YKGI HOLDINGS BERHAD

(COMPANY NO. 032939 - U)

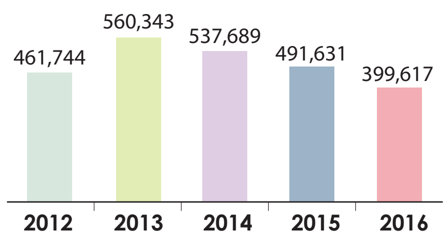
Preferred value-added steel products

2016

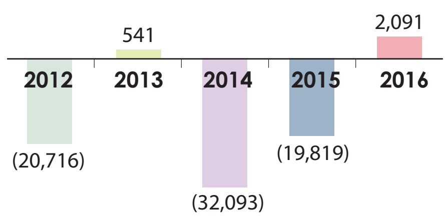
ANNUAL REPORT

FINANCIAL HIGHLIGHTS

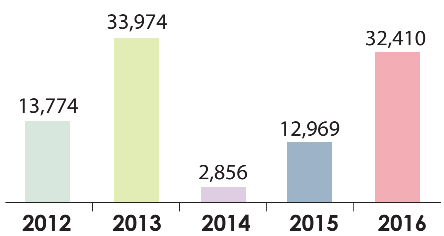
(RM'000)		2012	2013	2014	2015	2016
OPERATING RESULTS						
Revenue		461,744	560,343	537,689	491,631	399,617
Operating (Loss)/Profit		(20,716)	541	(32,093)	(19,819)	2,091
(Loss)/Profit Before Tax		(20,716)	541	(32,093)	(19,819)	(7,262)
(Loss)/Profit attributable to owners of the Company		(15,343)	255	(26,642)	(16,552)	(9,957)
EBITDA		13,774	33,974	2,856	12,969	32,410
KEY BALANCE SHEET DATA						
Share Capital		108,630	185,032	185,032	185,032	45,697
Total Borrowing		289,268	280,340	248,734	206,404	170,699
Cash and cash equivalents		33,023	29,397	26,823	28,075	31,405
RATIO ANALYSIS						
Gearing Ratio	Times	1.90	1.42	1.15	1.03	0.9
Gross Profit Margin	%	5.08	9.07	2.37	5.47	12.57



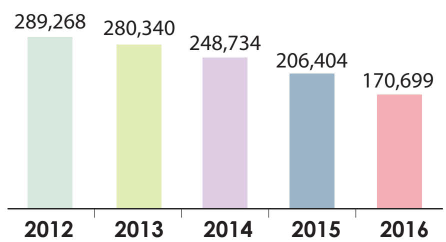
REVENUE (RM'000)



OPERATING PROFIT (RM'000)



EBITDA (RM'000)



TOTAL BORROWING (RM'000)

CONTENTS

YKGI HOLDINGS BERHAD

ANNUAL REPORT
2016

EXECUTIVE DEPUTY CHAIRMAN'S MESSAGE

Creating and Delivering Value to Our Shareholders

In the 12 months ended 31 December 2016, we managed to achieve an operating profit before taxation of RM2.09 million as compared to an operating loss of RM19.82 million in the previous year. This result is achieved on the back of better product margins and a more stable steel market environment in the first half of 2016 with the recovery of steel price after a difficult year in 2015.

The turnover of 2016 was RM399.62 million, lower by 18.72% than RM491.63 million achieved in the previous financial year. The lower turnover was primarily due to cessation of pipe mill business. This is part of the realignment exercise to focus on the core products.

On the earnings before interest, tax, depreciation and amortisation ("EBITDA"), the Group registered a much improved EBITDA of RM32.41 million compared to RM12.97 million in the previous year, an increase of 149.88%.

As part of on-going efforts to improve the financial performance of the Group, the Group remains committed to carry through the turnaround plan and to stay focused on the following areas :-

i. Core coated products;

ii. Strengthen balance sheet to improve working capitals and cashflow;

iii. Human resources right-sizing;

iv. Plant operation improvement on yield, quality and cost; and

v. Cost - effective procurement and inventory management.

In relation to the above, the Group had implemented a few strategic initiatives in 2016 such as accelerating efforts on the branding and marketing of premium coated steel products, more focus on down-stream products and strategic alliances with other steel players.

We will remain steadfast in our focus to create and deliver value to our shareholders, our customers and we realign our businesses to take it to the next level.

Staying Resilient

In 2016, the steel industry in Malaysia experienced turbulence following steel prices bottomed out in January and registered strong growth in March coupled with iron ore, raw material and, Hot Rolled Coils ("HRC") prices rallied in March and April. The rapid rise of HRC price since March 2016 has affected the product profit margins, as the increase in HRC cost could not be fully factored into the higher selling price. As a result, the gross margin turned soft in the second half of 2016.

GOAL

We will remain steadfast in our goal to create and deliver value to our shareholders by focusing on cost efficiency and human capital development.

Domestically, YKGI faced price competition and some production inefficiency that did not allow us to operate as we would have desired. As a result, we could not fully capitalise on all potential opportunities. That being said, we must commend our team for having shown great resilience by staying the course during the challenging year and delivered a positive financial result despite the turbulence and challenges encountered.

Our Aspiration of Making Sustainability A Way of Doing Business

YKGI is committed to being part of the solution in ensuring that sustainability is embedded in every part of our business. We have embedded ISO practices and all the best practices in our operations.

Our human capital development has progressed another level with the implementation of competency and leadership skills training across the board. Towards this end, we have engaged an external consultant to provide comprehensive training programs which cover all aspects on enhancing the effectiveness of human resources.

We strive to have a greater coherence among employees through restarting our Recreation Organising Committee with activities to promote greater interaction and communication between all departments. We also embraced industrial business technology to improve the efficiency of doing business.

On the environmental issue, we are committed to protecting the environment and have recently implemented the Japanese 5S practices in our operation.

Health and Safety are our all-embracing values as we firmly believe that everyone associated with our operations should be able to go home unharmed to their families and friends. Our aim of zero harm continues to drive our actions and performance. We are pleased to report that in 2016, we had no major fatalities and the incidences of accident remained low. As part of our continuous process to create awareness of health and safety, we have created a culture of "Safety First" among our employees and it is embedded in all our communication channels. We have also conducted Road Safety talks for our employees as part of the continuous education on safety.

Looking Ahead

The health of the steel industry in Malaysia, especially the mid-stream manufacturers like us depends on the continuous support and commitment from the Malaysian Government to protect and shield the local market from the influx of cheap steel imports from other low cost producing countries or unfair trade practices. The trade remedial measures implemented by the Ministry of International Trade and Industry Malaysia in early 2016 are vital steps moving forward but we need more longer term approaches such as, enhancing the use of local steel content in all public and private projects.

Going forward, the domestic demand will continue to be the main driver of growth for YKGI. The consumption by the private and public sectors will be the key driver to stimulate growth in the industry.

For 2017, Malaysia's economy is still subject to the headwinds namely, a weak Ringgit against US Dollar, inflationary pressure and global trade uncertainty post US Presidential Election. These factors pose the pertinent risks which may affect our country's GDP growth rate. However, we are taking cues that the Malaysian Government will continue to pour more development budget into mega infrastructure projects, such as the Pan-Borneo Highway, East Coast Rail Link and the Kuala Lumpur – Singapore High-Speed Rail which will largely contribute and induce demand growth for local steel products and building materials.

Appreciation

On behalf of the Board, I would like to express my heartfelt appreciation and thanks to all our Management and Staff of YKGI Group for the hard work and dedication.

To our shareholders and stakeholders, I deeply appreciate your support despite the ups and downs the Company has gone through in 2016. Your continuous support of our vision and belief is of paramount importance for us to strive for excellence in the coming years.

I would like to thank the existing board members and Mr Yoshiki Kaneko who has left the Board in 2016 for thier contribution to the Company. I am also grateful to our Chairman Mr Lim Pang Kiam and all the board members for the support and strategic direction in steering the Company to the right path of sustainability. Last but not least, I would like to thank all our customers for their support and belief in us.

Dato' Soh Thian Lai
Executive Deputy Chairman
20 April 2017

BOARD OF DIRECTORS

1 Lim Pang Kiam

2 Dato' Soh Thian Lai

3 Victor Hii Lu Thian

4 Yoshihiko Okuno

5 Yasuji Nakano

6 Fong Yoo Kaw @ Fong Yee Kow

7 Liew Jee Min @ Chong Jee Min

8 Dr Loh Leong Hua

9 Christopher Hii Lu Ming *(Not in picture)*

10 Yoshiyuki Komaki *(Alternate to Mr. Yasuji Nakano)*

MANAGEMENT DISCUSSION AND ANALYSIS

The aim of the Management Discussion and Analysis (MD&A) is to provide shareholders with a better understanding of the business, operations and financial position of the Company. The statement provides the management's analytical overview of the business and it may contain opinions and forward-looking views and as such users' discretion is advised.

BUSINESS AND OPERATIONS

YKGI Group is principally engaged in the manufacturing of Pickled & Oiled Hot Rolled Coils ("P&O"), Cold Rolled Coils ("CR"), Galvanised Iron Coils ("GI") and Coated Steel products ("PPGI"). Apart from being a mid-stream player in the steel coil business, YKGI is also involved in down-stream steel business in East Malaysia namely manufacturing and selling of roll-formed products and trading in hardware and building materials via its wholly owned subsidiary, ASTEEL Group of Companies. YKGI Group's products are categorised as flat steel products and are mainly sold in Malaysia. The business of YKGI Group is currently organised in the following manner:-

Company	Location	Principal Activity	Steel Sector
YKGI Holdings Berhad ("YKGI")	Klang, Selangor	Processing of Hot Rolled Coils into P&O, CR, GI and PPGI.	Mid-stream
Starshine Group of Companies (100% owned by YKGI)	Klang, Selangor	Marketing arm of YKGI on the selling and distribution of P&O, CR, premium coated steel products and steel related building materials.	Flat steel products
ASTEEL Group of Companies (100% owned by YKGI)	Kuching, Sarawak	Manufacturing and selling of GI, PPGI/ PPAZ, roll-formed products and trading in hardware and building materials in East Malaysia.	Down-stream

YKGI Group operates principally in Malaysia and its products are mainly sold locally and the export business constitutes a very small quantity. The Company faces competition both from local mid-stream manufacturers and imports from foreign countries. Currently, there are 5 local players involved in the manufacturing of flat steel. YKGI is in the top 3 ranking in terms of production capacity.

Over the years, in order to stay relevant and on top of competition, YKGI has developed new products to cater for different market segments. One of them is the premium colour coated steel products under the brand names: Spectra-X™, EnvioShield™ , EnvioFlex™ and EnvioTex™. These products are normally used as roofing material for residential, industrial and commercial buildings. The market for premium colour coated products is good and the demand of YKGI brands is gaining traction.

In early 2016, YKGI decided to exit from the pipe mill business due to stiff competition. With the closure of the pipe mill factory, the land and building was subsequently sold and the cash raised was used as working capital for the Group. The Group is currently focusing on its flat steel products and will concentrate on its efforts to improve the sale and marketing of its product range of premium coated steel.

YKGI owns and operates a full-fledged mid-stream processing line which converts Hot Rolled Coil ("HRC") into various types of steel product. The factory in Klang has the following production lines :

Production Line	Products	Rated Capacity per annum
Push-Pull Pickling Line	Pickled & Oiled Coils	250,000 MT
Cold Rolling Mill	Cold Rolled Coils	200,000 MT
Continuous Galvanising Line	Galvanised Iron Coils	150,000 MT
Continuous Colour Coating Lines	Prepainted Galvanised Iron Coils	110,000 MT

Other downstream production facilities of the Group include the following:

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

OBJECTIVES AND STRATEGIES

YKGI Group aspires to be the preferred value-added coated steel and building materials by Year 2020 as part of its vision statement. In order to achieve this aspiration, the Group strives to continuously improve its production processes creating a winning organisation and, employing the best people to execute and deliver the growth strategy.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OBJECTIVES AND STRATEGIES (cont'd)

Moving forward, YKGI Group will be seeking growth strategy through geographical market expansion and establishment of joint venture businesses in down-stream market. It is envisaged that with better productivity and a more responsible organisation, the Company will be able to grow its business and deliver higher returns to shareholders.

REVIEW OF FINANCIAL RESULTS

PROFIT FROM OPERATIONS	REVENUE
+110.5%	**-18.7%**
2016 : 2.09 million 2015 : -19.82 million	**2016 : 399.62 million** 2015 : 491.63 million
PROFITABILITY	**GROSS PROFIT MARGIN**
+39.8%	**+7.1%**
2016 : -9.96 million 2015 : -16.55 million	**2016 : 12.57%** 2015 : 5.47%
EBITDA	**Gearing**
+149.9%	**-12.6%**
2016 : 32.41 million 2015 : 12.97 million	**2016 : 0.90 times** 2015 : 1.03 times

REVENUE

The Group's revenue for 2016 was RM399.62 million versus RM491.63 million for 2015. The lower turnover was primarily due to the cessation of pipe mill business owned by its subsidiary company, Starshine Holdings Sdn Bhd since early 2016. Notwithstanding the lower sales quantity, the impact on the revenue was partially mitigated by the higher average selling prices of its range of steel products by about 19.21% in 2016 compared to 2015.

COST OF SALES

The Group's cost of sales is greatly influenced by the price movement of HRC and the currency exchange rate. In the first half of 2016, the Company benefited from lower HRC price reflected in its achieving better margin. However, in the later part of 2016, the price of HRC began to move rapidly coupled with the deterioration of the local currency against US Dollar which resulted in margin squeeze and lower profit contribution. In the 4th Quarter 2016, the Group's product margin eroded as much as 30.77% compared to the preceding quarter due to the onslaught of the aforesaid headwinds.

OPERATING EXPENSES

The Group's administrative expenses was RM31.75 million compared to RM31.13 million in 2015, an increase of 1.99%. The increase is substantially due to written off of the fixed assets of RM1.64 million in relation to the disposal of land and building. Despite the inflationary pressure largely due to weak local currency, the operating expenses remain at the same level as previous year after adjusting for the one-off impairment cost.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

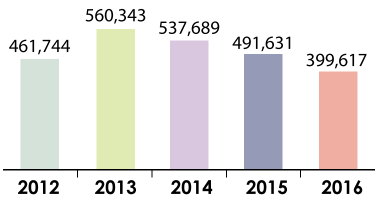
PROFIT FROM OPERATIONS

The Group registered an operating profit of RM2.09 million versus an operating loss of RM19.82 million in the previous year. The better result was primarily driven by the better profit margin arising from lower raw material prices registered in the first half of 2016, higher production efficiency and more stable selling prices aided by the trade measures introduced by the Malaysia Government against price dumping by other low cost producing countries.

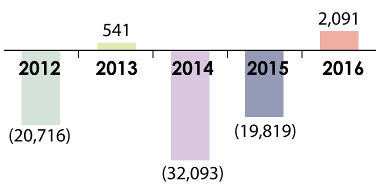
The much better financial performance in 2016 signals a turnaround of the steel industry and, the previously adopted strategy of a lean and mean organisation is timely and provides a platform for better operating results moving forward.

In the 3rd Quarter 2016, the Group had successfully disposed of its land and building ("Property") for a cash consideration of RM51.50 million. The disposal provides an opportunity for the Group to raise working capital for its operations and at the same time to pare down its long term debts of about RM26 million. The disposal resulted in a one-off charge of non-operating expenses of RM9.35 million which was the difference between the selling price and the revalued carrying amount of the Property. The original cost of investment of the Property was RM45.03 million.

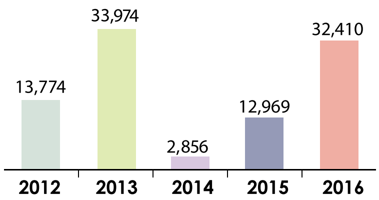
With the inclusion of the one-off non-operating expenses of RM9.35 million, the Group registered a loss before taxation of RM7.26 million.



TURNOVER (RM'000)



OPERATING PROFIT (RM'000)



EBITDA (RM'000)

DEBT STRUCTURE

In 2016, the Group disposed its Property to TG Medical Sdn Bhd for a cash consideration of RM51.50 million. The rationale for the disposal was to raise funds for working capital of the Group and repayment of bank borrowing. Subsequently, the Group's debt levels were reduced and further interest effectiveness of the borrowing was achieved.

WORKING CAPITAL AND LIQUIDITY

The closing cash and cash equivalents amounted to RM31.40 million, an increase of RM3.32 million from 2015. The Group had a net cash outflow of RM6.56 million in 2016 versus net cash inflow of RM9.02 million in 2015. The net cash outflow was largely attributed to deterioration in working capital predominantly due to increase in inventories. These outflows were partially offset by proceeds from disposal of property, plant & equipment and lower proceeds from bankers' acceptances and revolving credits.

On the earnings before interest, tax, depreciation and amortisation ("EBITDA"), the Group registered a much improved EBITDA of RM32.41 million compared to RM12.97 million in previous year, an increase of 149.88%. The substantial improvement was due to better financial performance with operating profit of RM2.09 million for 2016.

	12 months 2016 (RM'Million)	12 months 2015 (RM'Million)	Favourable/ (Adverse) %
EBITDA	32.41	12.97	149.9
Profit /(Loss) from Operations	2.09	(19.82)	110.5
Cash from Operations	28.57	63.56	(55.05)
Total Borrowing	170.70	206.40	17.30

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES

REGULATORY

In late 2015 and early 2016, the Ministry of International Trade and Industry Malaysia ("MITI") initiated a slew of trade measures to protect the steel industry from price dumping by other low cost producers from other countries. The anti-dumping duty which is ranging from 5% to more than 50% depending on the category and grade of steel has been effective and helped to lift the profitability of most of local steel players. YKGI which operates in flat steel sector benefited from the trade measures which resulted in better product profit margins.

Below are the trade measures introduced and implemented:

Safeguards/Anti-dumping	Status
Anti –Dumping (Pre-painted products)	On 22nd January 2016, MITI initiated an affirmative final determination of anti-dumping duty from 5.68% to 52.10% on the imports from The People's Republic of China and Socialist Republic Of Vietnam for a period of 5 years from 2016-2021.
Anti - Dumping (Cold Rolled Coils)	On 23rd May 2016, MITI initiated an affirmative final determination of anti-dumping duty investigation ranging from 3.06% to 23.78% on the imports from The People's Republic of China, Socialist Republic of Vietnam and South Korea for a period of five years from 2016 – 2021.
Anti – Dumping (Hot Rolled Coils)	On the 13th February 2015, MITI initiated an affirmative final determination of anti-dumping duty on hot rolled coil imported from The People's Republic of China and Indonesia ranging from 2.49% to 25.40% for a period of five years from 2015 – 2020.
Safeguard (Hot Rolled Steel Plate)	Implemented since 2nd July 2015 with progressive safeguard duty of 17.40% in Year 1, 13.90% in Year 2 and 10.40% in Year 3.
Safeguard (Steel Wire Rods and Deformed Bar in Coils)	On 13th April 2017, MITI initiated an affirmative final determination of progressive safeguard duty of 13.90% in Year 1, 12.90% in Year 2 and 11.90% in Year 3 on the imports from 42 countries including The People's Republic of China.
Safeguard (Steel Concrete Reinforcing Bar)	On 13th April 2017, MITI initiated an affirmative final determination of progressive safeguard duty of 13.42% in Year 1, 12.27% in Year 2 and 11.10% in Year 3 on the imports from 40 countries including The People's Republic of China.

BUSINESS EXPANSION AND IMPROVEMENT PROCESS

During 2016, the Company continued to focus on the initiatives which have been on-going since 2015 as follows:-

(i) Focus on core manufacturing coated products;

(ii) Operation re-engineering to have a more effective and efficient operation for output optimisation;

(iii) Human resource right-sizing 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.

In addition to the above, the Company has invested about RM3 million for the improvement of its galvanising line as part of the plant improvement initiatives.

On 24th October 2016, the Company announced it had entered into a Memorandum of Understanding ("MOU") with Ajiya Berhad ("Ajiya") with the intention of establishing a long-term strategic business partnership between YKGI and Ajiya in East Malaysia by synergising and optimising both parties' manufacturing resources and, enhancement of revenue and profitability via joint venture, business combination or any other form of business arrangement to be mutually agreed upon.

RISKS

The Group's business is in a very competitive environment and faces stiff competition from other local manufacturers and cheap imports from low cost producing countries, notwithstanding the anti-dumping measures being put in place. All these factors have a significant impact on the sales volume and profit margin of the Company's products.

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

REVIEW OF OPERATING ACTIVITIES (cont'd)

RISKS (cont'd)

To remain competitive, the Group will be focusing on cost efficiency, new product range development, better customer service and application of industrial business technology to enhance delivery system. The Company is also embarking on staff development through the inculcation of common core values and teamwork.

RESPONSIBILITY

YKGI is committed towards ensuring that sustainability is embedded throughout all our business practices in order to continue giving value to our shareholders. Towards this end, we are committed to providing training and leadership skill development to empower as well as enabling our workforce to attain greater heights in their performance. We have recently reviewed our vision and mission statement and put in place all the competency and learning skills for all employees.

YKGI also places top priority on the occupational health and safety of employees. We have rolled out the Japanese 5S concept in the workplace and, initiatives to reduce work accidents and promote coherence among staff through morning assembly.

On the environment issue, we are introducing paperless meetings, where possible, and reducing consumption of energy through upgrading of equipment and machinery and, amenities that reduce water consumption.

2017 OUTLOOK

Looking ahead, we remain concerned with regards to the weak local currency, global uncertainty post US Presidential Election and, the volatility of HRC price which is the main raw material for our products. The rapid rise in the HRC price has put tremendous pressure on the demand and profitability of our products. It is certain that the industry will have a rough ride if the abovementioned headwinds are not subsiding.

However, YKGI is ready to face these challenges head-on and will continue to do what are necessary for the sustainability of the business as we maintain the best interests of our shareholders and stakeholders at heart.

CORPORATE INFORMATION

Board of Directors

Mr Lim Pang Kiam
Independent Director / Non-Executive Chairman

Dato' Soh Thian Lai DIMP
Executive Deputy Chairman

Mr Victor Hii Lu Thian
Managing Director

Mr Yoshihiko Okuno
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

Alternate Director

Mr Yoshiyuki Komaki *(To Mr Yasuji Nakano)*

Company Secretaries

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

Incorporation

Incorporated on 29 April 1977 in Malaysia

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 Sungai Puloh/KU6,
Kawasan Perindustrian Sungai Puloh,
42100 Klang, Selangor Darul Ehsan, Malaysia.
Phone : +60 3 3297 5555/3291 5189
Fax : +60 3 3290 6668/3291 6193

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

Merchant Bankers

Public Investment Bank Berhad
AmInvestment Bank Berhad

Legal Advisors

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

Auditors

KPMG PLT (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

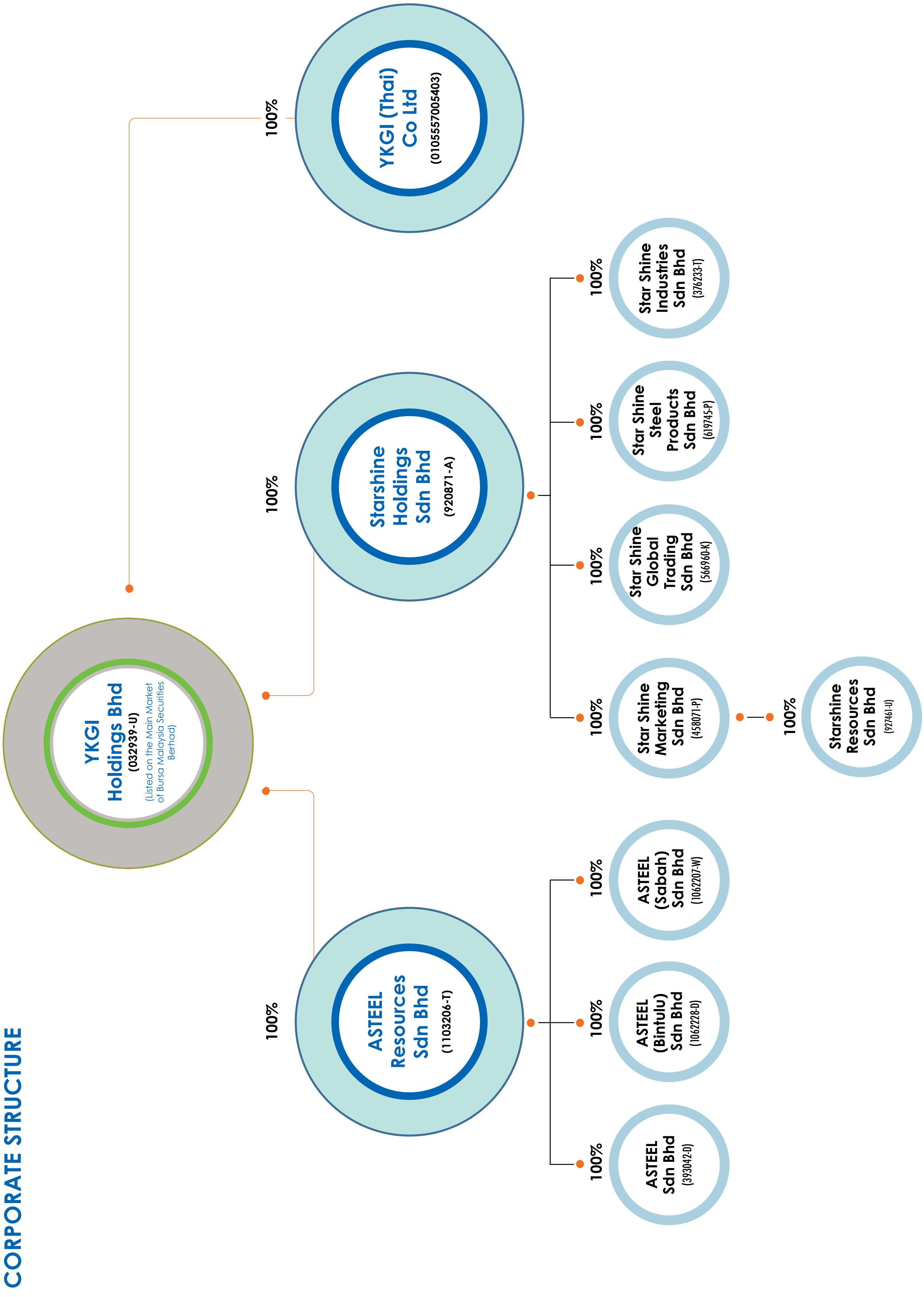
Certification

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

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

OHSAS 18001:2007

CORPORATE STRUCTURE



DIRECTORS' PROFILE

LIM PANG KIAM
(Malaysian, age 54, Male)
Independent Director/
Non-Executive Chairman

Board Appointment :
3 January 2013/Chairman since 2 January 2014

Board Committees :
A member of Audit, Board Risk and Remuneration Committees

Education and Experience :
Mr Lim holds a Master of Science from University of Science Malaysia in 1989 and graduated with a Bachelor of Science (Honours) Degree from the same university in 1988.

He began his career in 1990 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.

He attended all six (6) Board meetings held during the financial year ended 31 December 2016.

Public Company Directorship :
Inta Bina Group Berhad

DATO' SOH THIAN LAI, DIMP
(Malaysian, age 56, Male)
Executive Deputy Chairman

Board Appointment :
15 March 2012

Board Committees :
Chairman of ESOS and a member of Board Risk Committees

Education and Experience :
Dato' Soh holds Master of Business Administration from University of Bath, United Kingdom (1994) and graduated from Tunku Abdul Rahman College with a Diploma in Technology (Materials Engineering) in 1985. He obtained a Diploma in Management from Malaysian Institute of Management (MIM) in 1991 and is a Fellow Member of MIM since 2010.

Dato' Soh has more than 32 years of experience in the steel industry. He 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, Council member of ASEAN Iron and Steel Council, Director of South East Asia Iron and Steel Institute (SEAISI), Council member of the Federation of Malaysian Manufacturers (FMM), Chairman of FMM Selangor Branch, Co-Chairman of Pemudah of Selangor, Chairman of FMM Membership Committee, Council member of National Accreditation Council, Department of Standard Malaysia, Ministry of Science, Technology & Innovations and Council member of Malaysian Standard & Accreditation Council, Ministry of Science, Technology & Innovations.

He attended all six (6) Board meetings held during the financial year ended 31 December 2016.

His shareholdings in the Company and the Group are disclosed in the Directors' interest section under the heading Analysis of Shareholdings.

Public Company Directorships :
Federation of Malaysian Manufacturers (FMM)
Malaysia Iron and Steel Industry Federation (MISIF)
Malaysia Steel Institute (MSI)
South East Asia Iron and Steel Institute (SEAISI)

VICTOR HII LU THIAN
(Malaysian, age 42, Male)
Managing Director

Board Appointment :
27 February 2006

Board Committees :
A member of ESOS Committee

Education and Experience :
Mr Victor Hii holds an Executive Master of Science in Project Management, 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 council member of Federation of Malaysian Manufacturers (FMM) Sarawak Branch and a member of Malaysian Institute of Management (MMIM), 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 Koh Yang (Kho Clan) Association.

He attended all six (6) Board meetings held during the financial year ended 31 December 2016.

Mr Victor Hii is a brother of Mr Christopher Hii Lu Ming, who is a Director and major shareholder of the Company. His shareholdings in the Company and the Group are disclosed in the Directors' interest section under the heading Analysis of Shareholdings.

Public Company Directorship :
Malaysia Iron and Steel Industry Federation (MISIF)

YOSHIHIKO OKUNO
(Japanese, age 49, Male)
Executive Director

Board Appointment :
1 October 2016

Board Committees :
A member of ESOS Committee

Education and Experience :
Mr Okuno is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He graduated from Sophia University, Faculty of Foreign Studies in 1992.

His prior work experience includes Itochu Corporation, Tokyo Head Office International Steel Trade Division (April 1992), Osaka Head Office/ Steel Division (August 1993), Itochu Corporation Calcutta, India Office (November 1996), United Coil Center Limited, Thailand (Itochu Corporation subsidiary) (May 1999), Marubeni-Itochu Steel Inc., Tokyo Head Office, Iron & Steel Division (May 2006), MM Steel Service Center Corporation Executive Vice-President (April 2009), MM Steel Service Center Corporation President & CEO (October 2009) and Marubeni-Itochu Steel Inc., Tokyo Head Office Manager, Overseas Hot Rolled Steel Sheets Sec-I. Overseas Steel Sheet Dept. Iron & Steel Div.-II (April 2015)

Since his appointment to the Board on 1 October 2016, Mr Okuno attended two (2) Board meetings held during the financial year ended 31 December 2016.

DIRECTORS' PROFILE

CHRISTOPHER HII LU MING
(Malaysian, age 40, Male)
Non-Independent
Non-Executive Director

Board Appointment :
2 January 2014

Board Committees :
A member of Nomination Committee

Education and Experience :
Mr Christopher Hii was re-designated from Executive Director to Non-Independent Non-Executive Director on 1 September 2015. He was 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 and involved in the construction of YKGI factory and office buildings and in the management and operations of YKGI including production, quality assurance and control and logistics.

He attended all six (6) Board meetings held during the financial year ended 31 December 2016.

Mr Christopher Hii is a brother of Mr Victor Hii Lu Thian, who is a Director and major shareholder of the Company. His shareholdings in the Company and the Group are disclosed in the Directors' interest section under the heading Analysis of Shareholdings.

YASUJI NAKANO
(Japanese, age 50, Male)
Non-Independent
Non-Executive Director

Board Appointment :
1 July 2015

Board Committees :
None

Education and Experience :
Mr Nakano 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. Mr Nakano obtained a Master of Business Administration from Graduate School of Management, GLOBIS University in 2012.

He has more than 27 years business career in Marubeni-Itochu Steel Inc., contributed especially in the aspect of procurement of raw materials such as HRC, CRC and Coated Steel.

He attended five (5) Board meetings held during the financial year ended 31 December 2016.

FONG YOO KAW @ FONG YEE KOW
(Malaysian, age 65, Male)
Senior Independent Director

Board Appointment :
3 January 2013

Board Committees :
Chairman of Audit and Nomination Committees, and a member of Remuneration and Board Risk Committees

Education and Experience :
Mr Victor Fong 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.

Mr Victor Fong 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 42 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 a number of private companies.

He attended all six (6) Board meetings held during the financial year ended 31 December 2016.

Public Company Directorships :
Pansar Berhad
Sarawak Oil Palms Berhad

LIEW JEE MIN @ CHONG JEE MIN
(Malaysian, age 58, Male)
Independent Director

Board Appointment :
28 February 2013

Board Committees :
Chairman of Remuneration Committee, and a member of Nomination, Audit and Board Risk Committees

Education and Experience :
Mr Chong 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. He was admitted as an advocate and solicitor at the High Court of Malaya in 1986.

Mr Chong 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 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.

He attended all six (6) Board meetings held during the financial year ended 31 December 2016.

Public Company Directorship :
Jaks Resources Berhad
Lion Industries Corporation Berhad
Sunsuria Berhad
Weida (M) Berhad

DIRECTORS' PROFILE

DR. LOH LEONG HUA
(Malaysian, age 60, Male)
Independent Director

Board Appointment :
28 August 2015

Board Committees :
Chairman of Board Risk Committee, and a member of Nomination, Audit, Remuneration and ESOS Committees

Education and Experience :
Dr. Loh 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 35 years of financial services experience 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; he had also served as a Senior Director of investment banking at Kenanga Investment Bank Berhad.

He also serves on the boards of Asian Finance Bank Berhad and WTK Holdings Berhad.

He attended all six (6) Board meetings held during the financial year ended 31 December 2016.

Public Company Directorships :
Asian Finance Bank Berhad
WTK Holdings Berhad

YOSHIYUKI KOMAKI
(Japanese, age 56, Male)
Alternate Director to Mr Yasuji Nakano

Board Appointment :
17 May 2013

Board Committees :
None

Education and Experience :
Mr Komaki was appointed Non-Independent Non-Executive Director (NINED) on 1 April 2016 before re-designated as alternate director to Mr Yasuji Nakano on 1 October 2016. Prior to his appointment as NINED, he was appointed as alternate director to Mr Toshihiko Takahashi on 17 May 2013 before re-designated as alternate director to Mr Yasuji Nakano on 1 July 2015. He is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. Mr Komaki holds Bachelor of Arts in Economics and graduated from Keio University, Tokyo, Japan in 1983.

Mr. Komaki started work with Marubeni Corporation since 1983 and accumulated more than 33 years working experience 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, establish, support, manage and operate the company.

He attended all six (6) Board meetings held during the financial year ended 31 December 2016.

Notes:

Save as disclosed above, none of the Directors have:

- *any family relationships with any Director of the Company, and/or major shareholders of the Company save for Dato' Soh Thian Lai, Mr Victor Hii and Mr Christopher Hii.*
- *any conflicts of interest with the Company other than the significant related party transactions as disclosed in the Notes to the Financial Statements of this Annual Report.*
- *any conviction of offences within the past five years (other than traffic offences).*
- *any sanction and/or penalty imposed on them by the regulatory bodies during FY2016.*

PROFILE OF KEY SENIOR MANAGEMENT

Dato' Soh Thian Lai
(Malaysian, age 56, Male)
Executive Deputy Chairman

Please refer to description under the heading "Directors' Profile".

Victor Hii Lu Thian
(Malaysian, age 42, Male)
Managing Director

Please refer to description under the heading "Directors' Profile".

Yoshihiko Okuno
(Malaysian, age 49, Male)
Chief Operating Officer

Please refer to description under the heading "Directors' Profile".

Lee Khim Meng, Tony
(Malaysian, age 59, Male)
Chief Executive Officer – Star Shine Marketing Sdn Bhd

Appointment :
1 March 2016

Education and Experience :
Mr. Tony Lee has been appointed as Group Advisor – Group MD Office/Corporate for YKGI Holdings Berhad on 1 March 2016, Effective 1 January 2017, he has also been designated as Chief Executive Officer for Star Shine Marketing Sdn Bhd to spearhead its business development, marketing and trading operations.

Prior to his appointment, Tony was the CEO of Malaysia Steel Institute (MSI - 2014-2015) appointed by the Minister, Ministry of International Trade & Industry (MITI).

He has also served as the COO of Master Builders Association Malaysia in 2010-2011.

Graduated in 1981 with a BSc in Economics & Management from University of Manitoba, Canada, he started his career with Jururancang Bersekutu, a Town & Country Planning Consultancy.

Tony has more than 30 years' experience in the building material industry which includes working in BHP Lysaght Sdn Bhd (now known as BlueScope Steel Products).
He has also worked as Marketing Manager in MetroPlex Bhd, a property developer and CI Holdings Bhd, a building material manufacturing conglomerate.

Tan Ching Pding
(Malaysian, age 52, Male)
Chief Financial Officer

Appointment :
1 March 2016

Education and Experience :
Mr Tan holds a Master of Business Administration in Finance from University of Stirling, Scotland, and graduated from Association of Chartered Certified Accountants ("ACCA") and Chartered Institute of Management Accountants. He is a member of Malaysian Institute of Accountants.

He is a qualified accountant with more than 25 years of experience. His prior work experience includes Chief Financial Officer ("CFO") in AbleGroup Berhad, CFO in Ekovest Berhad, Head of Financial & Treasury in Landmarks Berhad, Senior Manager of Group Investment in Berjaya Group Berhad, Senior Consultant in KPMG and Senior Auditor in NS Roberts & Co (London).

Alex Chan Mun Kee
(Malaysian, age 49, Male)
Director of Sales & Marketing – West Malaysia

Appointment :
15 October 2001

Education and Experience :
Mr Alex Chan holds a Diploma in Interior Design from Perak Institute of Art, Ipoh.

His prior work experience includes Assistant Sales Manager in Poly Glass Fibre (M) Bhd and Sales Designer in Ipmuda (M) Sdn Bhd.

Mr Alex Chan is responsible for the overall operation of the Sales & Marketing Department of YKGI – West Malaysia and export market for YKGI Group.

Chin Kok Kheong
(Malaysian, age 55, Male)
Director of Quality Assurance

Appointment :
1 March 2005

Education and Experience :
Mr Chin graduated from Tunku Abdul Rahman College, Diploma in Materials Engineering (1987) and Management Institute of Management, Diploma in General Management (1994).

His prior work experience includes Technical Assistance in Maruichi Steel Tube Berhad and Production Manager in Mycron Steel Berhad.

Mr Chin oversees the management of all areas of manufacturing to produce quality products in meeting customers' requirements.

Aw Chiew Lan
(Malaysian, age 46, Female)
Director of Finance – East Malaysia

Appointment :
1 July 2015

Education and Experience :
Ms Aw graduated from the Association of Chartered Certified Accountants ("ACCA"). She is a member of Malaysian Institute of Accountants and a fellow member of ACCA since 2002.

She joined YKGI in 1991 and had since then responsible for financial reporting and administrative affair of YKGI Group. She sat in the Due Diligence Working Group of the corporate exercises and ensure smooth completion and implementation of the exercises. Currently she oversees the financial affairs of ASTEEL Group of Companies.

PROFILE OF KEY SENIOR MANAGEMENT (CONT'D)

Eileen Yeoh Soo Chin
(Malaysian, age 40, Female)
Senior Financial Controller

Appointment :
1 October 2011

Education and Experience :
Ms Eileen Yeoh is our Senior Financial Controller and heads our Group corporate finance. She graduated from Sunway College and obtained her professional qualification of Fellow of Chartered Certified Accountant, UK (FCCA) and also a member of the Malaysian Institute of Accountants (MIA). She later obtained a certificate of Goods and Services Tax (GST) from Royal Malaysian Customs Department in 2015.

Ms Eileen Yeoh began her career with Moore Stephens Public Accountant Firm in 1998. Subsequently, she joined LCL Corporation Berhad as an Accountant in 2006, she was later promoted to Head of Corporate Finance and was responsible for overseeing and managing the Corporate Finance for the Group of Companies. She has over 18 years of working experience in the field of accounting, auditing, treasury and corporate finance which specialized in project finance, debt capital raising, corporate and debt restructuring and treasury cash management.

Foo Ai Ting
(Malaysian, age 42, Female)
Senior General Manager for Management Support cum Special Assistant to Executive Deputy Chairman

Appointment :
1 October 2007

Education and Experience :
Ms Foo graduated in 1999 from University of Malaya with a Bachelor of Arts (Honours) majoring in Economics and obtained a Master of Economics from the same university in 2002.

She began her career in 1999 with S.Kian Seng Sdn Bhd as Purchasing Executive and was promoted to Costing Executive in 2000. In 2002, she joined Hing Tai (2020) Sdn Bhd as Administrative and Human Resources Executive. In 2006, she joined Sorella (M) Sdn Bhd as Senior Human Resources Executive. In 2007, she joined Star Shine Marketing Sdn Bhd as Assistant Manager for the Corporate Affairs Department and appointed as Special Assistant to YKGI Group MD/CEO in 2012 and assumed her current position in 2016. She is responsible for overseeing Group Administration and Human Resource Department, Group Procurement, Purchasing and Store Department, and Group Logistics and Warehouse Department of YKGI Group.

Hoo Mun Keet
(Malaysian, age 41, Male)
General Manager, Production and Maintenance

Appointment :
20 May 2012

Education and Experience :
Mr. Hoo graduated with a Bachelor of Engineer, Mechanical Engineering, from University of Hertfordshire, United Kingdom.

He has more than 17 years of diversified experience in the steels industry and has been involved in the field of mechanical engineering covers projects, productions and maintenance.

Mr Hoo's professional experiences include being Maintenance Manager of a multinational steel company, his career with YKGI group commenced as Mechanical Engineer from Executive to Senior Manager, as Manager for project and engineering to Assistant General Manager. Currently, he is General Manager for production and maintenance.

Mr Hoo has served as Authorised Gas Tester and Entry Supervisor for Industries Code of Practices in Confined Space entering and was actively involved in conducting internal audit for ISO 9001, ISO 14001 and OHSAS 18001. In addition, he is the current Safety Chairman and also the Emergency Commander for Emergency Response Team.

Notes:

Save as disclosed above, none of the key senior management has:
(a) any directorship in public companies and listed issuers;
(b) any family relationship with any directors and/or major shareholders of the Company;
(c) any conflict of interest with the Company;
(d) any conviction for offences (other than traffic offences) within the past five (5) years; and
(e) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board") of YKGI Holdings Berhad recognises that well-defined corporate governance structure is vital in enhancing corporate accountability, long-term sustainability as well as business growth in its overall management of the Group to safeguard and enhance shareholder value. The Board is guided by the measures set out in Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR") and Malaysian Code on Corporate Governance 2012 ("MCCG") in developing its corporate governance structure. The governance processes are regularly reviewed and refined on the needs and circumstances of the Group.

The Board is pleased to report on the extent in which the governance principles and its processes; and the role of the Board and its relationship with shareholders, investors, management as well as Committees during the financial year ended 31 December 2016 ("FY2016") and to the date of this Statement. The Board believes that the Company has complied substantially with the best practices of MCCG and the provisions in MMLR except where specifically identified in this Statement.

A. BOARD OF DIRECTORS

The Board is entrusted for the overall management, strategic direction, formulation of policies and overseeing the business of the Group. The Board has delegated the policies implementation to the Managing Director/Chief Executive Officer and Executive Directors who also oversee the Group's operations; developing and implementing business strategies. 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.

(i) Board Charter

Board Charter formalises and sets out the role and responsibilities of the Board and ensures Directors acting on behalf of the Company are aware of the various legislations and regulations affecting their conduct and that the principles and practices of good governance are applied in their dealings in respect of the Company. Board Charter comprises, among others, well defined terms of reference ("TOR") and various relevant internal processes. The Board Charter will be reviewed from time to time to reflect changes to the Board's policies, procedures and processes as well as incorporate amendments on the relevant rules and regulations to ensure it remains consistent with the Board's objectives, current law and best practice.

(ii) Directors' Code of Ethics

The Board has formalised a Code of Ethics setting out the manner in which the Directors conduct themselves. It provides transparency, integrity and accountability as well as clear direction on conducting business, guidance on disclosure of interest, maintaining confidentiality and disclosure of information, good practices and internal control. The Code is reviewed from time to time to ensure best practices are incorporated.

(iii) Whistleblowing Policy & Procedure

The Board has formalised a set of Whistle Blowing Policy & Procedures to provide a framework to promote and secure whistleblowing without fear of adverse consequences. Employees, shareholders and stakeholders may use the procedures set out in this Policy to report any matter of concern.

The Board Charter, Code of Ethics and Whistleblowing Policy & Procedure are embedded in the Board Charter and are available on the Company's website (www.ykgigroup.com) for easy access by the shareholders and the public.

(iv) Sustainability of business

The Board is mindful of its responsibility on the Environmental, Social and Health Governance ("ESHG") aspects of business sustainability. As such, the ESHG 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 ESHG 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 under the heading of Corporate Social Responsibilities in this Annual Report.

(v) Role and Responsibilities of the Board

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;

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(v) Role and Responsibilities of the Board (cont'd)

- 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.

(vi) 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.

(vii) Company Secretaries

The Company is supported by two (2) suitably qualified and competent Company Secretaries. Both Company Secretaries are qualified Chartered Secretaries under Section 139A(a) of the Companies Act, 1965 or Section 235(2)(a) of the Companies Act 2016.

The Company Secretaries support the Board to ensure its effective functioning, and in managing the corporate governance framework of the Group. The Company Secretaries also advise the Directors on their fiduciary and statutory duties, as well as compliances with company law, the MMLR, the Company's Constitution, the MCCG, Board adopted policies, and other pertinent regulations governing the Company, including guiding the Board towards the necessary compliances, as and when necessary.

Both Company Secretaries attended the 2016 Annual General Meeting ("AGM") and at least one (1) Company Secretary attends all Board and Board committee meetings during the FY2016. All deliberations at the AGM and all Board and Board committee meetings are well minuted for the Board's reference and for action plans to be communicated to the Management to work on and to report back to the Board. The Board is also updated on the Directors' Resolutions in Writing passed, Directors' dealings pursuant to Chapter 14 of the MMLR, announcements made to Bursa Securities and circulars or correspondences from Bursa Malaysia Berhad, at every scheduled Board meeting during the year. The Company Secretaries also update the Board on changes in the regulatory requirements.

The Company Secretaries had and will continue to constantly keep themselves abreast on matters concerning company law, the capital market, corporate governance, and other pertinent matters, and with changes in the same regulatory environment, through continuous training and industry updates.

They have also attended many relevant continuous professional development programmes. The Board is satisfied with the performance and support rendered by the Company Secretaries to the Board in the discharge of its function and duties.

(viii) Board Composition and Diversity

The Board currently comprises nine members, with six Non-Executive Directors (including four Independent Directors) and three Executive Directors (including Managing Director/Chief Executive Officer). The Directors, with their diverse backgrounds and qualifications in both the public and private sectors and diverse academic backgrounds, provide a collective range of skills, expertise and experience in engineering, entrepreneurship, accounting, audit, legal and economics which is vital to effectively lead the Group. The profile of each Director is set out under the heading Directors' Profile in this Annual Report.

The existing Board complies with the MMLR which requires one-third of the Board to be independent. The Independent Non-Executive Directors have fulfilled the independence criteria set out in the Board Charter and MMLR. They are individuals with integrity and high caliber whom always play important roles by exercising independent judgement, participate objectively in the Board's decision making process and acted in the best interest of the Group and ensure that the interest of minority shareholders are safeguarded. They bring with them 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

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(viii) Board Composition and Diversity (cont'd)

significant contributions to the Company's decision making by bringing in the quality of detached impartiality and objectivity. The Non-Independent Non-Executive Directors have also contributed essential business know how and management experience relevant to the Group.

The structure, size and composition of the Board are reviewed annually to ensure that it has the appropriate mix of expertise and experience.

There is a clear division of responsibility between the Chairman and the Managing Director/Chief Executive Officer to ensure a balance of power, increased accountability and a greater capacity of the Board for independent decision-making. The Chairman leads and ensures effective and comprehensive Board discussion on strategic issues, business planning, other matters brought to the Board and responsible for the Board's effectiveness and standard of conduct.

The Managing Director/Chief Executive Officer together with Executive Directors oversees the business operations and development of the Group as well as implementation of policies and ensures that strategies, policies and matters approved by the Board are effectively implemented. The Managing Director/Chief Executive Officer also provides overall oversight, guidance, advice and hybrid between the Board and Management by virtue of his capacity as a member of the Board.

(ix) Board Meetings and Directors' Training

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. Six (6) meetings were held during the FY2016 which were attended by all Directors except Mr Yasuji Nakano who attended five (5) meetings, and Mr Yoshihiko Okuno attended two (2) meetings in view of his appointment as Executive Director was on 1 October 2016.

Name of Director	Meetings attended	Percentage of attendance (%)
Lim Pang Kiam *(Independent Director/Non-Executive Chairman)*	6/6	100%
Dato' Soh Thian Lai* *(Managing Director/Chief Executive Officer)*	6/6	100%
Victor Hii Lu Thian** *(Executive Director)*	6/6	100%
Yoshihiko Okuno*** *(Executive Director)*	2/2	100%
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)*	6/6	100%
Christopher Hii Lu Ming *(Non-Independent Non-Executive Director)*	6/6	100%
Yasuji Nakano *(Non-Independent Non-Executive Director)*	5/6	83%
Yoshiyuki Komaki**** *(Alternate to Mr Yasuji Nakano)*	6/6	100%

Notes:
- * *Re-designated as Executive Deputy Chairman on 5 April 2017*
- ** *Re-designated as Managing Director on 5 April 2017*
- *** *Appointed on 1 October 2016*
- **** *Appointed on 1 April 2016 as Non-Independent Non-Executive Director but re-designated as Alternate Director to Mr Yasuji Nakano on 1 October 2016*

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(ix) Board Meetings and Directors' Training (cont'd)

Chief Financial Officer ("CFO"), Senior Adviser, Group Advisor and Company Secretaries were permanent invitees to Board meetings to present reports on matters relating to their areas of responsibility, and to provide insight into reports or recommendations submitted to the Board. The business discussed, considered, deliberated and approved by the Board in FY2016, among others, operating highlights of the Group's business and performance; annual budget and mid-year review of plan and budget; quarterly and full year results; corporate proposals; significant disposal; and risk and controls environment including other risk management and governance initiatives.

The Board has also stipulated in its Board 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. Mr Yoshihiko Okuno had completed the Mandatory Accreditation Programme ("MAP") within the timeframe prescribed by Bursa Securities. During FY2016, the Directors have also attended other relevant trainings and seminars organised 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 FY2016 comprised of:

- Bursa Malaysia Berhad: Advocacy Sessions on Management Discussion & Analysis ("MD&A") for CEO and CFO
- Bursa Malaysia Berhad: Nomination Committee Programme Part 2 "Effective Board Evaluations"
- Bursa Malaysia Berhad: Risk Management Programme – I Am Ready to Manage Risk!
- Bursa Malaysia Berhad: CG breakfast series "Future of auditor reporting – the Game changer for Boardroom"
- Coalition for Business Integrity Berhad: The draft Malaysian Code on Corporate Governance 2016; Sustainability Reporting; and Amendments to the Listing Requirements on corporate disclosure and corporate governance practices
- Deloitte Malaysia: New Auditor Reporting : Why it matters to you
- Ernst and Young: Tax Seminar - Budget 2017
- KSK Corporate Services Sdn Bhd: Recent amendments to the Listing Requirements by Bursa Malaysia & Corporate Sustainability & Issuance of Sustainability Statements
- Lion Group – In house training: Finance for Non Finance – "Finance Language in the Boardroom"
    - The Key Factors of Goods and Services Tax (GST) & Its Implementation
    - Transfer pricing
- MIA Audit Committee Workshop: Enterprise Risk Management – Recommendation 6.1 of the MCCG
- MIA Audit Committee Workshop: The Nominating Committee "What does it really do?"
- MISIF 12th Conference: Status and Outlook of the Iron and Steel Industry
- Pansar Berhad: Malaysia's economic outlook and challenges in 2016 and beyond
- South East Asia Iron and Steel Institute: 2016 Asean Iron and Steel Sustainability Forum
- Senior Management Development Program for SME
- Tax Seminar 2017: Budget proposal
- The Associated Chinese Chambers of Commerce & Industry of Malaysia: New Company Law's Impact on your Business and Duties

The Company ensures that Directors are briefed from time to time on changes to practices, guidelines, regulations and accounting standards as well as other relevant issues affecting the steel industry. Articles and reports relevant to the Company's businesses also circulated to Directors for information. 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.

(x) Board Committees and Meetings

The Board has delegated specific responsibilities to certain Committees in order to assist the Board to efficiently discharge its responsibilities. The Board has established Committees, namely Audit Committee, Nomination Committee, Remuneration Committee, Board Risk Committee and Employee Share Option Scheme ("ESOS") Committee. The authorities and responsibilities of each Committee are set out in Board Charter and the Committees administer within the defined TOR. The Committees determine its meeting agendas and frequency of meetings. The respective Chairman of the Committees would report salient issues to the Board for notation, decision or approval.

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(x) Board Committees and Meetings (cont'd)

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

In discharging the Directors' duties, each member of the Board is entitled to obtain independent professional advice at the cost of the Company.

The composition of Committees is as follows:

(a) Audit Committee

Audit Committee comprises 4 members, all of whom are Independent Non-Executive Directors with accounting or related financial management expertise or experience. Audit Committee Chairman is Mr Fong Yoo Kaw @ Fong Yee Kow and the members are Mr Lim Pang Kiam, Mr Liew Jee Min @ Chong Jee Min and Dr. Loh Leong Hua.

All AC members attended 4 meetings held during FY2016. More information on the functions, duties and activities carried out by the Audit Committee during FY2016 is set out under the heading Audit Committee Report.

Name of Audit Committee	Meetings attended	Percentage of attendance (%)
Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director/ Audit Committee Chairman)*	*4/4*	*100%*
Lim Pang Kiam *(Independent Director/Member)*	*4/4*	*100%*
Liew Jee Min @ Chong Jee Min *(Independent Director/Member)*	*4/4*	*100%*
Dr Loh Leong Hua *(Independent Director/Member)*	*4/4*	*100%*

(b) 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 :

- 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

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 three meetings during FY2016.

Name of Nomination Committee	Meetings attended	Percentage of attendance (%)
Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director/ Nomination Committee Chairman)*	3/3	100%
Liew Jee Min @ Chong Jee Min *(Independent Director/Member)*	3/3	100%
Dr Loh Leong Hua *(Independent Director/Member)*	3/3	100%

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(x) Board Committees and Meetings (cont'd)

(b) Nomination Committee (cont'd)

During FY2016, 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 FY2016 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, 2016 and the Company's Constitution, including the appointment of a new Director to the Board on 1 October 2016;
- reviewed the independence of Independent Directors, particularly in relation to the 9-year limit on the tenure of Independent Directors and none of them have served in the Company for more than 9 years;
- reviewed the term of office and performance of an Audit Committee and each of its members annually to determine whether the Audit Committee and members have carried out their duties in accordance with their terms of reference; and
- reviewed the training records provided by the Directors to the Company.

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 FY2016, 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 Chairmen 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 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 MMLR.

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(x) Board Committees and Meetings (cont'd)

(c) Remuneration Committee

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.

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 Remuneration Committee held three meetings during FY2016.

Name of Remuneration Committee	Meetings attended	Percentage of attendance (%)
Liew Jee Min @ Chong Jee Min *(Independent Director/ Remuneration Committee Chairman)*	3/3	100%
Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director/Member)*	3/3	100%
Dr Loh Leong Hua *(Independent Director/Member)*	3/3	100%

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

Details of Directors' remuneration for the FY2016 are as follows:

	Executive Directors (RM)	Non-Executive Directors (RM)
Directors' fees	-	136,000.00
Salaries	1,349,067.00	-
Bonus/Ex-Gratia	316,000.00	-
Allowances	168,375.00	64,620.00
Total	**1,833,442.00**	**190,620.00**

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
RM50,000 – RM100,000	1	1
RM950,000 – RM1,000,000	1	-
RM1,000,000 – RM1,050,000	1	-

(d) Board Risk Committee

Board Risk Committee ("BRC") was formed by the Board on 10 May 2016 and is tasked with the responsibility to oversee the risk management activities of the Group by reviewing its risk profiles and ensuring the implementation of appropriate systems to manage and mitigate the identified risks. BRC meets quarterly or more often if necessary, to assess the adequacy and effectiveness of the Group's risk management plans, systems, processes and procedures, as well as its risk portfolios, risk levels and risk mitigation and strategies.

CORPORATE GOVERNANCE STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(x) Board Committees and Meetings (cont'd)

***(d) Board Risk Committee** (cont'd)*

BRC has established a sound risk management framework that enables it to continuously identify, assess, mitigate and monitor risks that affect the Group. Board Risk Committee met twice in the FY2016 which were attended by all members. At these meetings, risk relating to strategy, operational, financial and external environment were discussed and dealt with action plans.

BRC also responsible to oversees the Group's policies, objectives and strategies as they pertain to sustainability by identifying, evaluating, monitoring and managing the risks and opportunities as they arise.

The BRC comprises the following members:

- Dr Loh Leong Hua – Chairman/Independent Director;
- 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; and
- Dato' Soh Thian Lai - Managing Director/Chief Executive Officer

The BRC held two meetings during the FY2016.

Name of Board Risk Committee	Meetings attended	Percentage of attendance (%)
Dr Loh Leong Hua *(Independent Director/ BRC Chairman)*	2/2	100%
Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director/Member)*	2/2	100%
Liew Jee Min @ Chong Jee Min *(Independent Director/Member)*	2/2	100%
Lim Pang Kiam *(Independent Director/Member)*	2/2	100%
Dato' Soh Thain Lai *(Managing Director/* *Chief Executive Officer/Member)*	2/2	100%

(e) ESOS Committee

ESOS Committee was formed on 8 November 2016, comprises Dato' Soh Thian Lai (Chairman), Mr Yoshihiko Okuno, Dr. Loh Leong Hua, Mr Victor Hii Lu Thian, Mr Tan Ching Pding and Ms Aw Chiew Lan. ESOS Committee is responsible for implementing, regulating, allocating and administering the ESOS Scheme.

The shareholders of the Company had at an Extraordinary General Meeting ("EGM") held on 30 June 2016 approved the establishment of an ESOS Scheme of up to 15% of the prevailing issued share capital of the Company (excluding treasury shares) for the eligible employees (including Directors) of the Company and its subsidiaries (excluding dormant subsidiaries) who meet the criteria of eligibility for participation in the ESOS as set out in the By-Laws containing the Rules, Terms and Conditions of the ESOS as approved by the shareholders at the EGM held thereat.

The implementation of ESOS which took effect on 9 November 2016 but pending vesting and granting to eligible employee for subscription. Hence, verification of allocation criteria and criteria on eligibility of the employees by the Audit Committee at the end of financial year and disclosure thereon in the Annual Report of the Company would deem not applicable.

CORPORATE GOVERNANCE STATEMENT (cont'd)

B. ACCOUNTABILITY AND AUDIT

(i) 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 Securities, the annual financial statements of the Group and the Company as well as the reports of the Board of Directors and the 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, comprises all 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. 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 the Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act, 2016. Such financial statements comprise the quarterly financial report announced to Bursa Securities 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 FY2016, 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.

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 FY2016 by the Company's external auditors, Messrs KPMG PLT, and a firm and company affiliated to KPMG PLT are set out below:

	RM
Audit fees	175,000
Non-audit fees	27,030

(ii) State of Internal Controls

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:

- an organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
- 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;
- 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;
- active participation and involvement by the 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
- monthly financial reporting by subsidiaries to the Company.

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal control within the Group, is set out under the heading Statement on Risk Management and Internal Control in this Annual report.

In line with the MMLR and the MCCG, 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 FY2016 is provided in the Audit Committee Report.

CORPORATE GOVERNANCE STATEMENT (cont'd)

C. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

(i) Corporate 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.

(ii) Shareholder Participation at General Meetings

The Annual General Meeting ("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 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 show of hand and duly passed. The outcome of the AGM was announced to Bursa Securities on the same day.

The Company has adopted MMLR that any resolution set out in the notice of any general meetings is voted by poll for its proposed disposal of property tabled at the EGM held on 22 November 2016 and the appointment of an independent scrutineer to validate the votes casted at EGM held thereat. The Company will continue to adhere to this poll voting for any resolution to be moved at any general meetings and the appointment of independent scrutineer to validate the votes cast at the general meeting.

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 FY2016, 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.

D. MATERIAL CONTRACTS WITH SUBSTANTIAL SHAREHOLDERS

The Company had obtained shareholders' approval in respect of renewal and new shareholders' mandate for recurrent related party transactions ("RRPT") of a revenue or trading nature at the AGM held on 30 June 2016. The Company has introduced proper processes and procedures to monitor, track and identify RRPT. AC will review RRPT on a quarterly basis to ensure compliance with internal process and procedure as well as provisions of MMLR. Any Director who has interest in a transaction will abstain from participation in the deliberation of the RRPT.

E. BOARD CHANGES

The following changes were made to the Board and Board Committees on 5 April 2017:

1. Dato' Soh Thain Lai has been re-designated from Managing Director/Chief Executive Officer to Executive Deputy Chairman;
2. Mr Victor Hii Lu Thian has been re-designated from Executive Director to Managing Director;
3. Mr Lim Pang Kiam has been appointed a member of Remuneration Committee; and
4. Mr Christopher Hii Lu Ming has been appointed a member of Nomination Committee

This Statement is issued by the Board based on its resolution dated 5 April 2017.

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.

The Group takes cognizance of the dynamic and cyclical business environment and in view of that is committed to continuously improve the Group's risk management and internal controls system to safeguard the shareholders' investment and Group's assets.

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. In that respect, the Board has formed a Board Risk Committees ("BRC") to oversee the functions of the Risk Management Committees ("RMC") on the identification of risk factors, risk treatment plan and mitigation actions thereon.

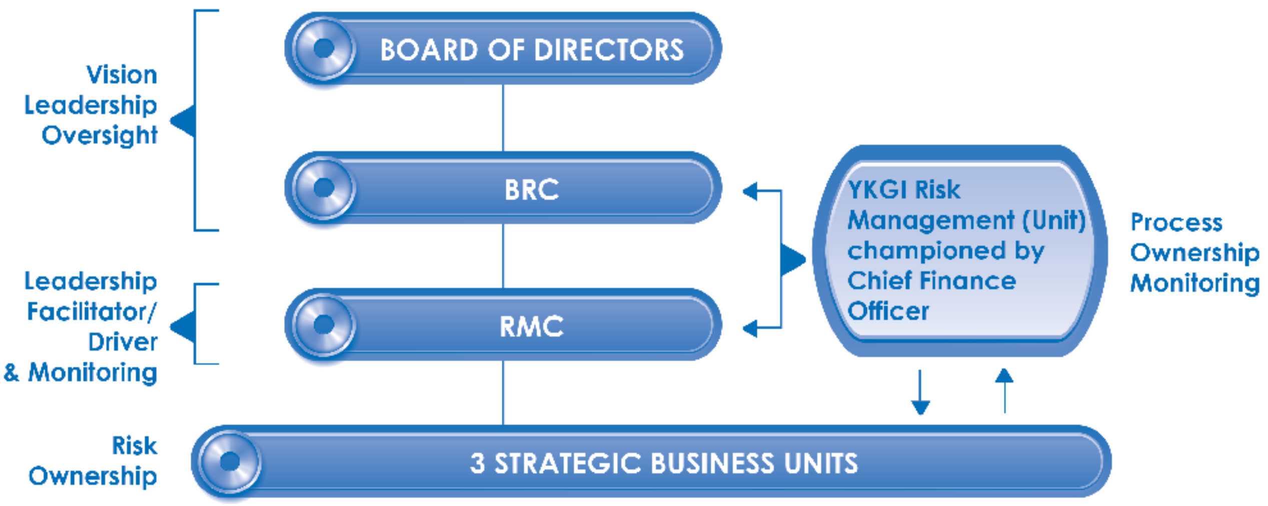
CONTROL STRUCTURE

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 BRC which was set up on 10 May 2016 as part of the improvement to the risk management process. BRC is tasked to oversee the functions of RMC, and the BRC membership composition comprises of a majority of Independent Non-Executive Directors. The RMC is made up of senior management personnel. In 2016, the BRC has met twice and deliberated on the risks presented by the RMC.

YKGI Group's Risk Management Structure is as below:



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

Role of Board Risk Committee

The main duties and responsibilities of the BRC are as follows:-

(a) To oversee and recommend the risk management policies and procedures of the Group;

(b) To review and recommend changes as needed to ensure that the Group has in place at all times a risk management policy which addresses the strategic, operational, financial and compliance risks;

(c) To oversee and ensure management implements and maintain a sound risk management framework which identifies, assesses, manages and monitors our Group's business risks;

(d) To review the risk profile of the Group including subsidiaries and to evaluate the measures taken to mitigate the business risks as recommended by the RMC; and

(e) To review the adequacy of management response to issues identified in risk registers, ensuring that the risks are managed within our Group's risk appetite.

Role of Risk Management Committee

The RMC is headed by the Chief Financial Officer and comprises of senior management personnel from the different business units and key divisional heads at head office. RMC is tasked to identify, review, monitor, evaluate and update the Group Risk Register on yearly basis or when the need arises. Risk owners are identified for the key business processes of the Group, who will be accountable for all aspects of risk management. This includes identification, assessment, and evaluation, formulate measures to manage or mitigate such risk, monitoring and reporting of risks associated with the business processes. The RMC reports are presented to the BRC for deliberation, evaluation and strategic guidance thereon.

The roles of RMC are thus summarised as follows:

1. Supports BRC in facilitating and co-ordinating risk management activities at operational level, including formulating, reviewing and adopting / implementing risk philosophy, risk policy and determining level of risk appetite and risk tolerance, risk standards and criteria and measurements, and recommend the same to the Board / BRC for adoption / approval / endorsement

2. Makes or ratifies Strategic Business Units("SBU")/management decisions on risk management

3. Formulates and/or recommends strategies, proposals and resource allocation for risk management to the Board/BRC

4. Reviews and approves objectives, approaches and risk models proposed by SBUs

5. Monitors the progress of the implementation of risk management across the Group

6. Review risk portfolio and compare the same against risk appetite

7. Receive and review reports from SBUs on implementation of risk management and approve the SBUs / Group's risk register

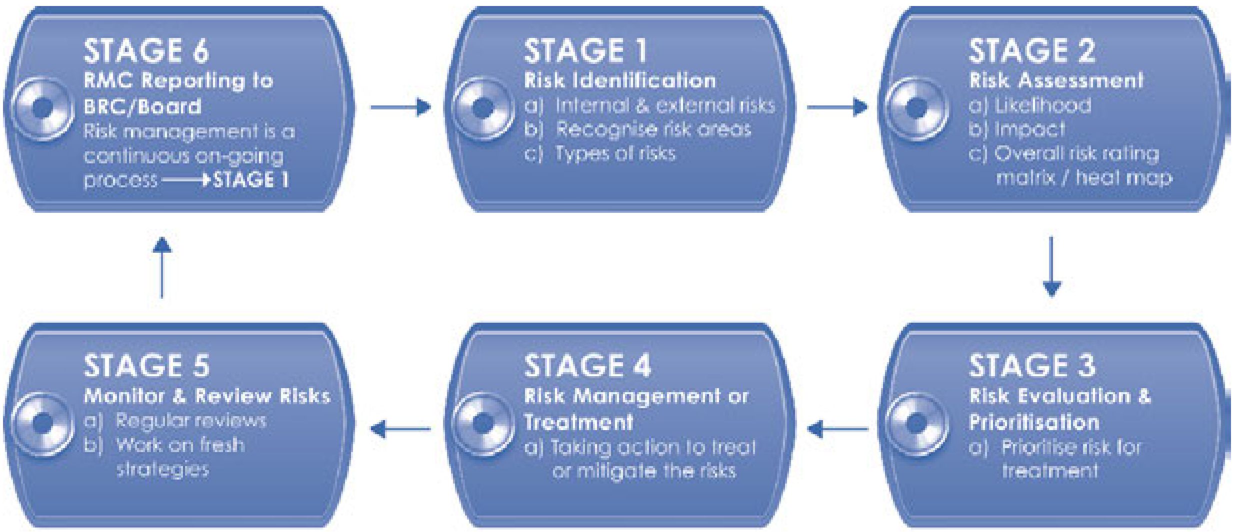
8. Review and approve the Group's risk prolife, risk prioritisation and mitigation strategies for risk treatment (including risk treatment plans)

9. Monitor and track implementation of mitigation strategies and risk treatment plans of the various SBUs and updating the status thereof

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

Risk Management Process

There are six stages of risk management processes being carried out systematically as depicted below:



The above different stages of the risk management processes illustrate broadly how the Group manages its risks. Essentially, the risk areas when identified would be prioritized based on the measurement of likelihood of the risks occurring and its impact to the organization. The status of the risk is also mapped out in the risk heat map so as to identify its risk position. The RMC is responsible for monitoring the treatment action plans for all the risks. The report of the risks status is reported to BRC on quarterly basis for resolution and deliberation before been tabled to the Board.

INTERNAL AUDIT FUNCTION

The Group Internal Audit Function is outsourced to EYAS for a period of three years. 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.

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 under the heading of Audit Committee Report in this Annual Report.

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 2016, the AC met four (4) 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 under the heading of Audit Committee Report in this Annual Report.

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

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 Managing Director/Chief Executive Officer together with management input. These are duly sanctioned and approved by 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, Board Risk Committee, Audit Committee and ESOS Committee Specific responsibilities have been delegated to these Board Committees, all of which have formalised 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. Other management committees, namely Executive Finance, Investment Committee and Related Transaction Committee comprised of management staff are set up for specific responsibilities.

- 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 2016, three(3) surveillance audits were carried out on 16 & 24 June and 11 August 2016.

- Monthly management reports received and reviewed by the Group Management Committee ("GMC") 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 GMC members for information and review. During 2016, twelve (12) 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.

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 Managing Director/Chief Executive Officer and the Chief Financial Officer on the adequacy and effectiveness of the risk management and internal control system of the Group.

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

This Statement is issued by the Board based on its resolution dated 5 April 2017.

REPORT OF AUDIT COMMITTEE

The Audit Committee ("AC") was formed on 25 April 1997 to assist the Board of Directors in fulfilling its responsibilities for the governance process, financial reporting process, the audit process and system of internal controls in compliance with laws and regulatory requirements.

AC is pleased to present its report on the activities carried out during FY2016 and to the date of this report in conducting its affairs and discharging its responsibilities.

1. COMPOSITION

The present members of the AC are as follows:-

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

All the AC members are able to read, analyse and interpret the financial statements and have effectively discharged their duties pursuant to the Terms of Reference of the AC. Mr Fong Yoo Kaw @ Fong Yee Kow is a qualified Chartered Accountant and also a member of the Malaysian Institute of Accountants. The authority and duties of the AC are clearly governed by the Terms of Reference.

Nomination Committee of the Company had conducted annual review on the composition and performance of AC including their term of office and performance as well as effectiveness, accountability, commitment and responsibilities. Based on the evaluation conducted for the FY2016, the Board was satisfied that AC has continued to contribute to the governance process, and AC members, have independent attitude, integrity, knowledge of the industry, objectivity and financially literate. AC members have supported the Board in discharging their functions, duties and responsibilities in ensuring that the Company upholds appropriate governance standards. Hence, the Board has maintained AC's composition.

2. MEETING AND ATTENDANCE

All AC members attended 4 meetings held during the FY2016. The Managing Director/Chief Executive Officer, Chief Financial Officer, Senior Financial Controller and Company Secretaries attended all AC meetings with other management personnel attend the AC meetings as and when requested by AC, to seek clarification on audit issues and facilitate direct communication as well as to solicit information in relation to the operation of the Company. In addition, external and internal auditors met AC members twice and thrice, respectively during the FY2016 to present their respective reports and to discuss their audit plan and audit findings on the Company and Group, assessment of risk profile and criterions was also carried out by the internal auditors.

AC also had twice private sessions with external auditors with regards to management's co-operation and their sharing of information as well as discuss the results of the audit and any other observations they may have during the audit process and on risk management issues, without the presence of management personnel.

Prior notice on issues to be discussed together with meeting materials was included in the AC meeting papers. AC Chairman highlighted and reported matters of significant concern raised by internal and external auditors that requiring the Board's attention and direction at Board meeting.

Minutes of AC meetings were included in Directors' meeting materials. All proceedings, matters arising, deliberations, issue discussed, and resolutions of the AC's meetings were recorded in the minutes and AC Chairman signed the minutes signified confirmation by the AC.

3. FUNCTIONS AND DUTIES

AC has discharged its functions and duties in accordance with its Terms of Reference, as follows:

3.1 Financial Reporting

a. Reviewed the Company and Group's unaudited financial results for the first quarter, second quarter, third quarter and fourth quarter which were announced to Bursa Securities after the Board's approvals, respectively on 29 February 2016, 10 May 2016, 2 August 2016 and 8 November 2016.

b. Reviewed the Company's Audited Financial Statements ("AFS") for FY2016 and AC satisfied that the AFS2016 complied with appropriate financial reporting standards and regulatory requirements.

REPORT OF AUDIT COMMITTEE (cont'd)

3. FUNCTIONS AND DUTIES (cont'd)

3.1 Financial Reporting (cont'd)

c. Reviewed the Statement on Risk Management and Internal Control, Statement of Corporate Governance and AC Report for inclusion in this Annual Report prior to review by external auditors and the Board's approval.

d. On-going evaluation on the appropriateness, adequacy and efficiency of accounting policies and procedures, in compliance with appropriate financial reporting standards and regulatory requirements.

e. Recommended measures that would enhance the objectively of financial statements and reports prepared for the Company and Group, as well as affairs and business plans of the Company.

f. Noted significant changes and amendments to the regulations, financial reporting standards and other regulatory requirements that could affect the financial reporting of the Group.

3.2 External Audit

a. Reviewed the auditors' scope of work and external audit plans. Prior to the annual audit, the AC 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 on their re-appointment and 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. Assessed the suitability and independence of external auditors and obtained written assurance from the External Auditors, confirming that they are, and have been, indepedent throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

3.3 Related Party Transactions

AC was satisfied that all related party transactions as reviewed on quarterly were in the best interest of the Company whereby the terms concluded were fair, reasonable and based on commercial viability, and were therefore not deemed to be detrimental to the minority interests, and the monitoring process on such transactions were appropriate and sufficient.

AC has also reviewed the Circular to Shareholders in relation to the proposed renewal of and new shareholders mandate for recurrent related party transactions of a revenue or trading nature before the Board's recommendation to shareholders for approval.

3.4 Internal Audit Function

The Company has outsourced its internal audit function to Ernst & Young Advisory Services Sdn Bhd ("EYAS"). The main role of EYAS is to provide AC with independent and objective reports on the adequacy and effectiveness of the internal controls, business processes, risks and governance framework of the Company. The partner-in-charge of the Internal Audit Services of EYAS who shall report directly to the AC and shall be responsible for the regular review and/or assessment of the adequacy and efficiency of financial and operating controls and highlight significant risks and non-compliance impacting the Group. The following is a summary of internal audit's work reviewed and/or approved by AC during FY2016:

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 and management responses thereon.

c. Reviewed and monitored the implementation status of the audit recommendations made by the 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.

REPORT OF AUDIT COMMITTEE (cont'd)

3. FUNCTIONS AND DUTIES (cont'd)

3.4 Internal Audit Function (cont'd)

e. Reviewed and assessed the viability of par value reduction before the Board undertaken the par value reduction exercise.

f. Reviewed the budget plan and monitored the status of action plans.

g. Reviewed the risk assessment report on the criteria identified by management, implemented the internal audit plan to assess the financial risk after the Board's approval and monitoring progress thereon.

The total costs incurred for the internal audit function of the Company in respect of the FY2016 was RM142,619.18.

Corporate Social Responsibilities

9 Feb 2016
Bringing CNY cheers to Children of Salvation Army Children's Home

2016 Team building Camp – Sumiran Eco Camp Kuching
Group photo

Activities during the training – lead the blind.

20 - 22 May 2016
Training Session: Camp Permai Kuching

26 June 2016 - Visit to Orphanage

26 June 2016 - Visit to Orphanage

18 Feb 2016 &
19 Aug 2016 –
Blood donation campaign,
Kepha Kuching

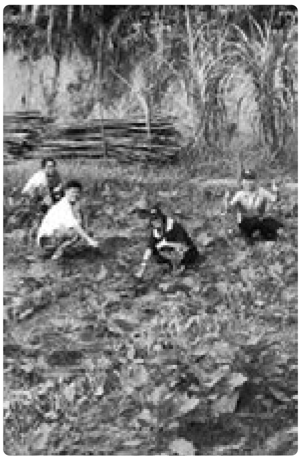
11 Nov'16 –
Blood donation campaign,
Wisma YKGI

4 Dec 2016 -
CEA ceremony,
Negaraku.

Faces of children during the ceremony

Corporate Social Responsibilities (cont'd)

13 – 18 November 2016 - Living Waters Village Visits
Donation: From left (back row) Pastor Ronny, Ir. Michael, Paul Lim and Victor Hii



Introductory session by Pastor Ronny

Planting vegetables

Roof inspection

Speech by Mr. Victor Hii Lu Thian, MD of ASTEEL group

16 December 2016 – Company Appreciation Dinner – Wild Wild West Theme
Toasting from the management

Dato' Soh Thian Lai, CEO of YKGI group - giving a speech during ASTEEL Group appreciation dinner

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

Recycling Initiatives

Category	2016
Steel Recycle Per Tonne Product	4.40 kg

Schedule Waste (SW) Initiatives

Category	2016
SW Output Per Tonne Product	1.17 kg

Electricity Consumption Initiatives

Category	2016
Consumption Per Tonne Product	68.21 kWH

Water Consumption Initiatives

Category	2016
Consumption Per Tonne Product	0.38 m^3

CONTACTS OF YKGI GROUP OF COMPANIES

YKGI HOLDINGS BERHAD (032939-U)

Registered Address/Head Office & Factory (Klang)

Wisma YKGI, Lot 6479 Lorong Sungai Puloh/KU6
Kawasan Perindustrian Sungai Puloh
42100 Klang Selangor Darul Ehsan Malaysia
Tel: +60 3 3297 5555/3291 5189 Fax: +60 3 3290 6668/3291 6193
Website: http://www.ykgigroup.com E-mail: ykgi@ykgigroup.com

Subsidiaries (Sabah & Sarawak)

ASTEEL Resources Sdn. Bhd. (1103206-T)
ASTEEL Sdn Bhd (393042-D)

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

ASTEEL (Bintulu) Sdn Bhd (1062228-D)

Office & envio 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 & envio 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 & envio 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 & envio 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 Sungai Puloh/KU6,
Kawasan Perindustrian Sungai Puloh,
42100 Klang Selangor Darul Ehsan Malaysia.
Tel: +60 3 3297 5555/3291 5189 Fax: +60 3 3290 6668/3291 6193

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 under the heading of Corporate Governance Statement outlined in this Annual Report.

Directors' Report for the year ended 31 December 2016

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2016.

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)/Profit for the year attributable to owners of the Company	(9,956,808)	552,529

Dividends

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the financial year under review.

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	-
Yoshihiko Okuno (appointed on 01.10.2016)	-
Christopher Hii Lu Ming	-
Yasuji Nakano	Yoshiyuki Komaki (appointed on 01.10.2016)
Fong Yoo Kaw @ Fong Yee Kow	-
Liew Jee Min @ Chong Jee Min	-
Dr. Loh Leong Hua	-
Yoshiyuki Komaki (resigned on 01.10.2016)	-
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) at the end of the financial year as recorded in the Register of Directors' Shareholdings are disclosed in the ensuing pages.

Directors' Report
for the year ended 31 December 2016 (cont'd)

Directors' interests in shares(cont'd)

	Number of ordinary shares of RM0.10 each							
	Direct interests				Deemed interests			
	At 1.1.2016	Bought	Sold	At 31.12.2016	At 1.1.2016	Bought	Sold	At 31.12.2016
Interests in the Company								
Dato' Soh Thian Lai	13,939,346	40,000	1,050,000	12,929,346	11,576,216	-	-	11,576,216
Victor Hii Lu Thian	4,294,356	-	-	4,294,356	64,907,799	-	7,688,333	57,219,466
Christopher Hii Lu Ming	4,283,546	-	-	4,283,546	64,907,799	-	7,688,333	57,219,466
Lim Pang Kiam	-	496,700	496,700	-	-	-	-	-

	Number of Warrants B (2013/2020)							
	Direct interests				Deemed interests			
	At 1.1.2016	Bought	Sold	At 31.12.2016	At 1.1.2016	Bought	Sold	At 31.12.2016
Interests in the Company								
Dato' Soh Thian Lai	3,800,276	-	3,800,219	57	3,070,804	-	3,070,804	-
Victor Hii Lu Thian	138,990	-	-	138,990	10,729,509	-	9,977,200	752,309
Christopher Hii Lu Ming	12,180	-	-	12,180	10,729,509	-	9,977,200	752,309

Other than as disclosed above, the other Directors who held office at the end of the financial year did not have any interests in the shares of the Company and of its related corporations.

Directors' Report for the year ended 31 December 2016 (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

During the year on 30th June 2016, the Company has amended its Memorandum of Articles Association to change the authorised share capital of RM500,000,000 divided into 100,000,000 Redeemable Convertible Preference Shares of RM0.50 each and 900,000,000 ordinary shares of RM0.50 each to 100,000,000 Redeemable Convertible Preference Shares of RM0.50 each and 4,500,000,000 ordinary shares of RM0.10 each.

Subsequently, on 6 October 2016, the Company completed the par value reduction exercise to reduce the par value of existing ordinary shares from RM0.50 to RM0.10. Pursuant to that, the issued share capital of the Company was reduced from RM174,168,790 comprising 348,337,580 ordinary shares of RM0.50 each to RM34,833,758 comprising 348,337,580 ordinary shares of RM0.10 each.

There were no other 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 2016, 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 (2015: 95,000,428). None of the said warrants have been exercised during the year.

Employee Share Options Scheme ("ESOS")

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

At the Extraordinary General Meeting held on 30 June 2016, The Company's shareholders approved the establishment of an ESOS of not more than 15% of the prevailing issued and paid up share capital (excluding treasury shares) of the Company to eligible Directors and employees of the Group.

The salient features of the ESOS are, *inter alia*, as follows:

1) The aggregate number of shares to be issued under ESOS shall not more than 15% of the prevailing issued and paid up share capital of the Company (excluding treasury shares), and shall be made available under the ESOS at any point in time throughout the duration of the Scheme when an offer is made;

2) The aggregate number of shares to be issued under ESOS to the Director and Senior Management of the Group shall not more than 70% of the total number of YKGI Shares to be issued pursuant to the ESOS scheme;

3) The person who is eligible for ESOS scheme must not participate in the deliberation or discussion of his/her own allocation of new ordinary shares under the scheme;

4) The aggregate number of shares allocated under ESOS to an eligible employee shall not more than 10% of the total number of new shares to be issued under the scheme, if the person either singly or collectively through persons connect with him, hold 20% or more of the issued and paid-up share capital (excluding treasury shares) of the Company; and

5) The maximum percentage of option shares exercisable, in aggregate, in each year is 20% over a period of 5 years. Option shares which are exercisable in a particular year but not exercised shall be carried forward to subsequent years for the duration of the option period.

Directors' Report for the year ended 31 December 2016 (cont'd)

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, other than the loss arising from the disposal of land and building amounted to RM9,353,280 as disclosed in Note 11, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 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.

Auditors

The auditors, Messrs KPMG PLT (converted from conventional partnership, KPMG, on 27 December 2016), 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
Director

Victor Hii Lu Thian
Director

Klang,

Date: 20 April 2017

Statements of financial position as at 31 December 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
Assets					
Property, plant and equipment	3	269,741,825	283,123,478	241,052,475	252,328,011
Investment in subsidiaries	4	-	-	38,803,265	39,002,096
Other investments	5	9,775	9,775	-	-
Total non-current assets		269,751,600	283,133,253	279,855,740	291,330,107
Inventories	6	99,812,444	89,040,313	65,927,840	64,455,462
Trade and other receivables	7	105,294,557	88,515,439	111,113,930	115,218,563
Deposits and prepayments	8	5,612,491	3,499,431	4,782,351	2,592,471
Current tax assets		645,597	643,770	-	-
Derivative financial assets	9	6,026,980	488,423	6,026,980	488,423
Cash and cash equivalents	10	31,404,656	28,075,486	5,822,089	11,061,698
		248,796,725	210,262,862	193,673,190	193,816,617
Assets classified as held for sale	11	-	59,663,505	-	-
Total current assets		248,796,725	269,926,367	193,673,190	193,816,617
Total assets		518,548,325	553,059,620	473,528,930	485,146,724
Equity					
Share capital	12.1	45,696,808	185,031,840	45,696,808	185,031,840
Reserves	12.2	144,623,835	15,467,130	166,269,533	26,611,868
Total equity		190,320,643	200,498,970	211,966,341	211,643,708
Liabilities					
Loans and borrowings	13	24,857,048	42,333,507	5,066,311	9,089,994
Deferred tax liabilities	14	385,000	264,000	517,000	202,000
Total non-current liabilities		25,242,048	42,597,507	5,583,311	9,291,994
Trade and other payables	15	155,639,485	145,784,151	146,044,883	138,275,917
Loans and borrowings	13	145,842,020	164,070,992	109,734,395	125,917,105
Current tax payables		1,504,129	108,000	200,000	18,000
Total current liabilities		302,985,634	309,963,143	255,979,278	264,211,022
Total liabilities		328,227,682	352,560,650	261,562,589	273,503,016
Total equity and liabilities		518,548,325	553,059,620	473,528,930	485,146,724

The notes on pages 50 to 111 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	16	399,617,157	491,630,839	285,117,823	416,242,714
Cost of sales		(349,382,945)	(464,715,886)	(259,426,445)	(402,301,919)
Gross profit		50,234,212	26,914,953	25,691,378	13,940,795
Other income		1,127,439	3,130,897	4,027,262	3,260,939
Selling and distribution expenses		(6,560,782)	(6,912,164)	(3,150,280)	(3,953,866)
Administrative expenses		(31,746,593)	(31,126,426)	(18,575,797)	(18,647,883)
Results from operating activities	17	13,054,276	(7,992,740)	7,992,563	(5,400,015)
Finance income	18	684,621	1,115,122	123,195	174,381
Finance costs	18	(11,647,745)	(12,941,645)	(7,066,229)	(8,419,005)
Net finance costs		(10,963,124)	(11,826,523)	(6,943,034)	(8,244,624)
Profit from operation		2,091,152	(19,819,263)	1,049,529	(13,644,639)
Other non-operating expenses	19	(9,353,280)	-	-	-
(Loss)/Profit before tax		(7,262,128)	(19,819,263)	1,049,529	(13,644,639)
Taxation	20	(2,694,680)	3,267,473	(497,000)	3,135,000
(Loss)/Profit for the year attributable to the owners of the Company		(9,956,808)	(16,551,790)	552,529	(10,509,639)
Other comprehensive income, net of tax					
Foreign current translation difference	12	8,377	(29,513)	-	-
(Loss)/Profit/Total comprehensive (Loss)/income for the year attributable to the owners of the Company		(9,948,431)	(16,581,303)	552,529	(10,509,639)
Basic/diluted loss per ordinary share (sen):	21	(2.9)	(4.8)		

The notes on pages 50 to 111 are an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2016

	Attributable to owners of the Company						
	Non-distributable						
	Ordinary share	Redeemable convertible preference share	Translation reserve	Revaluation reserve	Share premium	Accumulated losses	Total
<u>Group</u>	RM	RM	RM	RM	RM	RM	RM
At 1 January 2015	1174,168,790	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 2015/1 January 2016	174,168,790	10,863,050	(29,513)	50,596,245	1,968,881	(37,068,483)	200,498,970)
Foreign currency translation difference for foreign operations	-	-	8,377	-	-	-	8,377
Realisation of revaluation gain	-	-	-	(15,260,000)	-	15,260,000	-
Loss for the year	-	-	-	-	-	(9,956,808)	(9,956,808)
Total comprehensive loss for the year	-	-	8,377	(15,260,000)	-	5,303,192	(9,948,431)
Par value reduction (Note 12)	(139,335,032)	-	-	-	128,692,397	10,642,635	-
Defrayed expense	-	-	-	-	(229,896)	-	(229,896)
Transactions with owners of Company	(139,335,032)	-	-	-	128,462,501	10,642,635	(229,896)
At 31 December 2016	34,833,758	10,863,050	(21,136)	35,336,245	130,431,382	(21,122,656)	190,320,643
	(Note 12)	(Note 12)	(Note 12)	(Note 12)			

The notes on pages 50 to 111 are an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2016 (cont'd)

Company	Attributable to owners of the Company — Non-distributable: Ordinary share RM	Redeemable convertible preference share RM	Revaluation reserve RM	Share premium RM	(Accmulated losses)/ Retained earnings RM	Total RM
At 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 2015/1 January 2016	174,168,790	10,863,050	35,285,622	1,968,881	(10,642,635)	211,643,708
Profit/Total comprehensive income for the year	-	-	-	-	552,529	552,529
Par value reduction (Note 12)	(139,335,032)	-	-	128,692,397	10,642,635	-
Defrayed expense	-	-	-	(229,896)	-	(229,896)
Transactions with owners of Company	(139,335,032)	-	-	128,462,501	10,642,635	(229,896)
At 31 December 2016	34,833,758	10,863,050	35,285,622	130,431,382	552,529	211,966,341
	(Note 12)	(Note 12)	(Note 12)	(Note 12)		

The notes on pages 50 to 111 are an integral part of these financial statements.

Statements of cash flows for the year ended 31 December 2016

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash flows from operating activities				
(Loss)/Profit before tax from:	(7,262,128)	(19,819,263)	1,049,529	(13,644,639)
Adjustments for:				
Depreciation of property, plant and equipment	18,671,672	19,845,869	14,793,504	15,194,499
Finance income	(684,621)	(1,115,122)	(123,195)	(174,381)
Finance costs	11,647,745	12,941,645	7,066,229	8,419,005
Dividend received	(375)	-	(2,400,000)	-
Loss/(Gain) on disposal of:				
- property, plant and equipment	(176,732)	(76,285)	320,559	(77,000)
- property held for sale	9,353,280	-	-	-
Impairment loss on:				
- property plant and equipment	-	182,000	-	-
- investment in subsidiary	-	-	198,831	-
Property, plant and equipment written off	1,648,634	-	-	-
Unrealised foreign exchange loss	5,606,370	298,508	5,606,370	298,508
Derivative gain on forward foreign exchange contracts (Note 9)	(6,026,980)	(488,423)	(6,026,980)	(488,423)
Operating profit before changes in working capital	32,776,865	11,768,929	20,484,847	9,527,569
Changes in inventories	(10,772,129)	39,642,578	(1,472,378)	35,024,337
Changes in trade and other receivables, deposits and prepayments	2,481,704	(1,993,032)	2,404,627	(9,511,743)
Changes in trade and other payables	4,084,783	14,145,901	2,161,145	16,154,818
Cash generated from operations	28,571,223	63,564,376	23,578,241	51,194,981
Tax (paid)/refund	(1,179,378)	(172,089)	-	151,906
Interest paid	(8,784,755)	(9,596,144)	(6,328,776)	(7,269,405)
Interest received	86,448	380,641	59,816	104,991
Net cash from operating activities	18,693,538	54,176,784	17,309,281	44,182,473
Cash flows from investing activities				
Acquisition of property, plant and equipment [Note (i)]	(4,076,875)	(6,150,573)	(3,721,288)	(5,185,525)
Increase in investment in existing subsidiary	-	-	-	(1,000,000)
Dividend received	375	-	2,400,000	-
Proceeds from disposal of property, plant and equipment	252,363	78,619	607,061	103,136
Proceeds from disposal of property held for sale	29,597,325	-	-	-
Interest received	598,173	734,481	63,379	69,390
Decrease/(increase) in deposits pledged to banks	3,801,888	4,202,154	(330,634)	(43,489)
Net cash from/(used in) investing activities	30,173,249	(1,135,319)	(981,482)	(6,056,488)

Statements of cash flows for the year ended 31 December 2016 (cont'd)

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Cash flows from financing activities				
Dividends paid to the owners of the Company	-	-	-	-
Net (repayment of)/proceeds from term loans	(21,425,566)	430,389	(5,838,510)	(10,256,968)
Net repayment from bankers' acceptances and revolving credits	(14,392,301)	(38,726,828)	(14,875,000)	(14,983,000)
Repayment of finance lease liabilities	(2,512,601)	(2,380,073)	(728,181)	(806,872)
Interest paid	(2,862,990)	(3,345,501)	(737,453)	(1,149,600)
Defrayed expenses	(229,896)	-	(229,896)	-
Net cash used in financing activities	(41,423,354)	(44,022,013)	(22,409,040)	(27,196,440)
Net increase/(decrease) in cash and cash equivalents	7,443,433	9,019,452	(6,081,241)	10,929,545
Cash and cash equivalents at beginning of year	8,900,626	(118,826)	8,303,969	(2,625,576)
Cash and cash equivalents at end of year [Note (ii)]	16,344,059	8,900,626	2,222,728	8,303,969

Notes

(i) Acquisition of property, plant and equipment

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Paid in cash	4,076,875	6,150,573	3,721,288	5,185,525
In the form of finance lease assets	2,937,412	1,910,885	724,300	1,373,894
Total (see Note 3)	7,014,287	8,061,458	4,445,588	6,559,419

(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		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Deposits placed with licensed banks with maturities less than three months	14,000,000			
Cash in hand and at banks	4,500,541	11,369,483	4,022,089	9,592,332
Total (see Note 10)	18,500,541	11,369,483	4,022,089	9,592,332
Less: Bank overdrafts (Note 13)	(2,156,482)	(2,468,857)	(1,799,361)	(1,288,363))
	16,344,059	8,900,626	2,222,728	8,303,969

The notes on pages 50 to 111 are an integral part of these financial statements.

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

- Klang branch	Wisma YKGI, Lot 6479, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan.
- Kuching branch	Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak.

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 2016 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 2016 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 20 April 2017.

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 12, *Disclosure of Interests in Other Entities (Annual Improvements 2014 - 2016 cycle)*	1 January 2017
Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*	1 January 2017
Amendments to MFRS 112, *Income Taxes, Recognition of Deferred Tax Assets for unrealised losses*	1 January 2017
MFRS 9, *Financial Instruments (2014)*	1 January 2018
Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transaction*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014 – 2016 Cycle)*	1 January 2018
Amendments to MFRS 128, *Investment in Associates and Joint Ventures (Annual Improvements 2014 – 2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Transfers of Investment Property*	1 January 2018
IC interpretation 22, *Foreign Currency Transactions And Advance Consideration*	1 January 2018
Amendments to MFRS 4, *Applying MFRS 9 Financial Instrument with MFRS 4 Insurance Contract**	1 January 2018
MFRS 16, *Leases*	1 January 2019
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*	To be determined

** Entities that meet the specific criteria in MFRS 4.20B may choose to defer the application of MFRS 9 until the earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group and the Company plan to apply:

- *from the annual period beginning on 1 January 2017,for those amendments that are effective for annual period beginning on or after 1 January 2017 except for Amendments to MFRS 12 which is assessed not applicable to the Group and to the Company.*

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: (cont'd)

- *from the annual period beginning on 1 January 2018 for those amendments that are effective for annual periods beginning on or after 1 January 2018 except for the Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4 and Amendments to MFRS 128 which are assessed as not applicable to the Group and to the Company.*

- *from the annual period beginning on 1 January 2019 for MFRS 16, which is effective for annual periods beginning on or after 1 January 2019.*

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

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

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

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

(ii) 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.

(iii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(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 2016, the current liabilities exceeded the current assets of the Group and Company by RM54,188,909 (2015: RM40,036,776) and RM62,306,088 (2015: RM70,394,405) respectively. For the current financial year, the Group has incurred net loss of RM9,956,808 as compared to net loss of RM16,551,790 for the previous financial year.

The Group and the Company are currently exploring various options to address the net current liabilities position, amongst which, include further streamlining of operations to achieve cost savings and improving the production yields to achieve better margins.

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 the achievement of future profitable operations by the Group and the Company. 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.

Notes to the financial statements (cont'd)

1. Basis of preparation (cont'd)

(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; and
- 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.

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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

(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.

(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.

2. Significant accounting policies (cont'd)

(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.

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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

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) contingent consideration in a business combination 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)].

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) contingent consideration in a business combination 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.

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

(c) **Financial instruments** (cont'd)

(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.

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.

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).

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

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

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)

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.

(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.

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

(e) **Leased assets** (cont'd)

(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.

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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(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.

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

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

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

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(j) Impairment (cont'd)

(ii) Other assets (cont'd)

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

(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.

(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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(l) Employee benefits (cont'd)

(iii) Defined benefit plans (cont'd)

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.

(iv) Share-based payment transaction

The grant date fair value of share-based payment granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions as at vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behabious), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value

(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 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 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 2015/1 January 2016	60,700,000	3,972,000	4,627,000	65,023,404	310,512,923	12,404,630	457,239,957
Additions	-	-	-	820,078	2,471,073	595,489	3,886,640
Disposals	-	-	-	(195)	(4,776,036)	(167,700)	(4,943,931)
Written off	-	-	-	-	(3,527,260)	(1,901,923)	(5,429,183)
At 31 December 2016	60,700,000	3,972,000	4,627,000	65,843,287	304,680,700	10,930,496	450,753,483
Representing items at:							
Cost	27,020,000	-	3,299,500	65,843,287	304,680,700	10,930,496	411,773,983
Directors' valuation	33,680,000	3,972,000	1,327,500	-	-	-	38,979,500
At 31 December 2016	60,700,000	3,972,000	4,627,000	65,843,287	304,680,700	10,930,496	450,753,483

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 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/ 1 January 2016	-	47,855	121,763	31,480,032	155,636,252	8,735,150	196,021,052
Depreciation for the year	-	46,729	121,763	3,040,071	13,760,091	797,846	17,766,500
Disposals	-	-	-	(2)	(4,881,974)	(122,981)	(5,004,957)
Reclassification	-	-	-	-	(3,146)	3,146	-
Written off	-	-	-	-	(2,010,289)	(1,783,437)	(3,793,726)
Accumulated depreciation	-	94,584	243,526	34,520,101	162,318,934	7,629,724	204,806,869
Accumulated impairment loss	-	-	-	-	182,000	-	182,000
At 31 December 2016	-	94,584	243,526	34,520,101	162,500,934	7,629,724	204,988,869
Carrying amounts							
At 31 December 2015/ 1 January 2016	60,700,000	3,924,145	4,505,237	33,543,372	154,876,671	3,669,480	261,218,905
At 31 December 2016	60,700,000	3,877,416	4,383,474	31,323,186	142,179,766	3,300,772	245,764,614

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

<u>Group</u> (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 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 2015/1 January 2016	457,239,957	8,234,943	1,588,477	6,324,091	13,773,646	487,161,114
Additions	3,886,640	1,182,334	-	-	1,945,313	7,014,287
Disposals	(4,943,931)	(1,220,545)	-	-	-	(6,164,476)
Written off	(5,429,183)	-	(1,503,020)	-	-	(6,932,203)
At 31 December 2016	450,753,483	8,196,732	85,457	6,324,091	15,718,959	481,078,722
Representing items at:						
Cost	411,773,983	8,196,732	85,457	6,324,091	15,718,959	442,099,222
Directors' valuation	38,979,500	-	-	-	-	38,979,500
At 31 December 2016	450,753,483	8,196,732	85,457	6,324,091	15,718,959	481,078,722

Notes to the financial statements (cont'd)

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

Group (cont'd)	Subtotal RM	Motor vehicles RM	Moulds, loose tools and implement RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Depreciation/impairment (cont'd)						
At 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 2015/1 January 2016	196,021,052	5,638,309	1,530,770	847,505	-	204,037,636
Depreciation for the year	17,766,500	665,785	11,556	227,831	-	18,671,672
Disposals	(5,004,957)	(1,083,885)	-	-	-	(6,088,842)
Reclassification	-	-	-	-	-	-
Written off	(3,793,726)	-	(1,489,843)	-	-	(5,283,569)
Accumulated depreciation	204,806,869	5,220,209	52,483	1,075,336	-	211,154,897
Accumulated impairment loss	182,000	-	-	-	-	182,000
At 31 December 2016	204,988,869	5,220,209	52,483	1,075,336	-	211,336,897
Carrying amounts						
At 31 December 2015/1 January 2016	261,218,905	2,596,634	57,707	5,476,586	13,773,646	283,123,478
At 31 December 2016	245,764,614	2,976,523	32,974	5,248,755	15,718,959	269,741,825

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 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)
At 31 December 2015/ 1 January 2016	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
Additions	-	-	580,123	2,362,507	417,001	784,882	-	301,075	4,445,588
Disposals	-	-	-	(2,266,291)	(33,742)	(148,376)	-	-	(2,448,409)
At 31 December 2016	60,700,000	4,627,000	60,017,300	270,519,682	8,611,809	4,680,658	6,324,091	14,074,719	429,555,259
Representing items at:									
Cost	27,020,000	3,299,500	60,017,300	270,519,682	8,611,809	4,680,658	6,324,091	14,074,719	394,547,759
Directors' valuation	33,680,000	1,327,500	-	-	-	-	-	-	35,007,500
At 31 December 2016	60,700,000	4,627,000	60,017,300	270,519,682	8,611,809	4,680,658	6,324,091	14,074,719	429,555,259

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 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/ 1 January 2016	-	121,763	30,888,361	134,508,258	5,716,276	3,147,906	847,505	-	175,230,069
Depreciation for the year	-	121,763	2,669,990	10,834,505	534,833	404,582	227,831	-	14,793,504
Disposals	-	-	-	(1,370,078)	(14,705)	(136,006)	-	-	(1,520,789)
At 31 December 2016	-	243,526	33,558,351	143,972,685	6,236,404	3,416,482	1,075,336	-	188,502,784
Carrying amounts									
At 31 December 2015/ 1 January 2016	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
At 31 December 2016	60,700,000	4,383,474	26,458,949	126,546,997	2,375,405	1,264,176	5,248,755	14,074,719	241,052,475

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 the financial year ended 2014, the Group and the Company adopted revaluation model for both freehold land and leasehold land. 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. 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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Carrying amounts				
Freehold land	27,020,000	27,020,000	27,020,000	27,020,000
Short-term leasehold land	2,359,565	2,422,927	2,359,565	2,422,927
Long-term leasehold land	3,827,919	3,874,648	-	-
	33,207,484	33,317,575	29,379,565	29,442,927

3.2 Security

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

	Carrying amounts	
	2016	**2015**
Group	**RM**	**RM**
Fixed legal charges		
Leasehold land	3,877,416	3,924,145
Buildings*	4,626,782	4,900,185
	8,504,198	8,824,330
Under debentures		
Plant and machinery	-	5,343,791
	8,504,198	14,168,121

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

Notes to the financial statements (cont'd)

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

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. Based on the valuation reports provided by the independent valuer, the fair value of the assets are higher than their recoverable amount and hence no impairment losses is required.

3.4 Title

The title of a long-term leasehold land of the Group with a carrying amount of RM3,877,416 (2015: RM3,924,145) 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	
	2016	**2015**
	RM	**RM**
Plant and machinery	8,717,649	9,868,978
Motor vehicles	1,926,317	2,829,599
	10,643,966	12,698,577

Notes to the financial statements (cont'd)

4. Investment in subsidiaries

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost	39,002,096	39,002,096
Less: Allowance for impairment losses	(198,831)	-
	38,803,265	39,002,096

4.1 Allowance for impairment losses

The Company recognised impairment loss based on the estimated recoverable amount of the investment in subsidiaries, which the recoverable amount was estimated based on fair value less cost to sell with reference to the net tangible asset of the subsidiaries.

4.2 Details of the subsidiaries

All of the subsidiaries 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 2016 %	2015 %
Direct			
ASTEEL Resources Sdn. Bhd. ("AR")	Investment holding	100	100
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	100	100
YKGI (Thai) Co. Ltd. ("YKGI Thai")^^	Investment holding	49/100	49/100
Indirect through SSH			
Star Shine Marketing Sdn. Bhd. ("SSM") iron and coated	Trading of galvanised galvanised iron steel sheets in coils and building materials	100	100
Star Shine Global Trading Sdn. Bhd. products	Trading of flat steel	100	100

Notes to the financial statements (cont'd)

4. Investment in subsidiaries (cont'd)

Subsidiary	Principal activities	Effective ownership interest/Voting interest 2016 %	2015 %
Indirect through SSH (cont'd)			
Star Shine Steel Products Sdn. Bhd. of steel products and	Manufacture and sale trading of other building and construction materials as well as provision of shearing and slitting services	100	100
Star Shine Industries Sdn. Bhd.	Manufacture and trading of steel tubes and pipes as well as provision of slitting services	100	100
Indirect through SSM			
Starshine Resources Sdn. Bhd.	Dormant	100	100
Indirect through AR			
ASTEEL Sdn. Bhd. metal roofing, coated steel	Manufacture and sale of products and related products	100	100
ASTEEL (Sabah) Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100	100
ASTEEL (Bintulu) Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100	100
Indirect through YKGI Thai			
YKGI (Thai) Steel Co. Ltd.^^	Dormant	49/100	49/100

^^ Not audited by member firms of KPMG International.

Notes to the financial statements (cont'd)

4. Investment in subsidiaries (cont'd)

4.1 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.

4.2 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	
	2016	**2015**
	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	9,725

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		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
At cost				
Raw materials	32,788,826	13,833,130	20,215,721	5,524,471
Manufactured inventories	35,385,266	24,703,571	29,465,406	22,332,195
Trading products	9,356,338	12,671,758	-	-
Consumables	12,142,891	13,123,852	11,723,583	13,025,168
Work-in-progress	9,081,196	11,749,033	3,623,612	11,749,033
Goods in transit	-	11,371,631	-	11,371,631
	98,754,517	87,452,975	65,028,322	64,002,498
At net realisable value				
Raw materials	83,641	-	-	-
Manufactured inventories	899,518	1,267,557	899,518	452,964
Trading products	74,768	319,781	-	-
	1,057,927	1,587,338	899,518	452,964
Total	99,812,444	89,040,313	65,927,840	64,455,462

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Recognised in profit or loss:				
- Inventories recognised as cost of sales	348,491,639	397,719,066	259,426,445	345,609,362
- Write-down to net realisable value	615,360	612,799	550,115	334,550

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

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade					
Trade receivables	7.3	83,217,442	87,749,074	39,619,947	45,822,447
Less: Allowance for impairment losses		(2,581,911)	(2,067,045)	(124,814)	(124,814)
		80,635,531	85,682,029	39,495,133	45,697,633
Subsidiaries	7.1	-	-	66,289,798	64,016,112
Subtotal		80,635,531	85,682,029	105,784,931	109,713,745
Non-trade					
Subsidiaries	7.2	-	-	3,660,156	3,826,945
Other receivables	7.5	24,659,026	2,833,410	1,668,843	1,677,873
		24,659,026	2,833,410	5,328,999	5,504,818
Total		105,294,557	88,515,439	111,113,930	115,218,563

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

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 (2015: 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 (2015: RM1,518,130) 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.

Included in other receivables of the Group is an amount of RM20,712,900 due from a third party in regards of the disposal of asset held for sales by one of the subsidiary.

Notes to the financial statements (cont'd)

8. Deposits and prepayments

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deposits	4,424,694	1,742,508	4,004,763	1,223,022
Prepayments	1,187,797	1,756,923	777,588	1,369,449
	5,612,491	3,499,431	4,782,351	2,592,471

Included in deposit of the Group and of the Company is a deposit placed for purchasing raw material amounted to RM3,941,036 (2015: RM1,125,706).

9. Derivative financial assets

	Group and Company	
	2016	2015
	RM	RM
Derivatives held for trading at fair value through profit or loss		
- Forward foreign exchange contracts	6,026,980	488,423

Nominal value of the outstanding forward foreign exchange contracts as at 31 December 2016 is RM121,740,666 (2015: RM117,184,731).

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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deposits placed with licensed banks with maturities less than three months	14,000,000	-	-	-
Cash in hand and at banks	4,500,541	11,369,483	4,022,089	9,592,332
Total cash and cash equivalents	18,500,541	11,369,483	4,022,089	9,592,332
Deposits placed with licensed banks with maturities more than three months and pledged with financial institutions	12,904,115	16,706,003	1,800,000	1,469,366
	31,404,656	28,075,486	5,822,089	11,061,698

Notes to the financial statements (cont'd)

11. Assets held for sale

Assets classified as held for sale comprise the following:

Group	*Note*	*2016 RM*	*2015 RM*
Land		26,000,000	26,000,000
Building		36,813,776	36,813,776
Furniture, fitting and equipment		1,957,734	1,957,734
		64,771,510	64,771,510
Less: Accumulated depreciation		(5,108,005)	(5,108,005)
		59,663,505	59,663,505
Net sales proceeds		(50,310,225)	-
Loss on disposal	17	(9,353,280)	-
		-	59,663,505

Following the classification of assets held for sale in respect of land and building ("Property") in Year 2015, Star Shine Marketing Sdn. Bhd. ("SSM"), a wholly owned subsidiary of the Company had on 30 August 2016 entered into a conditional sale and purchase agreement ("SPA") for the sale of the Property for a cash consideration of RM51.5 million. Approval from the shareholders of the Company was obtained on 18 November 2016 which rendered the SPA unconditional.

The Property was previously charged as a security for bank facilities of its immediate holding company, Starshine Holdings Sdn. Bhd. ("SHSB"), which has been subsequently repaid following the completion of the disposal.

12. Capital and reserves

12.1 Share capital

	Group and Company			
	Amount		Number of shares	
	2016 RM	2015 RM	2016	2015
Authorised				
Ordinary shares of RM0.50 each				
Opening balances	450,000,000	450,000,000	900,000,000	900,000,000
Par value reduction	(360,000,000)	-	-	-
Closing balances (Ordinary shares of RM0.10 each)	90,000,000	450,000,000	900,000,000	900,000,000
Redeemable convertible preference shares of RM0.50 each				
Opening and closing balances	*50,000,000*	*50,000,000*	*100,000,000*	*100,000,000*
Total	140,000,000	500,000,000	1,000,000,000	1,000,000,000
Issued and fully paid up				
Ordinary shares of RM0.50 each				
Opening balances	174,168,790	174,168,790	348,337,580	348,337,580
Par value reductions	(139,335,032)	-	-	-
Closing balances (Ordinary shares of RM0.10 each)	*34,833,758*	*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	45,696,808	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)*

At the Extraordinary General Meeting held on 30 June 2016, the Company's shareholders approved the par value reduction via cancellation of RM0.40 of par value of every existing share of RM0.50 each in the issued and paid up capital of the Company.

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 2016, 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 (2015: 95,000,428). None of the said warrants have been exercised during the year.

12.2 ***Reserves***

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
(Accumulated losses)/Retained earnings	(21,122,656)	(37,068,483)	552,529	(10,642,635)
Share premium	130,431,382	1,968,881	130,431,382	1,968,881
Revaluation reserve	35,336,245	50,596,245	35,285,622	35,285,622
Translation reserve	(21,136)	(29,513)	-	-
	144,623,835	15,467,130	166,269,533	26,611,868

Revaluation reserve

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

Notes to the financial statements (cont'd)

12. Capital and reserves (cont'd)

12.2 Reserves (cont'd)

Share premium

share premium consists of the followings:

(i) RM1,968,881 arose from the issuance of RCPS at a price above its par value of RM0.50 each in year 2013.

(ii) RM128,462,501 arose from the remaining par value reduction credit after set-off with the accumulated losses of RM10,642,635 and defrayed expense of RM229,896.

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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Non-current				
Term loans				
- secured	17,280,839	31,747,567	-	-
- unsecured	2,851,499	6,701,076	2,851,499	6,701,076
Finance lease liabilities				
- secured	4,724,710	3,884,864	2,214,812	2,388,918
	24,857,048	42,333,507	5,066,311	9,089,994

	Group		Company	
	2016	**2015**	**2016**	**2014**
	RM	**RM**	**RM**	**RM**
Current				
Term loans				
- secured	2,075,289	3,195,617	-	-
- unsecured	4,200,163	6,189,096	4,200,163	6,189,096
Finance lease liabilities				
- secured	2,008,205	2,423,240	916,871	746,646
Bankers' acceptances and revolving credits				
- secured	21,025,880	32,101,182	-	-
- unsecured	114,376,001	117,693,000	102,818,000	117,693,000
Bank overdrafts				
- unsecured	1,799,361	1,288,363	1,799,361	1,288,363
- secured	357,121	1,180,494	-	-
	145,842,020	164,070,992	109,734,395	125,917,105
Total	170,699,068	206,404,499	114,800,706	135,007,099

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 RM1,394,699 (2015: RM1,190,235) granted to certain subsidiaries are guaranteed by the Company. In addition, the finance lease liabilities of another indirect subsidiary of RM1,162,273 (2015: RM2,249,873) 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 (2015: 1.75 times) and 1.25 times (2015: 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 2016 are RM4,528,000 (2015: RM12,575,117).

Notes to the financial statements (cont'd)

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

(iii) Finance lease liabilities

Finance lease liabilities are payable as follows:

	2016			2015		
	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	2,414,261	406,056	2,008,205	2,837,398	414,158	2,423,240
Between one and five years	5,262,173	537,463	4,724,710	4,405,739	520,875	3,884,864
	7,676,434	943,519	6,732,915	7,243,137	935,033	6,308,104
Company						
Less than one year	1,086,663	169,792	916,871	995,637	248,991	746,646
Between one and five years	2,433,881	219,069	2,214,812	2,752,498	363,580	2,388,918
	3,520,544	388,861	3,131,683	3,748,135	612,571	3,135,564

14. **Deferred tax**

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Group	RM	RM	RM	RM	RM	RM
Property, plant and equipment	-	-	(29,036,000)	(28,776,000)	(29,036,000)	(28,776,000)
Revaluation reserve	-	-	(444,000)	(471,000)	(444,000)	(471,000)
Capital allowances carried forward	25,430,000	25,889,000	-	-	25,430,000	25,889,000
Tax losses carried forward	2,987,000	2,987,000	-	-	2,987,000	2,987,000
Other items	678,000	107,000	-	-	678,000	107,000
Tax assets/(liabilities)	29,095,000	28,983,000	(29,480,000)	(29,247,000)	(385,000)	(264,000)
Set off of tax	(29,095,000)	(28,983,000)	29,095,000	28,983,000	-	-
Net tax liabilities	-	-	(385,000)	(264,000)	(385,000)	(264,000)

	Assets		Liabilities		Net	
	2016	2015	2016	2015	2016	2015
Company	RM	RM	RM	RM	RM	RM
Property, plant and equipment	-	-	(28,771,000)	(28,541,000)	(28,771,000)	(28,541,000)
Revaluation reserve	-	-	(444,000)	(471,000)	(444,000)	(471,000)
Capital allowances carried forward	25,430,000	25,824,000	-	-	25,430,000	25,824,000)
Tax losses carried forward	2,988,000	2,986,000	-	-	2,988,000	2,986,000
Provisions	280,000	-	-	-	280,000	-
Tax assets/(liabilities)	28,698,000	28,810,000	(29,215,000)	(29,012,000)	(517,000)	(202,000)
Set off of tax	(28,698,000)	(28,810,000)	28,698,000	28,810,000	-	-
Net tax liabilities	-	-	(517,000)	(202,000)	(517,000)	(202,000)

14. Deferred tax (cont'd)

Recognised deferred tax (cont'd)

Movements in deferred tax during the year are as follows:

Group	At 1.1.2015 RM	Recognised in profit or loss RM	At 31.12.2015/ 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016 RM
Property, plant and equipment	(30,573,000)	1,797,000	(28,776,000)	(260,000)	(29,036,000)
Revaluation reserve	(535,000)	64,000	(471,000)	27,000	(444,000)
Capital allowances carried forward	24,000,000	1,889,000	25,889,000	(459,000)	25,430,000)
Tax losses carried forward	3,200,000	(213,000)	2,987,000	-	2,987,000
Other items	103,000	4,000	107,000	571,000	678,000
	(3,805,000)	3,541,000	(264,000)	(121,000)	(385,000)
		(Note 20)		(Note 20)	

Company	At 1.1.2015 RM	Recognised in profit or loss RM	At 31.12.2015/ 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016 RM
Property, plant and equipment	(30,031,000)	1,490,000	(28,541,000)	(230,000)	(28,771,000)
Revaluation reserve	(535,000)	64,000	(471,000)	27,000	(444,000)
Capital allowances carried forward	24,000,000	1,824,000	25,824,000	(394,000)	25,430,000
Tax losses carried forward	3,200,000	(214,000)	2,986,000	-	2,986,000
Other items	-	-	-	282,000	282,000
	(3,366,000)	3,164,000	(202,000)	(315,000)	(517,000)
		(Note 20)		(Note 20)	

Notes to the financial statements (cont'd)

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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Capital allowances carried forward	14,000,000	9,763,000	-	-
Tax losses carried forward	15,972,000	15,340,000	-	-
Reinvestment allowances carried forward	134,341,000	133,589,000	116,000,000	116,000,000
	164,313,000	158,692,000	116,000,000	116,000,000
Deferred tax assets	39,435,000	38,086,000	27,840,000	27,840,000

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. Trade and other payables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Trade				
Trade payables	144,241,844	138,973,765	140,631,048	134,569,355
Non-trade				
Other payables	3,519,708	2,448,793	603,269	869,229
Accrued expenses	7,877,933	4,361,593	4,810,566	2,837,333
	11,397,641	6,810,386	5,413,835	3,706,562
Total	155,639,485	145,784,151	146,044,883	138,275,917

Trade payables of the Group and Company include an amount of RM126,980,148 (2015: RM127,931,145) is denominated in USD. The outstanding amount was due to a substantial foreign shareholder of the Company, which bears interest of 2.36% (2015: 2.50%) 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.

Notes to the financial statements (cont'd)

16. Revenue

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Sale of goods	399,477,770	490,138,765	284,941,313	416,242,714
Services rendered	139,387	1,492,074	176,510	-
	399,617,157	491,630,839	285,117,823	416,242,714

17. Results from operating activities

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Results from operating activities are arrived at after charging:					
Auditors' remuneration:					
- Audit fees					
- KPMG		175,000	175,000	62,000	62,000
- Non-audit fees					
- KPMG		11,000	11,000	11,000	11,000
- Local affiliates of KPMG		16,030	32,800	7,500	7,500
- Others		15,111	-	-	-
Depreciation of property, plant and equipment	3	18,671,672	19,845,869	14,793,504	15,194,499
Foreign exchange loss					
- realised		1,253,265	1,670,163	1,253,265	1,669,611
- unrealised		5,606,370	298,508	5,606,370	298,508
Property, plant and equipment written off		1,648,634	-	-	-
Inventories written down	6	615,360	612,799	550,115	334,550
Loss on disposal of:					
- property, plant and equipment		-	-	320,559	-
- property held for sale	11	9,353,280	-	-	-
Impairment loss on:					
- property, plant and equipment	3	-	182,000	-	-
- trade receivables	7	514,866	500,000	-	-
- investment in subsidiary	4	-	-	198,831	-
Personnel expenses (including key management personnel):					
- contributions to state plans		2,350,081	2,598,993	1,488,865	1,504,012
- wages, salaries and others		26,773,312	25,571,984	16,767,107	14,360,954
Rental of premises and land		600,790	325,545	120,790	91,045
and after crediting:					
Derivative gain on forward foreign exchange contracts	9	6,026,980	488,423	6,026,980	488,423
Gain on disposal of:					
- property, plant and equipment		176,732	76,285	-	77,000
Rental income from property leased out		136,600	130,800	1,105,000	802,800
Dividend income		375	-	2,400,000	-

Notes to the financial statements (cont'd)

18. Finance income and costs

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Finance income				
Interest income of financial assets that are not at fair value through profit or loss				
- term deposits	581,106	703,372	47,825	43,489
- other finance income	103,515	411,750	75,370	130,892
Recognised in profit or loss	684,621	1,115,122	123,195	174,381
Finance costs				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- term loans	2,379,107	2,818,560	490,102	883,132
- overdrafts	772,641	798,412	740,290	730,673
- other borrowings	7,234,559	9,061,679	4,591,301	6,717,200
	10,386,307	12,678,651	5,821,693	8,331,005
- other finance costs	1,261,438	262,994	1,244,536	88,000
Recognised in profit or loss	11,647,745	12,941,645	7,066,229	8,419,005

19. Other non-operating expenses

The expenses is solely arise from the loss on disposal of land and building classified as asset held for sale.

20. Taxation

Recognised in profit or loss

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current tax expense				
Malaysian - current year	2,394,000	273,000	211,000	29,000
- prior years	(31,487)	527	(29,000)	-
	2,362,513	273,527	182,000	29,000
Deferred tax expense/(income) (Note 14)				
- current year	174,000	(2,929,000)	319,000	(2,847,000)
- prior year	(53,000)	(612,000)	(4,000)	(317,000)
	121,000	(3,541,000)	315,000	(3,164,000)
Real property gains tax	211,167	-	-	-
Total taxation	2,694,680	(3,267,473)	497,000	(3,135,000)

Notes to the financial statements (cont'd)

20. Taxation (cont'd)

Reconciliation of taxation

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
(Loss)/Profit for the year	(9,956,808)	(16,551,790)	552,529	(10,509,639)
Total tax expense/(income)	2,694,680	(3,267,473)	497,000	(3,135,000)
(Loss)/Profit excluding tax	(7,262,128)	(19,819,263)	1,049,529	(13,644,639)
Income tax calculated using Malaysian tax rate of 24% (2015: 25%)*	(1,743,000)	(4,943,000)	252,000	(3,411,000)
Non-deductible expenses	3,483,000	1,179,000	854,000	593,000
Non-taxable income	(341,000)	(110,000)	(576,000)	-
Effect of deferred tax assets not recognised (Note 14)	1,349,000	1,218,000	-	-
Effect of reinvestment allowance	(180,000)	-	-	-
	2,568,000	(2,656,000)	530,000	(2,818,000)
Over-provision in prior years	(84,487)	(611,473)	(33,000)	(317,000)
Real property gain tax	211,167	-	-	-
Total taxation	2,694,680	(3,267,473)	497,000	(3,135,000)

* *With effect from 1 January 2016, the tax rate of the Company has been reduced from 25% to 24% due to the change in Malaysian corporate tax rate that was announced during the Malaysian Budget 2014.*

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 2016 was based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2016 RM	2015 RM
Loss attributable to ordinary shareholders	(9,956,808)	(16,551,790)
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)	(2.9)	(4.8)

* *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 2016. 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 2016.*

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)				
2016				
Group				
Quoted investments	9,775	-	9,775	-
Trade and other receivables	105,294,557	105,294,557	-	-
Derivative financial assets	6,026,980	-	-	6,026,980
Cash and cash equivalents	31,404,656	31,404,656	-	-
Loans and borrowings	(170,699,068)	(170,699,068)	-	-
Trade and other payables	(147,761,552)	(147,761,552)	-	-
Company				
Trade and other receivables	111,113,930	111,113,930	-	-
Derivative financial assets	6,026,980	-	-	6,026,980
Cash and cash equivalents	5,822,089	5,822,089	-	-
Loans and borrowings	(114,800,706)	(114,800,706)	-	-
Trade and other payables	(141,234,317)	(141,234,317)	-	-
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	(141,423,558)	(141,423,558)	-	-
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	(135,438,584)	(135,438,584)	-	-

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.2 *Net gains and losses arising from financial instruments*

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Net gains/(losses) on:				
Financial instruments at:				
FVTPL	6,026,980	488,423	6,026,980	488,423
L&R	169,755	615,122	123,195	174,381
FL	(18,507,381)	(14,910,316)	(13,925,864)	(10,387,124)
	(12,310,646)	(13,806,771)	(7,775,689)	(9,724,320)

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.

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Amount due from three (2015: four) subsidiaries	-	-	64,970,036	58,301,813

Impairment losses

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

Group	Gross RM	Impairment RM	Net RM
2016			
Not past due	55,948,762	-	55,948,762
Past due 0-30 days	13,046,656	-	13,046,656
Past due 31-120 days	8,872,954	-	8,872,954
Past due 121-180 days	358,094	-	358,094
Past due more than 180 days	4,990,976	(2,581,911)	2,409,065
	83,217,442	(2,581,911)	80,635,531
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

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)

Company	Gross RM	Impairment RM	Net RM
2016			
Not past due	68,739,333	-	68,739,333
Past due 0-30 days	10,366,530	-	10,366,530
Past due 31-120 days	12,645,082	-	12,645,082
Past due 121-180 days	69,553	-	69,553
Past due more than 180 days	14,089,247	(124,814)	13,964,433
	105,909,745	(124,814)	105,784,931
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

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
At 1 January	2,2,067,045	2,820,720	124,814	124,814
Impairment loss recognised	5514,866	500,000	-	-
Impairment loss reversed	-	-	-	-
Impairment loss written off	-	(1,253,675)	-	-
At 31 December	2,581,911	2,067,045	124,814	124,814

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 RM54,217,793 (2015: RM50,645,097), representing the outstanding banking facilities of subsidiaries 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.

Notes to the financial statements (cont'd)

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
2016							
Trade and other payables							
- interest free	20,781,404	-	20,781,404	20,781,404	-	-	-
- interest bearing	126,980,148	2.36	126,980,148	126,980,148	-	-	-
Loans and borrowings							
- finance lease liabilities	6,732,915	2.22 – 6.50	7,642,241	2,508,801	2,093,853	3,039,587	-
- secured bankers' acceptances	21,025,881	4.60 – 5.85	21,025,881	21,025,881	-	-	-
- unsecured bankers' acceptances and revolving credits	114,376,001	4.58 - 6.20	114,548,244	114,548,244	-	-	-
- secured term loans	19,356,128	5.45	24,438,071	2,802,683	2,663,280	10,074,428	8,897,680
- unsecured term loans	7,051,662	5.16 – 5.25	7,433,049	4,099,110	2,721,649	612,290	-
- secured bank overdrafts	357,121	7.65 – 8.35	357,121	357,121	-	-	-
- unsecured bank overdrafts	1,799,361	8.31	1,799,361	1,799,361	-	-	-
	318,460,621		325,005,520	294,902,753	7,478,782	13,726,305	8,897,680

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
2015							
Trade and other payables							
- interest free	13,487,796	-	13,487,796	13,487,796	-	-	-
- 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	-	-	-
	347,827,057		361,990,942	308,571,073	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)

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
2016							
Trade and other payables							
- interest free	14,254,169	-	14,254,169	14,254,169	-	-	-
- interest bearing	126,980,148	2.36%	126,980,148	126,980,148	-	-	-
Loans and borrowings							
- finance lease liabilities	3,131,683	2.22% – 6.50%	3,590,011	1,124,946	1,100,153	1,331,796	33,116
- unsecured bankers' acceptances and revolving credits	102,818,000	4.58% - 6.20%	102,818,000	102,818,000			
- unsecured term loans	7,051,662	5.16% - 5.25%	7,433,049	4,099,110	2,721,649	612,290	-
- unsecured bank overdrafts	1,799,361	7.65% - 8.35%	1,799,361	1,799,361	-	-	-
Financial guarantees*	-	-	54,217,793	54,217,793	-	-	-
	256,035,023		311,092,531	305,293,527	3,821,802	1,944,086	33,116

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	7,503,822	-	7,503,822	7,503,822	-	-	-
- 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	-	-	-
	270,445,683		323,634,155	313,345,554	5,089,049	5,199,552	-

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

Notes to the financial statements (cont'd)

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 frequently 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	
	2016	**2015**
	RM	**RM**
Denominated in USD		
Balances recognised in the statement of financial position		
Trade payables	(126,980,148)	(127,934,762)

Currency risk sensitivity analysis

A 10% strengthening of the RM against USD at the end of the reporting period would have increased (decreased) pre-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	
	2016	**2015**
	RM	**RM**
In USD		
Group and Company	12,698,000	12,793,000

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 2016 are RM121,740,666 (2015: RM117,184,732) and the fair value changes are recognised in profit or loss.

(ii) ***Interest rate risk***

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group is also exposed to interest rate risk on the term deposits placed with licensed banks. Investments in equity securities and short-term receivables and payables are not significantly exposed to interest rate risk, except for the interest bearing balances due to certain related parties (see Note 15).

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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Financial assets	26,904,115	16,706,003	1,800,000	1,469,366
Financial liabilities	(269,114,944)	(284,037,048)	(232,929,831)	(248,763,326)
	(242,210,829)	(267,331,045)	(231,129,831)	(247,293,960)
Floating rate instrument				
Financial liabilities	(28,564,272)	(50,302,213)	(8,851,023)	(14,178,535)

Notes to the financial statements (cont'd)

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) pre-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		
- 2016	(217,000)	217,000
- 2015	(377,000)	377,000

	Profit or loss	
	100bp increase RM	100bp decrease RM
Company		
Floating rate instruments		
- 2016	(67,000)	67,000
- 2015	(107,000)	107,000

(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 (2015: 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		
2016	**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	-	6,026,980	6,026,980	-	6,026,980	6,026,980
	9,725	6,026,980	6,036,705	-	6,036,705	6,036,755
Financial liabilities						
Secured term loans	-	-	-	19,356,128	19,356,128	19,356,128
Unsecured term loans	-	-	-	7,051,662	7,051,662	7,051,662
Finance lease liabilities	-	-	-	6,944,135	6,944,135	6,732,915
	-	-	-	33,351,925	33,351,925	33,140,705

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	Total fair value	Carrying amount
2015	**Level 1 RM**	**Level 2 RM**	**Total RM**	**Level 3 RM**	**RM**	**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	Total	Carrying
	Level 2	Total	Level 3	fair value	amount
2016	RM	RM	RM	RM	RM
Company					
Financial assets					
Forward foreign exchange contracts	6,026,980	6,026,980	-	6,026,980	6,026,980
Financial liabilities					
Unsecured term loans	-	-	7,433,049	7,433,049	7,051,662
Finance lease liabilities	-	-	3,520,544	3,520,544	3,131,683
	-	-	10,953,593	10,953,593	10,183,345
2015					
Company					
Financial asset					
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

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.4 Fair value information (cont'd)

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 (2015: 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).

23. Capital management

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 2016 and 31 December 2015 were as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total loans and borrowings	170,699,068	206,404,498	114,800,706	135,007,099
Total equity	190,320,643	200,498,970	211,966,341	211,634,708
Debt-to-equity ratio	0.90	1.03	0.54	0.64

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 (2015: 1.75 times) and 1.25 times (2015: 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Property, plant and equipment				
Contracted but not provided for	2,283,369	2,399,571	2,092,180	2,399,571

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 15.

Transactions with subsidiaries

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Sale of galvanised and other steel products	-	-	(80,645,700)	(146,885,90)
Tolling charges expense	-	-	75,275	217,811
Purchase of steel related products	-	-	44,840	180,327
Purchase of property, plant and equipment	-	-	338,784	130,108
Rental of property, plant and equipment received	-	-	(968,400)	(676,900)
Sale of property, plant and equipment	-	-	(604,570)	(26,418
Sales of scrap	-	-	(11,313)	(26,214)
Management fee paid	-	-	200,000	1,200,000

Transactions with substantial shareholders of the Company

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Purchase of consumables	32,313	45,870	22	5,631
Purchase of raw materials	155,794,114	228,895,851	155,794,114	228,895,851
Freight and handling charges	156,666	216,908	-	111,655
Sale of galvanised and other steel products	(6,384,128)	(6,292,426)	-	(1,779,981)

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	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Insurance premium paid	482,480	1,030,435	324,944	1,030,435
Purchase of consumables	3,412,259	5,312,581	569,016	933,550
Sale of galvanised and other steel products	(47,877,729)	(48,621,191)	(12,250,164)	(26,102,420)
Purchase of property, plant and equipment	14,860	40,644	14,860	2,720
Rental of premises and land	60,000	60,000	-	60,000
Income from rental of premises	(135,600)	(112,000)	(135,600)	(112,000)
Repayment of finance leases for acquisition of property, plant and equipment *	733,742	691,593	505,674	475,140
Income from tolling and transportation fee	(72,786)	(78,573)	(71,789)	(13,550)
Tolling and transportation fee	95,923	17,470	5,717	10,008
Interest income	(22,010)	(118,000)	(22,010)	(70,000)
Handling and transportation fee	-	1,026	-	-

* *Interest is charged at fixed rates ranging from 2.90% to 6.50% (2015: 2.90% to 5.50%) flat per annum.*

Transactions with key management personnel

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Nature of transaction				
Compensations to key management personnel:				
Directors of the Company				
- Other short-term employee benefits	2,304,289	1,406,060	1,141,119	1,426,060
Directors of subsidiaries				
- Other short-term employee benefits	500,598	1,164,741	-	-
Other key management personnel				
- Short-term employee benefits	1,869,278	681,196	1,730,176	681,196
Total	4,674,165	3,251,997	2,871,295	2,107,256

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 *(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 15 to the financial statements. The outstanding balances with other related parties are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Amount due from	5,833,337	10,209,518	319,096	5,081,114
Amount due to	(129,110,632)	(130,934,243)	(128,660,726)	(129,921,113)

26. Operating segments

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

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

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

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

- SBU 3:
  Trading of galvanised, coated and non-coated steel products, building and construction materials;

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)

2016	SBU 1 RM	SBU 2 RM	SBU 3 RM	Inter-segment RM	Total RM
Revenue					
External customers	118,691,843	204,517,498	76,407,816	-	399,617,157
Inter-segment	-	69,862,231	320,100	(70,182,331)	-
	118,691,843	274,379,729	76,727,916	(70,182,331)	399,617,157
Segment profit/(loss)	4,697,846	1,916,034	(14,299,052)	423,044	(7,262,128)
Taxation					(2,694,680)
Loss for the year from continuing operations					(9,956,808)
Other comprehensive income					-
Total comprehensive income for the year					(9,956,808)
Non-controlling interests					-
Total comprehensive loss attributable to owners of the Company					(9,956,808)
Included in the measure of segment loss are:					
Depreciation and amortisation	(2,633,526)	(13,375,462)	(2,662,684)	-	(18,671,672)
Finance costs	(1,692,340)	(7,066,229)	(2,889,176)	-	(11,647,745)
Finance income	24,070	123,195	537,356	-	684,621
Inventories written down/written off	(65,245)	(550,115)	-		(615,360)
Impairment loss on receivables	(514,866)	-	-	-	(514,866)
Property, plant and equipment written off	-	-	(1,648,634)	-	(1,648,634)
Loss on disposal of land and building classified as held for sale	-	-	(9,353,280)	-	(9,353,280)

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)
Taxation					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 loss 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)

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Total accumulated losses of the Company and its subsidiaries				
- realised	(31,252,007)	(51,667,927)	(8,792,165)	(20,492,244)
- unrealised	9,351,694	14,149,966	9,344,694	9,849,609
	(21,900,313)	(37,517,961)	552,529	(10,642,635)
Less: Consolidation adjustments	777,657	449,478	-	-
Total accumulated losses as per statement of changes in equity (also see Note 12.2)	(21,122,656)	(37,068,483)	552,529	(10,642,635)

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 44 to 111 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 2016 and of their financial performance and cash flows for the year then ended, and

b) the information set out in Note 27 on page 112 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
Director

Victor Hii Lu Thian
Director

Klang,

Date: 20 April 2017

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

I, **Tan Ching Pding**, 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 44 to 111 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration 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 20 April 2017

Tan Ching Pding

Before me:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YKGI HOLDINGS BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of YKGI Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, including a summary of significant accounting policies, as set out on pages 44 to 111.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for *Accountants' Code of Ethics for Professional Accountants ("IESBA Code")*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) of the financial statements, which indicates that the Group incurred net loss of RM9,956,808 for the year ended 31 December 2016 and, as of that date, the Group's and Company's current liabilities exceeded the current assets by RM54,188,909 (2015: RM40,036,776) and RM62,306,088 (2015: RM70,394,405) respectively. These conditions 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 achievement of future profitable operations by the Group and the Company as well as the continued support of the shareholders and major suppliers. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. The key audit matters are as follows:

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YKGI HOLDINGS BERHAD (cont'd)

Key Audit Matters *(cont'd)*

Key Audit Matters	How the matter address in our audit
Refer to Note 2(n) – Revenue accounting policy and Note 16 – Revenue of the financial statements.	
Revenue recognition The Group and the Company derived their revenue from manufacture and sale of galvanised and coated steel products, pickled and oiled, hot rolled coils and cold rolled coils. As at 31 December 2016, the Group and the Company recorded revenue of RM399 million and RM285 million (2015: RM491 million and RM416 million) respectively. Revenue recognition is a key audit matter as there is a risk that the revenue may be overstated.	We performed the following audit procedures, amongst others, around the revenue recognition: • We evaluated the sales and order management control process and tested the design and effectiveness of those controls; • We verified the sales invoices which are selected based on sampling basis to underlying supporting documents, which included delivery orders; and • We selected the sales prior and subsequent to the year-end and inspected the relevant underlying documents for goods delivered and checked that these transactions were recognised in the appropriate financial year.
Refer to Note 2(f) – Inventories accounting policy and Note 6 – Inventories of the financial statements.	
Valuation of manufactured and trading inventories The Group and Company hold significant inventories balance of RM99 million and RM66 million (2015: RM89 million and RM64 million) respectively, representing 19% and 14% (2015: 17% and 13%) respectively of total assets as at 31 December 2016. The inventories are carried at the lower of cost and net realisable value. The management applies judgement in assessing the adequacy of the allowances and write down of slow-moving and obsolete inventories based upon a detail analysis of the stock aging profile, inventory level and future market demand of the products. This is considered as a key audit matter as the Group's and the Company's assessment of the level of these allowances or write offs may be insufficient or inaccurate.	We performed the following audit procedures, amongst others, around the valuation of inventories: • We evaluated the management's assessments on the valuation of inventories for slow moving and obsolete inventories held at year end and obtained an understanding of the process for measuring the amount of allowance required; • We have considered the adequacy of write down provided by verifying to the actual sales achieved subsequent to year end and the actual selling prices; • We performed inquiry with management to identify any slow moving inventory lines and we critically assessed whether appropriate allowances or write-offs has been established for slow moving and obsolete inventory; and • We attended the annual physical stock count to identify any slow moving and obsolete inventory.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YKGI HOLDINGS BERHAD (cont'd)

***Key Audit Matters** (cont'd)*

Key Audit Matters	How the matter address in our audit
Refer to Note 2(j) – Impairment accounting policy and Note 7 – Trade and other receivables of the financial statements.	
Valuation of trade receivables As at 31 December 2016, the trade receivables of the Group and the Company stood at RM80 million and RM106 million (2015: RM85 million and RM110 million) respectively, representing 15% and 22% (2015:14% and 23%) respectively of total assets of the Group and the Company. The recoverability of the trade receivables and the level of allowance for impairment losses of doubtful receivables are considered to be key audit matter due to the pervasive nature of these balances to the financial statement. The level of allowance of impairment losses involved management judgement based upon the individual debtor's credit risk evaluation, historical payment trends, subsequent to year end collections and the existence of collaterals. There is a risk that the Group's and the Company's assessment of the level of these allowances is insufficient or inaccurate.	We performed the following audit procedures, amongst others, around the valuation of trade receivables: • We tested the processes for trade receivables and credit control, including the allowance for impairment losses and cash receipts; • We checked the accuracy of trade receivables ageing and verified the past payment patterns and credit history, existence of collaterals and disputes with customers; • We checked the adequacy of impairment loss of trade receivables by recalculating the impairment loss for significantly aged balances, and considered receivables where the ageing profile had deteriorated or where there is evidence that the credit quality of the debtor is considered a risk; and • We evaluated the Directors' conclusion on the level of impairment loss of trade receivables, specifically significant outstanding balances which are past due but assessed as not impaired, by assessing the cash receipts during the year and subsequent to year end collections and considered the actions taken by management to recover the debts.
Refer to Note 2(j) – Impairment accounting policy and Note 3 – Property, plant and equipment of the financial statements.	
Valuation of property, plant and equipment As the outlook of the local steel industry remains uncertain, the Group has ceased operations of some of the loss making production lines of certain subsidiaries. The assets in relation to those production lines remain idle as at 31 December 2016. This is a key audit matter as there is an indication that the property, plant and equipment may be impaired. The management has procured a valuer to perform a valuation on these assets.	We performed the following audit procedures, amongst others, around the valuation of property, plant and equipment: • We performed physical inspection on the property, plant and equipment selected and to identify any idle and damaged plant and machineries; and • We obtained the valuation report prepared by external valuer engaged by the management. We evaluated the credibility and background of the valuer as well as the key assumptions and the basis applied by the valuer in preparing the valuation report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YKGI HOLDINGS BERHAD (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors of the Company are responsible for the preparation and presentation of the financial statements of the Group and of the Company that 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 the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

•Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YKGI HOLDINGS BERHAD (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements *(cont'd)*

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 4 to the financial statements.

Other Reporting Responsibilities

The supplementary information set out in Note 27 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements,* as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF YKGI HOLDINGS BERHAD (cont'd)

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA& AF 0758)
Chartered Accountants

Nicholas Chia Wei Chit
Approval Number: 3102/03/18 (J)
Chartered Accountant

20 April 2017

Kuching

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2017

Class of Shares : (1) Ordinary Share
(2) Redeemable Convertible Preference Share ("RCPS")
Voting rights is one (1) vote per ordinary share.
Total number of ordinary shareholders is 2,332
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
	68	Less than 100 shares	2,743	0.00*
	212	100 - 1,000 shares	63,512	0.02
	878	1,001 - 10,000 shares	4,876,214	1.40
	961	10,001 - 100,000 shares	31,426,511	9.02
	210	100,001 to less than 5% of issued shares	139,590,882	40.07
	3	5% and above of issued shares	172,377,718	49.49
Total	**2,332**		**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	53,434,600	15.34
3	Hii Wi Sing	25,663,127	7.37
4	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai	12,584,678	3.61
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	Alexander Hii Lu Kwong	4,271,636	1.23
9	Hu Ik Ming @ Rose Hii Ik Ming	4,140,205	1.19
10	Christopher Hii Lu Ming	4,037,686	1.16
11	Ting Chuo Kiew	4,009,859	1.15
12	Arthur Hii Lu Choon	4,003,036	1.15
13	Ling Eng Leh	3,663,610	1.05
14	Victor Hii Lu Thian	3,439,726	0.99
15	Chan Wah Kiang	3,300,000	0.95
16	Alam Mantap Development Sdn Bhd	3,100,000	0.89
17	Michael Hii Ee Sing	2,418,587	0.69
18	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Kam Seng (IPH)	1,700,000	0.49
19	Kenanga Nominees (Tempatan) Sdn Bhd Andrew Yap Hoong Yee (021)	1,660,000	0.48
20	Tan Pak Nang	1,430,000	0.41
21	Lee Wei Chuen	1,405,000	0.40
22	Lim Jit Hai	1,250,000	0.36
23	Wong Kiew Ing	1,220,000	0.35
24	Yung Venture Sdn Bhd	1,210,000	0.35
25	Yong Ai Ting	1,207,800	0.35
26	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tiang Chiin Yew	1,200,000	0.34
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	Chan Wah Kiang	1,000,000	0.29
	Total	**260,913,862**	**74.90**

ANALYSIS OF SHAREHOLDINGS
as at 31 March 2017 (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 2017 are as follows :

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1	Marubeni-Itochu Steel Inc.	93,279,991	26.78	-	-
2	Yung Kong Co Bhd	53,434,600	15.34	-	-
3	Dato' Hii Ngo Sing	6,610,109	1.90	57,219,466 (1)	16.43%
4	Dato' Dr Hii Wi Sing	25,663,127	7.37	57,219,466 (1)	16.43%
5	Arthur Hii Lu Choon	4,003,036	1.15	57,219,466 (1)	16.43%
6	Ir Michael Hii Ee Sing	2,418,587	0.69	63,502,671 (2)	18.23%
7	Victor Hii Lu Thian	4,294,356 (3)	1.23	57,219,466 (1)	16.43%
8	Francis Hii Lu Sheng	-	-	57,219,466 (1)	16.43%
9	Alexander Hii Lu Kwong	5,123,036 (4)	1.47	57,219,466 (1)	16.43%
10	Christopher Hii Lu Ming	4,283,546 (5)	1.23	57,219,466 (1)	16.43%
11	Dato' Soh Thian Lai	12,929,346 (6)	3.71	11,039,616 (7)	3.17%

Notes

(1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Venture Sdn Bhd (formerly known as 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 Venture Sdn Bhd (formerly known as 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) 12,584,678 ordinary shares were registered in the name of AMSEC Nominees (Tempatan) Sdn Bhd.

(7) Deemed interested by virtue of his substantial interests 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 2017 are as follows:

In The Company

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1.	Lim Pang Kiam	-	-	-	-
2.	Dato' Soh Thian Lai	12,929,346 (5)	3.71	11,576,216 (1)	3.32%
3.	Victor Hii Lu Thian	4,294,356 (3)	1.23	57,219,466 (2)	16.43%
4.	Christopher Hii Lu Ming	4,283,546 (4)	1.22	57,219,466 (2)	16.43%
5.	Yasuji Nakano	-	-	-	-
6.	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
7.	Liew Jee Min @ Chong Jee Min	-	-	-	-
8.	Dr Loh Leong Hua	-	-	-	-
9.	Yoshihiko Okuno	-	-	-	-
10.	Yoshiyuki Komaki (Alternate to Yasuji Nakano)	-	-	-	-

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 Venture Sdn Bhd (Formerly known as 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. 12,584,678 ordinary shares were registered in the name of AMSEC Nominees (Tempatan) Sdn Bhd.

ANALYSIS OF WARRANT HOLDINGS
as at 31 March 2017

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
	240	Less than 100 warrants	11,669	0.01
	205	100 - 1,000 warrants	117,467	0.12
	887	1,001 - 10,000 warrants	3,078,476	3.24
	503	10,001 - 100,000 warrants	21,603,801	22.74
	128	100,001 to less than 5% of issued warrants	37,948,984	39.95
	2	5% and above of issued warrants	32,240,031	33.94
Total	**1,965**		**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	6,800,034	7.16
3	Wong Sing Kiong	1,550,000	1.63
4	Ha Tung Hua	1,532,000	1.61
5	Mt Sungai Sdn Bhd	1,455,781	1.53
6	CIMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Yook Chong (B Sri DMSR-CL)	1,000,000	1.05
7	Hee Yuen Sang	1,000,000	1.05
8	Mohd Shukri Bin Hussain	1,000,000	1.05
9	Lim Keng Jin	914,900	0.96
10	Affin Hwang Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Tien Sang (TAN0839C)	800,000	0.84
11	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chan Jenn Hwei (E-KPG)	700,000	0.74
12	Sim Siew Poh	660,800	0.70
13	Michael Hii Ee Sing	659,614	0.69
14	Yap Yee Huat	618,000	0.65
15	Chong Mok Onn	574,800	0.61
16	Tan Ah Bee	502,500	0.53
17	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Goo @ Law Yeow Ching	500,000	0.53
18	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Loh Hee Ching	500,000	0.53
19	Lee Bee Lin	500,000	0.53
20	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hee Yuen Sang	500,000	0.53
21	Muzri bin Muhammad	480,000	0.51
22	Janin Anak Girie	461,400	0.49
23	Arthur Hii Lu Choon	400,000	0.42
24	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Puay Seng	400,000	0.42
25	Tay Kheng Luan	400,000	0.42
26	Chua Chee Tong	360,000	0.38
27	Abdul Yazid bin Abdullah	350,000	0.37
28	Low Hing Noi	350,000	0.37
29	Ooi Lim Hai	350,000	0.37
30	Lim Cheong Yang	330,000	0.35
	Total	**51,089,826**	**53.79**

ANALYSIS OF WARRANT HOLDINGS
as at 31 March 2017 (cont'd)

DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 31 March 2017 are as follows:

		Direct	%	Indirect	%
1.	Lim Pang Kiam	-	-	-	-
2.	Dato' Soh Thian Lai	57	-	-	-
3.	Victor Hii Lu Thian	138,990 (2)	0.15	752,309 (1)	0.79
4.	Christopher Hii Lu Ming	12,180 (3)	0.01	752,309 (1)	0.79
5.	Yasuji Nakano	-	-	-	-
6.	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
7.	Liew Jee Min @ Chong Jee Min	-	-	-	-
8.	Dr Loh Leong Hua	-	-	-	-
9.	Yoshihiko Okuno	-	-	-	-
10.	Yoshiyuki Komaki (Alternate to Yasuji Nakano)	-	-	-	-

Notes

(1) Deemed interested by virtue of his substantial interests in Yung Venture Sdn Bhd (formerly known as Yung Kong Holdings Sdn Bhd), Yung Lieng Sdn Bhd and Kwong Yung Co Pte Ltd

(2) 138,990 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(3) 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 2016

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	Acquired in January 1992 Revalued in December 2014	22	6,344
Lot 6479 CT 26627 Mukim of Kapar, District of Klang, Selangor Darul Ehsan.	Freehold	10.04 Ha/ 3.89 Ha	Industrial Land and Buildings	Acquired in July 2002 Revalued in December 2014	12	81,177
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	Acquired in October 2013 Revalued in December 2014	10	8,504

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.

3. STATUS OF UTILISATION OF PROCEEDS AS AT 31 DECEMBER 2016

The Company's wholly-owned subsidiary, Star Shine Marketing Sdn Bhd had on 30 August 2016 entered into a Sale and Purchase Agreement with TG Medical Sdn Bhd for the disposal of a piece of freehold property held under individual Title Geran 52371, Lot No. 6472, Mukim of Kapar, Daerah of Klang and State of Selangor Darul Ehsan measuring 34,499 square metres in area together with a single storey detached factory with annexed double storey production office and five (5) storey integral office building, a guard house, a refuse chamber and a pump hosue erected thereon bearing postal address of Lot 6472, Lorong Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan for a total disposal price of Ringgit Malaysia Fifty One Million Five Hundred Thousand (RM51,500,000). Proceeds thereon had been fully utilised for its intended purposes of payment to suppliers, purchased of raw materials/spare parts/consumables and defrayed operating expenses.

4. OPTIONS

The Employee Share Option Scheme ("ESOS") came into effect on 30 June 2016. During the financial year ended 31 December 2016, no ESOS Options were allocated to the eligible Directors and employees of the Group.

ADDITIONAL INFORMATION (cont'd)

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

The significant RRPTs entered into during the financial year ended 31 December 2016 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 2016 (RM)
Purchase of YKGI Group Products from YKGI Group	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	6,384,128
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	46,213
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	25,765,990
	Chuanmeng Design & Decor Sdn Bhd	Company connected to certain Directors	5,676
	Yunco Integrated Sdn Bhd ("YIS")	Company connected to certain Directors	466,865
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	607,704
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	5,954,275
	Golden Shogun Sdn Bhd	Company connected to certain Directors	107,796
	Milicorp Sdn Bhd	Company connected to certain Directors	2,646,389
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd	Company connected to MISI	3,953,324
		Total	**45,938,360**
Purchase of raw materials and consumables by YKGI Group	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	155,794,114
		Total	**155,794,114**
Purchase of consumables by YKGI Group	YKC	Major shareholder of YKGI	32,313
	YIS	Company connected to certain Directors	695,227
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	49,044
	Continental Strength Sdn Bhd ("CSSB")	Company connected to certain Directors	1,306,794
		Total	**2,083,378**
Purchase of down graded products from YKGI Group	CSSB	Company connected to certain Directors	8,387,760
		Total	**8,387,760**

NOTICE OF 40TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 40th Annual General Meeting ("40th AGM") of YKGI HOLDINGS BERHAD ("YKGI" or "Company") will be held at Meeting Room, Wisma YKGI, Lot 6479, Lorong Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan on Friday, 30 June 2017 at 3.00 p.m. for the following purposes:

A G E N D A

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 and the Reports of the Directors and Auditors thereon. **(Please refer to Note 8)**

2. To approve the payment of Directors' fees of RM202,000 for the Non-Executive Directors for the financial year ended 31 December 2016 (2015: RM136,000) and benefits payable to the Directors up to RM100,000 from 1 January 2017 until the conclusion of next AGM of the Company. **Resolution 1**

3. To re-elect the following Directors, who retire in accordance with Article 103 of the Company's Constitution and, being eligible, have offered themselves for re-election:

   i) Dato' Soh Thian Lai **Resolution 2**
   ii) Mr Fong Yoo Kaw @ Fong Yee Kow **Resolution 3**
   iii) Mr Christopher Hii Lu Ming **Resolution 4**

4. To re-elect Mr Yoshihiko Okuno, who retires in accordance with Article 108 of the Company's Constitution and, being eligible, has offered himself for re-election. **Resolution 5**

5. To re-appoint Messrs KPMG PLT (AF 0758) as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

6. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("ACT")**

   "THAT pursuant to Sections 75 and 76 of the Act, the provisions of the Company's Constitiution and other relevant regulatory authorities, the Directors of the Company ("Board") be and are hereby empowered to allot and issue shares in the Company, from time to time, at such price, upon such terms and conditions and for such purpose and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed 10% of the total number of issued shares 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 7**

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

   "THAT approval be and is hereby given to YKGI Group ("the Group") to enter into and to give effect to specified recurrent related party transactions of a revenue or trading nature with the Related Parties as stated in Item 3(b) (pages 3 to 11) of the Circular to Shareholders dated 28 April 2017, which are necessary for its day -to-day operations, to be entered into by the Group on the basis that this transaction is entered into on terms which are not more favorable to the Related Party involved than generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Shareholders' Mandate"); **Resolution 8**

   THAT the Proposed Shareholders' Mandate is subject to annual renewal. In this respect, any authority conferred by the Proposed Shareholders' Mandate, shall only continue to be in force until:-

   (a) the conclusion of the next AGM of the Company following the general meeting at which the Proposed Shareholders' Mandate was passed, at which time it will lapse, unless by resolution passed at the general meeting, the authority is renewed; or

NOTICE OF 40TH ANNUAL GENERAL MEETING (cont'd)

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

(b) the expiration of the period within which the AGM after that date is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

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

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) to give effect to the Proposed Shareholders' Mandate."

8. **PROPOSED GRANTING OF OPTIONS TO MR YOSHIHIKO OKUNO**

"THAT, subject to the approval of all the relevant authorities including the approval of Bursa Securities for the listing of and quotation for the new ordinary shares of YKGI to be issued arising from the exercise of the options granted under the Employee Share Option Scheme ("Scheme" approved on 30 June 2016) on the Main Market, approval be and is hereby given to the Company at any time and from time to time during the duration of the Scheme to offer and grant options to Mr Yoshihiko Okuno, an Executive Director of YKGI, subject always to the following provisions: **Resolution 9**

(i) not more than fifteen percent (15%) of the prevailing issued shares of the Company (excluding treasury shares) shall be made available under the Scheme at any point in time throughout the duration of the Scheme when an offer is made;

(ii) not more than seventy percent (70%) of the total number of YKGI Shares to be issued pursuant to the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group;

(iii) he must not participate in the deliberation or discussion of his own allocation of new ordinary shares of YKGI to be issued under the Scheme;

(iv) not more than ten percent (10%) of the total number of new ordinary shares of YKGI available under the Scheme shall be allocated to him, if he, either singly or collectively through persons connected with him, hold twenty percent (20%) or more of the issued shares (excluding treasury shares) of the Company; and

also subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the Scheme and any prevailing guidelines issued by Bursa Securities, Main Market Listing Requirements of Bursa Securities or any other relevant authorities as amended from time to time.

AND THAT, authority be further given to the Company to allot and issue such number of new ordinary shares of YKGI pursuant to the Scheme to him from time to time pursuant to the exercise of such options.

9. To transact any other business for which due notice has been given.

BY ORDER OF THE BOARD
SIEW SUET WEI (MAICSA 7011254)
IR MICHAEL HII EE SING (LS 000872)
Company Secretaries

Klang, Selangor
28 April 2017

NOTICE OF 40TH ANNUAL GENERAL MEETING (cont'd)

NOTES :

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2017 shall be eligible to attend the 40th AGM.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where two (2) proxies are appointed, a member shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid provided that where a member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 40th AGM shall have the same rights as the member to participate, speak and vote at the meeting.
4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of 40th AGM will be put to vote by poll.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney.
6. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma YKGI, Lot 6479, Lorong Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time for holding the 40th AGM or at any adjournment thereof.
8. Explanatory Note for Item 1. This Agenda item is meant for discussion only, as the provision of Section 340(1) of the Act does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.
9. All the Directors of the Company who are shareholders of the Company will abstain from voting on Resolution 1. Any Director referred to in Resolutions 2, 3, 4 and 5, who is a shareholder of the Company will abstain from voting on the resolution in respect of his re-election at the 40th AGM.
10. The proposed Resolution 7, if passed, will grant a renewed mandate and provide flexibility for the Company to empower the Directors to issue shares pursuant to Section 75 of the Act ("General Mandate"). The Company had been granted a general mandate by its shareholders at the 39th AGM of the Company held on 30 June 2016 ("the Previous Mandate"). As at the date of this notice, the Previous Mandate granted by the shareholders had not been utilised and hence no proceeds were raised therefrom. The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s).
11. The proposed Resolution 8 in respect of the Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is intended to facilitate transactions in the normal course of business of the Group which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on terms not more favorable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.
12. The proposed Resolution 9 in respect of the Proposed Granting of Options to Mr Yoshihiko Okuno is intended to provide an opportunity for him to participate directly in the equity interest of the Company, to reward and retain him whose service is vital to the continued growth and success of the Group as well as to motivate him towards his better performance through greater loyalty and commitment to the Group.

STATEMENT ACCOMPANYING NOTICE OF 40TH AGM

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities, no individual is standing for election as a Director at the 40th AGM.

YKGI HOLDINGS BERHAD

(COMPANY NO. 032939-U)

FORM OF PROXY

No. of shares held		
CDS Account No.		
No. of shares to be represented by each proxy	Proxy 1	Proxy 2

I/We ____ of ____

____ being a member of **YKGI HOLDINGS BERHAD** ("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 40th Annual General Meeting of the Company to be held at Meeting Room, Wisma YKGI, Lot 6479, Lorong Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan on Friday, 30 June 2017 at 3.00 p.m. or at any adjournment thereof.

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.

		FOR	AGAINST
RESOLUTION 1	To approve the payment of Directors' fees of RM202,000 for the Non-Executive Directors for the financial year ended 31 December 2016 (2015: RM136,000) and benefits payable to the Directors up to RM100,000 from 1 January 2017 until the conclusion of next AGM of the Company.		
RESOLUTION 2	To re-elect Dato' Soh Thian Lai who retires in accordance with Article 103 of the Company's Constitution		
RESOLUTION 3	To re-elect Mr Fong Yoo Kaw @ Fong Yee Kow who retires in accordance with Article 103 of the Company's Constitution		
RESOLUTION 4	To re-elect Mr Christopher Hii Lu Ming who retires in accordance with Article 103 of the Company's Constitution		
RESOLUTION 5	To re-elect Mr Yoshihiko Okuno who retires in accordance with Article 108 of the Company's Constitution		
RESOLUTION 6	To re-appoint Messrs KPMG PLT (AF 0758) as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.		
RESOLUTION 7	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		
RESOLUTION 8	Proposed renewal of and new shareholders' mandate for recurrent related party transactions of a revenue or trading nature		
RESOLUTION 9	Proposed granting of options to Mr Yoshihiko Okuno		

Dated this ____ day of __________ 2017

____

Signature(s)/Common Seal of Member

NOTES:

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Fold here for sealing

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Affix
Stamp
Here

The Company Secretary

YKGI HOLDINGS BERHAD
(032939 - U)

REGISTERED OFFICE : WISMA YKGI
Lot 6479, Lorong Sungai Puloh/KU6,
Kawasan Perindustrian Sungai Puloh,
42100 Klang, Selangor, Malaysia.

Fold along this line (2)

YKGI HOLDINGS BERHAD
(COMPANY NO. 032939 - U)
CORPORATE OFFICE : WISMA YKGI
Lot 6479, Lorong Sg. Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor, Malaysia.
T • +603 3297 5555/3291 5189 **F** • +603 3290 6668/3291 6193 **E** • ykgi@ykgigroup.com **W** • www.ykgigroup.com