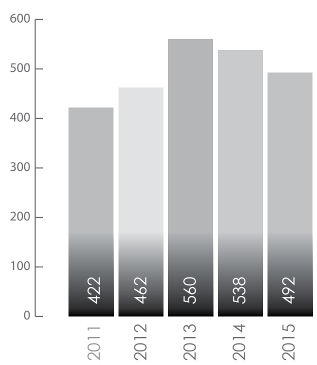
2015
ANNUAL REPORT

FINANCIAL HIGHLIGHTS

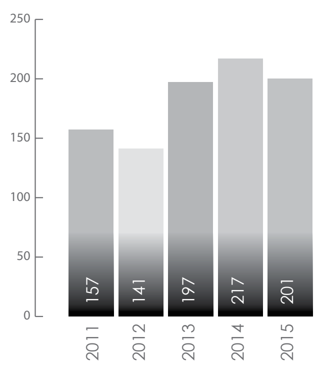
(RM'000)	2011	2012	2013	2014	2015
Revenue	422,159	461,744	560,343	537,689	491,631
(Loss)/Profit before tax	(22,810)	(20,716)	541	(32,093)	(19,819)
(Loss)/Profit attributable to owners of the Company	(17,969)	(15,343)	255	(26,642)	(16,552)
Issued and paid-up capital	108,630	108,630	185,032	185,032	185,032
Shareholders' funds	157,523	140,707	196,872	217,080	200,499
Total Assets	539,268	549,120	605,067	601,027	553,060
Weighted average number of ordinary share in issue* ('000 shares)	227,201	227,201	300,172	348,338	348,338
Basic (Loss)/earnings per share (sen) - restated**	(8)	(7)	0.08	(7.60)	(4.75)
Net assets per share of RM0.50 (sen)	77	72	57	62	58
Dividends for Ordinary Shares					
Rate	Nil	Nil	1 sen (2%)	Nil	Nil
Net Amount (RM'000)	-	-	3,483.4	-	-

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

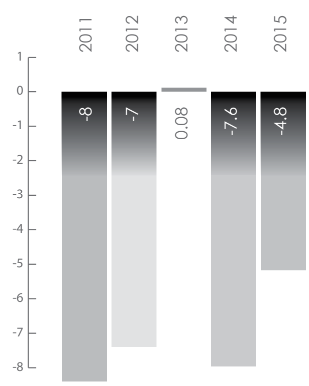
** The basic earnings per share is recomputed after taking account of the effect of the Bonus Issue during the year 2013.



Group Revenue (RM Million)



Shareholders' Funds (RM Million)



Earnings Per Share (SEN)

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CHAIRMAN'S STATEMENT

The Malaysian economy

2015 was a difficult year. The Malaysian economy grew by 5% compared to 6% in 2014 and this growth is expected to moderate downwards in 2016. In 2015, the Ringgit weakened significantly against the US Dollar and the currencies of some of our major trading partners. The prices of oil and crude palm oil plummeted, forcing the Government to recalibrate its budget due to reduced revenue from oil and crude palm oil.

In addition, the implementation of the Goods and Services Tax (GST) effective 1 April 2015, while raking in RM39 billion for the Government's coffers, also impacted corporations.

These factors has reduced the net disposal income of households and impeded cash flows of corporations, but the situation is expected to normalize when these revenue collected are circulated back into the domestic market through capital expenditure items to be implemented by the Government.

The outlook for 2016 is not expected to be rosy given the fact that our Finance Minister has revised the GDP downward to 4% to 4.5% from 4% to 5% previously. The Malaysian Institute of Economic Research (MIER) has predicted the Ringgit to remain at the level of RM4.20: USD1.00 (2015: RM3.91; 2014: RM3.27; 2013: RM3.15 per US Dollar). This will inevitably add to the inflationary pressure which has been subdued for the past few years as the weaker Ringgit will ultimately translate into higher cost of goods in the country.

Meanwhile, the economic recovery in the United States has somehow been off-set by the slowdown in China, evidenced by how its economy has staggered and its stock markets plunged. The higher degree of external uncertainty and the moderate recovery in the global economy make the prospect of Malaysia achieving a sustainable and balanced growth more challenging than before.

Outlook for the Malaysian Economy in 2016

With the plunge in oil and crude palm oil prices, the Government has adopted a more prudent approach in its forecast due to the reduction in government collection of revenue from these two sectors. Fortunately, this shortfall in revenue is being mitigated by the better-than-expected collection of the GST. The more pressing challenge for Malaysia is to keep the forecast economic growth rate sustainable in view of the less robust external factors and slower domestic demand due to shrinking cash flows arising from the implementation of the GST and higher inflation due to the weakening Ringgit. However, we believe Malaysia will have strategies in place to adjust to and absorb these negative external factors and recover rapidly due to the widely diversified resources that we have built over the years.

In essence, while the export sector remains an integral component of our economy, domestic demand has now become the key driver of growth, anchored by strong private sector activities that account for 70% of the GDP. On the external balance, the more diversified exports and markets allow the balance of payments position to remain sound.

Admittedly, we are now experiencing and going through a phase of modest growth in the domestic economy as well as the global economy, and in an environment that is characterized by heightened uncertainty and volatility. However, the intrinsic strength of our economy, reinforced with policies to encourage greater investment, will serve to ensure greater economic sustainability for the future. Internationally, Malaysia's active participation in efforts to strengthen linkages within the ASEAN community will undoubtedly foster greater economic integration and will bring about synergies and benefits to the domestic economy.

With the Government's continued efforts to manage the economy through positive fiscal policies and the removal of subsidies, we are hopeful that the economy will remain resilient and achieve, if not surpass, the forecast growth.

Financial Performance

We recorded a smaller loss in 2015 compared to 2014 mainly due to the lower cost of raw materials that resulted in a higher gross profit margin. However, the unexpected depreciation of the Ringgit did not allow us to fully leverage on the lower cost of raw materials. In 2015, we continued to be affected by the influx of cheap steel imports from

China, largely due to the massive excess capacity in China. The scenario is not expected to improve in the near future. Under this unfavourable operating environment, the Group reported a lower revenue of RM491.6 million (2014 : RM537.7 million) but managed to reduce operating loss to RM16.6 million (2014 : RM26.6 million). Despite the losses incurred, the Group has shown a marked improvement in financial performance, achieving a gross profit of RM26.9 million for 2015. (2014 : RM12.8 million). Our gross profit margin likewise improved to 5.5% in 2015 from 2.4% in 2014. The increase in gross profit margin is the result of aggressive cost cutting measures, better inventory management, implementation of new business strategies and frontiers. This year, we will continue to focus on improving manufacturing efficiencies and expanding the downstream market in East Malaysia.

In 2016, we believe the Government will intensify efforts to stem the cheap and dumped imports of steel and steel related products to ensure a level playing field for all the stakeholders in Malaysia. Any delay in the implementation of safeguard measures or anti-dumping policies applied by affected individual companies to the Government will not only deprive the Government of its rightful source of income, but will also be harmful to the domestic economy in the event these local companies succumb to this unfair trade.

For 2016, the Board envisages a better financial performance due to improved cost to income ratio from the implementation of the business transformation plans initiated and implemented since the second half of 2015. We believe these planned initiatives will continue to improve the profitability of the group.

Dividends

In view of the losses incurred, the Board does not recommend any dividends to be paid for the financial year ended 31 December 2015.

Corporate Development

In 2015, there was no new corporate development that took place in the Company.

Prospects and Challenges

In 2015, the Company had a hard time finding a balance between the high cost of production, unexpected weakening of the Ringgit, depressed selling prices of our products and the influx of cheap imports from China. Consequently, we endured another year of loss.

The increase in steel demand in ASEAN has not benefitted steel producers in the region. In fact, the production of hot rolled steel products in Malaysia dropped about 6% year-on-year in the first six months of 2015 while imports surged by 18% with China dominating the lion's share of these imports. Despite the fact that many countries in ASEAN have taken various initiatives to protect their domestic industries from such unfair competition, many steel producers are still unable to find meaningful solutions to alleviate this problem.

In view of this, it is therefore crucial that the Malaysian Government quickly formulates policies that will safeguard the industry against these cheap imports and a consistent steel policy that will uphold local production and protect Malaysia from being the dumping ground for such imports especially from China which is operating in excess capacity.

For the year ahead, our operating environment will remain challenging in the tides of volatile foreign exchange rates and a weak Ringgit, depressed selling prices and the senseless dumping by foreign millers.

As a Company, 2015 was a year of pain and change. We introduced numerous measures to bring cost down, to raise efficiency, to implement new business initiatives, and to grow our East Malaysia businesses by expanding to Tawau, Sandakan, Miri and Bintulu. It is my sincere hope that these changes will bring about a positive impact to our bottomline for 2016.

Board of Directors

Mr Toshihiko Takahashi and Mr Francis Hii Lu Sheng resigned as Non-Independent and Non-Executive Directors on 1 July 2015 and 28 August 2015 respectively. Mr Yoshiki Kaneko retired from the Board on 1 April 2016. On behalf of the Board, I would like to thank them for their services rendered to the Board and wish them well in all their future endeavours. Mr Yasuji Nakano joined the Board as Non-Independent and Non-Executive Director on 1 July 2015, and Dr Loh Leong Hua as Independent and Non-Executive Director on 28 August 2015. With their distinguished backgrounds and experience, I am sure they will contribute immensely to the Board. Lastly, Mr Christopher Hii Lu Ming was re-designated as Non-Independent and Non-Executive Director from Executive Director effective 1 September 2015 and Mr Yoshiyuki Komaki was re-designated as Non-Independent and Non-Executive Director from being the Alternate Director to Mr Yasuji Nakano effective 1 April 2016. On behalf of the Board, I would like to place on record our appreciation to Mr Christopher Hii for his past executive contribution to the Board and Company. To Mr Yoshiyuki Komaki, Mr Yasuji Nakano and Dr Loh Leong Hua, welcome to the Board.

Acknowledgements

2015 was a very challenging year. We know that navigating through this difficult year would not have been possible without the perseverance of the Management and Staff led by Dato' Soh Thian Lai, our respected Group Managing Director and CEO. They soldiered on and embraced all the tough decisions deemed necessary by the Board and Company to enable YKGI Holdings Berhad not only to survive a tough year, but to prepare to emerge stronger in the coming years. On behalf of the Board, I wish to extend my sincere thanks and heartfelt appreciation to all of them. To Dato' Dr. Peter Hii, our beloved Senior Group Adviser, your firm stand on issues affecting us and the businesses and clarity of vision to the Group is so very much valued in this turbulent time.

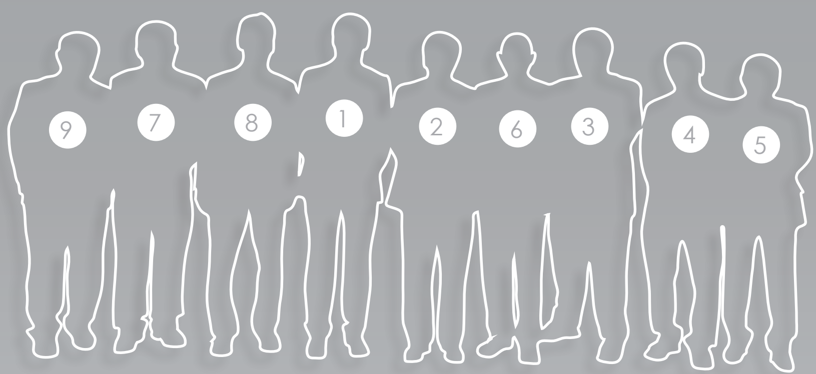
I would also like to put on record my appreciation to all our valued customers, financiers, business associates, regulators and shareholders for their continued support, co-operation and confidence in the Group.

Lastly, I would also like to express my appreciation and gratitude to my fellow Directors for their guidance and commitment. Your unwavering trust that together we can grow the YKGI Group into an organization we can be proud of give me immense joy to be part of the YKGI family.

Thank you.

Lim Pang Kiam
Chairman
11 April 2016

BOARD OF DIRECTORS



1 Lim Pang Kiam

2 Dato' Soh Thian Lai

3 Victor Hii Lu Thian

4 Fong Yoo Kaw @ Fong Yee Kow

5 Liew Jee Min @ Chong Jee Min

6 Dr Loh Leong Hua

7 Christopher Hii Lu Ming

8 Yasuji Nakano

9 Yoshiki Kaneko

Mr Yoshiyuki Komaki was appointed to the Board on 1 April 2016 (not in picture).
Mr Yoshiki Kaneko retired from the Board on 1 April 2016.

CEO MESSAGE

The Steel Industry Performance and Outlook

The global steel industry is experiencing a very turbulent time due to weak economic recovery and cooling demand especially in European Union (EU) and China. World Steel Association (Worldsteel) report dated 25.01.2016 shows that the world crude steel production reached 1,622.8 million tonnes (Mt) for the year 2015, down by 2.8% compared to 2014. Crude steel production decreased in all regions except Oceania in 2015. The average capacity utilization in 2015 was 69.7% compared to 73.4% in 2014. Annual production for Asia was 1,113.8 Mt of crude steel in 2015, a decrease of 2.3% compared to 2014. Worldsteel forecasts that global steel demand will decrease by 1.7% to 1,513 Mt in 2015 following growth of 0.7% in 2014. In 2016, it is forecast that world steel demand will show growth of 0.7% and will reach 1,523 Mt.

Malaysia is the fourth largest steel consuming country in ASEAN with a domestic steel consumption of more than 10 Mt in 2015. Malaysia's steel demand is expected to grow at annual average rate of 4% until 2018, driven by the government approved mega infrastructure projects. However, the growth in consumption (2015) was mostly served by imports as domestic output stagnated and total imports increased by 11%, while exports surged by 31%. The local steel industry continues to be hampered by the influx of cheap imported Chinese steel products which has depressed the domestic selling prices. This is further compounded by the global oversupply situation and sagging demand spurred by China, the world's largest steel producer, which has led to shrinking world steel prices.

In addition, the implementation of GST with effect from 1st April 2015, the announcements on the electricity tariff hike and gas price increases have driven up operation costs of the steel industry. Under these challenging and sluggish market conditions, performance of domestic steel companies generally had declined. Most companies saw reduced sales volume, experienced margin erosion which led to net losses.

Operational Performance & Overview

During the Financial Year 2015, the performance of YKGI was adversely impacted by the nation's economy downturn. The Group's turnover was RM491.6 million, lower by 8.6% against RM537.7 million achieved in the previous financial year. YKGI has recorded a pre-tax loss of RM19.8 million in 2015 as compared to pre-tax loss of RM32.1 million in year 2014. The gap of loss has been narrowed down by RM12.3 million. The Group has generated an EBITDA of RM13.0 million, increased by RM10.1 million as compared to year 2014 mainly due to the increase in GP margin in line with the lower raw material costs. However, a sharp depreciation of Ringgit currency in 2015 had negated the gains from the purchase of cheaper imported raw material.

To survive and thrive, in a sector where volatility is prevailing, YKGI needs to transform and reinvent itself. The Management has taken cognizance of the fact and committed to the importance of refining its strategies, business models and portfolios to drive business growth and profitability. In the year of 2015, YKGI Group has focused on its 4 key areas to turnaround its performance, i.e.:-

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. Market Positioning and Product Value Proposition to achieve better selling prices and higher profit margin; and

iv. Human Capital Development to achieve higher productivity.

Business Outlook

As we enter a new financial year 2016, the global economy continues to be fragile and uncertain especially with regard to the impact of the Chinese slowdown and the Eurozone crisis. The Malaysian economy is expected to grow between 4 and 4.5 per cent this year, down from an earlier forecast of between 4.5 and 5 per cent after taking into consideration the current economic scenario with slumping of oil and commodity prices.

In keeping with the Company's vision of creating a strong and sustainable corporation; the Company's management will continue its 3-Years Business Continuity Plan that focuses on 5 key areas:

1. Focus on core manufactured coated products sales;
2. Strengthen balance sheet to improve cashflow;
3. Human resource rightsizing;
4. Plant Operation improvement – to improve production yield, product quality and costs control; and
5. Cost-effective procurement and inventory management.

YKGI went through a period of intense consolidation since 2013 in order to mitigate the effects of the downturn. It is timely for the Company to remove deficiencies through consolidation and streamlining which will offer the best development opportunities moving forward, in terms of competitiveness and performance to achieve profitable growth, enhance efficiency and optimize capital employed.

With the current changing dynamics, YKGI is focusing on offering high premium and value added coated products to rationalize its excess capacity and be more competitiveness in the market. YKGI fully understands that reliability of product delivery and quality are key factors and necessary for meeting its customers' needs. Hence, YKGI has collaborated with its suppliers and customers in the early stages of product development via integrating R&D, manufacturing, sales and supply chain management. The focus is also on after-sales management and strategic value chain development.

In Year 2016, YKGI also aims to strengthen its financial position via capital raisings. To finance its growth, the Company will undertake asset right-sizing including disposing off unutilized and unproductive assets.

Last but not least, investments in the steel sector are highly capital intensive and long term in nature, where economic viability is dependent on the fundamental growth assumptions of the domestic economy. In order to provide a more conducive preposition to enable capital investment to be viable as well as creating value and reasonable returns to the shareholders, it is vital that the Government takes a proactive role in implementing business friendly regional policies including instituting appropriate trade measures where needed to facilitate a more level playing field and environment to enhance the ease of doing business. The Malaysian steel industry is recognized as an essential catalyst needed for the success of the 11th Malaysia Plan (RMK11) to help contribute to the development and strategic thrusts of the nation beyond 2020. It is therefore imperative that the steel industry be strengthened through the support by the policy makers to prevent unfair competition from abroad arisng from the dumping of poor quality, low priced and Government subsidized imports on our shores.

Acknowledgement

Finally, I would like to thank all our management and staff of YKGI Group, shareholders, stakeholders, customers, suppliers, vendors, government and regulatory agencies for the support extended to us and I look forward to continue receiving your support and cooperation in the future.

Thank you.

Dato' Soh Thian Lai
Group Managing Director/CEO
11 April 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Operations

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

YKGI sells the Group's products directly to its customers in Peninsular Malaysia, Sabah, Sarawak and export markets. The Group's products are also distributed through the marketing arms of YKGI and its subsidiaries in Peninsular Malayisa, i.e Star Shine Marketing Sdn Bhd and Star Shine Industries Sdn Bhd for Peninsular Malaysia and export markets. YKGI Group is also involved in the manufacture and sale of roll-formed products and trading in 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 the domestic market with less than 4% for exports.

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 and IBS manufacturing systems
- Recoiling lines
- Pipe-making lines

Objectives and Strategies

The vision of the Group is to be a leading steel corporation manufacturing and delivering excellent value products and services. The long term objective of the Group is to remain resilience and sustainable in its core business competency.

YKGI is one of the few companies in Malaysia that operates a full-fledged production facilities ranging from pickling line to downstream roll-forming, shearing and slitting lines.

Strategic alliances are established with key customers and suppliers to capitalize on bulk orders to optimize economy of scale.

Review of Financial Results

During the financial year 2015, the Group achieved a total revenue of RM491.6 million, a decrease of 8.6% as compared to RM537.7 million registered in the previous financial year. Gross profit margin has improved from 2.4% in 2014 to 5.5% in 2015, resulted from procurement of raw materials at competitive prices. Administrative expenses decreased by 5.7% or RM1.9 million, attributed to input costs reduction by cost down measures implemented in 2015.

Finance cost was RM1.8 million lower than previous financial year attributable to savings from trade financing.

Other income was RM5.7 million lower than 2014, mainly attributed to the reversal of employees' benefits amounting to RM4.8 million and derivative gain on forward foreign exchange contracts recognised in 2014.

Total loss before tax for the year was RM19.8 million, reduced by RM12.3 million from 2014's pre-tax loss of RM32.1 million. Earnings before Interest, Tax, Depreciation and Amortization increased from 2014's RM2.9 million to current year's RM13.0 million.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Review of Operating Activities

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

	SBU 1 RM'000	SBU 2 RM'000	SBU 3 RM'000	Inter-segment RM'000	Total RM'000
2015					
Revenue from external customers	118,149	205,997	167,485	-	491,631
Inter-segment	-	112,489	965	(113,454)	-
	118,149	318,486	168,450	(113,454)	491,631
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
Increase/(decrease)	8,661	(1,469)	(91,163)	37,912	(46,059)
	7.91%	-0.46%	-35.11%	-25.05%	-8.57%

During the financial year 2015, the Group experienced reduced revenue by 8.6% or RM46.1 million from RM537.7 million in 2014 to RM491.6 million in 2015, but gross profit margin has improved from 2.4% in 2014 to 5.5% in 2015 mainly attributed to lower cost of raw material price.

Economic and Industry Outlook

For past twelve (12) months, Malaysia has experienced some strong headwinds on the economic front, largely attributed to the unanticipated global commodity falling prices and currency turbulence. Coupled with the prevailing global manufacturing weakness and the impact from China's economy rebalancing and chronic over-production capacities, it is envisaged that developing nations will have to brace themselves for some challenging severe economic weather.

Even though tough challenging times are expected this year, Malaysia real GDP growth is estimated at 5.0% which is considered respectable given the turbulent global economic climate. Inflation is projected to hover around 3.5% for 2016 whilst fiscal deficit has improved considerately to 3.2% of GDP in 2015. The revenue generated from the implementing of goods and services tax (GST) and the saving from removal of fuel subsidy system have helped mitigate the effects from falling prices of oil and commodities.

On the labour market front, the last quarter of 2015 has shown signs of weakening, contributing to the rising figure in retrenchments, stagnating job vacancies and higher labour force participation rate (LFPR). However, the unemployment rate remained at 3.1% which is below the threshold (4%) of full employment. The ironic fact is that whilst many youth and graduates are unable to get employed, the labour market is flooded with millions of foreign workers taking up jobs which are considered dirty, demanding and dangerous (3D). The recent hike in levy for employing foreign workers has increased the labour costs for the iron and steel industry sectors, especially for the downstream players.

2016 would be a very trying year for the Malaysian economy and the overall growth is expected to moderate to between 4 and 5 per cent, in view of the downside risks on the external front that have increased while global economic growth remains subdued.

The Malaysian Iron and Steel industry is expected to be more competitive in the years to come with the support from the Government which has made some appropriate decisions on taking trade measures against countries that are found to be dumping products at untenable prices on our shores. It is envisaged the industry will continue to grow in tandem with the GDP growth capitalizing on the mega infrastructure and building projects that will be implemented in 2016 and those in the pipeline for the next few years.

However, 2016 will continue to be a more challenging year for the local steelmakers as the industry continues to be threatened by the influx of cheap imports, especially from China which is still having a grossly over-supply steel production, and from the impending rising costs on imported raw materials owing to the recent sudden surge in pricing of iron ore, scrap iron and coal.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

Future Plans

The YKGI Group, through various trade bodies, will continue to engage with the Government authorities for trade measures to reduce cheap import of steel products. We are pleased to acknowledge that the authority has determined the following trade measures which have benefited the industry in general:

On 22 January 2016, Ministry of International Trade and Industry (MITI) has announced the affirmative preliminary determination of anti-dumping duty from 1.97% to 23.78% on the imports of cold rolled coils (CRC) from China, Vietnam and Korea.

At the same time, MITI also initiated an affirmative final determination of an anti-dumping duty from 5.68% to 52.1% on imports of pre-painted steel products from China and 16.45% against Vietnam.

Safeguard duty on hot rolled plates (HRP) was in force on 2 July 2015 with reducing duty of 17.4% in Year 1 to 10.4% in Year 3. These trade measures will help facilitate a more conducive trading environment and provide a more level playing field for the industry to thrive and grow.

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

i. Focus on core manufacturing coated products;

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

iii. Human resource rightsizing to achieve a lean and mean organisation structure;

iv. Plant Operation improvement – to improve production yield, product quality and cost control; and

v. Cost-effective procurement and inventory management.

Above all, the Group will continue to strive to reduce the costs of the whole value chain of the business processes by implementing revised key performance indicator (KPIs) for all departments, budgetary control and monitoring, mastering operational excellence through the following efforts:

1) Commissioning our Japanese partner's technical experts to help us improve product quality and achieve maximum production output with minimum yield loss;

2) Cost effective procurement practice, tighten inventory management, cash flow management; and

3) Cost-cutting in all facets of the business operations where necessary.

The Group will continue to explore business opportunities in the export markets to build up its order book and contribute to enhancing cash flow.

The management is confident that with the continuous quality and performance improvement programs in place, YKGI will be able weather out the economic storm and emerge as a more resilient and sustainable organization. With the commitment from all staff, support from our stakeholders and customers, our key business objectives will definitely be accomplished.

CORPORATE INFORMATION

Board of Directors

Mr Lim Pang Kiam
Independent Director / Non-Executive Chairman

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

Mr Victor Hii Lu Thian
Executive Director

Mr Fong Yoo Kaw @ Fong Yee Kow
Senior Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

Dr Loh Leong Hua
Independent Director

Mr Christopher Hii Lu Ming
Non-Independent Non-Executive Director

Mr Yasuji Nakano
Non-Independent Non-Executive Director

Mr Yoshiyuki Komaki
Non-Independent Non-Executive Director

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 6479, Lorong Sg. Puloh/KU06,
Kawasan Perindustrian Sungai Puloh,
42100 Klang, Selangor Darul Ehsan, Malaysia.
Phone : +60 3 3291 5189
Fax : +60 3 3290 6668

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

Audit Committee

Mr Fong Yoo Kaw @ Fong Yee Kow
Senior Independent Director

Mr Lim Pang Kiam
Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

Dr Loh Leong Hua
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

Investment Bankers

Public Investment Bank Berhad
AmInvestment Bank Berhad

Legal Advisors

Lim & Teo Advocates
J.M. Chong, Vincent Chee & Co.
Tang & Partners, Advocates
Shui-Tai Advocates & Solicitors

Auditors

KPMG (AF: 0758)

Internal Auditors

Ernst & Young Advisory Services Sdn Bhd

Share Registrar

Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No.8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia
Phone : +60 3 2783 9299
Fax : +60 3 2783 9222

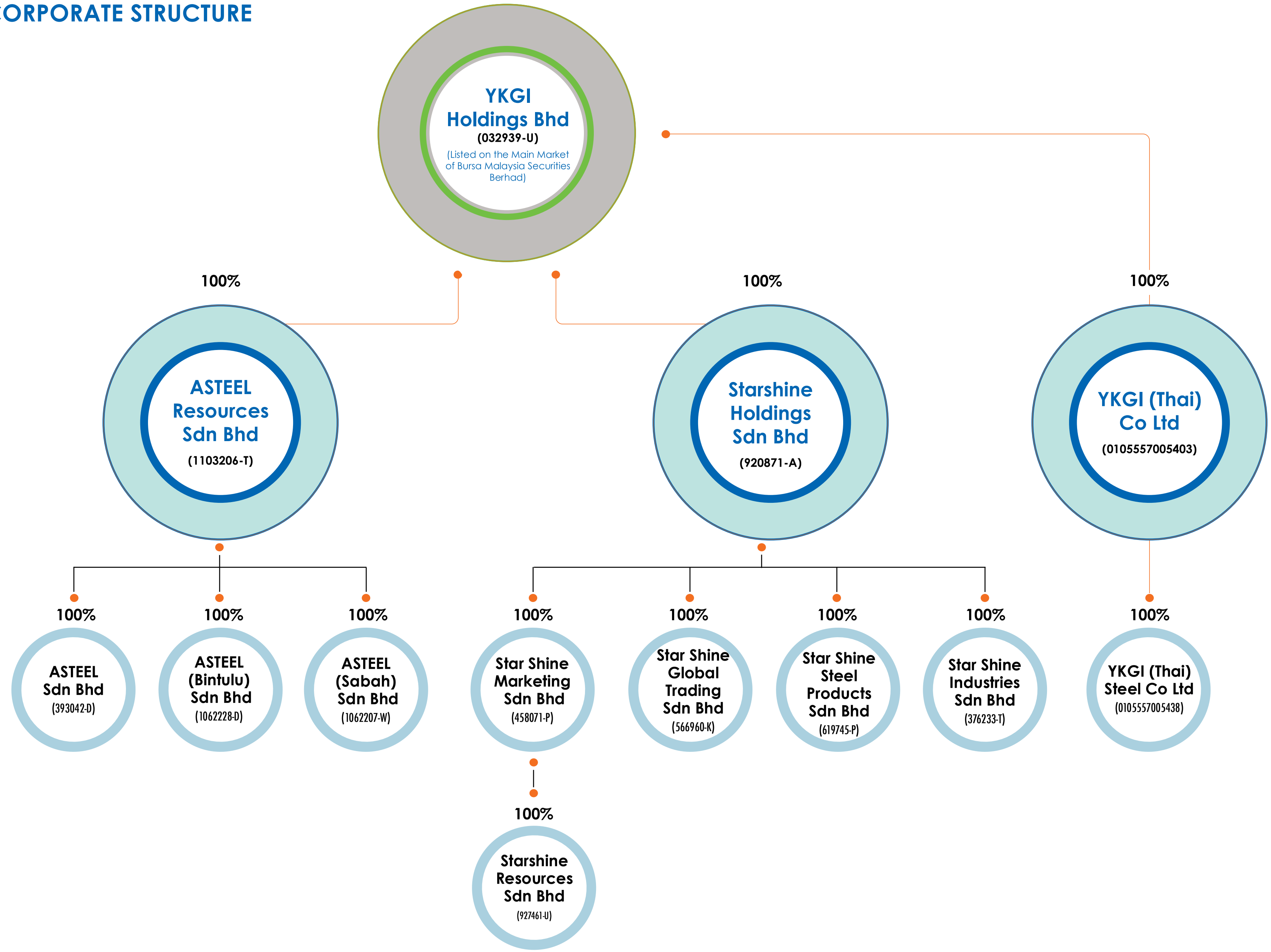
Certification

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



DIRECTORS' PROFILE

Mr Lim Pang Kiam was appointed to the Board on 3 January 2013. Mr Lim assumed the post of the Non-Executive Chairman of the Company with effect from 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 2015, he attended all six (6) Board meetings held. He is also a member of the Audit Committee.

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

He has no conflict of interests with the Company.

LIM PANG KIAM

53 Malaysian

Independent Director / Non-Executive Chairman

DATO' SOH THIAN LAI *DIMP*

55 Malaysian

Group Managing Director / Chief Executive Officer

Dato' Soh Thian Lai assumed the position of Group Managing Director and Chief Executive Officer since his appointment to the Board 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 31 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 and Council Member of National Standards & Accreditation Council of Malaysia.

He attended all six (6) Board meetings held during the financial year ended 31 December 2015. Dato' Soh is the Chairman of the Risk Management Committee and has no family relationship with any Directors or major shareholder 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 section in the Analysis of Shareholdings on page 116 of this Annual Report.

Mr Victor Hii was appointed to the Board on 27 February 2006. He is a member of the Risk Management Committee. 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 five (5) out of the six (6) Board meetings held during the financial year ended 31 December 2015.

His shareholdings in the Company and the Group are disclosed in the Directors' interest section in the Analysis of Shareholdings on page 116 of this Annual Report.

Mr Victor Hii is a brother of Mr Christopher Hii Lu Ming, who is a Director and major shareholder of the Company. He has no conflict of interests with the Company.

VICTOR HII LU THIAN

41 Malaysian
Executive Director

FONG YOO KAW @ FONG YEE KOW

64 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, Malaysian Institute of Accountants and 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 has 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 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 companies, namely, Pansar Bhd, Sarawak Oil Palm Berhad and a number of other private companies.

Mr Fong attended all six (6) Board meetings held during the financial year ended 31 December 2015.

He is the Chairman of the Audit Committee and Nomination Committee and 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

LIEW JEE MIN @ CHONG JEE MIN
57 Malaysian
Independent Director

Mr Chong was appointed to the Board on 28 February 2013. 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 four other public listed companies, namely, Lion Industries Corporation Berhad, Jaks Resources Berhad, Sunsuria Berhad and Weida (M) Berhad.

Mr Chong is the Vice President cum 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 attended all six (6) Board meetings held during the financial year ended 31 December 2015.

He is the Chairman of Remuneration Committee and member of the Audit and Nomination 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.

DR. LOH LEONG HUA
59 Malaysian
Independent Director

Dr. Loh was appointed to the Board on 28 August 2015. He holds a PhD in Management Studies from Universiti Kebangsaan Malaysia (UKM) [National University of Malaysia]. He is also an Advanced Management Program (AMP) graduate from The Wharton School of University of Pennsylvania, USA. Dr. Loh has accumulated more than 30 years of experience in the financial services industry after having worked for several banking groups in various senior managerial capacities involving commercial, corporate, merchant and investment banking. Among others, he had served EON Bank Berhad as Regional Head for Sarawak & Sabah and subsequently as Head of Commercial Banking, Affin Merchant Bank Berhad as Senior Vice President, and prior to leaving the banking sector in December 2011, he was a Senior Director of investment banking at Kenanga Investment Bank Berhad. He is currently a member of the Board Risk Committee of Sarawak Economic Development Corporation (SEDC). He also sits on the board of WTK Holdings Berhad and other private limited companies.

Since his appointment to the Board in August 2015, Dr Loh attended two (2) Board meetings held during the financial year ended 31 December 2015.

He is a member of the Audit Committee, Nomination Committee and Remuneration Committee. He does not have any direct or indirect shareholding 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.

Mr Christopher Hii was appointed to the Board on 2 January 2014 as Executive Director and was re-designated as Non-Independent Non-Executive Director on 1 September 2015. 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 construction 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 six (6) Board meetings held during the financial year ended 31 December 2015.

His shareholdings in the Company and the Group are disclosed in the Directors' interest section in the Analysis of Shareholdings on page 116 of this Annual Report.

Mr Christopher Hii is a brother of Mr Victor Hii Lu Thian, who is a Director and major shareholder of the Company. He has no conflict of interests with the Company.

CHRISTOPHER HII LU MING

39 Malaysian

Non-Independent Non-Executive Director

YASUJI NAKANO

49 Japanese

Non-Independent Non-Executive Director

Mr Nakano was appointed to the Board on 1 July 2015. He is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He studied Economics and graduated in 1989 from Kobe University, Japan and has worked with Marubeni Corporation since 1989. Later he obtained a Master of Business Administration from Graduate School of Management, GLOBIS University in 2012.

Mr Nakano with his 27 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.

Since his appointment to the Board in July 2015, Mr Nakano attended one (1) out of the two (2) Board meetings during the financial year ended 31 December 2015.

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

DIRECTORS' PROFILE

Mr Komaki was appointed to the Board on 1 April 2016. He is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He studied Bachelor of Arts in Economics and graduated in Year 1983 from Keio University, Tokyo, Japan and has worked with Marubeni Corporation since 1983.

Mr. Komaki has accumulated 33 years during his career in Marubeni Corporation and Marubeni-Itochu Steel Inc. in Tokyo, America-Detroit, Nashville, Cincinnati and Queretaro. He contributes in marketing and sales of all kind of steel products such as GIC, GIS, automotive steel sheets, HRC etc. He is also involved in corporate planning, to establish, support, manage and operate the company.

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

YOSHIYUKI KOMAKI

55 Japanese

Non-Independent Non-Executive Director

YOSHIKI KANEKO

63 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 five (5) out of the six (6) Board meetings held during the financial year ended 31 December 2015.

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.

Mr Kaneko retired from the Board on 1 April 2016.

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 (the "Board") of YKGI Holdings Berhad recognises the importance of adopting high corporate governance standards in its efforts to enhance shareholder value, besides safeguarding stakeholders' interest. In its application of pertinent governance practices, the Board has taken into consideration the enumerations of the Malaysian Code on Corporate Governance 2012 ("MCCG 2012" or the "Code") and the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia").

This Corporate Governance Statement ("Statement") sets out how the Company has applied the eight (8) Principles and observed the 26 Recommendations, including Commentaries, of the MCCG 2012 for the financial year ended 31 December 2015. Where a specific Recommendation of the MCCG 2012 has not been observed during the financial year under review, the non-observance, including reasons thereof and, where appropriate, the alternative practice, if any, is mentioned in this Statement.

PRINCIPLE 1: ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES

The Board recognises the key role it plays in charting the strategic direction of the Company and has assumed the following principal responsibilities in discharging its fiduciary and leadership functions:

- reviewing, approving and monitoring of overall strategies and direction of the Company, including sustainability of the Group's businesses;
- overseeing and evaluating the conduct and performance of the Group's businesses;
- identifying and managing principal risks facing the Group and ensuring the implementation of appropriate systems to manage these risks;
- reviewing the adequacy of the Group's internal control policy and safeguarding of Group's assets;
- ensuring appropriate corporate disclosure policy and procedures are in place for effective dissemination of information which is comprehensive, accurate and timely, and leverage on information technology, where applicable;
- reviewing and monitoring the systems of risk management and internal control, continuous disclosure, legal and regulatory compliance and other significant corporate policies; and
- succession planning, including appointing, training, fixing the compensation of, and, where appropriate, replacing members of the Board.

The Executive Directors are responsible for implementing policies of the Board, overseeing the Group's operations and developing the Group's business strategies for the Board's review and adoption. The Independent Directors fulfil a pivotal role in corporate accountability by providing independent views, advices and judgement to enable a balanced and unbiased decision making process in safeguarding shareholders' interest. Accordingly, the Board has designated Mr Fong Yoo Kaw @ Fong Yee Kow as the Senior Independent Director of the Company to whom concerns may be conveyed.

To enhance its effectiveness, the Board has established Board Committees, namely the Audit Committee, Nomination Committee, Remuneration Committee and Risk Management Committee, to examine specific issues within their respective terms of reference, as approved by the Board, and report to the Board with their recommendations. The ultimate responsibility for decision making, however, lies with the Board.

The following sections provide explanations on how the other Recommendations of Principle 1 of the MCCG 2012 have been observed by the Board.

(i) Board Charter ("Charter")

To enhance accountability, the Board has established clear functions reserved for the Board and those delegated to Management for decision. There is a schedule of matters specifically reserved for the Board's deliberation and decision to ensure the control and direction of the Company's operations are vested in the Board. Key matters specifically reserved for the Board include the following:

- corporate plans, programmes and new ventures;
- conflict of interest issues relating to a substantial shareholder or a Director;
- material acquisitions and disposition of assets;
- investments in capital projects;
- risk management policies; and
- corporate announcements to regulators.

Such delineation of roles is clearly set out in the Charter which serves as a reference point for Board activities. The Charter also provides guidance for Directors and Management regarding responsibilities of the Board, its Committees and Management, the requirements of Directors in carrying out their stewardship roles and in discharging their fiduciary duties towards the Company as well as boardroom activities. The Charter is publicly available on the Company's website at www.ykgigroup.com.

(ii) Code of Ethics and Conduct

The Board has formalised a Code of Ethics and Conduct setting out the broad principles and standard of business ethics and conduct for Directors, and has embedded it in the Board Charter.

(ii) Code of Ethics and Conduct (cont'd)

The Board has formalised a set of Whistle Blowing Policy and Procedures to provide an avenue for stakeholders of the Company to raise concerns related to possible breach of business conduct, non-compliance with laws and regulatory requirements as well as other malpractices.

(iii) Sustainability of business

The Board is mindful of its responsibility on the Environmental, Social and Governance ("ESG") aspects of business sustainability. As such, the ESG aspects are considered by the Board in the review and approval of corporate strategies.

In addition, the Company has carried out various efforts addressing the ESG aspects of its business sustainability, which include capitalising on technology to promote environmental sustainability for certain of its development projects, maintaining open and effective communication channels with its shareholders, and giving back to the community via its Corporate Social Responsibility activities, details of which are provided on pages 33 to 35 of the Annual Report.

(iv) Access to information and advice

To assist in the discharge of their responsibilities, Directors are entitled to full and unrestricted access, either as a full Board or in their individual capacity, to all information and reports on financial, operational, corporate regulatory, business development and audit matters for decisions to be made on an informed basis. To expedite the conduct of Board meetings, all Directors receive the meeting agenda accompanied with a set of Board papers prior to the meetings.

Senior Management of the Group and external advisers are invited to attend Board meetings to provide additional insights and professional views, advice and explanation on specific items on the meeting agenda, where necessary.

The Board has a policy embedded in the Board Charter enabling Directors to obtain independent professional advice at the Company's expense, if considered necessary, in furtherance of their duties.

(v) Company Secretaries

Directors have unrestricted access to the advice and services of the Company Secretaries to enable them to discharge their duties effectively. The Board is regularly updated and advised by the Company Secretaries who are qualified, experienced and competent on statutory and regulatory requirements, and the resultant implications of any changes therein to the Company and Directors in relation to their duties and responsibilities.

PRINCIPLE 2 – STRENGTHENING THE BOARD'S COMPOSITION

As of the date this Statement, the Board consists of nine (9) members, comprising of

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

This composition fulfils the Listing Requirements, which stipulate that at least two (2) Directors or one-third of the Board, whichever is higher, must be independent. The profile of each Director is set out on pages 12 to 16 of this Annual Report. The Directors, with their diverse backgrounds and qualifications, collectively bring with them a wide range of experience and expertise on property development, engineering, entrepreneurship, accounting, audit, legal and economics.

(i) Nomination Committee

The Board established a Nomination Committee to consider candidates for directorship and Board Committee membership, and to review the effectiveness of the Board, through performance assessment of the Board, Board Committees and individual Directors.

The Nomination Committee comprises of the following members who are all Independent Directors:

- Fong Yoo Kaw @ Fong Yee Kow, Chairman of Nomination Committee and Senior Independent Director;
- Liew Jee Min @ Chong Jee Min, Independent Director; and
- Dr Loh Leong Hua, Independent Director.

CORPORATE GOVERNANCE STATEMENT (cont'd)

(i) Nomination Committee (cont'd)

The Board has stipulated specific terms of reference for the Nomination Committee, which cover, inter-alia, the following salient functions:

- to consider, in making recommendations to the Board, candidates for all directorships/Board Committees, including the position of Independent Director, in respect of their skills, knowledge, expertise, experience, professionalism and integrity and in the case of Independent Directors, their abilities to discharge such responsibilities and functions as expected from an Independent Director;
- to assist the Board in reviewing, on an annual basis, the required mix of skills, experience and diversity, including gender, age and ethnicity of the Directors of the Board and Board Committees;
- to recommend to the Board its appropriate balance and size, including non-executive participation, vis-à-vis the needs of the Company; and
- to establish procedures and processes towards an annual assessment of the effectiveness of the Board, as a whole, Board Committees and contribution of each individual Director, including Independent Directors and the Group Managing Director/Chief Executive Officer.

The Board does not intend to formalise any specific target on women Directors as it believes the Company should be on-boarding Directors who bring with them the requisite skills and experience to enable the Company realise its corporate strategies and objectives.

The Nomination Committee held five (5) meetings during the financial year ended 31 December 2015.

During the financial year under review, the Nomination Committee carried out, and reported to the Board the outcome of, the following key activities:

- performed an assessment on the Board, Board Committees and individual Directors for the financial year ended 31 December 2015 and reported the outcome to the Board;
- reviewed and recommended the re-appointment and/or re-election of Directors retiring pursuant to the Companies Act, 1965 and the Company's Articles of Association, including three new Directors recently appointed to the Board on 1 July 2015, 28 August 2015 and 1 April 2016 respectively;
- reviewed the independence of Independent Directors, particularly in relation to the 9-year limit on the tenure of Independent Directors; and
- reviewed the training records of the Directors.

A formal performance assessment of the Board, Board Committees and individual Directors enables the Board to assess its performance and identify areas for improvement. A formal assessment of the Board's effectiveness was conducted for the financial year ended 31 December 2015, and was guided by the Corporate Governance Guide – Towards Boardroom Excellence taking into consideration the following key aspects for assessment:

- appropriate size, composition, independence, mix of skills and experience within the Board and the Board Committees;
- clear definition of the Board and Board Committees' roles and responsibilities;
- functioning of the Board and Board Committees in a productive, objective, timely, effective and efficient manner;
- open communication of information and active participation within Board and Board Committees; and
- proper discharge of responsibilities and leadership by the Chairman of the Board and Board Committees.

In recommending the re-appointment or re-election of Directors, the Nomination Committee took into account the following:

- the required mix of skills, experience and diversity, including gender, age and ethnicity, where appropriate;
- character, knowledge, expertise, professionalism, integrity and time availability;
- the results of the assessment on individual Directors, including the Independent Directors and the Group Managing Director/Chief Executive Officer.
- in the case of Independent Directors, their abilities to discharge such responsibilities and functions as expected from Independent Directors.

Proposed appointment of member(s) to the Board to fill casual vacancy and proposed re-election or re-appointment of Directors seeking re-election or re-appointment at the Annual General Meeting are recommended by the Nomination Committee to the Board for approval or tabling at the Annual General Meeting for shareholders' approval, as the case may be.

The Company Secretaries are tasked to ensure that all appointments are properly made and that all necessary information is obtained from the Directors, for the Company's records and for the purposes of meeting statutory obligations as well as obligations arising from the Listing Requirements.

CORPORATE GOVERNANCE STATEMENT (cont'd)

(ii) Remuneration Committee

To assist the Board on fair remuneration practices and attracting, retaining and motivating Directors, the Board established a Remuneration Committee to review Directors' remuneration matters and make relevant recommendations to the Board.

The Remuneration Committee comprises the following members:

- Liew Jee Min @ Chong Jee Min, Chairman of Remuneration Committee and Independent Director;
- Dr Loh Leong Hua, Independent Director; and
- Fong Yoo Kaw @ Fong Yee Kow, Senior Independent Director.

The Board has stipulated specific terms of reference for the Remuneration Committee, which include the following functions:

- to review the annual remuneration packages of each individual Director (both Executive and Non-Executive) such that the levels of remuneration are sufficient to attract and retain the Directors needed to helm the Company successfully; and
- to recommend to the Board the remuneration packages of the Directors (both Executive and Non-Executive) of the Company. In respect of Directors' fees, shareholders' approval is sought.

Directors do not participate in the discussion of their own remuneration.

Details of Directors' remuneration for the financial year ended 31 December 2015 are as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	-	-
Salaries	1,827,344.00	-
Ex-Gratia	-	-
Allowances	161,199.00	55,680.00
Total	**1,988,543.00**	**55,680.00**

The number of Directors of the Company, whose remuneration levels fall within successive bands of RM50,000, is as follows:

Range of remuneration	Executive Directors	Non-Executive Directors
RM50,000 and below	-	4
RM150,000 – RM200,000	1	-
RM400,000 – RM450,000	-	1
RM750,000 – RM800,000	1	-
RM850,000 – RM900,000	1	-

**One of the Executive Directors has been re-designated to Non-Executive Director during the year.*

PRINCIPLE 3 – REINFORCING INDEPENDENCE

There is a clear division of responsibilities between the Chairman and the Group Managing Director/Chief Executive Officer to ensure a balance of power and authority. The Chairman is responsible for the Board's effectiveness and standard of conduct whilst the management of the Group's businesses, implementation of policies and the day-to-day running of the businesses are the responsibilities of the Group Managing Director/Chief Executive Officer.

The Independent Directors bring with their independent views, advice and judgement on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities within which the Group conducts its business. Independent Directors are essential for protecting the interests of minority shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality and objectivity.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 4 – FOSTERING COMMITMENT

The Board meets at least four (4) times annually, with the meetings scheduled well in advance at the beginning of each financial year to facilitate the Directors in managing their meeting plans. Additional meetings are convened when urgent and important decisions need to be made between scheduled meetings.

At the quarterly meetings, the Board reviews the business performance of the Group and discusses major operational and financial issues. All pertinent issues discussed at Board meetings in arriving at decisions and conclusions are properly recorded by the Company Secretaries by way of minutes of meetings.

The Board met six (6) times during the financial year under review and the number of Board of Directors' meetings attended by each Director is as follows:

Name of Director	Meetings attended	Percentage of attendance (%)
Lim Pang Kiam *(Non-Executive Chairman/Independent Director)*	6/6	100%
Dato' Soh Thian Lai *(Group Managing Director/Chief Executive Officer)*	6/6	100%
Victor Hii Lu Thian *(Executive Director)*	5/6	83%
Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director)*	6/6	100%
Liew Jee Min @ Chong Jee Min *(Independent Director)*	6/6	100%
Dr Loh Leong Hua *(Independent Director)*	2/2	100%
Christopher Hii Lu Ming *(Non-Independent Non-Executive Director)*	6/6	100%
Yoshiki Kaneko *(Executive Director)*	5/6	83%
Yasuji Nakano *(Non-Independent Non-Executive Director)*	1/2	50%
Yoshiyuki Komaki *(Non-Independent Non-Executive Director)*	*Appointed on 1 April 2016	

** Note: Mr Yasuji Nakano and Dr Loh Leong Hua were appointed to the Board on 1 July 2015 and 28 August 2015 respectively.*

The Board has also stipulated in its Charter, the need for Directors to notify the Chairman prior to accepting any new directorship and the notification includes an indication of time that will be spent on the new appointment, in order for the Chairman to assess if Directors are able to commit sufficient time to discharge their duties and responsibilities in the Company.

The Board is mindful that continuous education is vital for Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies to enhance the Board's skill sets and knowledge in discharging its responsibilities. All Directors appointed to the Board have completed the Mandatory Accreditation Programme ("MAP") by Bursa Malaysia. During the financial year under review, the Directors have also attended other relevant trainings and seminars organized by relevant regulatory and professional bodies to be apprised of latest developments and changes to regulatory requirements.

The Nomination Committee identifies the training needs of each Director via the performance evaluation of the individual Directors. The continuous education programmes attended by the Directors during the financial year ended 31 December 2015 comprise the following:

Lim Pang Kiam

No	Date	Training	Organiser
1	11 May 2015	Corporate Governance: Balancing Rules & Practices	Securities Commission
2	15 June 2015	Knowing how to detect, prevent & report financial irregularities & scandalous activities	Bursatra Sdn Bhd
3	18 June 2015	Enforcement of latest Bursa revamp listing requirement 2015	Smart Focus
4	22 June 2015	Advanced Corporate Finance: The Conservation of Value Principle	AB Maximus Association Management

Dato' Soh Thian Lai

No	Date	Training	Organiser
1	21 March 2015	FMM Selangor Entrepreneurship & Innovation Conference 2015	FMM Selangor
2	25 May 2015	2015 SEAISI Conference & Exhibition	SEAISI
3	6 August 2015	Malaysia-Japan Public & Private Collaborative Workshop 2015	Japanese Government, Ministry of Economy, Trade and Industry (METI)

Victor Hii Lu Thian

No	Date	Training	Organiser
1	2 November 2015	Tax Seminar 2015	KPMG

Fong Yoo Kaw @ Fong Yee Kow

No	Date	Training	Organiser
1	9 April 2015	Focus Group Session for Board of Directors on Strengthening Corporate Governance Disclosure Amongst the Listed Issuers	KPMG
2	2 November 2015	2016 Budget & Tax Conference	Ernst & Young

Liew Jee Min @ Chong Jee Min

No	Date	Training	Organiser
1	13 January 2015	(a) The Key Factors of Goods & Services Tax (GST) & its implementation (b) Transfer Pricing	Lion Group
2	9 June 2015	Risk Management & Internal Control for Audit Committees - Post Workshop Discussion	Bursa Malaysia
3	31 July 2015	Corporate Governance Breakfast series with directors: Bringing the best out in boardroom	Bursa Malaysia
4	8 October 2015	Sustainability Symposium: Responsible Business, Responsible Investing	Bursa Malaysia
5	2 November 2015	Future of Auditor Reporting: The Game Changer for Boardroom	Bursa Malaysia

CORPORATE GOVERNANCE STATEMENT (cont'd)

Dr Loh Leong Hua

No	Date	Training	Organiser
1	14 January 2015	Executing Your Growth Strategy with Certainty	Malaysian Directors Academy (MINDA)
2	4 August 2015	The Board's Response in Light of Rising Shareholder Engagements	Bursa Malaysia
3	19 August 2015	The Interplay between Corporate Governance, Non-Financial Information and Investment Decision	Bursa Malaysia
4	12 November 2015	Leadership Excellence: Lifelong Learning	Securities Industry Development Corporation (SIDC)
5	26 November 2015	CG Breakfast series with Directors: Board Reward and Recognition	Bursa Malaysia
6	28 November 2015	Environmental, Social & Governance Practices for Corporate Sustainability	Asian Academy for Corporate Administration Sdn Bhd

Christopher Hii Lu Ming

No	Date	Training	Organiser
1	6 August 2015	Malaysia-Japan Public & Private Collaborative Workshop	Japanese Government, Ministry of Economy, Trade and Industry (METI)

Yasuji Nakano

No	Date	Training	Organiser
1	12 - 13 August 2015	Mandatory Accreditation Programme for Directors of Public Listed Companies	Bursatra Sdn Bhd

The Company Secretaries normally circulate the relevant statutory and regulatory requirements from time to time for the Board's reference and brief the Board on the updates, where applicable.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING

It is the Board's commitment to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of each reporting period and financial year, primarily through the quarterly announcement of the Group's results to Bursa Malaysia, the annual financial statements of the Group and Company as well as the reports of the Board of Directors and the Group Managing Director/Chief Executive Officer's review of operations in the Annual Report.

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the reporting period and of their results and cash flows for the period then ended.

In assisting the Board to discharge its duties on financial reporting, the Board has established an Audit Committee, comprising wholly the four (4) Independent Directors, with Mr Fong Yoo Kaw @ Fong Yee Kow as the Audit Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report on pages 29 to 32 of this Annual Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 1965. Such financial statements comprise the quarterly financial report announced to Bursa Malaysia and the annual statutory financial statements.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2015, the Group has used appropriate accounting policies and applied them consistently. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING (cont'd)

The Board understands its role in upholding the integrity of financial reporting by the Company.

In assessing the independence of External Auditors, the Audit Committee obtains assurance from the External Auditors, confirming that they are, and have been, independent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

The total amount of audit and non-audit fees incurred for services rendered to the Group for the financial year ended 31 December 2015 by the Company's external auditors, Messrs KPMG, and a firm and company affiliated to KPMG are set out below:

	RM
Audit fees	175,000
Non-audit fees	43,800

PRINCIPLE 6 – RECOGNISING AND MANAGING RISKS

The Board regards risk management and internal controls as an integral part of the overall management processes. The following represent the key elements of the Group's risk management and internal control structure:

(i) an organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
(ii) review and approval of annual business plan and budget of all major business units by the Board. This plan sets out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
(iii) quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment;
(iv) active participation and involvement by the Group Managing Director/Chief Executive Officer in the day-to-day running of the major businesses and regular discussions with the senior management of smaller business units on operational issues; and
(v) monthly financial reporting by subsidiaries to the Company.

The Statement on Risk Management & Internal Control, which provides an overview of the state of internal control within the Group, is set out on pages 26 to 28 of this Annual report.

Recognising the importance of having risk management processes and practices, the Board has established a Risk Management Committee ("RMC"), which is chaired by the Group Managing Director/Chief Executive Officer, to oversee the identification, evaluation, control, monitoring and reporting of critical risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks vis-à-vis the risk appetite of the Group.

In line with the Listing Requirements and the MCCG 2012, the Board has established an internal audit function, which reports directly to the Audit Committee on the adequacy and effectiveness of the system of internal controls from the perspective of governance, risk and controls. The internal audit function of the Company is outsourced to an independent professional firm, whose scope of work covered during the financial year under review is provided in the Audit Committee Report as set out on page 32 of this Annual Report. All internal audits carried out are guided by internal auditing standards promulgated by the Institute of Internal Auditors Inc, a globally recognized professional body for internal auditors.

PRINCIPLE 7 – ENSURING TIMELY AND HIGH QUALITY DISCLOSURE

The Board is aware of the need to establish corporate disclosure policies and procedures to enable comprehensive, accurate and timely disclosures relating to the Company and its subsidiaries to be made to the regulators, shareholders and stakeholders. Accordingly, as of the date of this Statement, the Board has formalised pertinent corporate disclosure policies and procedures to govern its information disclosure practices.

The Company's corporate website at www.ykgigroup.com serves as a key communication channel for shareholders, investors, members of the public and other stakeholders to obtain up-to-date information on the Group's activities, financial results, major strategic developments and other matters affecting stakeholders' interests.

To augment the process of disclosure, the Board has earmarked a dedicated section for corporate governance on the Company's website, where information on the Company's announcements to the regulators, the Board Charter, rights of shareholders, and the Company's Annual Report may be accessed.

CORPORATE GOVERNANCE STATEMENT (cont'd)

PRINCIPLE 8 – STRENGTHENING RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

The AGM of the Company serves as the principal forum that provides opportunities for shareholders to raise questions pertaining to issues in the Annual Report, Audited Financial Statements, and corporate developments in the Group, the resolutions being proposed and concerns over the Group's businesses, to the Board for clarification. The Chairman as well as the Group Managing Director/Chief Executive Officer and the external auditors, if so required, respond to shareholders' questions during the meeting.

The Notice of AGM is circulated to shareholders at least twenty-one (21) days before the date of the meeting to enable them to go through the Annual Report and papers supporting the resolutions proposed. All the resolutions set out in the Notice of the last AGM were put to vote by a show of hands and duly passed. The outcome of the AGM was announced to Bursa Malaysia on the same day.

The Chairman, at the commencement of a general meeting, informs shareholders of their rights to demand for poll voting in accordance with conditions provided in the Company's Articles of Association.

The Board maintains an open channel of communication with its shareholders, institutional investors and the investing public at large with the objective of providing a clear and complete picture of the Group's performance and position. The Company values feedback and dialogues with its investors and believes that a constructive and effective investor relationship is an essential factor in enhancing value for its shareholders.

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

In addition to various announcements made during the year, the timely release of annual reports, circulars to shareholders, press releases and financial results on a quarterly basis provide shareholders and investors with an overview of the Group's performance and operations.

Such approaches allow shareholders and the investment communities to make more informed investment decisions based not only on past performance but also the future direction of the Company.

This Statement is issued by the Board based on its resolution dated 11 April 2016.

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 2015 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, which is made up of senior management personnel headed by the Group Managing Director/ Chief Executive Officer 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.

YKGI engaged Ernst & Young Advisory Services Sdn Bhd ("EYAS"), an independent professional service firm to do Group wide risk assessments to help independently identify business risks. This was done through a series of workshops involving key process owners. The last exercise was done in July 2012. With the changes in business environment and the recent change in business structure, YKGI has scheduled another workshop to update the risk profile in March, 2016.

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 internally the KPI quarterly and initiates action plans arising from the reviews when necessary. Findings and decisions arrived at by the committee are minuted and circulated to the RMC members. The Board is informed of the status of resolution of any significant issues identified at these meetings via minutes mentioned above which are included in the Board papers.

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 EYAS for a period of three years. The current three-year cycle ends in 2017. The Internal Audit programme was drawn up based on the risk identified under the Risk Assessment exercise conducted by the consultants. The AC reviews the programme proposed by the EYAS, its scope and frequency of work and resources on an annual basis.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (cont'd)

INTERNAL AUDIT FUNCTION (cont'd)

The Internal Audit Function reviews the Group's operations, the systems of internal control by performing reviews of the business processes three to four times annually 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 32.

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. During 2015 the AC met five (5) times.

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 pages 31 to 32.

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.

- Clearly defined strategic and business action plans are drawn up by the MD together with management input. These are circulated for approval by the AC and the Board. Performance results are monitored quarterly and variances sought by AC and the Board where relevant.

- 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, ISO 14001 Environment Management System and ISO 18001 Occupational Health and Safety 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. During 2015, two surveillance audits were carried out in July and November.

- Monthly management reports received and reviewed by the Strategic Management Committee ("SMC") 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. Findings and decisions arrived at by the committee are minuted under "actions to be taken and circulated to the SMC members for information and review. During 2015 ten (10) meetings were held.

- 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.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (cont'd)

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 Senior Financial Controller 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 11 April 2016.

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 2015.

1. MEMBERSHIP AND ATTENDANCE OF EACH MEMBER

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

During the financial year ended 31 December 2015, 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 Yoo Kaw @ Fong Yee Kow (MIA No. 3187)	Chairman, Senior Independent Director	5/5
Mr Lim Pang Kiam	Member, Independent Director	4/5
Mr Liew Jee Min @ Chong Jee Min	Member, Independent Director	5/5
Dr. Loh Leong Hua	Member, Independent Director	2/2

The Group Managing Director/Chief Executive Officer, Chief Financial Officer, Senior Financial Controller, 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.

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 is governed by the following terms of reference which have been approved by the Board.

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)

2.5 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 2015:

3.1 Financial Reporting

a. Reviewed the quarterly unaudited financial results of the Company and the Group with the Group Managing Director/Chief Executive Officer, Chief Financial Officer and/or Senior Financial Controller before recommending them for approval by the Board of Directors.
b. Reviewed the annual audited financial statements of the Group with the external auditors and the Group Managing Director/Chief Executive Officer, Chief Financial Officer and/or Senior Financial Controller 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 review by the External Auditors and 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. Assessed the performance of the auditors and made recommendations to the Board of Directors for approval on their re-appointment and recommended the remuneration.
c. Received updates on the statutory and regulatory requirements including the implementation of the accounting standards applicable in the preparation of financial statements and their implications of the financial statements.
d. Met once with the external auditors excluding the attendance of the other Directors and employees twice during the year under review.
e. Assessed 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

The Risk Management Committee, with the help of Ernst & Young Advisory Services Sdn Bhd had identified and reviewed the principal risk factors of the Group in 2012. Controls were designed and put in place based on the risk identified to mitigate those risks pertaining to the key business processes of the Group. The Risk Management 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.

With the recent restructuring of business, changes in production ERP systems and changes in the business environment, the Committee has determined the need for a review of the principal risk factors. The Consultants have been engaged to do an update of the enterprise risk profile. This exercise is currently on-going.

4. INTERNAL AUDIT FUNCTION

During the financial year ended 31 December 2015, the internal auditors had carried out one (1) audit exercise for the Group. Internal audit program was in the process of being restructured pending completion of the risk assessment by the Consultants. Regular internal audit function will resume upon approval of the new internal audit plan.

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 has reported back corrective actions taken on the respective recommendations. The Partner-in-charge of the Internal Audit Services of Ernst & Young Advisory Services Sdn Bhd 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 2015 was RM86,024.

Corporate Social Responsibilities

Communities

YKGI continued to help the flood victims in East Coast of Peninsular Malaysia in Year 2015. Other activities and functions were organised to benefit the community and staff.

Donated PPGI coils to build new houses for flood victims of Guchil, Kelantan

Date: 21st July 2015

Celebrating Hari Raya "Warna-Warni Aidilfitri"
Date: 14th August 2015
Venue: Multipurpose Hall, YKGI, Klang

Children Education Assistance for 2016
Date: 13th December 2015
Venue: Multipurpose Hall, YKGI Kuching

Left:
Matron of Sarawak Cheshire Home, Sr Regina giving a welcome speech.

Right:
Residents of Sarawak Cheshire Home

Visiting the folks of Sarawak Cheshire Home
Date: 14th November 2015   Venue: Sarawak Cheshire Home, Kuching

Corporate Social Responsibilities (cont'd)

Group Photo

Factory tour for Primary School students
Date: 18th April 2015
Venue: YKGI Kuching

Our staff showing the children around the factory. Children had a fun and educational trip.

In-house bowling competition
Date: 15th September 2015
Venue: Megalanes King Centre, Kuching

Group photo

YKGI Futsal Team participation in FMM Selangor Futsal Competition
Date: 5th December 2015
Venue: Ferro Futsal, Subang

Staff in action

Participants in action

Corporate Social Responsibilities (cont'd)

Nurse attending to the blood donor

Blood donation campaigns
Date: 21st April 2015 & 13th August 2015
Venue: MPC Sarawak
Event: YKGI CSR co-organised the blood donation campaign with MPC Sarawak

Hospital staff on duty

Blood donors awaiting for their turn

Mr. Victor, CEO East Malaysia together with members of the hospital and blood donor.

Category	2015 Community Aids
Fund Assistance	• Salvation Army Children's Home
	• Christ Baptist Church
	• Kolej Cempaka Unimas
	• Children Education Assistance Fund
	• Hope Place
	• Kuching Chess Association
	• Sekolah Antarabangsa Lodge
	• Sarawak Cheshire Home
Blood Donation	• 154 pints

Environment

YKGI has initiatives to reduce waste and recycle materials so as to be environmentally friendly.

Steel Recycling

Category	2015
Steel Recycle Per Tonne Product	6.07KG/MT

Schedule Waste (SW) Output

Category	2015
SW Output Per Tonne Product	0.90kg/MT

Electricity Consumption

Category	2015
Consumption Per Tonne Product	53.66kWH/MT

Water Consumption

Category	2015
Consumption Per Tonne Product	0.30m3/MT

CONTACTS OF YKGI GROUP OF COMPANIES

YKGI HOLDINGS BERHAD (032939-U)

Registered Address/Office & Factory (Klang)
Wisma YKGI, Lot 6479 Lorong Sg. Puloh/KU06
Kawasan Perindustrian Sungai Puloh
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +60 3 3291 5189 Fax: +60 3 3290 6668

Office & Factory (Kuching)
Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +60 82 433 888 Fax: +60 82 433 889

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: +60 82 433 888 Fax: +60 82 433 889

ASTEEL (Bintulu) Sdn Bhd (1062228-D)

Office & ASTEEL Concept Store
Lot 10110 Block 32 Kemena Land District
Mile 6 Jalan Bintulu/Sibu 97000 Bintulu Sarawak
Tel: +60 86 315 648 Fax: +60 86 315 648

Factory & ASTEEL Concept Store
Lot 1260(B) Jalan Saberkas Sungai Plan Kidurong
97000 Bintulu Sarawak
Tel: +60 86 325 012 Fax +60 86 325 030

ASTEEL (Sabah) Sdn Bhd (1062207-W)

Office, Factory & ASTEEL Concept Store
Lot 10 Package 1 General Industrial Zone Kota Kinabalu Industrial Park (KKIP)
KM26 Jalan Tuaran 88460 Kota Kinabalu Sabah
Tel: +60 88 498 866 Fax: +60 088 498 877

Tawau Office & ASTEEL Concept Store
TB 758 Mile 3 ½ Jalan Apas 91015 Tawau Sabah
Tel: +60 89 916 688, 912 500 Fax: +60 89 915 000

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 6479 Lorong Sg. Puloh/KU06,
Kawasan Perindustrian Sungai Puloh,
42100 Klang Selangor Darul Ehsan Malaysia.
Tel: +60 3 3291 5189 Fax: +60 3 3290 6668

Subsidiaries (Kingdom of Thailand)

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

No.317 Kamoi Sukosol Building, Unit 8D, 8th Floor,
Silom Road, Silom Sub-District, Bangrak District, Bangkok

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

The Board of Directors hereby confirms that suitable accounting policies have been consistently applied in respect of preparation of the financial statements. The Board of Directors also confirms that the Group maintains adequate accounting records and sufficient internal controls to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities. These are described more fully in the Statement on Corporate Governance Statement outlined on pages 17 to 25 of this Annual Report.

Directors' Report for the year ended 31 December 2015

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2015.

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	16,551,790	10,509,639

Dividends

The Company has no distributable reserves with which to pay dividends.

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	-
Victor Hii Lu Thian	-
Fong Yoo Kaw @ Fong Yee Kow	-
Liew Jee Min @ Chong Jee Min	-
Christopher Hii Lu Ming	-
Dr. Loh Leong Hua (appointed on 28.08.2015)	-
Toshihiko Takahashi (resigned on 01.07.2015)	Yoshiyuki Komaki (ceased on 01.07.2015)
Yasuji Nakano (appointed on 01.07.2015)	Yoshiyuki Komaki (appointed on 01.07.2015 and resigned on 01.04.2016)
Yoshiyuki Komaki (appointed on 01.04.2016)	-
Francis Hii Lu Sheng (resigned on 28.08.2015)	-
Yoshiki Kaneko (resigned on 01.04.2016)	-

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 2015 (cont'd)

Directors' interests in shares(cont'd)

	Number of ordinary shares of RM0.50 each							
	Direct interests				Deemed interests			
	At 1.1.2015	Bought	Sold	At 31.12.2015	At 1.1.2015	Bought	Sold	At 31.12.2015
Interests in the Company								
Dato' Soh Thian Lai	13,934,346	5,000	-	13,939,346	11,477,816	98,400	-	11,576,216
Victor Hii Lu Thian	4,269,356	25,000	-	4,294,356	64,907,799	-	-	64,907,799
Christopher Hii Lu Ming	4,258,546	25,000	-	4,283,546	64,907,799	-	-	64,907,799
Lim Pang Kiam	-	217,800	217,800	-	-	-	-	-

	Number of Warrants B (2013/2020)							
	Direct interests				Deemed interests			
	At 1.1.2015	Bought	Sold	At 31.12.2015	At 1.1.2015	Bought	Sold	At 31.12.2015
Interests in the Company								
Dato' Soh Thian Lai	3,800,276	-	-	3,800,276	3,070,804	-	-	3,070,804
Victor Hii Lu Thian	138,990	-	-	138,990	16,872,057	-	6,142,548	10,729,509
Christopher Hii Lu Ming	12,180	-	-	12,180	16,872,057	-	6,142,548	10,729,509

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 2015 (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 25 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 2015, 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 (2014: 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 2015 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.

Directors' Report for the year ended 31 December 2015 (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

Victor Hii Lu Thian

Klang,

Date: 11 April 2016

Statements of financial position as at 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Assets					
Property, plant and equipment	3	283,123,478	354,755,728	252,328,011	260,989,228
Investment in subsidiaries	4	-	-	39,002,096	38,002,096
Other investments	5	9,775	9,775	-	-
Total non-current assets		283,133,253	354,765,503	291,330,107	298,991,324
Inventories	6	89,040,313	128,682,891	64,455,462	99,479,803
Trade and other receivables	7	88,515,439	85,538,352	115,218,563	104,745,652
Deposits and prepayments	8	3,499,431	2,144,410	2,592,471	1,186,501
Current tax assets		643,770	704,544	-	162,906
Derivative financial assets	9	488,423	2,368,589	488,423	2,368,589
Cash and cash equivalents	10	28,075,486	26,822,503	11,061,698	1,546,406
		210,262,862	246,261,289	193,816,617	209,489,857
Assets classified as held for sale	11	59,663,505	-	-	-
Total current assets		269,926,367	246,261,289	193,816,617	209,489,857
Total assets		553,059,620	601,026,792	485,146,724	508,481,181
Equity					
Share capital	12.1	185,031,840	185,031,840	185,031,840	185,031,840
Reserves	12.2	15,467,130	32,048,433	26,611,868	37,121,507
Total equity		200,498,970	217,080,273	211,643,708	222,153,347
Liabilities					
Loans and borrowings	13	42,333,507	37,861,613	9,089,994	14,642,986
Deferred tax liabilities	14	264,000	3,805,000	202,000	3,366,000
Total non-current liabilities		42,597,507	41,666,613	9,291,994	18,008,986
Trade and other payables	16	145,784,151	131,339,742	138,275,917	121,824,046
Loans and borrowings	13	164,070,992	210,872,828	125,917,105	146,494,802
Current tax payables		108,000	67,336	18,000	-
Total current liabilities		309,963,143	342,279,906	264,211,022	268,318,848
Total liabilities		352,560,650	383,946,519	273,503,016	286,327,834
Total equity and liabilities		553,059,620	601,026,792	485,146,724	508,481,181

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2015

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Revenue	17	491,630,839	537,689,587	416,242,714	422,769,097
Cost of sales		(464,715,886)	(524,922,676)	(402,301,919)	(420,084,025)
Gross profit		26,914,953	12,766,911	13,940,795	2,685,072
Other income		3,429,263	9,118,321	3,559,305	11,572,083
Selling and distribution expenses		(6,912,164)	(6,937,436)	(3,953,866)	(3,865,794)
Administrative expenses		(31,424,792)	(33,316,830)	(18,946,249)	(20,158,313)
Results from operating activities	18	(7,992,740)	(18,369,034)	(5,400,015)	(9,766,952)
Finance income	19	1,115,122	1,011,760	174,381	570,295
Finance costs	19	(12,941,645)	(14,736,185)	(8,419,005)	(9,974,713)
Net finance costs		(11,826,523)	(13,724,425)	(8,244,624)	(9,404,418)
Loss before tax		(19,819,263)	(32,093,459)	(13,644,639)	(19,171,370)
Taxation	20	3,267,473	5,451,059	3,135,000	5,449,143
Loss for the year attributable to the owners of the Company		(16,551,790)	(26,642,400)	(10,509,639)	(13,722,227)
Other comprehensive income, net of tax					
Foreign current translation difference	12	(29,513)	-	-	-
Revaluation of property, plant and equipment		-	50,596,245	-	35,285,622
(Loss)/Total comprehensive (Loss)/income for the year attributable to the owners of the Company		(16,581,303)	23,953,845	(10,509,639)	21,563,395
Basic/diluted loss per ordinary share (sen):	21	(4.8)	(7.6)		

Consolidated statement of changes in equity
for the year ended 31 December 2015

		Attributable to owners of the Company						
		Non-distributable						
		Ordinary share	Redeemable convertible preference share	Translation reserve	Revaluation reserve	Share premium	Retained earnings/ (Accumulated) losses)	Total
Group	Note	RM	RM	RM	RM	RM	RM	RM
At 1 January 2014		174,168,790	10,863,050	-	-	1,968,881	9,871,969	196,872,690
Revaluation surplus	3.1	-	-	-	50,596,245	-	-	50,596,245
Loss for the year		-	-	-	-	-	(26,642,400)	(26,642,400)
Total comprehensive income for the year		-	-	-	50,596,245	-	(26,642,400)	23,953,845
Dividends to the owner of the Company		-	-	-	-	-	*(3,746,262)*	*(3,746,262)*
At 31 December 2014/1 January 2015		174,168,790	10,863,050	-	50,596,245	1,968,881	(20,516,693)	217,080,273
Foreign currency translation difference for foreign operations		-	-	(29,513)	-	-	-	(29,513)
Loss for the year		-	-	-	-	-	(16,551,790)	(16,551,790)
Total comprehensive loss for the year		-	-	(29,513)	-	-	(16,551,790)	(16,581,303)
At 31 December 2015		174,168,790	10,863,050	(29,513)	50,596,245	1,968,881	(37,068,483)	200,498,970
		(Note 12)	(Note 12)	(Note 12)	(Note 12)			

Statement of changes in equity
for the year ended 31 December 2015 (cont'd)

Company	Note	Non-distributable Ordinary share RM	Non-distributable Redeemable convertible preference share RM	Non-distributable Revaluation reserve RM	Non-distributable Share premium RM	Retained earnings/ (Accumulated losses) RM	Total RM
At 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		-	-	-	-	(3,746,262)	(3,746,262)
At 31 December 2014/1 January 2015		174,168,790	10,863,050	35,285,622	1,968,881	(132,996)	222,153,347
Loss/Total comprehensive loss for the year		-	-	-	-	(10,509,639)	(10,509,639)
At 31 December 2015		174,168,790	10,863,050	35,285,622	1,968,881	(10,642,635)	211,643,708
		(Note 12)	(Note 12)	(Note 12)	(Note 12)		

Statements of cash flows for the year ended 31 December 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash flows from operating activities				
Loss before tax from:	(19,819,263)	(32,093,459)	(13,644,639)	(19,171,370)
Adjustments for:				
Depreciation of property, plant and equipment	19,845,869	20,213,691	15,194,499	15,259,091
Finance income	(1,115,122)	(1,011,760)	(174,381)	(570,295)
Finance costs	12,941,645	14,736,185	8,419,005	9,974,713
Gain on disposal of:				
- property, plant and equipment	(76,285)	(162,230)	(77,000)	(141,509)
- subsidiary	-	-	-	(3,294,257)
Impairment loss on property plant and equipment	182,000	-	-	-
Unrealised foreign exchange loss	298,508	2,684,583	298,508	2,684,583
Derivative gain on forward foreign exchange contracts	(488,423)	(2,368,589)	(488,423)	(2,368,589)
Termination of retirement benefits (Note 15)	-	(4,843,855)	-	(4,843,855)
Operating profit/(loss) before changes in working capital	11,768,929	(2,845,434)	9,527,569	(2,471,488)
Changes in inventories	39,642,578	24,934,145	35,024,337	(9,987,803)
Changes in trade and other receivables, deposits and prepayments	(1,993,032)	23,843,818	(9,511,743)	46,960,357
Changes in trade and other payables	14,145,901	15,029,975	16,154,818	24,819,497
Cash generated from operations	63,564,376	60,962,504	51,194,981	59,320,563
Tax (paid)/refund	(172,089)	(636,500)	151,906	(283,463)
Interest paid	(9,596,144)	(11,681,682)	(7,269,405)	(8,426,102)
Interest received	380,641	323,981	104,991	526,365
Net cash from operating activities	54,176,784	48,968,303	44,182,473	51,137,363
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (i)]	(6,150,573)	(12,775,917)	(5,185,525)	(10,773,913)
Subscription of shares in new subsidiaries	-	-	-	(198,931)
Increase in investment in existing subsidiary (Note 4)	-	-	(1,000,000)	(605,543)
Proceeds from disposal of property, plant and equipment	78,619	1,578,413	103,136	485,557
Interest received	734,481	687,779	69,390	43,930
Decrease/(increase) in deposits pledged to banks	4,202,154	(1,017,665)	(43,489)	(1,425,877)
Net cash used in investing activities	(1,135,319)	(11,527,390)	(6,056,488)	(12,474,777)

Statements of cash flows for the year ended 31 December 2015 (cont'd)

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Cash flows from financing activities				
Dividends paid to the owners of the Company	-	(3,746,262)	-	(3,746,262)
Net proceeds/(repayment) of term loans	430,389	(17,151,146)	(10,256,968)	(20,904,266)
Net repayment from bankers' acceptances and revolving credits	(38,726,828)	(9,983,361)	(14,983,000)	(11,577,000)
Repayment of finance lease liabilities	(2,380,073)	(3,730,279)	(806,872)	(612,393)
Interest paid	(3,345,501)	(3,054,503)	(1,149,600)	(1,548,611)
Net cash used in financing activities	(44,022,013)	(37,665,551)	(27,196,440)	(38,388,532)
Net increase/(decrease) in cash and cash equivalents	9,019,452	(224,638)	10,929,545	274,054
Cash and cash equivalents at beginning of year	(118,826)	105,812	(2,625,576)	(2,899,630)
Cash and cash equivalents at end of year [Note (ii)]	8,900,626	(118,826)	8,303,969	(2,625,576)

Notes

(i) Acquisition of property, plant and equipment

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

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Paid in cash	6,150,573	12,775,917	5,185,525	10,773,913
In the form of finance lease assets	1,910,885	2,627,000	1,373,894	2,231,000
Total (see Note 3)	8,061,458	15,402,917	6,559,419	13,004,913

(ii) Cash and cash equivalents

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

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Deposits placed with licensed banks with maturities less than three months	-	2,605,000	-	-
Cash in hand and at banks	11,369,483	3,309,346	9,592,332	120,529
Total (see Note 10)	11,369,483	5,914,346	9,592,332	120,529
Less: Bank overdrafts (Note 13)	(2,468,857)	(6,033,172)	(1,288,363)	(2,746,105)
	8,900,626	(118,826)	8,303,969	(2,625,576)

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	Wisma YKGI, Lot 6479, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan.

Registered office

Wisma YKGI, Lot 6479, 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 2015 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 2015 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 11 April 2016.

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 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,* 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
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 2018
MFRS 9, *Financial Instruments (2014)*	1 January 2018
Admendments 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*	**To be determined**

Notes to the financial statements (cont'd)

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

(a) **Statement of compliance** (cont'd)

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2016, those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 10, Amendments to MFRS 11, Amendments to MFRS 12, MFRS 14, Amendments to MFRS 127, Amendments to MFRS 128, Amendment to MFRS 134, Amendments to MFRS 138 and MFRS 141, which are assessed as presently not applicable to the Company.

- from the annual period beginning on 1 January 2018 for MFRS 9 and MFRS 15, which are both effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the financial statements of the Group and Company except as mentioned below:

(i) MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 9.

(ii) **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*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group is currently assessing the financial impact of adopting MFRS 15.

(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 2015, the current liabilities exceeded the current assets of the Group and Company by RM40,036,776 (2014: RM96,018,617) and RM70,394,405 (2014: RM58,828,991) respectively. During the financial year, the Group and the Company have incurred net loss of RM16,551,790 and RM10,509,639 respectively as compared to net loss of RM26,642,400 and RM13,722,227 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 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.

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 forecast for the financial year of 2016 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 RM4.20 per USD1.00.

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

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

d) Sales volume is projected to maintain as compared to 2015.

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 2015.

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 that 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;

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.

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 dates of the transaction.

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 are not retranslated at the end of the reporting date, 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") in 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 of 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.

Notes to the financial statements (cont'd)

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(j)(i)].

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) 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 of it 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 of it 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.

(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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

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

(i) Recognition and measurement (cont'd)

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. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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 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(t).

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 the 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.

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) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution to owners rather than through continuing use, are classified as held for sale or distribution.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(h) Non-current assets held for sale (cont'd)

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

(i) 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.

(j) 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 and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill with indefinite useful lives, the recoverable amount is estimated each period at the same time.

2. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(ii) Other assets (cont'd)

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.

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.

(k) 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.

(l) Employee benefits

(i) Short-term employee benefits

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

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(l) Employee benefits (cont'd)

(ii) State plans

The Group's 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.

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.

(m) 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.

(n) 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, 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 contract cost 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.

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

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

(iii) Construction contract income (cont'd)

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

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

(iv) Dividend income

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

(v) Rental income

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

(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.

(o) 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.

(p) 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 assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(p) Income tax (cont'd)

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 which the unutilised tax incentive can be utilised.

(q) 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.

(r) 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.

(s) 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. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Group 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.

(t) 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 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 2014/1 January 2015	86,700,000	3,972,000	4,627,000	100,819,972	308,998,617	13,496,733	518,614,322
Additions	-	-	-	1,009,381	1,514,306	870,343	3,394,030
Disposals	-	-	-	-	-	(4,712)	(4,712)
Reclassification	-	-	-	7,827	-	-	7,827
Transfer to assets held for sale (Note 11)	(26,000,000)	-	-	(36,813,776)	-	(1,957,734)	(64,771,510)
At 31 December 2015	60,700,000	3,972,000	4,627,000	65,023,404	310,512,923	12,404,630	457,239,957
Representing items at:							
Cost	27,020,000	-	3,299,500	65,023,404	310,512,923	12,404,630	418,260,457
Directors' valuation	33,680,000	3,972,000	1,327,500	-	-	-	38,979,500
At 31 December 2015	60,700,000	3,972,000	4,627,000	65,023,404	310,512,923	12,404,630	457,239,957

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/Impairment							
At 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/ 1 January 2015	-	-	-	32,685,811	141,429,761	8,083,409	182,198,981
Depreciation for the year	-	47,855	121,763	3,765,184	14,024,491	791,161	18,750,454
Disposals	-	-	-	-	-	(2,378)	(2,378)
Impairment	-	-	-	-	182,000	-	182,000
Transfer to assets held for sale (Note 11)	-	-	-	(4,970,963)	-	(137,042)	(5,108,005)
Accumulated depreciation	-	47,855	121,763	31,480,032	155,454,252	8,735,150	195,839,052
Accumulated impairment loss	-	-	-	-	182,000	-	182,000
At 31 December 2015	-	47,855	121,763	31,480,032	155,636,252	8,735,150	196,021,052
Carrying amounts							
At 31 December 2014/ 1 January 2015	86,700,000	3,972,000	4,627,000	68,134,161	167,568,856	5,413,324	336,415,341
At 31 December 2015	60,700,000	3,924,145	4,505,237	33,543,372	154,876,671	3,669,480	261,218,905

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 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 2014/1 January 2015	518,614,322	8,378,188	1,588,477	6,324,091	9,412,950	544,318,028
Additions	3,394,030	298,905	-	-	4,368,523	8,061,458
Disposals	(4,712)	(442,150)	-	-	-	(446,862)
Reclassification	7,827	-	-	-	(7,827)	-
Transfer to assets held for sale (Note 11)	(64,771,510)	-	-	-	-	(64,771,510)
At 31 December 2015	457,239,957	8,234,943	1,588,477	6,324,091	13,773,646	487,161,114
Representing items at:						
Cost	418,260,457	8,234,943	1,588,477	6,324,091	13,773,646	448,181,614
Directors' valuation	38,979,500	-	-	-	-	38,979,500
At 31 December 2015	457,239,957	8,234,943	1,588,477	6,324,091	13,773,646	487,161,114

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/impairment (cont'd)						
At 1 January 2014	165,915,572	5,333,602	1,342,066	-	-	172,591,240
Depreciation for the year	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 2014/1 January 2015	182,198,981	5,400,342	1,519,181	443,796	-	189,562,300
Depreciation for the year	18,750,454	680,117	11,589	403,709	-	19,845,869
Disposals	(2,378)	(442,150)	-	-	-	(444,528)
Impairment	182,000	-	-	-	-	182,000
Transfer to assets held for sale (Note 11)	(5,108,005)	-	-	-	-	(5,108,005)
Accumulated depreciation	195,839,052	5,638,309	1,530,770	847,505	-	203,855,636
Accumulated impairment loss	182,000	-	-	-	-	182,000
At 31 December 2015	196,021,052	5,638,309	1,530,770	847,505	-	204,037,636
Carrying amounts						
At 31 December 2014/1 January 2015	336,415,341	2,977,846	69,296	5,880,295	9,412,950	354,755,728
At 31 December 2015	261,218,905	2,596,634	57,707	5,476,586	13,773,646	283,123,478

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 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/ 1 January 2015	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
Additions	-	-	890,603	803,188	497,105	-	-	4,368,523	6,559,419
Disposals	-	-	-	(286,200)	-	(543,847)	-	-	(830,047)
Reclassifications									
At 31 December 2015	60,700,000	4,627,000	59,437,177	270,423,466	8,228,550	4,044,152	6,324,091	13,773,644	427,558,080
Representing items at:									
Cost	27,020,000	3,299,500	59,437,177	270,423,466	8,228,550	4,044,152	6,324,091	13,773,644	392,550,580
Directors' valuation	33,680,000	1,327,500	-	-	-	-	-	-	35,007,500
At 31 December 2015	60,700,000	4,627,000	59,437,177	270,423,466	8,228,550	4,044,152	6,324,091	13,773,644	427,558,080

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 2014	-	749,669	25,603,085	113,238,797	4,410,509	3,318,225	-	-	147,320,285
Depreciation for the year	-	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/ 1 January 2015	-	-	28,196,202	123,767,818	5,188,124	3,243,540	443,796	-	160,839,480
Depreciation for the year	-	121,763	2,692,159	11,000,503	528,152	448,213	403,709	-	15,194,499
Disposals	-	-	-	(260,063)	-	(543,847)	-	-	(803,910)
At 31 December 2015	-	121,763	30,888,361	134,508,258	5,716,276	3,147,906	847,505	-	175,230,069
Carrying amounts									
At 31 December 2014/ 1 January 2015	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
At 31 December 2015	60,700,000	4,505,237	28,548,816	135,915,208	2,512,274	896,246	5,476,586	13,773,644	252,328,011

Notes to the financial statements (cont'd)

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

3.1 Property, plant and equipment under the revaluation model

In prior 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 12).

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	
	2015 RM	2014 RM	2015 RM	2014 RM
Carrying amounts				
Freehold land	27,020,000	37,760,000	27,020,000	27,020,000
Short-term leasehold land	2,422,927	2,486,289	2,422,927	2,486,289
Long-term leasehold land	3,874,648	3,921,377	-	-
	33,317,575	44,167,666	29,442,927	29,506,289

3.2 Security

The following property, plant and equipment are charged as security for certain loans and borrowings (see Note 13).

Group	**Carrying amounts 2015 RM**	**Carrying amounts 2014 RM**
Fixed legal charges		
Freehold land*	-	26,000,000
Leasehold land	3,924,145	3,972,000
Buildings*	4,900,185	32,610,260
	8,824,330	62,582,260
Under debentures		
Plant and machinery	5,343,791	7,072,220
	14,168,121	69,654,480

Notes to the financial statements (cont'd)

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

3.2 Security (cont'd)

Assets under finance leases are also charged to secure the lease obligations of the Group and of the Company (see Note 13).

** Some land and building charged as security had been transferred to assets held for sale (see Note 11).*

3.3 Impairment review of property, plant and equipment

The Group and the Company have evaluated whether the underlying buildings and plant and machineries are stated in excess of their recoverable amounts. The recoverable amounts of the assets are based on their estimated fair values, which are determined by professional valuation firms by reference to the market values of similar assets and after taking into accounts the age and physical condition of the assets. The affected asset with carrying amount higher than fair value less costs to sell is impaired to fair value less costs to sell. The impairment loss is recognised in cost of sales in the statements of profit or loss and other comprehensive income.

3.4 Title

The title of a long-term leasehold land of the Group with a carrying amount of RM3,924,145 (2014: RM3,972,000) has yet to be issued by the relevant authority.

3.5 Leased property, plant and equipment

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

	Carrying amounts	
	2015	**2014**
Group	**RM**	**RM**
Plant and machinery	9,868,978	9,225,348
Motor vehicles	2,829,599	1,440,777
	12,698,577	10,666,125

Notes to the financial statements (cont'd)

4. Investment in subsidiaries

	Company 2015 RM	Company 2014 RM
Unquoted shares, at cost	39,002,096	38,002,096

Increase in investment in existing subsidiary

On 3 December 2015, the Company subscribed for 1,000,000 new ordinary shares of RM1.00 each issued by a wholly owned subsidiary, ASTEEL Resources Sdn. Bhd., for a consideration of RM1,000,000.

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 2015 %	Effective ownership interest/Voting interest 2014 %
Direct			
ASTEEL Resources Sdn. Bhd. ("AR")	Investment holding	100.00	100.00
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	100.00	100.00
YKGI (Thai) Co. Ltd. ("YKGI Thai")^^	Investment holding	49.00/100.00	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
Star Shine Global Trading Sdn. Bhd.	Trading of flat steel products	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 2015 %	2014 %
Indirect through SSH (cont'd)			
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.	Manufacture and sale of metal roofing, coated steel products and related products	100.00	100.00
ASTEEL (Sabah) Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100.00	100.00
ASTEEL (Bintulu) Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100.00	100.00
Indirect through YKGI Thai			
YKGI (Thai) Steel Co. Ltd.^^	Dormant	49.00/100.00	49.00/100.00

^^ *Not audited by member firms of KPMG International.*

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., ASTEEL Bintulu Sdn. Bhd., Star Shine Marketing 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 entity to continue as a going concern and meet its obligations is therefore dependent on the financial support of holding company and the achievement of future profitable operations.

The holding company has undertaken to provide continued financial support to the entity and is of the opinion that the entity will be able to achieve future profitable operations. Without such financial support and the achievement of future profitable operations, the entity 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 entity 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	
	2015	**2014**
	RM	**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 22.4)	9,725	9,775

The Group has accumulated impairment loss brought forward of RM11,625. The recoverable amount was estimated with reference to the market value.

Notes to the financial statements (cont'd)

6. Inventories

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
At cost				
Raw materials	13,833,130	28,044,162	5,524,471	25,664,816
Manufactured inventories	24,703,571	13,349,186	22,332,195	7,381,075
Trading products	12,671,758	14,411,490	-	-
Consumables	13,123,852	11,376,821	13,025,168	11,292,307
Work-in-progress	11,749,033	21,628,508	11,749,033	15,409,065
Goods in transit	11,371,631	20,611,538	11,371,631	20,504,256
	87,452,975	109,421,705	64,002,498	80,251,519
At net realisable value				
Manufactured inventories	1,267,557	19,228,284	452,964	19,228,284
Trading products	319,781	32,902	-	-
	1,587,338	19,261,186	452,964	19,228,284
Total	89,040,313	128,682,891	64,455,462	99,479,803

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Recognised in profit or loss:				
- Inventories recognised as cost of sales	397,719,066	506,190,615	345,609,362	420,084,025
- Write-down to net realisable value	612,799	553,341	334,550	553,341
- Write-offs	-	677,695	-	-

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)

7. Trade and other receivables

		Group		Company	
	Note	2015 RM	2014 RM	2015 RM	2014 RM
Trade					
Trade receivables	7.3	87,749,074	88,170,755	45,822,447	50,401,994
Less: Allowance for impairment losses		(2,067,045)	(2,820,720)	(124,814)	(124,814)
		85,682,029	85,350,035	45,697,633	50,277,180
Subsidiaries	7.1	-	-	64,016,112	50,756,561
Subtotal		85,682,029	85,350,035	109,713,745	101,033,741
Non-trade					
Subsidiaries	7.2	-	-	3,826,945	3,657,355
Other receivables	7.5	2,833,410	188,317	1,677,873	54,556
		2,833,410	188,317	5,504,818	3,711,911
Total		88,515,439	85,538,352	115,218,563	104,745,652

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

Included in trade balances due from subsidiaries in 2014 is an amount of RM37,431,837 of which any balance if not paid within the agreed credit term bears interest at 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 is an amount of RM1,223,459 (2014: RM1,223,459) due from a former subsidiary, which are unsecured and interest free. The outstanding balance has been fully impaired in prior year.

7.4 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.

7.5 Included in other receivables of the Group and of the Company is an amount of RM1,518,130 (2014: Nil) due from a former subsidiary of the Group which are unsecured and interest free. The outstanding balance will be settle via land with carrying value of RM1,881,000 as at 31 December 2015.

Notes to the financial statements (cont'd)

8. Deposits and prepayments

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Deposits	1,742,508	907,744	1,223,022	397,542
Prepayments	1,756,923	1,236,666	1,369,449	788,959
	3,499,431	2,144,410	2,592,471	1,186,501

9. Derivative financial assets

	Group and Company	
	2015	2014
	RM	RM
Derivatives held for trading at fair value through profit or loss		
- Forward foreign exchange contracts	488,423	2,368,589

Nominal value of the outstanding forward foreign exchange contracts as at 31 December 2015 is RM117,184,731 (2014: RM64,005,170).

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	
	2015	2014	2015	2014
	RM	RM	RM	RM
Deposits placed with licensed banks with maturities less than three months	-	2,605,000	-	-
Cash in hand and at banks	11,369,483	3,309,346	9,592,332	120,529
Total cash and cash equivalents	11,369,483	5,914,346	9,592,332	120,529
Deposits placed with licensed banks with maturities more than three months and pledged with financial institutions	16,706,003	20,908,157	1,469,366	1,425,877
	28,075,486	26,822,503	11,061,698	1,546,406

Notes to the financial statements (cont'd)

11. Assets held for sale

Assets classified as held for sale comprise the following:

Group	*2015 RM*
Land	26,000,000
Building	36,813,776
Furniture, fitting and equipment	1,957,734
	64,771,510
Less: Accumulated depreciation	(5,108,005)
	59,663,505

Assets have been classified as assets held for sale as efforts to sell them have commenced. The land, buildings, furniture, fittings and equipment were approved for sale by the Directors at the Board of Director's meeting held on 18 November 2015. The Group has appointed licensed property agent to sell these assets via expression of interest exercise. The property had been vacant by the management at the end of the financial year.

The carrying value of the said assets is the same as its carrying value before it was reclassified to current assets.

Currently the land and building mentioned above is charge as security for bank facilities of a subsidiary, Starshine Holdings Sdn. Bhd. The security will be discharge upon the disposal.

12. Capital and reserves

12.1 Share capital

	Group and Company			
	Amount		Number of shares	
	2015 RM	2014 RM	2015	2014
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
Opening and closing balances	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 and 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

Notes to the financial statements (cont'd)

12. Capital and reserves (cont'd)

12.1 Share capital *(cont'd)*

Ordinary shares

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

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.

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 affect the rights and privileges attached to the RCPS;
(d) to wind up, dissolve, amalgamate, merge or consolidate the Company with any other body corporate;

12. Capital and reserves (cont'd)

12.1 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: (cont'd)
  (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 2015, 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 (2014: 95,000,428). None of the said warrants have been exercised during the year.

12.2 Reserves

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Accumulated losses	(37,068,483)	(20,516,693)	(10,642,635)	(132,996)
Share premium	1,968,881	1,968,881	1,968,881	1,968,881
Revaluation reserve	50,596,245	50,596,245	35,285,622	35,285,622
Translation reserve	(29,513)	-	-	-
	15,467,130	32,048,433	26,611,868	37,121,507

Notes to the financial statements (cont'd)

12. Capital and reserves (cont'd)

12.2 Reserves (cont'd)

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 year 2013.

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.

Translation reserve

This translation reserve comprises all foreign currency differences arising from the translation of financial statements of foreign operations.

13. Loans and borrowings

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Non-current				
Term loans				
- secured	31,747,567	20,759,958	-	-
- unsecured	6,701,076	13,354,602	6,701,076	13,354,602
Finance lease liabilities				
- secured	3,884,864	3,747,053	2,388,918	1,288,384
	42,333,507	37,861,613	9,089,994	14,642,986

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Current				
Term loans				
- secured	3,195,617	3,495,870	-	-
- unsecured	6,189,096	9,792,538	6,189,096	9,792,538
Finance lease liabilities				
- secured	2,423,240	3,030,238	746,646	1,280,159
Bankers' acceptances and revolving credits				
- secured	32,101,182	55,845,010	-	-
- unsecured	117,693,000	132,676,000	117,693,000	132,676,000
Bank overdrafts				
- unsecured	1,288,363	2,746,105	1,288,363	2,746,105
- secured	1,180,494	3,287,067	-	-
	164,070,992	210,872,828	125,917,105	146,494,802
Total	206,404,499	248,734,441	135,007,099	161,137,788

Notes to the financial statements (cont'd)

13. Loans and borrowings (cont'd)

(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' long-term leasehold land and buildings erected thereon (see Note 3).
- Secured by fixed charges over subsidiary's assets held for sales (see Note 11).
- 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 RM1,190,235 (2014: RM856,373) granted to certain subsidiaries are guaranteed by the Company. In addition, the finance lease liabilities of another indirect subsidiary of RM2,249,873 (2014: RM2,754,438) 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 (2014: 1.75 times) and 1.25 times (2014: 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 2015 are RM12,575,117 (2014: RM24,090,539).

Notes to the financial statements (cont'd)

13. Loans and borrowings (cont'd)

(iii) Finance lease liabilities

Finance lease liabilities are payable as follows:

	2015			2014		
	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	2,837,398	414,158	2,423,240	3,435,364	405,126	3,030,238
Between one and five years	4,405,739	520,875	3,884,864	4,226,449	479,396	3,747,053
	7,243,137	935,033	6,308,104	7,661,813	884,522	6,777,291
Company						
Less than one year	995,637	248,991	746,646	1,447,474	167,315	1,280,159
Between one and five years	2,752,498	363,580	2,388,918	1,589,789	301,405	1,288,384
	3,748,135	612,571	3,135,564	3,037,263	468,720	2,568,543

14. **Deferred tax**

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2015 RM**	**2014 RM**	**2015 RM**	**2014 RM**	**2015 RM**	**2014 RM**
Property, plant and equipment	-	-	(28,776,000)	(30,573,000)	(28,776,000)	(30,573,000)
Revaluation reserve	-	-	(471,000)	(535,000)	(471,000)	(535,000)
Capital allowances carried forward	25,889,000	24,000,000	-	-	25,889,000	24,000,000
Tax losses carried forward	2,987,000	3,200,000	-	-	2,987,000	3,200,000
Other items	107,000	103,000	-	-	107,000	103,000
Tax assets/(liabilities)	28,983,000	27,303,000	(29,247,000)	(31,108,000)	(264,000)	(3,805,000)
Set off of tax	(28,983,000)	(27,303,000)	28,983,000	27,303,000	-	-
Net tax liabilities	-	-	(264,000)	(3,805,000)	(264,000)	(3,805,000)

	Assets		Liabilities		Net	
Company	**2015 RM**	**2014 RM**	**2015 RM**	**2014 RM**	**2015 RM**	**2014 RM**
Property, plant and equipment	-	-	(28,541,000)	(30,031,000)	(28,541,000)	(30,031,000)
Revaluation reserve	-	-	(471,000)	(535,000)	(471,000)	(535,000)
Capital allowances carried forward	25,824,000	24,000,000	-	-	25,824,000	24,000,000
Tax losses carried forward	2,986,000	3,200,000	-	-	2,986,000	3,200,000
Tax assets/(liabilities)	28,810,000	27,200,000	(29,012,000)	(30,566,000)	(202,000)	(3,366,000)
Tax assets/(liabilities)	28,810,000	27,200,000	(29,012,000)	(30,566,000)	(202,000)	(3,366,000)
Set off of tax	(28,810,000)	(27,200,000)	28,810,000	27,200,000	-	-
Net tax liabilities	-	-	(202,000)	(3,366,000)	(202,000)	(3,366,000)

14. Deferred tax (cont'd)

Recognised deferred tax (cont'd)

Movements in deferred tax during the year are as follows:

Group	**At 1.1.2014 RM**	**Recognised in profit or loss RM**	**Revaluation of asset RM**	**At 31.12.2014/ 1.1.2015 RM**	**Recognised in profit or loss RM**	**At 31.12.2015 RM**
Property, plant and equipment	(31,054,000)	481,000	-	(30,573,000)	1,797,000	(28,776,000)
Retirement benefits	1,338,000	(1,338,000)	-	-	-	-
Revaluation reserve	-	-	(535,000)	(535,000)	64,000	(471,000)
Capital allowances carried forward	19,464,000	4,536,000	-	24,000,000	1,889,000	25,889,000
Tax losses carried forward	764,000	2,436,000	-	3,200,000	(213,000)	2,987,000
Other items	146,000	(43,000)	-	103,000	4,000	107,000
	(9,342,000)	6,072,000	(535,000)	(3,805,000)	3,541,000	(264,000)
		(Note 20)			(Note 20)	

Company	**At 1.1.2014 RM**	**Recognised in profit or loss RM**	**Revaluation of asset RM**	**At 31.12.2014/ 1.1.2015 RM**	**Recognised in profit or loss RM**	**At 31.12.2015 RM**
Property, plant and equipment	(30,087,000)	56,000	-	(30,031,000)	1,490,000	(28,541,000)
Retirement benefits	1,338,000	(1,338,000)	-	-	-	-
Revaluation reserve	-	-	(535,000)	(535,000)	64,000	(471,000)
Capital allowances carried forward	19,429,000	4,571,000	-	24,000,000	1,824,000	25,824,000
Tax losses carried forward	764,000	2,436,000	-	3,200,000	(214,000)	2,986,000
	(8,556,000)	5,725,000	(535,000)	(3,366,000)	3,164,000	(202,000)
		(Note 20)			(Note 20)	

14. 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	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Capital allowances carried forward	3,701,000	4,104,000	-	-
Tax losses carried forward	14,986,000	9,640,000	-	-
Reinvestment allowances carried forward	136,189,000	136,057,000	119,000,000	119,000,000
	154,876,000	149,801,000	119,000,000	119,000,000
Deferred tax assets	37,170,000	35,952,000	28,560,000	28,560,000

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.

15. Retirement benefits

Movement in net defined benefit liability

	Group and Company 2014 RM
Balance at 1 January	4,843,855
Included in profit or loss	
Termination of retirement benefits	(4,843,855)
Balance at 31 December	-

Termination of retirement benefits

In the year 2014, the retirement benefits plan had been terminated mutually by the Company and the eligible Directors and employees of the Company. The existing liability subsisting at the date of termination had been recognised as other income of RM4,843,855 in profit or loss in 2014 (see Note 18).

Notes to the financial statements (cont'd)

16. Trade and other payables

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Trade					
Trade payables	16.1	138,973,765	125,291,639	134,569,355	116,583,492
Non-trade					
Other payables		2,448,793	2,336,597	869,229	-
Accrued expenses		4,361,593	3,711,506	2,837,333	3,589,126
Subsidiary	16.2	-	-	-	1,651,428
		6,810,386	6,048,103	3,706,562	5,240,554
Total		145,784,151	131,339,742	138,275,917	121,824,046

16.1 Trade payables of the Group and Company include an amount of RM127,931,145 (2014: RM106,769,023) due to a substantial foreign shareholder of the Company, which bears interest of 2.50% (2014: 2.50%) per annum. Included also in trade payables of the Group and Company is an amount of RM3,617 (2014: RM788,918) due to a company in which the substantial foreign shareholder of the Company mentioned above has interests and bears interest at 7.75% (2014: 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 to purchase raw materials.

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

17. Revenue

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Sale of goods	490,138,765	536,733,546	416,242,714	422,769,097
Services rendered	1,492,074	551,724	-	-
Contract revenue	-	404,317	-	-
	491,630,839	537,689,587	416,242,714	422,769,097

Notes to the financial statements (cont'd)

18. Results from operating activities

	Note	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Results from operating activities are arrived at after charging:					
Auditors' remuneration:					
- Audit fees					
- KPMG		175,000	170,000	62,000	60,000
- Non-audit fees					
- KPMG		11,000	11,000	11,000	11,000
- Local affiliates of KPMG		32,800	11,245	7,500	7,245
- Others		-	104,750	-	82,750
Depreciation of property, plant and equipment	3	19,845,869	20,213,691	15,194,499	15,259,091
Foreign exchange loss					
- realised		1,670,163	275,199	1,669,611	275,199
- unrealised		298,508	2,684,583	298,508	2,684,583
Inventories written off	6	-	677,695	-	-
Inventories written down	6	612,799	553,341	334,550	553,341
Impairment loss on:					
- property, plant and equipment	3	182,000	-	-	-
- trade receivables	7	500,000	263,459	-	-
Personnel expenses (including key management personnel):					
- contributions to state plans		2,598,993	2,932,898	1,504,012	1,841,439
- wages, salaries and others		24,748,439	27,611,016	13,239,182	16,932,315
Rental of premises and land		325,545	383,855	91,045	383,855
Rental of equipment		-	-	-	416,000
and after crediting:					
Derivative gain on forward foreign exchange contracts		488,423	2,368,589	488,423	2,368,589
Gain on disposal of:					
- property, plant and equipment		76,285	162,230	77,000	141,509
- investment in subsidiaries		-	-	-	3,294,257
Rental income from property leased out		130,800	193,740	802,800	417,740
Reversal of impairment loss	22.3	-	960,000	-	-
Termination of retirement benefits scheme	15	-	4,843,855	-	4,843,855

Notes to the financial statements (cont'd)

19. Finance income and costs

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Finance income				
Interest income of financial assets that are not at fair value through profit or loss				
- term deposits	703,372	687,779	43,489	43,930
- other finance income	411,750	323,981	130,892	526,365
Recognised in profit or loss	1,115,122	1,011,760	174,381	570,295
Finance costs				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- term loans	2,818,560	3,054,503	883,132	1,548,611
- overdrafts	798,412	1,128,666	730,673	861,918
- other borrowings	9,061,679	9,956,385	6,717,200	7,021,263
	12,678,651	14,139,554	8,331,005	9,431,792
- other finance costs	262,994	596,631	88,000	542,921
Recognised in profit or loss	12,941,645	14,736,185	8,419,005	9,974,713

20. Taxation

Recognised in profit or loss

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Current tax expense				
Malaysian - current year	273,000	309,000	29,000	-
- prior years	527	311,941	-	275,857
	273,527	620,941	29,000	275,857
Deferred tax expense (Note 14)				
- current year	(2,929,000)	(5,706,000)	(2,847,000)	(5,222,000)
- prior year	(612,000)	(366,000)	(317,000)	(503,000)
	(3,541,000)	(6,072,000)	(3,164,000)	(5,725,000)
Total taxation	(3,267,473)	(5,451,059)	(3,135,000)	(5,449,143)

Reconciliation of tax income

	Group 2015 RM	Group 2014 RM	Company 2015 RM	Company 2014 RM
Loss for the year	(16,551,790)	(26,642,400)	(10,509,639)	(13,722,227)
Total tax income	(3,267,473)	(5,451,059)	(3,135,000)	(5,449,143)
Loss excluding tax	(19,891,263)	(32,093,459)	(13,644,639)	(19,171,370)

Notes to the financial statements (cont'd)

20. Taxation (cont'd)

Reconciliation of tax income (cont'd)

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Income tax calculated using Malaysian tax rate of 25% (2014: 25%)*	(4,943,000)	(8,023,000)	(3,411,000)	(4,793,000)
Non-deductible expenses	1,179,000	848,000	593,000	42,000
Non-taxable income	(110,000)	-	-	(824,000)
Reversal of accumulated depreciation from revaluation of assets	-	535,000	-	535,000
Effect of deferred tax assets not recognised (Note 14)	1,218,000	1,425,000	-	-
Effect of changes in tax rate*	-	(182,000)	-	(182,000)
	(2,656,000)	(5,397,000)	(2,818,000)	(5,222,000)
Over-provision in prior years	(611,473)	(54,059)	(317,000)	(227,143)
Total tax expense	(3,267,473)	(5,451,059)	(3,135,000)	(5,449,143)

* *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.*

21. Loss per ordinary share - Group

Basic and diluted loss per ordinary share

The calculation of basic and diluted loss per ordinary share at 31 December 2015 was based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2015 RM	2014 RM
Loss attributable to ordinary shareholders	(16,551,790)	(26,642,400)
Weighted average number of ordinary shares at 1 January and 31 December	348,337,580*	348,337,580*
Basic and diluted loss per ordinary share (sen)	(4.8)	(7.6)

* *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 2015. 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 2015.*

Notes to the financial statements (cont'd)

22. Financial instruments

22.1 Categories of financial instruments

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

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

	Carrying amount RM	L&R/ (FL) RM	AFS RM	FVTPL RM
Financial assets/(liabilities)				
2015				
Group				
Quoted investments	9,775	-	9,775	-
Trade and other receivables	88,515,439	88,515,439	-	-
Derivative financial assets	488,423	-	-	488,423
Cash and cash equivalents	28,075,486	28,075,486	-	-
Loans and borrowings	(206,404,499)	(206,404,499)	-	-
Trade and other payables	(145,784,151)	(145,784,151)	-	-
Company				
Trade and other receivables	115,218,563	115,218,563	-	-
Derivative financial assets	488,423	-	-	488,423
Cash and cash equivalents	11,061,698	11,061,698	-	-
Loans and borrowings	(135,007,099)	(135,007,099)	-	-
Trade and other payables	(138,275,917)	(138,275,917)	-	-
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)	-	-

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.2 Net gains and losses arising from financial instruments

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Net losses on:				
Financial instruments at FVTPL	488,423	2,368,589	488,423	2,368,589
L&R	615,122	748,301	174,381	570,295
FL	(14,910,316)	(17,695,967)	(10,387,124)	(12,934,495)
	(13,806,771)	(14,579,077)	(9,724,320)	(9,995,611)

22.3 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 loan and advances to 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.

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 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	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Amount due from three (2014: four) subsidiaries	-	-	58,301,813	43,357,551

Impairment losses

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

<u>Group</u>	**Gross RM**	**Impairment RM**	**Net RM**
2015			
Not past due	56,392,559	-	56,392,559
Past due 0-30 days	14,467,318	-	14,467,318
Past due 31-120 days	10,191,346	-	10,191,346
Past due 121-180 days	3,716,428	-	3,716,428
Past due more than 180 days	2,981,423	(2,067,045)	914,378
	87,749,074	(2,067,045)	85,682,029
2014			
Not past due	60,073,211	(200,980)	59,872,231
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
	88,170,755	(2,820,720)	85,350,035

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

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

(a) Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

Company	Gross RM	Impairment RM	Net RM
2015			
Not past due	66,486,388	-	66,486,388
Past due 0-30 days	13,580,834	-	13,580,834
Past due 31-120 days	27,979,143	-	27,979,143
Past due 121-180 days	1,553,002	-	1,553,002
Past due more than 180 days	239,192	(124,814)	114,378
	109,838,559	(124,814)	109,713,745
2014			
Not past due	61,092,320	-	61,092,320
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
	101,158,555	(124,814)	101,033,741

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

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
At 1 January	2,820,720	3,127,063	124,814	124,814
Impairment loss recognised	500,000	1,223,459	-	-
Impairment loss reversed	-	(960,000)	-	-
Impairment loss written off	(1,253,675)	(569,802)	-	-
At 31 December	2,067,045	2,820,720	124,814	124,814

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 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 RM50,645,097 (2014: RM60,524,939), 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 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.

22. Financial instruments (cont'd)

22.3 Financial risk management (cont'd)

(b) Liquidity risk (cont'd)

Maturity analysis

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

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2015							
Trade and other payables							
- interest free	17,849,389	-	17,849,389	17,849,389	-	-	-
- interest bearing	127,934,762	2.50 - 7.75	127,934,762	127,934,762	-	-	-
Loans and borrowings							
- finance lease liabilities	6,308,104	2.58 - 10.01	7,243,137	2,837,398	1,774,393	2,631,346	-
- secured bankers' acceptances	32,101,182	4.66 - 5.81	32,101,182	32,101,182	-	-	-
- unsecured bankers' acceptances and revolving credits	117,693,000	3.67 - 6.20	118,506,769	118,506,769	-	-	-
- secured term loans	34,943,184	5.34 - 6.85	46,241,232	4,763,205	4,336,116	13,008,348	24,133,563
- unsecured term loans	12,890,172	4.90 - 6.17	14,007,207	6,471,104	4,097,261	3,438,842	-
- secured bank overdrafts	1,180,494	8.35	1,180,494	1,180,494	-	-	-
- unsecured bank overdrafts	1,288,363	7.35 - 8.60	1,288,363	1,288,363	-	-	-
	352,188,650		366,352,535	312,932,666	10,207,770	19,078,536	24,133,563

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

22.3 ***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
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	7,661,813	3,435,364	2,641,344	1,585,105	-
- 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	28,206,711	5,346,897	4,407,198	11,645,528	6,807,088
- unsecured term loans	23,147,140	4.60 – 5.40	26,653,222	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	-	-	-
- financial guarantees*	-	-	6,000,000	6,000,000	-	-	-
	380,074,183		395,229,439	353,352,464	13,519,646	20,527,672	7,829,657

* *Being financial 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.*

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

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

(b) Liquidity risk (cont'd)

Maturity analysis (cont'd)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2015							
Trade and other payables							
- interest free	10,341,155	-	10,341,155	10,341,155	-	-	-
- interest bearing	127,934,762	2.50 - 7.75	127,934,762	127,934,762	-	-	-
Loans and borrowings							
- finance lease liabilities	3,135,564	4.30 - 10.01	3,748,135	995,637	991,788	1,760,710	-
- unsecured bankers' acceptances and revolving credits	117,693,000	3.67 - 6.20	118,506,769	118,506,769	-	-	-
- unsecured term loans	12,890,172	4.90 - 6.17	14,007,207	6,471,104	4,097,261	3,438,842	-
- unsecured bank overdrafts	1,288,363	7.35 - 8.60	1,288,363	1,288,363	-	-	-
- Financial guarantees	-	-	50,645,097	50,645,097	-	-	-
	273,283,016		326,471,488	316,182,887	5,089,049	5,199,552	-

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

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

(b) **Liquidity risk** (cont'd)

Maturity analysis (cont'd)

Company	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
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	1,447,474	677,991	911,798	-
- 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	-	-	-
- financial guarantees*	-	-	64,957,700	64,957,700	-	-	-
	282,961,834		350,693,115	335,096,119	7,149,095	8,208,837	239,064

* *Being financial 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.*

22. Financial instruments (cont'd)

22.3 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:

	Group and Company	
	2015	**2014**
	RM	**RM**
Denominated in USD		
Balances recognised in the statement of financial position		
Trade payables	(127,931,145)	(106,769,023)

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	
	2015	**2014**
	RM	**RM**
In USD		
Group and Company	12,793,000	10,677,000

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 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 2015 are RM117,184,732 (2014: RM64,005,170) 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 16.1).

Risk management objectives, policies and processes for managing the risk

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

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

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

Exposure to interest rate risk

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Financial assets	16,706,003	23,513,157	1,469,366	38,857,714
Financial liabilities	(284,037,048)	(303,168,704)	(248,763,326)	(242,802,484)
	(267,331,045)	(279,655,547)	(247,293,960)	(203,944,770)
Floating rate instrument				
Financial liabilities	(50,302,213)	(53,123,678)	(14,178,535)	(25,893,245)

22. Financial instruments (cont'd)

22.3 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		
- 2015	(377,000)	377,000
- 2014	(398,000)	398,000

	Profit or loss	
	100bp increase RM	100bp decrease RM
Company		
Floating rate instruments		
- 2015	(107,000)	107,000
- 2014	(194,000)	194,000

(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 (2014: 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.

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

22.4 ***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		
2015	**Level 1 RM**	**Level 2 RM**	**Total RM**	**Level 3 RM**	**Total fair value RM**	**Carrying amount RM**
Group						
Financial assets						
Quoted shares	9,725	-	9,725	-	9,725	9,775
Forward foreign exchange contracts	-	488,423	488,423	-	488,423	488,423
	9,725	488,423	498,148	-	498,148	498,198
Financial liabilities						
Secured term loans	-	-	-	34,943,184	34,943,184	34,943,184
Unsecured term loans	-	-	-	12,890,172	12,890,172	12,890,172
Finance lease liabilities	-	-	-	6,839,794	6,839,794	6,308,104
	-	-	-	54,673,150	54,673,150	54,141,460

22. Financial instruments (cont'd)

22.4 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value			Fair value of financial instrument not carried at fair value		
2014	**Level 1 RM**	**Level 2 RM**	**Total RM**	**Level 3 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	24,255,828
Unsecured term loans	-	-	-	23,147,140	23,147,140	23,147,140
Finance lease liabilities	-	-	-	6,764,143	6,764,143	6,777,291
	-	-	-	53,891,986	53,891,986	54,180,259

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

22.4 ***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 fair value	Carrying amount
2015	RM	RM	RM	RM	RM
Company					
Financial assets					
Forward foreign exchange contracts	488,423	488,423	-	488,423	488,423
Financial liabilities					
Unsecured term loans	-	-	12,890,172	12,890,172	12,890,172
Finance lease liabilities	-	-	3,667,151	3,667,151	3,135,564
	-	-	16,557,323	16,557,323	16,025,736
2014					
Company					
Financial asset					
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
Finance lease liabilities	-	-	2,541,507	2,541,507	2,568,543
	-	-	25,688,647	25,688,647	25,715,683

Notes to the financial statements (cont'd)

22. Financial instruments (continued)

22.4 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 (2014: 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).

Notes to the financial statements (cont'd)

23. 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 2015 and 31 December 2014 were as follows:

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Total loans and borrowings	206,404,499	248,734,441	135,007,099	161,137,788
Total equity	200,498,970	217,080,273	211,634,708	222,153,347
Debt-to-equity ratio	1.03	1.15	0.64	0.73

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 (2014: 1.75 times) and 1.25 times (2014: 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.

24. Capital expenditure commitments

	Group		Company	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Property, plant and equipment				
Contracted but not provided for	2,399,571	5,433,000	2,399,571	4,977,000

Notes to the financial statements (cont'd)

25. 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. The 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 16.

Transactions with subsidiaries

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Sale of galvanised and other steel products	-	-	(146,885,909)	(187,407,607)
Income from shearing and slitting charges	-	-	-	(155,131)
Tolling charges expense	-	-	217,811	188,786
Purchase of steel related products	-	-	180,327	1,957,644
Interest income	-	-	-	(470,617)
Purchase of property, plant and equipment	-	-	130,108	234,748
Rental of property, plant and equipment received	-	-	(676,900)	(224,000)
Rental of property, plant and equipment paid	-	-	-	416,000
Sale of property, plant and equipment	-	-	(26,418)	-
Sales of scrap	-	-	(26,214)	-
Management fee paid	-	-	1,200,000	1,200,000

Transactions with substantial shareholders of the Company

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Purchase of consumables	45,870	57,660	5,631	55,806
Purchase of raw materials	228,895,851	280,591,722	228,895,851	280,591,722
Freight and handling charges	216,908	235,552	111,655	192,812
Sale of galvanised and other steel products	(6,292,426)	(7,033,516)	(1,779,981)	(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.

Notes to the financial statements (cont'd)

25. 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

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Nature of transaction				
Repair and maintenance charges	-	74,404	-	74,404
Insurance premium paid	1,030,435	893,053	1,030,435	850,983
Purchase of consumables	5,312,581	4,740,862	933,550	1,548,731
Purchase of raw materials	-	28,574,046	-	28,574,046
Sale of galvanised and other steel products	(48,621,191)	(55,207,667)	(26,102,420)	(22,573,606)
Purchase of property, plant and equipment	40,644	76,847	2,720	55,160
Sale of property, plant equipment	-	(65,290)	-	(65,000)
Rental of premises and land	60,000	60,000	60,000	60,000
Income from rental of premises	(112,000)	(108,500)	(112,000)	(108,500)
Repayment of finance leases for acquisition of property, plant and equipment *	691,593	716,318	475,140	280,248
Income from tolling and transportation fee	(78,573)	(87,581)	(13,550)	(66,630)
Tolling and transportation fee	17,470	113,097	10,008	36,560
Interest income	(118,000)	(105,000)	(70,000)	-
Interest expense	-	542,921	-	542,921
Handling and transportation fee	1,026	-	-	-

* *Interest is charged at fixed rates ranging from 2.90% to 5.50% (2014: 2.90% to 5.50%) flat per annum.*

Transactions with key management personnel

	Group		Company	
	2015	2014	2015	2014
	RM	RM	RM	RM
Nature of transaction				
Compensations to key management personnel:				
Directors of the Company				
- Other short-term employee benefits	1,406,060	3,536,976	1,426,060	2,184,784
Directors of subsidiaries				
- Other short-term employee benefits	1,164,741	1,897,153	-	-
Other key management personnel				
- Short-term employee benefits	681,196	1,303,006	681,196	1,127,532
Total	3,251,997	6,737,135	2,107,256	3,312,316

25. 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)*

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.

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 12).

The amount due from/to subsidiaries is disclosed in Notes 7 and 16 to the financial statements. The outstanding balances with other related parties are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Amount due from	10,209,518	8,918,870	5,081,114	3,657,191
Amount due to	(130,934,243)	(109,155,078)	(129,921,113)	(107,756,107)

26. Operating segments

The Group has three reporting segments, as described below, which are the Group's strategic business units ("SBU"). The Group 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.

26. Operating segments (cont'd)

2015	SBU 1 RM	SBU 2 RM	SBU 3 RM	Inter-segment RM	Total RM
Revenue					
External customers	118,149,192	205,996,864	167,484,783	-	491,630,839
Inter-segment	-	112,489,113	964,972	(113,454,085)	-
	118,149,192	318,485,977	168,449,755	(113,454,085)	491,630,839
Segment loss	(1,266,702)	(11,330,527)	(7,103,179)	(71,000)	(19,771,408)
Tax expense					3,267,473
Loss for the year from continuing operations					(16,503,935)
Other comprehensive income					-
Total comprehensive income for the year					(16,503,935)
Non-controlling interests					-
Total comprehensive income attributable to owners of the Company					(16,503,935)
Included in the measure of segment loss are:					
Depreciation and amortisation	(2,602,448)	(13,304,794)	(3,938,627)	-	(19,845,869)
Finance costs	(2,905,644)	(6,152,056)	(3,883,945)	-	(12,941,645)
Finance income	426,984	-	688,138	-	1,115,122
Inventories written down/written off	-	(334,550)	(278,249)	-	(612,799)
Impairment loss on receivables	(500,000)	-	-	-	(500,000)
Impairment loss on property, plant and equipment	-	-	(182,000)	-	(182,000)

26. **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)

Notes to the financial statements (cont'd)

27. Supplementary financial information on the breakdown of realised and unrealised profits or losses

The breakdown of the accumulated losses 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	
	2015 RM	**2014 RM**	**2015 RM**	**2014 RM**
Total accumulated losses of the Company and its subsidiaries				
- realised	(51,667,927)	(31,122,228)	(20,492,244)	(6,312,696)
- unrealised	14,149,966	10,114,057	9,849,609	6,179,700
	(37,517,961)	(21,008,171)	(10,642,635)	(132,996)
Less: Consolidation adjustments	449,478	491,478	-	-
Total accumulated losses as per statement of changes in equity (also see Note 12.2)	(37,068,483)	(20,516,693)	(10,642,635)	(132,996)

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.

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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 42 to 110 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 2015 and of their financial performance and cash flows for the year then ended, and

b) the information set out in Note 27 on page 111 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

Victor Hii Lu Thian

Klang,

Date: 11 April 2016

STATUTORY DECLARATION PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, **Yeoh Soo Chin**, 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 42 to 111 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 Klang in the State of Selangor Darul Ehsan
on 11 April 2016

Yeoh Soo Chin

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 2015 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 42 to 110.

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 2015 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 2015 have current liabilities that exceeded the current assets by RM40,036,776 (2014: 96,018,617) and RM70,394,405 (2014: 58,828,991) respectively. This condition, along with the other matters as set forth in Note 1(b) indicate that the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful execution of the action plans mentioned in Note 1(b) and the ability of the Group and the Company to achieve future profitability, all of which are uncertain, as well as the continued support of the stakeholders.

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.

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 27 on page 111 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: 3102/03/18 (J)
Chartered Accountant

Kuching,

Date: 11 April 2016

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2016

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 1,934.
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
	54	Less than 100 shares	1,996	0.00*
	189	100 - 1,000 shares	49,634	0.01
	763	1,001 - 10,000 shares	3,939,110	1.13
	732	10,001 - 100,000 shares	21,828,319	6.27
	193	100,001 to less than 5% of issued shares	144,496,060	41.48
	3	5% and above of issued shares	178,022,461	51.11
Total	1,934		348,337,580	100.00

* less than 0.01%

THIRTY LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

	Accounts Holders	No. of Ordinary Share	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	13,634,678	3.91
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	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	Alliancegroup Nominees(Tempatan) Sdn Bhd Pledge Securities Account for Andrew Yap Hoong Yee (8121295)	1,902,028	0.55
22	Wong Kiew Ing	1,546,380	0.44
23	Tan Pak Nang	1,430,000	0.41
24	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kam Seng (IPH)	1,250,000	0.36
25	Yung Kong Holdings Sdn Bhd	1,210,000	0.35
26	Yong Ai Ting	1,207,800	0.35
27	Hii Lu Foong	1,186,900	0.34
28	Elizabeth Hii Lu Yen	1,103,555	0.32
29	Jane Hii Lu Yea	1,006,276	0.29
30	James A/K Tiam	1,005,000	0.29
	Total	273,135,603	78.40

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2016 (cont'd)

Redeemable Convertible Preference Shares Account Holder

	Account Holder	No. of RCPS	Percentage
1	Nippon Steel & Sumitomo Metal Corporation	21,726,100	100.00

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' interests in shares in the Company as per the Register of Substantial Shareholders as at 31 March 2016 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%
11	Dato' Soh Thian Lai	13,939,346 (6)	4.00	11,039,616 (7)	3.17%

Notes

(1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.

(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Kong Holdings Sdn Bhd, Hii Brothers Enterprises Sdn Bhd, Yung Lieng Sdn Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd.

(3) 854,630 ordinary shares 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.

(6) 13,634,678 ordinary shares were registered in the name of AMSEC Nominees (Tempatan) Sdn Bhd.

(7) Deemed interested by virtue of his substantial interest in Soh TL Holdings 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 31 March 2016 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	13,939,346 (5)	4.00	11,576,216 (1)	3.32%
3.	Victor Hii Lu Thian	4,294,356 (3)	1.23	64,907,799 (2)	18.63%
4.	Christopher Hii Lu Ming	4,283,546 (4)	1.23	64,907,799 (2)	18.63%
5.	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
6.	Liew Jee Min @ Chong Jee Min	-	-	-	-
7.	Dr Loh Leong Hua	-	-	-	-
8.	Yasuji Nakano	-	-	-	-
9.	Yoshiyuki Komaki	-	-	-	-

Notes

1. Deemed interested by virtue of his substantial interest 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. 854,630 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

4. 245,860 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

5. 13,634,678 ordinary shares were registered in the name of AMSEC Nominees (Tempatan) Sdn Bhd.

ANALYSIS OF WARRANT HOLDINGS
as at 31 March 2016

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
	208	Less than 100 warrants	10,090	0.01
	202	100 - 1,000 warrants	114,566	0.12
	951	1,001 - 10,000 warrants	3,131,802	3.30
	303	10,001 - 100,000 warrants	10,918,859	11.49
	104	100,001 to less than 5% of issued warrants	43,087,580	45.36
	3	5% and above of issued warrants	37,737,531	39.72
Total	1,771		95,000,428	100.00

THIRTY LARGEST WARRANT ACCOUNTS HOLDERS

	Name of Accounts Holders	No. of Warrants Held	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	25,439,997	26.78
2	Hii Wi Sing	6,999,034	7.37
3	Yung Kong Co Bhd	5,298,500	5.58
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	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Koid Choon Keat	1,945,000	2.05
7	Mt Sungai Sdn Bhd	1,455,781	1.53
8	RHB Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Hee Yuen Sang	1,230,000	1.29
9	Lim Keng Jin	1,205,000	1.27
10	Ting Chuo Kiew	1,179,507	1.24
11	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Boon Kim Yu (CCTS)	1,027,700	1.08
12	Ngoi Leong Ee	1,000,000	1.05
13	Tan Ah Bee	1,000,000	1.05
14	Chai Mei Ling	930,000	0.98
15	Arthur Hii Lu Choon	811,000	0.85
16	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Hee Yuen Sang (MY2105)	800,000	0.84
17	Ang Yook Chu @ Ang Yoke Fong	755,110	0.79
18	Kor Seng Chai	700,000	0.74
19	Hu Ik Ming @ Rose Hii Ik Ming	673,900	0.71
20	Michael Hii Ee Sing	659,614	0.69
21	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Eng Min (CCTS)	650,000	0.68
22	Dato' Soh Thian Lai	627,182	0.66
23	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Gaik Suan	600,700	0.63
24	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Zaiton Binti Hassan (CCTS)	550,000	0.58
25	GV Asia Fund Limited	522,300	0.55
26	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Beng Tiong (Penang-CL)	500,000	0.53
27	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Che Huat	500,000	0.53
28	Maybank Nominees (Tempatan) Sdn Bhd Ong Gim Hoon	480,000	0.51
29	James A/K Tiam	450,000	0.47
30	Alam Mantap Development Sdn Bhd	400,000	0.42
	Total	64,574,223	67.96

ANALYSIS OF WARRANT HOLDINGS
as at 31 March 2016 (cont'd)

DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 31 March 2016 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 (3)	0.15	2,459,509 (2)	2.59
4	Christopher Hii Lu Ming	12,180 (4)	0.01	2,459,509 (2)	2.59
5	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
6	Liew Jee Min @ Chong Jee Min	-	-	-	-
7	Yasuji Nakano	-	-	-	-
8	Dr Loh Leong Hua	-	-	-	-
9	Yoshiyuki Komaki	-	-	-	-

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, Yung Lieng Sdn Bhd, Kwong Yung Co Pte Ltd and Yung Hup (M) Sdn Bhd.

(3) 138,990 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(4) 12,180 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

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ADDITIONAL INFORMATION

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2015

Location	Tenure	Land Area/ Built-Up Area	Brief Description	Date of Acquisition/ Revaluation	Average Age of Building (Year)	Net Book Value (RM'000)
Lot 712 Section 7 Muara Tebas Land District Kuching Sarawak	Leasehold (60 years) expiring on 8 Jan 2052	3.40 Ha/ 2.48 Ha	Industrial Land and Buildings	January 1992 acquired December 2014 revalued on land	21	6,986
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 December 2014 revalued on land	11	83,178
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	October 2013 acquired December 2014 revalued on land	9	8,860
Property held for sale Lot 6472 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	3.695 Ha/ 2.155 Ha	Industrial Land and Buildings	December 2005 acquired December 2014 revalued on land	8	59,664

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 25 of the Notes to the Financial Statements, there are no other material contracts of the Company or its subsidiaries involving the Directors' and major shareholders' interests, either still subsisting at the end of the financial year under review or entered into since the end of the previous financial year.

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ADDITIONAL INFORMATION (cont'd)

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

The significant RRPTs entered into during the financial year ended 31 December 2015 are disclosed in Note 25 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 2015 (RM)
Purchase of YKGI Group Products from YKGI Group	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	6,292,426
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	47,550
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	22,051,185
	Chuanmeng Design & Decor Sdn Bhd	Company connected to certain Directors	80,808
	Yunco Integrated Sdn Bhd ("YIS")	Company connected to certain Directors	774,300
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	974,293
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	7,113,801
	Golden Shogun Sdn Bhd	Company connected to certain Directors	31,447
	Milicorp Sdn Bhd	Company connected to certain Directors	3,616,826
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd ("MISM")	Company connected to MISI	3,984,726
		Total	**44,967,362**
Purchase of raw materials and consumables by YKGI Group	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	228,895,851
		Total	**228,895,851**
Purchase of consumables by YKGI Group	YKC	Major shareholder of YKGI	45,870
	YIS	Company connected to certain Directors	539,059
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	92,907
	Continental Strength Sdn Bhd ("CSSB")	Company connected to certain Directors	2,819,850
		Total	**3, 497,686**
Purchase of down graded products from YKGI Group	CSSB	Company connected to certain Directors	9,969,623
		Total	**9,969,623**

NOTICE OF 39TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 39th Annual General Meeting of YKGI HOLDINGS BERHAD ("YKGI" or "Company") will be held at Meeting Room, Wisma YKGI, Lot 6479, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan on Thursday, 30 June 2016 at 3.00 p.m. to transact the following business:-

A G E N D A

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2015 and the Reports of the Directors and Auditors thereon. **(Please refer to Note A)**

2. To approve the Directors' fees of RM136,000 for the financial year ended 31 December 2015. **Resolution 1**

3. 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 Lim Pang Kiam **Resolution 2**
   (ii) Mr Victor Hii Lu Thian **Resolution 3**

4. To re-elect the following Directors, who retire in accordance with Article 108 of the Company's Articles of Association and, being eligible, have offered themselves for re-election:

   i) Mr Yasuji Nakano **Resolution 4**
   ii) Dr Loh Leong Hua **Resolution 5**
   iii) Mr Yoshiyuki Komaki **Resolution 6**

5. To re-appoint Messrs KPMG (AF 0758) as the Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions :

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965**

   "THAT, subject always to the Companies Act, 1965, ("Act"), the provisions of the Memorandum and Articles of Association of the Company and other relevant regulatory authorities, the Directors of the Company ("Board") be and are hereby empowered, pursuant to Section 132D of the Act, to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Board may in their discretion deem fit and expedient in the interest of the Company, 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 Board be and is also empowered to obtain the approval for the listing and quotation of the additional shares so issued on Bursa Malaysia Securities Berhad ("Bursa Securities") AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company." **Resolution 8**

7. **PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("SHAREHOLDERS' MANDATE")**

   "THAT, the mandate granted by the shareholders of the Company on 30 June 2015, authorising the Company and its subsidiaries ("YKGI Group") to enter into any of the categories of recurrent related party transactions 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 Company's Circular to Shareholders dated 29 April 2016, be and is hereby renewed provided that: **Resolution 9**

   (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 are not to the detriment of the minority shareholders of the Company; and

   (ii) disclosure is made in the Annual Report of the aggregate value of 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:

NOTICE OF 39TH ANNUAL GENERAL MEETING (cont'd)

7. **PROPOSED RENEWAL OF AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("SHAREHOLDERS' MANDATE")** (cont'd)

    - the type of recurrent related party transactions made; and
    - the names of the related parties involved in each type of the recurrent related party transactions and their relationship with the Company

    AND THAT, such approval shall continue to be in force until:

    (i) the conclusion of the next AGM of the Company at which time it will lapse, unless the authority is renewed by a resolution passed at the meeting;

    (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 143(1) of the Act (but shall 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 shareholders in general meeting,

    whichever is the earlier.

    AND FURTHER THAT the Board be and is hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in the best interest of the Company to give full effect to the transactions described by this Shareholders' Mandate."

8. 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 7011254)
IR MICHAEL HII EE SING (LS 000872)
Company Secretaries

Klang, Selangor
29 April 2016

PROXY

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 6479, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan not less than forty-eight (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 shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

6. For the purpose of determining a member who shall be entitled to attend this 39th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with the provisions under Article 63 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors ("ROD") as at 23 June 2016. Only a depositor whose name appears on the ROD as at 23 June 2016 shall be entitled to attend the said Meeting or appoint proxies to attend and vote on his/her behalf.

NOTICE OF 39TH ANNUAL GENERAL MEETING (cont'd)

NOTE A:

This Agenda item is meant for discussion only as under the provisions of Section 169(1) of the Companies Act, 1965 and Company's Articles of Association, the audited financial statements do not require the formal approval of the shareholders. As such, this matter will not be put forward for voting.

EXPLANATORY NOTES TO SPECIAL BUSINESS

1. RESOLUTION 8

The proposed Resolution 8, if passed, will empower the Directors of the Company, to allot and issue shares in the Company up to and not exceeding in total 10% of the issued and paid-up share capital of the Company for the time being for such purposes as they consider would be in the best interests of the Company. This authority will expire at the next Annual General Meeting of the Company, unless revoked or varied at a general meeting.

This mandate is a renewal to the general mandate which was approved by the shareholders at the 38th AGM held on 30 June 2015. The renewal of the general mandate will also provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time. As at the date of this notice, no new shares were issued pursuant to the general mandate which was approved by the shareholders at the 38th AGM.

The renewed mandate will also enable the Board to take advantage of any strategic opportunity which involve the issue/placing of shares for investments, acquisitions or to raise fund for investments and/or working capital.

2. RESOLUTION 9

The proposed Resolution 9, if passed, will enable the Company and each of its subsidiaries to enter into recurrent related party transactions or a revenue or trading in nature with 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 of the Company's Circular to Shareholders dated 29 April 2016 which is dispatched together with the Company's Annual Report 2015.

STATEMENT ACCOMPANYING NOTICE OF 39TH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, there is no person seeking election as Director of the Company at this 39th AGM.

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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 39th Annual General Meeting of the Company to be held at Meeting Room, Wisma YKGI, Lot 6479, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan on Thursday, 30 June 2016 at 3.00 p.m. 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) _________________Shares Second Proxy (2) _________________Shares

*My/Our Proxy is to vote as indicated below:

		FOR	AGAINST
RESOLUTION 1	To approve the Directors' fees of RM136,000 for the financial year ended 31 December 2015		
RESOLUTION 2	To re-elect Mr Lim Pang Kiam who retires in accordance with Article 103 of the Company's Articles of Association		
RESOLUTION 3	To re-elect Mr Victor Hii Lu Thian who retires in accordance with Article 103 of the Company's Articles of Association		
RESOLUTION 4	To re-elect Mr Yasuji Nakano who retires in accordance with Article 108 of the Company's Articles of Association		
RESOLUTION 5	To re-elect Dr Loh Leong Hua who retires in accordance with Article 108 of the Company's Articles of Association		
RESOLUTION 6	To re-elect Mr Yoshiyuki Komaki who retires in accordance with Article 108 of the Company's Articles of Association		
RESOLUTION 7	To re-appoint Messrs KPMG (AF 0758) as the Auditors of the Company and to authorise the Directors to fix their remuneration		
RESOLUTION 8	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965		
RESOLUTION 9	Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature		

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 ___________________2016 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 6479, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan not less than forty-eight (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 shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
5. *If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.*
6. *For the purpose of determining a member who shall be entitled to attend this 39th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with the provisions under Article 63 of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositors ("ROD") as at 23 June 2016. Only a depositor whose name appears on the ROD as at 23 June 2016 shall be entitled to attend the said Meeting or appoint proxies to attend and vote on his/her behalf.*

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The Company Secretary

YKGI HOLDINGS BERHAD
(032939 - U)

CORPORATE OFFICE : WISMA YKGI
Lot 6479, Lorong Sungai Puloh/KU06,
Kawasan Perindustrian Sungai Puloh,
42100 Klang, Selangor, Malaysia.

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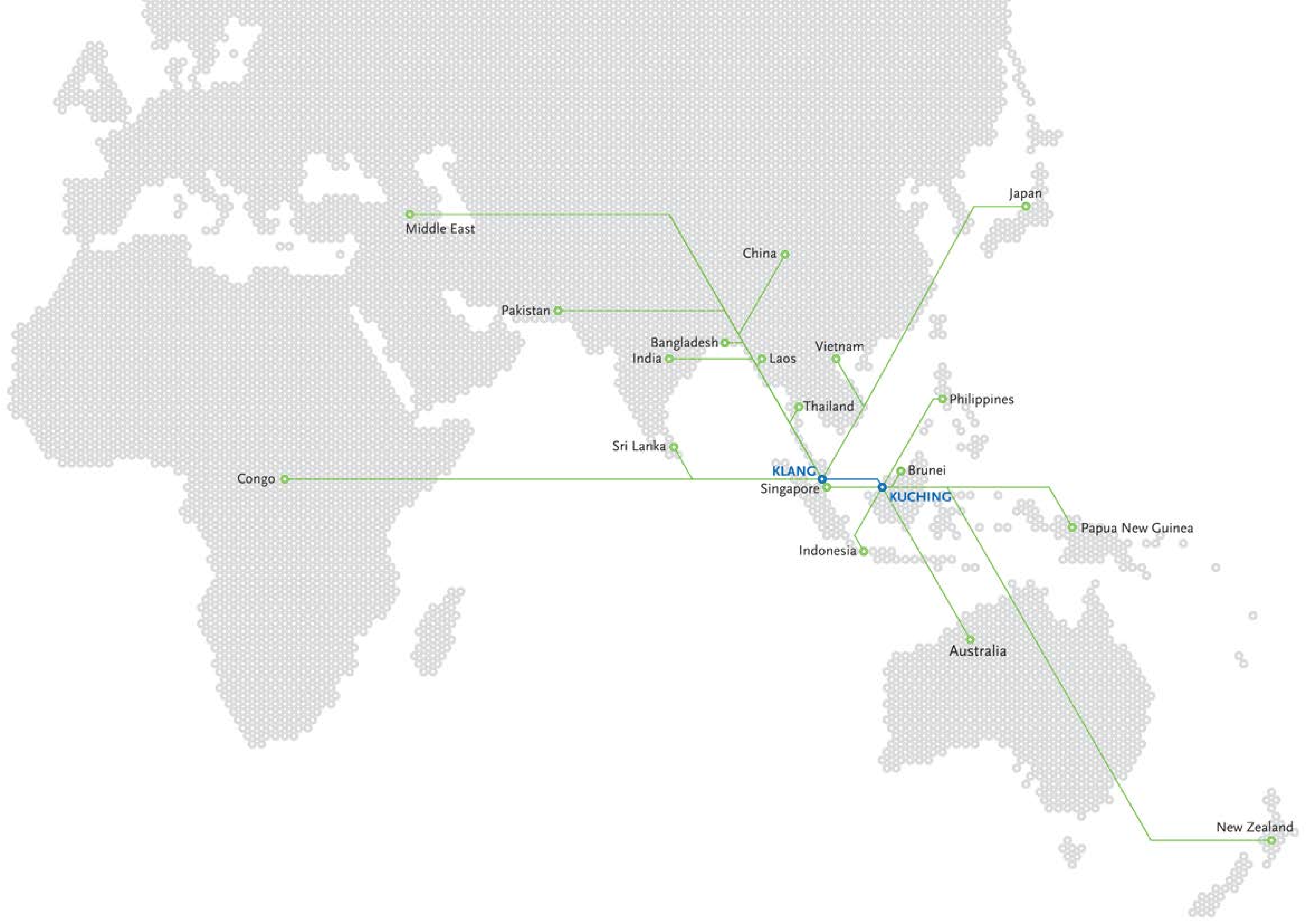
Middle East
China
Japan
Pakistan
Bangladesh
Vietnam
India
Laos
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Thailand
Sri Lanka
KLANG
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Congo
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KUCHING
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Australia
New Zealand

YKGI HOLDINGS BERHAD
(COMPANY NO. 032939 - U)
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