YKGI HOLDINGS BERHAD

(COMPANY NO. 032939 - U)

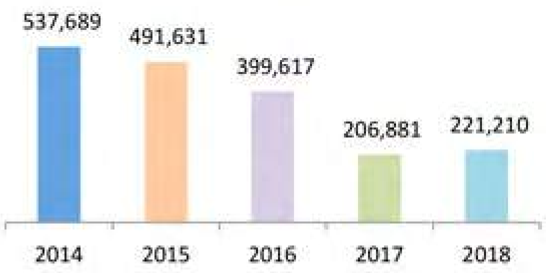
2018 Annual Report

FINANCIAL HIGHLIGHTS

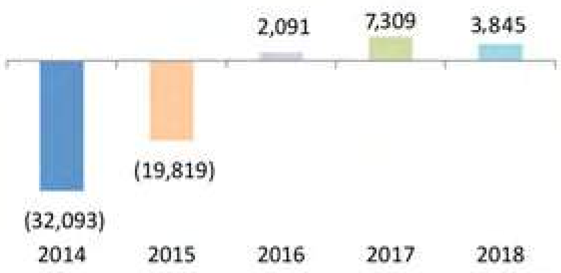
(RM'000)		2014	2015	2016	2017 (restated*)	2018
OPERATING RESULTS						
Revenue		537,689	491,631	399,617	206,881	221,210
Operating (Loss)/Profit		(32,093)	(19,819)	2,091	7,309	3,845
(Loss)/Profit Before Tax		(32,093)	(19,819)	(7,262)	5,881	3,839
Loss Attributable to owners of the Company		(26,642)	(16,552)	(9,957)	(14,736)	(133,614)
EBITDA		2,856	12,969	32,410	11,212	10,846
Key Balance Sheet Data						
Share Capital		185,032	185,032	45,697	176,128	176,666
Total Borrowing		248,734	206,404	170,699	153,204	126,621
Cash and cash equivalents		26,823	28,075	31,405	42,201	33,275
Ratio Analysis						
Gearing Ratio	Times	1.15	1.03	0.90	0.86	2.84
Gross Profit Margin	%	2.37	5.47	12.57	12.03	11.01

Note

(*) The financial result for year 2017 was restated due to a major business which has been classified as discontinued operations as it was held for sale. 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.

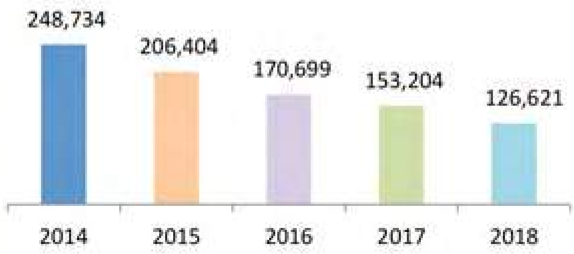


REVENUE (RM'000)



OPERATING PROFIT (RM'000)

EBITDA (RM'000)



TOTAL BORROWING (RM'000)

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MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The financial year (FY) 2018 continued to be difficult as the Group grappled with tight working capital and low gross margins, particularly in the coated coil business. Consumption of flat steel products remained low and extended from the previous year. In the first quarter of 2018, the Company decided to divest its coil business and the coil manufacturing assets located in Klang, Selangor were classified to assets held for sale. Land and building together with the entire manufacturing assets of the coil business ("Coated Coil Assets"), totalling RM225 million were classified from non-current assets to current assets.

The decision to sell the Coated Coil Assets was made after due consideration of the continuous poor financial performance despite measures and efforts to turn around the coated coil business.

After months of searching for interested buyers, on 2 November 2018, the Company announced the signing of a conditional agreement with NS BlueScope (Malaysia) Sdn Bhd for the sale of its entire business and assets of the coated coil business for a cash consideration of RM125.0 million ("Proposed Disposal").

During the FY2018 (both for continuing and discontinued operations), the Group registered a loss from operation of RM22.43 million on the back of a turnover of RM337.43 million. This represents a higher loss of 78.56% whereas revenue dropped by 10.92% compared to FY2017. The gross margin for FY2017 eroded by 1.16% compared to FY2017. The low sales revenue and low margin for the FY2018 can be attributed to a combination of various domestic and external factors including lack of working capital, weaker market conditions, domestic and international geo-political issues and the prevailing trade wars.

Besides the operating loss in FY2018, the Group provided an allowance for impairment loss of RM107 million on the Coated Coil Assets in accordance with Malaysian Financial Reporting Standard 5. The basis for the impairment allowance was based on the selling price of the Coated Coil Assets as stipulated in the sale and purchase agreement pursuant to the Proposed Disposal. As a result of the impairment, the Group's net loss before taxation was RM132.5 million.

After the Proposed Disposal, the Group's continuing operation (without the Coated Coil Business), registered a turnover of RM221.21 million. This was an increase of 6.93% against RM206.88 million in FY 2017. The adjusted turnover is mainly contributed by its downstream business in East Malaysia and steel coil sales in West Malaysia Despite the higher turnover, gross margin reduced by 1.02% due to softer market conditions and more competitive pricing. The Group registered a profit before taxation of RM3.84 million versus RM5.88 million for FY 2017, a reduction of 42.0%. The lower profit was substantially due to low product margin and interest income.

On 1 February 2019, YKGI completed the capital reduction which involved the cancellation of RM137.92 million of the issued share capital. This was carried out pursuant to Section 117 of the Companies Act 2016 and resulted in a reduction in the accumulated losses of the Company. Following the completion of this exercise, the issued share capital of the Company currently stood at RM38,746,828 comprising 350,684,180 ordinary shares and 21,726,100 Redeemable Convertible Preference Shares.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's key financial results of the continuing operations (without the Coated Coil Business) and the key financial ratios are set out below in Table 1 and Table 2 respectively:-

TABLE 1

PROFIT FROM CONTINUING OPERATIONS	REVENUE
-16.03%	+6.93%
2018 : 7.25 million 2017 : 8.63 million	**2018 : 221.21 million** 2017 : 206.88million
NET PROFIT	**GROSS PROFIT MARGIN**
-31.81%	-8.48%
2018 :3.09 million 2017 : 4.53 million	**2018 : 11.00%** 2017 : 12.02%
EARNINGS BEFORE INTEREST, TAXATION AND DEPRECIATION ("EBITDA")	**GEARING**
-3.26%	+229.06%
2018 :10.85 million 2017 : 11.21million	**2018 : 2.84 times(*)** 2017 : 0.86 times

(*) Increase in the gearing ratio was due to substantial losses incurred arising from the impairment loss allowance made in FY2018 which eroded the shareholders' equity of the Company.

TABLE 2

Continuing operations	**FY 2018**	**FY 2017** (Restated)
Profitability		
a. Return on Capital Employed *(Operating Profit/Non-Current Liabilities + Total Equity)*	12.15%	4.30%
b. Return on Equity *(Net Earnings/ Equity)*	6.41%	2.51%
Liquidity		
c. Current Ratio *(Current Asset/Current Liabilities)*	1.06	0.76
d. Interest Cover Ratio *(EBITDA/Net Interest Expenses)*	3.18	4.08
Capital		
e. Debt to Equity Ratio *(includes all interest bearing debt)*	2.84	0.86
Value		
f. Net Asset per Share (Sen/share)	13	51

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

OPERATION REVIEW

For FY 2018, the business of YKGI Group was divided into two (2) main segments namely:

(i) Coated coil business with main operations in Klang, Selangor ("Coated Coil Business"), and;

(ii) Metal roofing and trading in hardware and building materials with main operations and revenue generation in East Malaysia ("Downstream Business").

The Downstream Business continues to perform well and contributed positive EBITDA to the Group. It has an EBITDA margin of 4.90%. The major factors contributing to the better performance are the market leadership the Group enjoys in East Malaysia and the ability to lock in sales/projects with better margins due to its established branding in the market there.

As for Coated Coil Business, it registered a negative EBITDA margin due to low sales volume and low margin. This business segment has been plagued by lack of working capital, low utilisation of production capacity. External factors in play include slower demand of flat steel products, industry overcapacity and competitive pricing from imported steel products. In addition, with the decision to divest the Coated Coil Business, there was no longer emphasis to push sales. The Group will focus on returning to profitability and to conserve liquidity.

2019 OUTLOOK

The disposal of the Coated Coil Business is expected to be completed in the second quarter of 2019. Thereafter, the Group's business revenue is expected to fall substantially.

The proceeds from the Proposed Disposal will be used to repay bank borrowings and creditors, As a result, the Group will have a stronger balance sheet. On the operating side, it will no longer be saddled with the financial losses associated with an unprofitable coated coil business. The Group will then focus on expanding and developing the remaining business segments.

CORPORATE INFORMATION

Board of Directors

Mr Liew Jee Min @ Chong Jee Min
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

Ms Yan Ying Chieh
Independent Director

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

Mr Aizan Sugiwaka
Non-Independent Non-Executive Director

Alternate Director

Mr Koichiro Nakazawa *(To Mr Aizan Sugiwaka)*

Company Secretaries

Ms Voon Jan Moi *(MAICSA 7021367)*
Ir Michael Hii Ee Sing *(LS 0000872)*

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

Tengis Corporate Services Sdn Bhd

Registered Address

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

Corporate Office

Suite 27-1, Setia Avenue,
No.2 Jalan Setia Prima S U13/S, Seksyen U13,
Setia Alam, 40170 Shah Alam,
Selangor Darul Ehsan.
Tel : +60 3 3362 3993
Fax : +60 3 3358 0990
Email : ykgi@ykgigroup.com
Website : http://www.ykgigroup.com

Audit Committee

Mr Fong Yoo Kaw @ Fong Yee Kow
Senior Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

Ms Yan Ying Chieh
Independent Director

Bankers

MBSB Bank Berhad
CIMB Bank Berhad
Hong Leong Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

Investment Bank

Hong Leong Investment Bank Berhad
Public Investment Bank Berhad

Legal Advisors

J.M. Chong, Vincent Chee & Co.
Azman Davidson & Co
Lim & Teo Advocates
Tang & Partners, Advocates
Ngeh Ling Advocates

Independent Advisor

SIERAC Corporate Advisers Sdn Bhd

Auditors

KPMG PLT (AF 0758)

Internal Auditors

Ernst & Young Advisory Services Sdn Bhd

Share Registrar

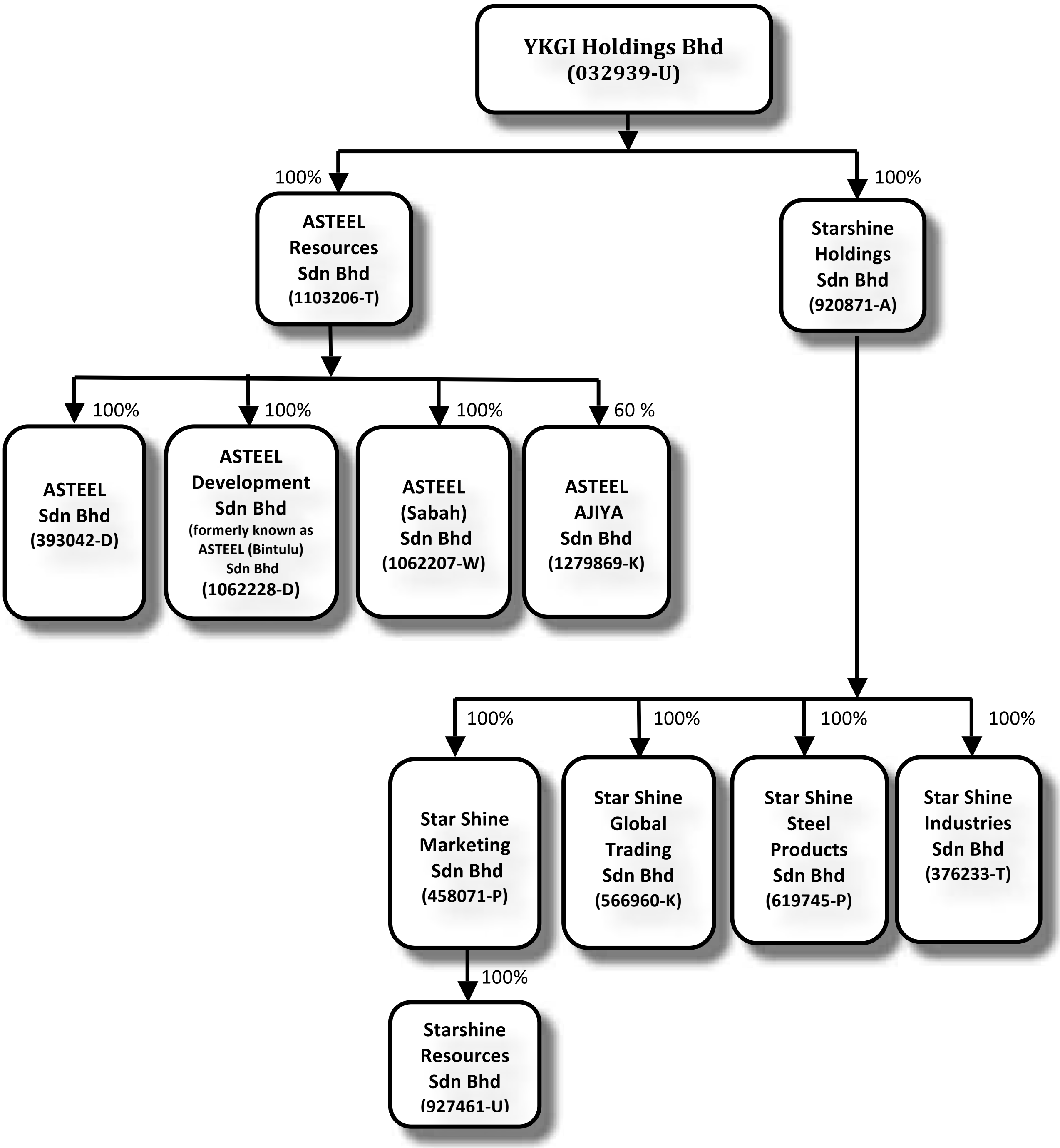
Tricor Investor & Issuing House Services Sdn Bhd
Unit 32-01, Level 32, Tower A,
Vertical Business Suite, Avenue 3,
Bangsar South, No.8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia
Phone : +60 3 2783 9299
Fax : +60 3 2783 9222

Certification

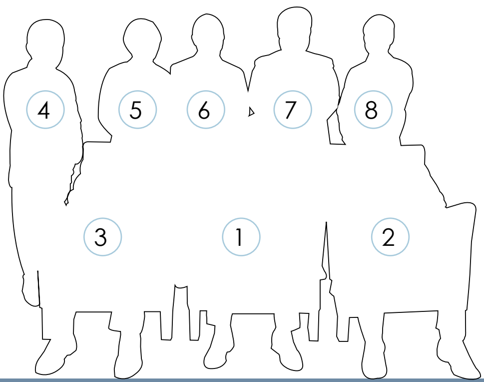
ISO 9001:2015
MS ISO 9001:2015

CORPORATE STRUCTURE

As at 1 April 2019



BOARD OF DIRECTORS



1. Mr Liew Jee Min @ Chong Jee Min
2. Dato' Soh Thian Lai
3. Mr Fong Yoo Kaw @ Fong Yee Kow
4. Mr Christopher Hii Lu Ming
5. Ms Yan Ying Chieh
6. Mr Yoshihiko Okuno
7. Mr Victor Hii Lu Thian
8. Mr Aizan Sugiwaka

DIRECTORS' PROFILE

LIEW JEE MIN @ CHONG JEE MIN
(Malaysian, age 60, Male)
Independent Director/Non-Executive Chairman

BOARD APPOINTMENT :
28 February 2013

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

Education and Experience :
Mr Chong was appointed Non-Executive Chairman on 29 June 2018.

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 established the firm of Messrs J.M. Chong, Vincent Chee & Co. Advocates & Solicitors in December 1986 and has been practising since, concentrating on banking, corporate, commercial and real estate matters. He is the managing partner of the firm.

Mr Chong is the Vice President of the Klang Chinese Chamber of Commerce and Industry ("KCCCI"); the Chairman of the Legal Affairs Committee of the KCCCI and The Associated Chinese Chamber of Commerce & Industry of Coastal Selangor; a council member of The Chinese Chamber of Commerce and Industry of Kuala Lumpur and Selangor ("KLSCCCI"), and also the Chairman of its Legal Affairs Committee; and a member of the Legal Affairs Committee of The Associated Chinese Chambers of Commerce and Industry of Malaysia ("ACCCIM"). He is an advisor to Sunsuria Berhad, and a legal advisor of Malaysia Used Vehicle Autoparts Traders Association, The Kuala Lumpur & Selangor Furniture Entrepreneur Association, and Sekolah Menengah Chung Hua (PSDN) Klang.

He attended all seven (7) Board meetings held during the financial year ended 31 December 2018.

Other Directorship in Public Company :
Jaks Resources Berhad
Halex Holdings Berhad
Parkson Holdings Berhad

DATO' SOH THIAN LAI, DIMP
(Malaysian, age 58, Male)
Executive Deputy Chairman

BOARD APPOINTMENT :
15 March 2012

BOARD COMMITTEES :
Chairman of ESOS Committee.

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 33 years of experience in the steel industry. He has been instrumental in the development and progress of our Group. He is currently serving as the President of Federation of Malaysian Manufacturers (FMM), Vice President of National Chamber of Commerce & Industry of Malaysia, Board Director of Malaysian Investment Development Authority (MIDA), Ministry of International Trade and Industry, Audit Committee Chairman, MIDA, Disciplinary Committee, MIDA and Committee Member of Malaysian Qualifications Agency (MQA) Ministry of Education, Council member of Malaysian Steel Council (MSC), Founding member and Director of Malaysian Steel Institute, Director of South East Asia Iron and Steel Institute (SEAISI), Council Member of Malaysian Standard & Accreditation Council, Ministry of Science, Technology & Innovation.

Formerly, he was also serving as the Chairman of Federation of Malaysian Manufacturers Selangor Branch, Co-Chairman of Pemudah of Selangor, Council member of National Accreditation Council, Department of Standard Malaysia, Ministry of Science, Technology & Innovations, President of Malaysian Iron and Steel Industry Federation (MISIF) and Vice President of ASEAN Iron & Steel Council (AISC).

He attended all seven (7) Board meetings held during the financial year ended 31 December 2018.

His shareholdings in the Company and the Group are disclosed in the Directors' interest section under the heading "Analysis of Shareholdings" on pages 146 and 148 of this annual report.

Other Directorship in Public Company :
Federation of Malaysian Manufacturers (FMM)
Malaysia Iron and Steel Industry Federation (MISIF)
Malaysia Steel Institute (MSI)
Malaysian Investment Development Authority (MIDA)
GS1 Malaysia Berhad

DIRECTORS' PROFILE (cont'd)

VICTOR HII LU THIAN
(Malaysian, age 44, Male)
Managing Director

Board Appointment :
27 February 2006

Board Committees :
A Member of ESOS and Board Risk Committees.

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), Vice Chairman of FMM Sarawak branch, Chairman of Malaysian Iron & Steel Industry Federation (MISIF) Sarawak branch, Deputy Chairman of Persatuan Industri Demak Laut (PIDE), Council member of Sarawak Manufacturers' Association (SMA), Advisor to Persatuan Alumni AOTS Malaysia (PAAM) Sarawak branch, Advisor to Kuching Life Care Society (Pertubuhan Pemeliharaan Hayat Kuching), Council Member of Koh Yang (Kho Clan) Association and a member to Board of Management of SJK St. Paul Kuching .

He attended all seven (7) Board meetings held during the financial year ended 31 December 2018.

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" on pages 146 and 148 of this annual report.

Other Directorship in Public Company :
Malaysia Iron and Steel Industry Federation (MISIF)
Federation of Malaysian Manufacturers (FMM)

YOSHIHIKO OKUNO
(Japanese, age 51, 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).

He attended all seven (7) Board meetings held during the financial year ended 31 December 2018.

CHRISTOPHER HII LU MING
(Malaysian, age 42, 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 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, control and logistics.

He attended six (6) out of the seven (7) Board meetings held during the financial year ended 31 December 2018.

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" on pages 146 and 148 of this annual report.

AIZAN SUGIWAKA
(Japanese, age 48, Male)
Non-Independent
Non-Executive Director

Board Appointment :
1 October 2017

Board Committees :
None

Education and Experience :
Mr Sugiwaka is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He studied Law and graduated in 1993 from Keio University, Japan and joined Itochu Corporation, Tokyo Head Office in the same year.

He has more than 25 years business career in Marubeni-Itochu Steel Inc., working and managing in various departments, namely Steel Plate & Pipe Dept., Ship Plate & Plant Steel Sec, Steel Sheets Dept., Electrical Steel Dept., Tin Mill Products Dept. Container Sec. Overseas Steel Sheets Dept. and Overseas Cold Rolled & Coated Steel Sheets Sec.

He attended five (5) out of the seven (7) Board meetings held during the financial year ended 31 December 2018.

DIRECTORS' PROFILE (cont'd)

FONG YOO KAW @ FONG YEE KOW
(Malaysian, age 67, Male)
Senior Independent Director

Board Appointment :
3 January 2013

Board Committees :
Chairman of Audit Committee and a member of Remuneration, Nomination 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 43 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 six (6) out of the seven (7) Board meetings held during the financial year ended 31 December 2018.

Other Directorship in Public Company :
Pansar Berhad
Sarawak Oil Palms Berhad
DPI Holdings Berhad

YAN YING CHIEH
(Malaysian, age 56, Female)
Independent Director

Board Appointment :
3 July 2017

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

Education and Experience :
Ms Yan is a member of the Association of Chartered Certified Accountants, Malaysian Institute of Accountants and Financial Planning Association of Malaysia. She has over 23 years of experience in senior financial management and the financial services sector.

Ms Yan studied accountancy in Tunku Abdul Rahman College and started her career in auditing. After several years with a couple of audit firms, she ventured into corporate advisory services with a well-established merchant bank in Malaysia. Subsequently, she joined a public listed company in the oil and gas industry as Finance Manager and later served as Chief Financial Officer for over 10 years. Ms Yan is also a Certified Financial Planner and moved into financial planning services in 2010. She subsequently co-founded Money Sense Advisory Sdn Bhd, a financial planning firm licensed by the Securities Commission Malaysia and Bank Negara Malaysia in 2016.

She attended all seven (7) Board meetings held during the financial year ended 31 December 2018.

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 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 (5) years (other than traffic offences).*
- *any sanction and/or penalty imposed on them by the regulatory bodies during FY2018.*

PROFILE OF KEY SENIOR MANAGEMENT

Dato' Soh Thian Lai
(Malaysian, age 58, Male)
Executive Deputy Chairman

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

Victor Hii Lu Thian
(Malaysian, age 44, Male)
Managing Director

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

Yoshihiko Okuno
(Malaysian, age 51, Male)
Executive Director

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

Tan Ching Pding
(Malaysian, age 54, 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.

Aw Chiew Lan
(Malaysian, age 48, 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.

Ngu Liew Ing
(Malaysian, age 58, Female)
Chief Operating Officer - ASTEEL Group

Appointment :
1 July 2017

Education and Experience :
Ms Ngu holds a Bachelor of Arts with Second Class Honours, First Division in Business Administration from the University of Bolton, United Kingdom.

She joined YKGI in 1993 and since then was responsible for the procurement activities till 2015. Thereafter, she assumed as Director of Procurement for ASTEEL Group.

Currently, she is responsible for the overall operation of the Commercial, Supply Chain and Factory Management of ASTEEL Group for Sarawak and Sabah.

Foo Ai Ting
(Malaysian, age 44, Female)
Director for Management Support cum Special Assistant to Executive Deputy Chairman

Appointment :
1 July 2017

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 July 2017. She is responsible for overseeing Group Administration and Human Resource Department, Group Procurement, Purchasing and Store Department of YKGI Group.

PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

Fong Fui Yee
(Malaysian, age 40, Male)
Commercial Director – ASTEEL AJIYA Sdn Bhd

Appointment :
12 May 2018

Education and Experience :
Mr Fong Fui Yee graduated in 2003 from Coventry University of UK in Master in Manufacturing. He is the Head of Commercial for ASTEEL Group in charge of product development, sales & marketing and new business venture. He also leads the YKGI Group marketing and promotion.

He first joined YKGI in 2003 as a Quality Controller and he has worked in various department including production, sales, marketing and business development. He has been with YKGI Group for more than 15 years, whereby he possessed vast experience in galvanising and coating in the flat product industries. He is actively involved in industrialised buildings products solution, steel product design, industry speaker for various universities and institutions, project management and analyst on business acquisition.

Koh Teck Hoe
(Malaysian, age 44, Male)
Assistant General Manager - Star Shine Marketing Sdn Bhd

Appointment :
1 October 2016

Education and Experience :
Mr Koh Teck Hoe graduated from Taiwan National Pingtung Polytechnic Institute in Business Administration in year 1997. He joined Amalgamated Industrial Steel Bhd as Sales Executive in 1997.

Mr Koh joined Star Shine Industries Sdn Bhd on 15 August 2008 as Sales Manager to spearhead its business development, marketing and trading operations and on 1 October 2016, he was transferred to Star Shine Marketing Sdn Bhd as Assistant General Manager – Sales.

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 under review.*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("the Board") of YKGI Holdings Berhad recognises that a 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 2017 ("MCCG") in developing its corporate governance structure. The governance processes are regularly reviewed and refined in accordance to 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 2018 ("FY2018") 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 stated in this Statement.

A. BOARD OF DIRECTORS

The Board is entrusted with the overall management, strategic direction, formulation of policies and overseeing the business of the Group. The Board has delegated the policies implementation to the Executive Deputy Chairman, Managing Director 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, advice 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 is 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 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 matters 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 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 report on sustainability activities are provided under the heading of Corporate Social Responsibilities in this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(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;
- identifying and managing principal risks facing the Group and ensuring the implementation of appropriate systems to manage these risks;
- 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 Company Secretaries. Both Company Secretaries are qualified Secretaries under 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 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 2018 Annual General Meeting ("AGM") and at least one (1) Company Secretary attends all Board and Board committee meetings during the FY2018. All deliberations at the AGM and all Board and Board committee meetings are formally 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 on follow-up actions. 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 changes in the regulatory environment, through continuous training and industry updates.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(viii) Board Composition and Diversity

The Board currently comprises eight (8) members, with five (5) Non-Executive Directors (including three (3) Independent Directors) and three (3) Executive Directors. The Directors, with their diverse backgrounds and qualifications in both the public and private sectors and 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 who 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 interests 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 vital in protecting the interests of minority shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality and objectivity. 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.

The gender, age, ethnicity and knowledge diversity of the Board is as follows:

	Gender		Age			Ethnicity		Industry Knowledge/Profession			
	Male	Female	40-49 years	50-59 years	60-69 years	Chinese	Japanese	Metallurgy / Engineering	Management	Accounting & Finance	Legal
Mr Liew Jee Min @ Chong Jee Min	√				√	√					√
Dato' Soh Thian Lai	√			√		√		√	√		
Mr Victor Hii Lu Thian	√		√			√		√	√		
Mr Yoshihiko Okuno	√			√			√		√		
Mr Fong Yoo Kaw @ Fong Yee Kow	√				√	√				√	
Ms Yan Ying Chieh		√		√		√				√	
Mr Christopher Hii Lu Ming	√		√			√		√			
Mr Aizan Sugiwaka	√		√				√				√

There is a clear division of role and responsibility between the Independent Chairman, the Executive Deputy Chairman and the Managing Director to ensure a balance of power and accountability for the Board to make well-considered decisions. 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 Executive Deputy Chairman, Managing Director together with other Executive Directors oversee 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 Executive Deputy Chairman and Managing Director also provide overall oversight, guidance, advice between the Board of Directors and Management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(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. Seven (7) meetings were held during the FY2018 which were attended by majority of the Directors.

Name of Directors	Meetings attended	Percentage of attendance (%)
Mr Liew Jee Min @ Chong Jee Min *(Independent Director/Non-Executive Chairman)*	*7/7*	*100%*
Dato' Soh Thian Lai *(Executive Deputy Chairman)*	*7/7*	*100%*
Mr Victor Hii Lu Thian *(Managing Director)*	*7/7*	*100%*
Mr Yoshihiko Okuno *(Executive Director)*	*7/7*	*100%*
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director)*	*6/7*	*86%*
Ms Yan Ying Chieh *(Independent Director)*	*7/7*	*100%*
Mr Christopher Hii Lu Ming *(Non-Independent Non-Executive Director)*	*6/7*	*86%*
Mr Aizan Sugiwaka *(Non-Independent Non-Executive Director)*	*5/7*	*71%*

Chief Financial Officer ("CFO"), Senior Adviser and Group Advisor 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 FY2018, inter alia, 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. During FY2018, the Directors have also attended other relevant trainings and seminars organised by relevant regulatory and professional bodies to keep abreast of latest developments and changes to regulatory requirements.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

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

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 FY2018 were as follows:

Name of Directors	Name of Training Attended
Mr Liew Jee Min @ Chong Jee Min	• Corporate Governance Briefing Sessions : MCCG Reporting & CG Guide • "Trade and Customs" and "Merger Control / Competition" • Independent Directors Programme : The Essence of Independence
Dato' Soh Thian Lai	• The Launch of Institute of Corporate Directors Malaysia • FMM Seminar on Comprehensive & Progressive Agreement for Trans-Pacific Partnership (CPTPP) • Industrial Park Forum • FMM Supply Chain Conference 2018: Belt & Road Initiative; Capitalising on China's Vision of Connectivity • Announcement of Malaysia's Trade Performance 2017 • FMM Selangor CEO Summit 2018 - "Embrace Disruption: Charting the Course to the Future" • MDEC Digital Transformation Acceleration Prog. • MISIF Conference 2018 • National Investment Seminar 2018 • National Convention on Good Regulatory Practice 2018 • High Level Dialogue on ASEAN Italy Economic Relations • FMM SME Conference 2017: Embrace Change, Invent the Future
Mr Victor Hii Lu Thian	• Sweden-Southeast Asia Business Summit • Building Strategic Alliance • The International Architecture, Interior Design & Building Exhibition (ARCHIDEX) • Smart Factory Talk • FFM Selangor CEO Summit 2018 • Seminar on automation and IRA 4.0 • 13th Conference on Status & Outlook of the Malaysian Iron & Steel Industry • The Sarawak International Business Exhibition and Conference (SIBEC) 2018 • SME CEO Forum
Mr Yoshihiko Okuno	• The Role of the Board • Corporate Governance and Global Principals-Module 1
Mr Christopher Hii Lu Ming	• The Role of the Board
Mr Aizan Sugiwaka	* The Role of the Board
Mr Fong Yoo Kaw @ Fong Yee Kow	• Key Amendment to Listing Requirements arising from Companies Act 2016 & Dealings in Listed Securities, Closed Period & Insider Trading • 2019 Budget and Tax Conference • Corporate Reporting (Financial, Non-Financial & Sustainability Reporting) by Listed Issuers - How to Avoid Reprimands and/or Fines by the Regulators
Ms Yan Ying Chieh	• Phillip Capital 9th Annual Investment Conference 2018 • 7th AFA Annual Conference • The Role of the Board

The Company ensures that Directors are briefed by the Auditors, Company Secretaries and relevant professionals 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 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

(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 five 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 their own meeting agendas and frequency of meetings. The respective Chairman of the Committees would report salient issues to the Board for notation, decision or approval.

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 ("AC") comprises three (3) 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 Liew Jee Min @ Chong Jee Min and Ms Yan Ying Chieh.

The AC met five (5) times during FY2018. More information on the functions, duties and activities carried out by the AC during FY2018 is set out under the heading Audit Committee Report.

Name of AC Members	Meetings attended	Percentage of attendance (%)
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director/AC Chairman)*	*5/5*	*100%*
Mr Liew Jee Min @ Chong Jee Min *(Independent Director/Member)*	*5/5*	*100%*
Ms Yan Ying Chieh *(Independent Director)*	*5/5*	*100%*

(b) Nomination Committee

The Board established a Nomination Committee ("NC") on 13 March 2001 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 NC comprises of the following members :

- Mr Fong Yoo Kaw @ Fong Yee Kow (Chairman of Nomination Committee);
- Mr Liew Jee Min @ Chong Jee Min (Independent Director); and
- Mr Christopher Hii Lu Ming (Non-Independent Non-Executive Director)
- Ms Yan Ying Chieh (Independent Director)

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

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

(b) Nomination Committee (cont'd)

The NC held three (2) meetings during FY2018.

Name of NC Members	Meetings attended	Percentage of attendance (%)
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director/ NC Chairman)*	*2/2*	*100%*
Mr Liew Jee Min @ Chong Jee Min *(Independent Director/Member)*	*2/2*	*100%*
Mr Christopher Hii Lu Ming *(Non-Independent Non-Executive Director)*	*1/2*	*50%*
Ms Yan Ying Chieh * *(Independent Director)*	*n/a*	*n/a*

Notes:
** Appointed on 1 March 2019*

During FY2018, the NC 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 FY2018 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;
- 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 their respective performance and identify areas for improvement. A formal assessment of the Board's effectiveness was conducted for the FY2018, 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;

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

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

(b) Nomination Committee *(cont'd)*

- character, knowledge, expertise, professionalism, integrity and time availability;
- the results of the assessment on individual Directors, including the Independent Directors, Executive Directors and the Managing Director/Chief Executive Officer, and
- 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.

(c) Remuneration Committee

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

The Remuneration Committee comprises the following members:

- Mr Liew Jee Min @ Chong Jee Min (Chairman of Remuneration Committee and Independent Director);
- Mr Fong Yoo Kaw @ Fong Yee Kow (Senior Independent Director); and
- Ms Yan Ying Chieh (Independent Director).

The RC held two (2) meeting during FY2018.

Name of RC Members	Meetings attended	Percentage of attendance (%)
Mr Liew Jee Min @ Chong Jee Min *(Independent Director/RC Chairman)*	*2/2*	*100%*
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director/Member)*	*2/2*	*100%*
Ms Yan Ying Chieh * *(Independent Director/Member)*	*1/1*	*100%*
Mr Lim Pang Kiam ** *(Independent Director)*	*1/1*	*100%*

Notes:
** Appointed on 29 June 2018*
*** Resigned on 29 June 2018*

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

The detail of the remuneration of each individual director for the financial year ended 31 December 2018 is as follows:

Executive Directors	Salary	Bonus	EPF	Other Benefits	Total
Dato' Soh Thian Lai	720,000	-	115,200	60,000	895,200
Mr Victor Hii Lu Thian	603,500	136,500	135,280	154,160	1,029,440
Mr Yoshihiko Okuno	307,104	-	-	-	307,104
Total	**1,630,604**	**136,500**	**250,400**	**214,160**	**2,231,744**

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

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

(c) Remuneration Committee (cont'd)

Non Executive Directors	Fee	Other Allowances	Total
Mr Liew Jee Min @ Chong Jee Min	54,000	19,000	73,000
Mr Fong Yoo Kaw @ Fong Yee Kow	59,000	18,400	77,400
Ms Yan Ying Chieh	51,000	19,000	70,000
Mr Christopher Hii Lu Ming	31,000	3,500	34,500
Mr Aizan Sugiwaka	30,000	-	30,000
Mr Lim Pang Kiam (retired)	26,750	8,000	34,750
Total	**251,750**	**67,900**	**319,650**

The Company has identified its top five (5) Senior Management positions as follows:

- Executive Deputy Chairman
- Managing Director
- Executive Director
- Chief Financial Officer
- Chief Operating Officer, ASTEEL Group

The Company opts not to disclose the Senior Management's remuneration components (Salary, bonus, benefits-in-kind and other emoluments) as it is of the view that prior written consent from each Senior Management personnel has to be obtained as it involves the disclosure of their personal data to the public at large.

(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.

BRC has established a sound risk management framework that enables it to continuously identify, assess, mitigate and monitor risks that affect the Group. BRC met three (3) times in FY2018 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 is 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:

- Ms Yan Ying Chieh (Chairman/Independent Director);
- Mr Fong Yoo Kaw @ Fong Yee Kow (Senior Independent Director);
- Mr Liew Jee Min @ Chong Jee Min (Independent Director); and
- Mr Victor Hii Lu Thian (Managing Director).

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

A. BOARD OF DIRECTORS (cont'd)

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

(d) Board Risk Committee (cont'd)

The BRC held three (3) meetings during the FY2018.

Name of BRC Members	Meetings attended	Percentage of attendance (%)
Ms Yan Ying Chieh *(Independent Director/ BRC Chairman)*	3/3	100%
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director)*	3/3	100%
Mr Liew Jee Min @ Chong Jee Min *(Independent Director)*	3/3	100%
Mr Victor Hii Lu Thian * *(Managing Director)*	2/2	100%
Dato' Soh Thian Lai *(Executive Deputy Chairman)*	1/1	100%
Mr Lim Pang Kiam ** *(Independent Director)*	1/1	100%

Notes:
** Appointed on 29 June 2018*
*** Resigned on 29 June 2018*

(e) ESOS Committee

ESOS Committee was formed on 8 November 2016, and it comprises of Dato' Soh Thian Lai (Chairman), Mr Victor Hii Lu Thian, Mr Yoshihiko Okuno, Ms Yan Ying Chieh, 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 for the eligible employees (including Directors) of the Company and its 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.

During FY2018, ESOS Committee granted to eligible employees 4,750,000 option shares with exercise price of RM0.22 according to the ESOS By-Laws. As at the date of this report, 2,346,600 option shares had been exercised.

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. This is primarily done 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, the Executive Deputy Chairman and the Managing Director in their respective review of operations inserted 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 three 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

B. ACCOUNTABILITY AND AUDIT (cont'd)

(i) Financial Reporting (cont'd)

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FY2018, 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 obtained 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 FY2018 by the Company's external auditors, KPMG PLT, and a firm and company affiliated to KPMG PLT are set out below:

	Group RM	Company RM
Audit fees	189,000	82,000
Non-audit fees	78,600	67,500

(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 Executive Deputy Chairman and the Managing Director 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 FY2018 is provided in the Audit Committee Report.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

C. INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS (cont'd)

(i) Corporate Disclosure (cont'd)

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 Executive Deputy Chairman, Managing Director and the external auditors, if so required, respond to shareholders' questions during the meeting.

The Notice of last AGM was circulated to shareholders more than twenty-eight (28) 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 poll and duly passed. The outcome of the AGM was announced to Bursa Securities on the same day.

The Notice of forthcoming AGM will be circulated to shareholders at least twenty-one (21) days in compliance of the MMLR and Companies Act 2016. This notice is shorter than that recommended by MCCG as the Board decided to hold the AGM in May (23 May 2019) instead of June, and the Audited financial results will only be available at the end of April, hence it was not practical to give 28 days' notice as recommended by MCCG.

The Company has adopted MMLR that any resolution set out in the notice of any general meetings is voted by poll and the appointment of an independent scrutineer to validate the votes cast at AGM 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 FY2018, 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 29 June 2018. The Company has introduced proper processes and procedures to monitor, track and identify RRPT. AC reviewed RRPT on a quarterly basis to ensure compliance with internal process and procedure as well as provisions of MMLR. As a procedure any Director who has interest in a transaction abstains from participation in the deliberation of the RRPT.

E. BOARD CHANGES

The following changes were made to the Board and Board Committees:

(1) Mr Lim Pang Kiam retired as Independent Director/Non-Executive Chairman on 29 June 2018 and ceased as a Member of Audit, Board Risk and Remuneration Committees.

(2) Mr Liew Jee Min @ Chong Jee Min was appointed Independent Director/Non-Executive Chairman of the Board on 29 June 2018.

(3) Mr Fong Yoo Kaw @ Fong Yee Kow has been re-designated from Chairman of Nomination Committee to a member of Nomination Committee on 20 February 2019.

(4) Ms Yan Ying Chieh was appointed as Chairperson and Member of Nomination Committee on 20 February 2019.

This statement is issued in accordance with a resolution of the Board of Directors dated 16 April 2019.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

This Statement on Risk Management and Internal Control is intended to provide our stakeholders and readers of this Annual Report with sufficient and meaningful information about the adequacy and current state of YKGI Holding Berhad ("YKGI")'s system of risk management and internal control.

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Principles and Best Practices provisions relating to internal control provided in the Malaysian Code on Corporate Governance 2017, the Board of Directors ("the Board") of listed issuers are required to include in their Annual Report a "Statement on the state of its Risk Management and Internal Control". The Board of Directors is pleased to include a statement on the state of the Group's system of risk management and internal control in this annual report.

BOARD'S RESPONSIBILITY AND ACCOUNTABILITY

YKGI recognises that effective risk management and a sound system of internal control are fundamental to good corporate governance. The Board acknowledges its responsibility to maintain a sound risk management and internal control system to address all key risks which the Group considers relevant and material to its operations while Management plays an integral role in assisting the design and implementation of the Board's policies on risks and controls.

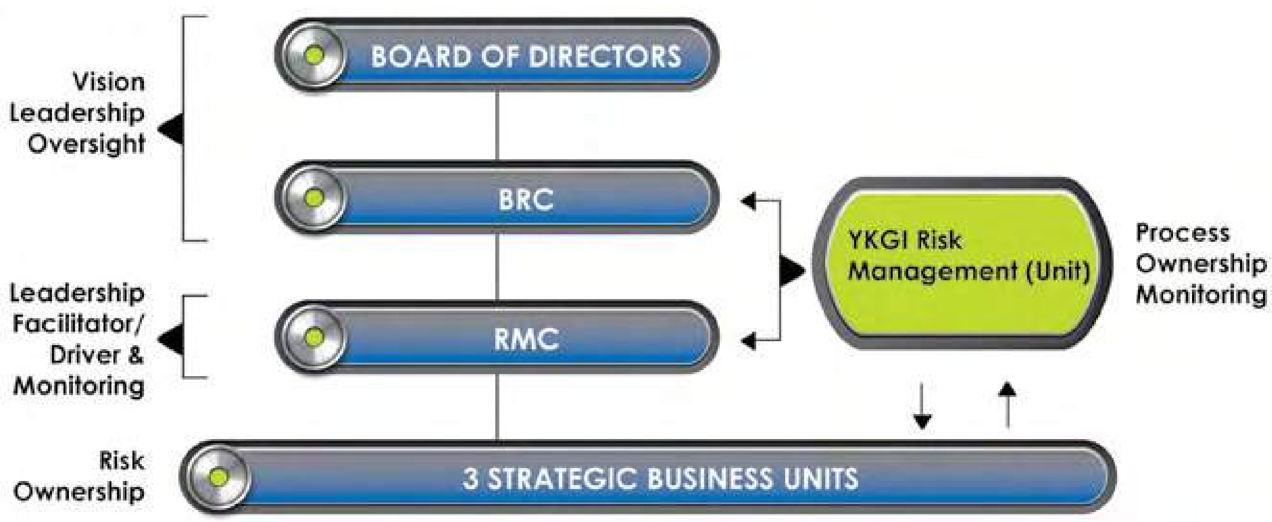
In view of the inherent limitations in any such system, the Board recognises that the system is designed to manage and mitigate the Group's risks within an acceptable and acknowledged risk profile, rather than eliminate the risks that may impede the achievement of business objectives and goals of the 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.

RISK MANAGEMENT

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. The Board through the functions of Board Risk Committees ("BRC") which oversee the Risk Management Committees ("RMC") on the identification of risk factors, risk treatment plan and mitigation actions thereon.

The Board has delegated the responsibility of reviewing the effectiveness of risk management to BRC 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 2018, the BRC has met three times 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 maintains 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 report shall be reported to BRC for deliberation, evaluation and strategic guidance thereon.

The roles of RMC are thus summarized 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 BRC/ Board
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. Reviews risk portfolio and compares the same against risk appetite
7. Receives and reviews reports from SBUs on implementation of risk management and approve the SBUs / Group's risk register
8. Reviews and approves the Group's risk prolife, risk prioritisation and mitigation strategies for risk treatment (including risk treatment plans)
9. Monitors and tracks implementation of mitigation strategies and risk treatment plans of the various SBUs and updating the status thereof

INTERNAL AUDIT FUNCTION

The Group internal audit function is outsourced to Ernst & Young Advisory Services ("EYAS") for a period of three years commencing from Year 2016 to 2018 and will continue with the outsource services for FY2019. The Internal Audit programme was drawn up based on the risk identified under the Risk Assessment exercise conducted by the consultants. The Audit Committee ("AC") reviews the programme proposed by EYAS, its scope and frequency of work and resources on an annual basis.

The internal auditor assesses the Group's operations, the systems of internal control by reviewing 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 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 auditor provides recommendations to improve the effectiveness of risk management, control and governance processes. The AC considers the internal audit reports before presenting the proposed measures to the Board. This is done 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. As a practice, post audit examinations are carried out to test the effectiveness of audit recommendations adopted.

The details of the internal audit activities are highlighted under the heading of AC Report in this Annual Report.

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

Audit Committee

The AC meets on quarterly basis or as often as necessary to review the internal control issues identified in reports prepared by internal auditors, the external auditors and the management. During 2018, the AC met five (5) times.

AC ensures the internal audit's independence, reviews its scope of work and assesses adequacy of resources. AC also reviews the Internal Audit Plan, internal audit activities and external audit plan and findings. The details of the AC's activities are highlighted under the heading of AC Report in this Annual Report.

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 and operation unit.

- Clearly defined strategic and business action plans are drawn up by the Managing Director 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, Executive Finance and Investment Committee, Related Party Transaction Committee, ESOS Committee and BRC. Specific responsibilities have been delegated to these Board Committees, all of which have formalized terms of reference. These Committees have the authority to examine all matters within their scope and report to the Board with their recommendations for decisions.

- Established standard operating procedures under ISO 9001:2015 Quality Management System, ISO 14001:2015 Environment Management System and OHSAS 18001:2007 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 once a year for each system by a third party on the Group entities to ensure that the system is adequately implemented. During 2018, three (3) surveillance audits were carried out on 3-5 January, 10-11 and 15 January and 18-19 October 2018.

- Monthly management reports are received and reviewed by the Group Management Committee ("GMC") which members consist of key management personnel of the Group comprising of Group Executive Deputy Chairman, Managing Director, Chief Operating Officer, Chief Financial Officer, and Commercial Director and Chief Executive Officer of a subsidiary company and Management Support Director. 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 2018, eleven (11) 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.

BOARD REVIEW

The Board, through the BRC and AC, has undertaken review of the adequacy and effectiveness of risk management and internal control system in accordance with the terms of reference of the BRC and RMC during the year under 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, employees and other stakeholders. 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 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.

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

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2018, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

The Statement is issued in accordance with a resolution of the Board of Directors dated 16 April 2019.

REPORT OF AUDIT COMMITTEE

The Audit Committee ("AC") was formed on 25 April 1997 to assist the Board of Directors in fulfilling its responsibilities to ensure proper corporate governance, transparent financial reporting process, oversee the Group's audit and internal process and the Group's overall compliance with laws and regulatory requirements.

AC is pleased to present its report on the activities carried out during financial year ended 2018 ("FY2018") to the date of this report in discharging its responsibilities.

1. COMPOSITION

The present members of the AC are as follows:-

Name	Designation
Mr Fong Yoo Kaw @ Fong Yee Kow (MIA No. 3187)	Chairman, Senior Independent Director
Mr Liew Jee Min @ Chong Jee Min	Member, Independent Director
Ms Yan Ying Chieh (MIA No. 9334)	Member, Independent Director

All the AC members have effectively discharged their duties pursuant to the Terms of Reference of the AC. AC Chairman, 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 conducts annual review on the composition and performance of AC including their terms of office and performance as well as effectiveness, accountability, commitment and responsibilities. Based on the evaluation conducted for the FY2018, 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 are 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

Each of the present AC members attended all the meetings held during the FY2018. Three (3) attended 5/5 and Mr Lim Pang Kiam who retired on 29 June 2018 attended 2/3. The Executive Deputy Chairman, Managing Director, Chief Financial Officer, Senior Financial Controller are invited to all the meetings while the Company Secretaries are in attendance. Other management personnel attend the meetings as and when requested by AC if clarifications are needed on audit issues; to facilitate direct communication and to provide first-hand information in relation to the operation of the Company. In addition, external and internal auditors met AC members twice and thrice, respectively during the FY2018 to present their respective reports and to discuss their audit plan and audit findings on the Group and the Company.

Assessment of risk profile and criterions was also carried out by the internal auditors.

AC also had private sessions with external auditors twice, without the presence of management personnel, with regards to management's co-operation and to share information as well as to discuss the results of the audit and any other observations.

Prior notice together with agenda was sent out timely and meeting materials were circulated prior to meetings. Issues of concern and significance raised by internal and external auditors that required the Board's attention and direction were brought by the AC Chairman accordingly to the Board.

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. The AC Chairman signed all the minutes after formal confirmation of the same by the AC.

3. SUMMARY OF WORK OF AUDIT COMMITTEE

The duty and work of the AC is in line with its Terms of Reference. The following summary set out the work of the AC for the financial year under review in discharging its functions and duties and how the Audit Committee met its responsibilities:-

REPORT OF AUDIT COMMITTEE (cont'd)

3. SUMMARY OF WORK OF AUDIT COMMITTEE (cont'd)

3.1 Financial Reporting

a. Reviewed the Group and the Company 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 30 April 2018, 7 August 2018, 24 October 2018 and 20 February 2019.

b. Reviewed the Company's Audited Financial Statements ("AFS") for FY2018 and to ensure that the AFS complied with appropriate financial reporting standards and regulatory requirements.

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. Review on an on-going basis 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. Ensured that significant changes and amendments to the regulations, financial reporting standards and other regulatory requirements that could affect the financial reporting of the Group were duly adopted.

3.2 External Audit

a. Reviewed the External auditors' scope of work and 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 emphasis.

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 on the financial statements.

d. Assessed the suitability and independence of external auditors and obtained written assurance from the External Auditors, confirming their independence with the independence criteria set out by the Malaysian Institute of Accountants.

3.3 Related Party Transactions

AC reviewed all related party transactions on a quarterly interval and received assurance from management that such transactions were conducted in the best interest of the Company and that the terms were fair, reasonable and based on normal commercial terms deemed not detrimental to the minority interests. AC had assurance from management that 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 the shareholders mandate for recurrent related party transactions of a revenue or trading nature and submitted its recommendation to the Board to forward 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 reports directly to the AC and is responsible for the regular review and assessment of the adequacy and efficiency of financial and operating controls. The audits highlight significant risks and non-compliance impacting the Group and the Internal Auditor reports findings to the AC. The following is a summary of internal audit's work reviewed and approved by AC during FY2018:

REPORT OF AUDIT COMMITTEE (cont'd)

3. SUMMARY OF WORK OF AUDIT COMMITTEE (cont'd)

3.4 Internal Audit Function (cont'd)

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 during follow-up audits 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.

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

f. 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 FY2018 was RM 145,553.86.

This report is issued in accordance with a resolution of the Board of Directors dated 16 April 2019.

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ADDITIONAL COMPLIANCE INFORMATION

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2018

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 Jan 1992 Revalued in Dec 2017	24	8,870
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 Oct 2013 Revalued in Dec 2017	12	8,625
Property held for sale						
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 Dec 2017	14	79,235

2. MATERIAL CONTRACTS

Apart from the related party transactions as disclosed in Note 26 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. UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised from any corporate proposal.

4. EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") (2016/2021) of the Company was implemented on 9 November 2016 and shall be in force for a period of five (5) years from 9 November 2016. The total number of options granted, exercised and outstanding under the ESOS, are set out in the table below:-

	Offer 1	Offer 2	Offer 3	Total
Granted	36,350,000	2,400,000	4,750,000	43,500,000
Options Exercised	(2,276,600)	(70,000)	-	(2,346,600)
Options lapsed	(3,980,000)	(550,000)	-	(4,530,000)
Balance exerciseable	30,093,400	1,780,000	4,750,000	36,623,400

During the financial year ended 31 December 2018, 4,750,000 ESOS option shares at RM0.22 per share were allocated to eligible Directors and employees of the Group on 7 August 2018.

ADDITIONAL COMPLIANCE INFORMATION (cont'd)

4. EMPLOYEES' SHARE OPTION SCHEME (cont'd)

A breakdown of the options offered to the Executive Directors, Non Executive Directors, Senior Management and others pursuant to the ESOS in respect of the current financial year are set out in the table below:-

No.	Classifcation	1 Jan 2018	Granted	Exercised	Lapsed	31 Dec 2018	%
1	Executive Directors	4,200,000	-	-	-	4,200,000	10.07
2	Non Executive Directors	3,500,000	800,000	-	(1,000,000)	3,300,000	7.92
3	Senior Management	3,850,000	-	(670,000)	(400,000)	2,780,000	9.71
	Subtotal	**11,550,000**	**800,000**	**(670,000)**	**(1,400,000)**	**10,280,000**	**27.70**
4	Others	26,400,000	3,950,000	(1,676,600)	(2,330,000)	26,343,400	72.30
	Total	**37,950,000**	**4,750,000**	**(2,346,600)**	**(3,730,000)**	**36,623,400**	**100.00**

A breakdown of the options offered to the Non-Executive Directors pursuant to the ESOS in respect of the current financial year are set out in the table below:-

No.	Directors	Exercise Price	1 Jan 2018	Granted	Exercised	Lapsed	31 Dec 2018
1	Fong Yoo Kaw @ Fong Yee Kow	0.23	900,000	-	-	-	900,000
2	Liew Jee Min @ Chong Jee Min	0.23	800,000	-	-	-	800,000
3	Christopher Hii Lu Ming	0.23	800,000	-	-	-	800,000
4	Yan Ying Chieh	0.22	-	800,000			800,000
5	Lim Pang Kiam (Retired on 29.06.2018)	0.23	1,000,000	-	-	(1,000,000)	-
	Total	**-**	**3,500,000**	**-**	**-**	**(1,000,000)**	**3,300,000**

ADDITIONAL COMPLIANCE INFORMATION (con't)

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

The significant RRPTs entered into during the financial year ended 31 December 2018 are disclosed in Note 26 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 2018 (RM)
Purchase of YKGI Group Products from YKGI Group	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	6,862,426
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	48,143
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	21,791,255
	Yunco Integrated Sdn Bhd ("YIS")	Company connected to certain Directors	265,277
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	1,072,910
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	6,063,415
	Milicorp Sdn Bhd	Company connected to certain Directors	3,999,193
	Northern Steel Centre Sdn bhd	Company connected to MISI	7,557,455
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd ("MISI")	Company connected to MISI	6,842,758
		Total	**54,502,832**
Purchase of raw materials and consumables by YKGI Group	Marubeni-Itochu Steel Inc	Major shareholder of YKGI	146,684,449
		Total	**146,684,449**
Purchase of consumables by YKGI Group	YKC	Major shareholder of YKGI	65,424
	YIS	Company connected to certain Directors	675,759
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	77,041
	Continental Strength Sdn Bhd	Company connected to certain Directors	688,689
		Total	**1,506,913**
Hire purchase loan and term loan to finance purchase of vehicles and equipments for the operations of factories by YKGI Group	Yung Kong Credit Corporation Berhad	Company connected to certain Directors	1,970,000
		Total	**1,970,000**

SUSTAINABILITY STATEMENT

The Group firmly advocates the adoption of sustainable business practices as the key to ensuring its long term continuity. It also proactively reviews and upgrades its sustainability framework that provides the basis for a clear focus on our Corporate Social Responsibilities initiatives and practices in the areas of workplace, marketplace, environment and community involvement.

1. WORKFORCE AND WORKPLACE

Our people are the most valuable asset we have. We empowered the best professionals in our industry to grow in their careers and to work together to achieve our vision. As an equal opportunity employer, our workplace terms and conditions of employment are opposed to any form of discrimination and upholding the fundamental human rights protected by legislation. The areas that YKGI specifically looks at are:

- The health and safety of our people in the workplace are the core values and we practice "Safety First" for all activities to minimize any preventable accidents and health hazards that may occur not only in the workplace but also in the communities we operate in. We aim to achieve zero harm at work and ensure health and safety of our people by implementing amongst others, proper work instruction and/or operation manual and adequate personal protective equipment ("PPE");

- Promoting workplace diversity. To select and recruit candidates who are most suitable for the performance of the job vacancy and does not discriminate against the applicants in terms of age, gender and ethnicity;

- As a gesture of appreciation, long service awards were awarded to staffs who have served with the Company for more than 10 years;

- Emphasising on-going training (internal or external training) for employees;

- Maintaining the Occupational Health and Safety Management System in line with the standards of OHSAS 18001:2007;

- Emphasising on employee health and safety issues through education and awareness campaigns;

- Implementing the "5S" Concept (an in-house housekeeping methodology to maintain an orderly workplace and conducive working environment);

- Promoting healthy eating through distributing fruits to the employees on monthly basis;

- Provision of meal allowance to employees to eat in the canteen and instill good conduct of dining through self-responsibility on the cleanliness of the canteen area; and

- Morning assembly exercise to promote healthy body and work punctuality.

2. MARKETPLACE

YKGI has worked with all its customers by focusing more on the integrity value and user value, devoting to the concept of safe, environmental-friendly and reliable products based on users' satisfaction so as to create a strong local brand. To keep pace with the projected demand and sustaining our business growth, the Group focuses on:

- Adhering to our vision and mission being the guiding principles towards business excellence.

- Improving the competencies and customer service quality of sales force by training. This includes quality assessment on marketplace knowledge as well as thorough briefings on product features and prices.

- Participating in product exhibition to share information of our steel products with relevant parties such as developers, architects and customers.

- Always sourcing for competitively priced and better quality products from reliable sources and passing on the savings to customers where possible.

- Obtaining product certification such as SIRIM Eco-Labelling for eco-friendly products and other SIRIM certifications of Malaysia Standard.

SUSTAINABILITY STATEMENT (cont'd)

3. ENVIRONMENT

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

- The Group ensures that the supplies of raw materials are from sustainable sources and obtained/ produced with due environmental consideration and best practices. Review their environmental sustainability practices as requisite for continuous business.
- Constantly striving to promote the 3R systems (reduce, reuse and recycle) in waste management.
- Maintaining the environmental management system in line with the standards of ISO 14001:2015 certification.
- Energy saving initiatives such as to switch off non-essential electrical machinery, equipment and appliances when not in use.
- Practising schedule waste and water management for optimum usage and to minimise consumption and wastage.

Recycling Initiatives		*Schedule Waste (SW) Initiatives*	
Category	2018	Category	2018
Steel Recycle Per Tonne Product	17.28 kg	SW Output Per Tonne Product	0.3 kg

Electricity Consumption Initiatives		*Water Consumption Initiatives*	
Category	2018	Category	2018
Consumption Per Tonne Product	56.8 kWH	Consumption Per Tonne Product	0.46 m^3

4. COMMUNITY

YKGI continues to support local charity programs through donation and volunteering efforts of our employees. Over the current financial year, the Group made a few corporate advertisement sponsorship for events or publications involving various communities.

The Group also runs practical-training programmes with local technical Institutions to promote work-experience and employability of its graduating students. This is one of the key priorities for YKGI to develop and maintain strong and mutually beneficial relationships with its community. The community and employee initiative projects in 2018 include:

SUSTAINABILITY STATEMENT (cont'd)

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1) 26 Jan 2018 – ASTEEL donates mattresses to Salvation Army Children's Home, Kuching.

2) 28 Jan 2018 Gotong Royong at ASTEEL Hostel

3) 1 Mar 2018 – Factory Visit by Politeknik Matang

4) 4 Mar 2018 – Mr. Victor Hii and Ir. Michael Hii presenting the donation cheque to Archbishop of Kuching. Receiving the cheque on behalf of Archbishop Simon Poh is Sr. Mary Jean.

5) 14 May 2018 - ASTEEL Sdn Bhd awarded the Honesty Product Award, Honesty Enterprise Award and Honesty Entrepreneur Award of the 16th Asia Pacific International Honesty Enterprise Keris Award 2018, in conjunction with The Asia Pacific Book of the Top Recognition.

6) 25 Jun 2018 Gawai Raya Celebration @ ASTEEL Kuching.

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SUSTAINABILITY STATEMENT (cont'd)


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7) 11 Jul 2018 Blood Donation @ ASTEEL Kuching.

8) 15 Jul 2018 – ASTEEL annual bowling competition 2018

9) 20 Jul 2018 – ASTEEL Sdn Bhd awarded The Golden Bull Award 2018 - Super Golden Bull.

10) 27 Jul 2018 – CSR @ Kampung Sungai Maong Tengah - Extension house project for fire victim Cik Wati binti Julaihi.

11) 27 Jul 2018 – CSR @ Kampung Sungai Maong Tengah - Donation of paint for Kampung Sungai Maong Tengah Surau. Encik Hassan Ulis receiving the donation.

12) 11-12 Aug 2018 ASTEEL Team Building Batch 1

13) 18-19 Aug 2018 ASTEEL Team Building Batch 2

SUSTAINABILITY STATEMENT (cont'd)


13

13) 18-19 Aug 2018 ASTEEL Team Building Batch 2

14) 25 -26 Aug 2018 ASTEEL Team Building Batch 3

15) 23 Nov 2018 - ASTEEL Sdn Bhd awarded Sarawak State Entrepreneur of the Year Awards 2018.

16) 2 Dec 2018 ASTEEL Children Education Assistance

17) 16 Dec 2018 ASTEEL Oscar Nite

18) 21 Dec 2018 ASTEEL Christmas Gift Exchange

Throughout 2018 ASTEEL donated to the following associations and schools :

- Salvation Army Children's Home
- Kuching Autistic Association
- SJKC Chung Hua Lutong, Miri
- Lodge National School
- St. Joseph Private School
- St Felicity Church
- SMK Pending
- Sarawak Society for the Deaf
- Sg Apong community basketball court


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CONTACTS OF YKGI GROUP OF COMPANIES

YKGI HOLDINGS BERHAD (032939-U)

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

Business Address
Suite 27-1 Setia Avenue
No.2 Jalan Setia Prima S U13/S Seksyen U13 Setia Alam
40170 Shah Alam Selangor Darul Ehsan
Tel: +60 3 3362 3993 Fax: +60 3 3358 0990
Website: http://www.ykgigroup.com
E-mail: ykgi@ykgigroup.com

Subsidiaries (Sarawak & Sabah)

ASTEEL Resources Sdn. Bhd. (1103206-T)
ASTEEL Sdn Bhd (393042-D)
ASTEEL Development Sdn Bhd (1062228-D)
(formerly known as ASTEEL (Bintulu) Sdn Bhd)
Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +60 82 433 888 Fax: +60 82 433 889
Website: http://www.asteel.com.my
E-mail: enquiries@asteel.com.my

ASTEEL AJIYA Sdn Bhd (1279869-K)
Lot 1268 Block 8 Jalan Bako
Demak Laut Industrial Estate Phase IV
93050 Kuching Sarawak
Tel: +60 82 433 403 /402 Fax: +60 82 433 686

Bintulu Branch
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

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

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

envio Concept Store (Miri)
Lot 7900 D/Lot 872 Block 5 Kuala Baram Land District,
98000 Miri Sarawak
Tel: +60 85 651925 Fax: +60 85 651925

envio Concept Store (Mukah)
Sublot 6 & 7, Lot 1114 & 1115 Seng Ling Industrial Estate,
Jalan Bedanga, 96400 Mukah, Sarawak
Tel: +60 16 7020 149

envio Concept Store (Tawau)
TB 758 Mile 3 ½ Jalan Apas 91015 Tawau Sabah
Tel: +60 89 916 688/912 500 Fax: +60 89 915 000

envio Concept Store (Klang)
No. 2, Jalan Sungai Chandong, 19A/KU6,
Kawasan Industri Klang Utama KM10, Jalan Kapar,
42100 Klang, Selangor
Tel: +60 13 207 9812

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)

Suite 27-1 Setia Avenue
No.2 Jalan Setia Prima S U13/S Seksyen U13 Setia Alam
40170 Shah Alam Selangor Darul Ehsan
Tel: +60 3 3362 3993/3359 6262 Fax: +60 3 3358 0990
Website: http://www.starshinegroup.com
E-mail: ssm@starshinegroup.com

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act 2016 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 2016 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 2018

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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. There has been no significant change in the nature of these activities during the financial year.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 4 to the financial statements.

Results

	Group RM	Company RM
(Loss)/Profit attributable to:		
Owners of the Company	(133,614,259)	(136,512,850)
Non-controlling interest	102,534	-
	(133,511,725)	(136,512,850)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

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.

Directors of the Company

Directors who served during the financial year until the date of this report are:

Director	Alternate
Dato' Soh Thian Lai *	-
Victor Hii Lu Thian *	-
Yoshihiko Okuno	-
Christopher Hii Lu Ming *	-
Fong Yoo Kaw @ Fong Yee Kow	-
Liew Jee Min @ Chong Jee Min	-
Aizan Sugiwaka	Koichiro Nakazawa
Yan Ying Chieh	-
Lim Pang Kiam (resigned on 29.06.2018)	-

** These Directors are also directors of the Company's subsidiaries*

Directors' Report for the year ended 31 December 2018 (cont'd)

Directors of subsidiaries of the Company during the financial year until the date of this report are:

Dato' Dr. Hii Wi Sing
Dato' Wahab Bin Hamid
Ir. Michael Hii Ee Sing
Arthur Hii Lu Choon
Tan Ching Pding
Aw Chiew Lan
Fong Fui Yee
Chan Tai Wei
Sim Chee Liang

Directors' interests in shares

The interests and deemed interests in the shares and options over shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

		Number of ordinary shares		
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Direct interests in the Company:				
Dato' Soh Thian Lai	12,929,346	-	-	12,929,346
Victor Hii Lu Thian	4,294,356	100,000	-	4,394,356
Christopher Hii Lu Ming	4,283,546	-	-	4,283,546

		Number of ordinary shares		
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Deemed interests in the Company:				
Dato' Soh Thian Lai	11,576,216	40,000	-	11,616,216
Victor Hii Lu Thian	57,219,466	-	(2,504,800)	54,714,666
Christopher Hii Lu Ming	57,219,466	-	(2,504,800)	54,714,666

		Number of ordinary shares		
	At 1.1.2018	**Bought**	**Sold**	**At 31.12.2018**
Deemed interests in ASTEEL Ajiya Sdn. Bhd.				
Dato' Soh Thian Lai	-	300,000	-	300,000
Victor Hii Lu Thian	-	300,000	-	300,000
Christopher Hii Lu Ming	-	300,000	-	300,000

By virtue of their interests in the shares of the Company, Dato' Soh Thian Lai, Victor Hii Lu Thian and Christopher Hii Lu Ming are also deemed interested in the shares of the subsidiaries during the financial year to the extent that YKGI Holdings Berhad has an interest.

Directors' Report
for the year ended 31 December 2018 (cont'd)

Directors' interests in shares(cont'd)

	Number of Warrants B (2013/2020)							
	Direct interests				Deemed interests			
	At 1.1.2018	Bought	Sold	At 31.12.2018	At 1.1.2018	Bought	Sold	At 31.12.2018
Interests in the Company								
Dato' Soh Thian Lai	57	-	-	57	-	-	-	-
Victor Hii Lu Thian	138,990	-	-	138,990	669,510	-	-	669,510
Christopher Hii Lu Ming	12,180	-	-	12,180	669,510	-	-	669,510

	Number of ESOS options over ordinary shares				
	At 1.1.2018	Granted	Exercised	Lapsed	At 31.12.2018
Interests in the Company					
Dato' Soh Thian Lai	2,200,000	-	-	-	2,200,000
Victor Hii Lu Thian	2,000,000	-	-	-	2,000,000
Christopher Hii Lu Ming	800,000	-	-	-	800,000
Fong Yoo Kaw @ Fong Yee Kow	900,000	-	-	-	900,000
Liew Jee Min @ Chong Jee Min	800,000	-	-	-	800,000
Yan Ying Chieh	-	800,000	-	-	800,000

The other Directors holding office at 31 December 2018 had not dealt in the shares and options over shares of the Company and of its related corporations during and at the end of the financial year.

Directors' Report for the year ended 31 December 2018 (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 remuneration 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 substantial 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 apart from the issue of the Employees Share Option Scheme ("ESOS").

Issue of shares and debentures

During the financial year, the Company issued 2,346,600 new ordinary shares for total cash consideration of RM537,618, arising from the exercise of employees' share options at weighted average exercise price of RM0.23 per ordinary share.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from Warrant B and the issuance of options pursuant to the ESOS.

The number of outstanding Warrants B as of 31 December 2018, 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 (2017: 95,000,428). None of the said warrants have been exercised during the year.

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 scheme are, *inter alia*, as follows:

i) The aggregate number of shares to be issued under the ESOS shall not be 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;

ii) 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;

iii) 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;

iv) 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

v) 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.

The options offered to take up unissued ordinary shares and the exercise prices are as follows:

		Number of options over ordinary shares				
Date of offer	**Exercise price**	**At 1.1.2018**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2018**
9.5.2017	RM0.23	35,550,000	-	(2,276,600)	(3,180,000)	30,093,400
8.8.2017	RM0.20	2,400,000	-	(70,000)	(550,000)	1,780,000
7.8.2018	RM0.22	-	4,750,000	-	-	4,750,000
		37,950,000	4,750,000	(2,346,600)	(3,730,000)	36,623,400

Directors' Report for the year ended 31 December 2018 (cont'd)

Indemnity and insurance costs

During the financial year, the total amount of insurance effected for/indemnity given to Directors of the Company is RM17,100 (premium paid) and RM10,000,000 (sum insured) respectively.

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 allowance for impairment losses for asset held for sale of RM107,444,464, the financial performance of the Group and of the Company for the financial year ended 31 December 2018 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.

Subsequent events

The details of the subsequent events are disclosed in Note 28 to the financial statements.

Auditors

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

The auditors' remuneration is disclosed in Note 18 to the financial statements.

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: 16 April 2019

Statements of financial position as at 31 December 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
Assets					
Property, plant and equipment	3	44,602,325	265,000,966	8,899,906	234,577,193
Investment in subsidiaries	4	-	-	46,803,265	46,803,265
Other investments	5	9,775	9,775	-	-
Total non-current assets		44,612,100	265,010,741	55,703,171	281,380,458
Inventories	6	79,320,959	97,863,249	31,202,443	62,743,080
Trade and other receivables	7	47,494,854	66,478,816	35,197,040	54,506,433
Deposits and prepayments	8	1,337,630	1,539,586	204,015	802,531
Current tax assets		160,629	320,382	16,250	11,000
Cash and cash equivalents	10	33,275,402	42,200,661	18,615,771	15,583,428
		161,589,474	208,402,694	85,235,519	133,646,472
Assets classified as held for sale	11	125,000,000	-	125,000,000	-
Total current assets		286,589,474	208,402,694	210,235,519	133,646,472
Total assets		331,208,574	473,413,435	265,938,690	415,026,930
Equity					
Share capital	12.1	176,665,808	176,128,190	176,665,808	176,128,190
Reserves	12.2	(132,146,515)	2,597,653	(119,963,376)	16,644,856
Equity attributable to owners of the Company		44,519,293	178,725,843	56,702,432	192,773,046
Non-controlling interests	4	302,534	-	-	-
Total equity		44,821,827	178,725,843	56,702,432	192,773,046
Liabilities					
Loans and borrowings	13	14,858,290	21,315,691	574,426	1,532,428
Deferred tax liabilities	14	273,000	606,000	-	-
Total non-current liabilities		15,131,290	21,921,691	574,426	1,532,428
Trade and other payables	15	159,037,397	139,176,038	143,066,639	129,817,633
Loans and borrowings	13	111,762,891	131,888,559	65,595,193	89,746,769
Derivative financial liabilities	9	-	1,157,054	-	1,157,054
Current tax payables		448,169	544,250	-	-
Total current liabilities		271,248,457	272,765,901	208,661,832	220,721,456
Total liabilities		286,379,747	294,687,592	209,236,258	222,253,884
Total equity and liabilities		331,208,574	473,413,435	265,938,690	415,026,930

The notes on pages 59 to 138 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Continuing operations					
Revenue	16	221,209,901	206,880,696	-	-
Cost of sales		(196,862,022)	(181,995,613)	-	-
Gross profit		24,347,879	24,885,083	-	-
Other income		803,604	238,658	-	-
Selling and distribution expenses		(3,487,192)	(3,471,356)	-	-
Administrative expenses		(14,411,647)	(11,594,085)	(149,500)	(76,811)
Results from operating activities		7,252,644	10,058,300	(149,500)	(76,811)
Finance income	17	524,381	1,042,363	-	-
Finance costs	17	(3,932,481)	(3,791,534)	-	-
Net finance costs		(3,408,100)	(2,749,171)	-	-
Profit/(Loss) from operations		3,844,544	7,309,129	(149,500)	(76,811)
Net loss on impairment of financial instrument		(5,511)	(1,427,873)	-	-
Profit/(Loss) before tax	18	3,839,033	5,881,256	(149,500)	(76,811)
Taxation	19	(987,408)	(1,398,411)	-	-
Profit/(Loss) from continuing operations		2,851,625	4,482,845	(149,500)	(76,811)
Discontinued operation					
Loss from discontinued operation, net of tax	20	(136,363,350)	(19,291,130)	(136,363,350)	(19,219,130)
Loss for the year		(133,511,725)	(14,736,285)	(136,512,850)	(19,295,941)
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation surplus		-	3,038,839	-	-
Other comprehensive income for the year, net of tax		-	3,038,839	-	-
Total comprehensive expense for the year		(133,511,725)	(11,697,446)	(136,512,850)	(19,295,941)

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2018 (cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
(Loss)/Profit attributable to:					
Owners of the Company		(133,614,259)	(14,736,285)	(136,512,850)	(19,295,941)
Non-controlling interest		102,534	-	-	-
Loss for the year		(133,511,725)	(14,736,285)	(136,512,850)	(19,295,941)
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(133,614,259)	(11,697,446)	(136,118,472)	(19,295,941)
Non-controlling interest		102,534	-	-	-
Total comprehensive expense for the year		(133,511,725)	(11,697,446)	(136,512,850)	(19,295,941)
Basic/diluted earnings/(loss) per ordinary share (sen):	21				
from continuing operations		0.8	1.3		
from discontinued operation		(38.9)	(5.5)		
	21	(38.1)	(4.2)		

The notes on pages 59 to 138 are an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Attributable to owners of the Company									
	Non-distributable									
Group	Ordinary share RM	Redeemable convertible preference share RM	Translation reserve RM	Revaluation reserve RM	Share option reserve RM	Share premium RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 31 December 2016/ 1 January 2017	34,833,758	10,863,050	(21,136)	35,336,245	-	130,431,382	(21,122,656)	190,320,643	-	190,320,643
Loss for the year	-	-	-	-	-	-	(14,736,285)	(14,736,285)	-	(14,736,285)
Realisation of foreign currency translation difference for foreign operations	-	-	21,136	-	-	-	(21,136)	-	-	-
Revaluation surplus	-	-	-	2,959,839	-	-	79,000	3,038,839	-	3,038,839
Total other comprehensive income for the year	-	-	21,136	2,959,839	-	-	57,864	3,038,839	-	3,038,839
Total comprehensive loss for the year	-	-	-	2,959,839	-	-	(14,678,421)	(11,697,446)	-	(11,697,446)
Contributions by and distributions to owners of the company										
- Share-based payment transactions	-	-	-	-	102,646	-	-	102,646	-	102,646
Total transactions with owners of the Company	-	-	-	-	102,646	-	-	102,646	-	102,646
Transfer in accordance with Section 618(2) of the Companies Act 2016	128,462,501	1,968,881	-	-	-	(130,431,382)	-	-	-	-
At 31 December 2017/ 1January 2018, as previously reported	163,296,259	12,831,931	-	38,296,084	102,646	-	(35,801,077)	178,725,843	-	178,725,843
	(Note 12.1)	(Note 12.1)		(Note 12.2)	(Note 12.2)					

Consolidated statement of changes in equity
for the year ended 31 December 2018 (cont'd)

		Attributable to owners of the Company									
		Non-distributable									
		Ordinary share	Redeemable convertible preference share	Translation reserve	Revaluation reserve	Share option reserve	Share premium	Accumulated losses	Total	Non-controlling interests	Total equity
Group (cont'd)	Note	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 31 December 2017/ 1January 2018, as previously reported		163,296,259	12,831,931	-	38,296,084	102,646	-	(35,801,077)	178,725,843	-	178,725,843
Adjustment on initial application of MFRS 9, net of tax		-	-	-	-	-	-	(1,102,691)	(1,102,691)	-	(1,102,691)
At 1 January 2018, *restated*		163,296,259	12,831,931	-	38,296,084	102,646	-	(36,903,768)	177,623,152	-	177,623,152
Loss for the year		-	-	-	-	-	-	(133,614,259)	(133,614,259)	102,534	133,511,725)
Other comprehensive income - Realisation of revaluation gain		-	-	-	(79,000)	-	-	79,000	-	-	-
Total comprehensive loss for the year		-	-	-	(79,000)	-	-	(133,535,259)	(133,614,259)	102,534	133,511,725)
Contributions by and distributions to owners of the company											
- Share-based payment transactions		-	-	-	-	(27,218)	-	-	(27,218)	-	(27,218)
- Issuance of ordinary shares pursuant to exercise of share options		537,618	-	-	-	-	-	-	537,618	-	537,618
- Issuance of ordinary shares by subsidiary	4	-	-	-	-	-	-	-	-	200,000	200,000
Total transactions with owners of the Company		537,618	-	-	-	(27,218)	-	-	510,400	200,000	710,400
At 31 December 2018		163,833,877	12,831,931	-	38,217,084	75,428	-	(170,439,027)	44,519,293	302,534	44,821,827
		(Note 12.1)	(Note 12.1)		(Note 12.2)	(Note 12.2)				(Note 4)	

Consolidated statement of changes in equity
for the year ended 31 December 2018 (cont'd)

	Attributable to owners of the Company						
	Non-distributable						
Company	**Ordinary share RM**	**Redeemable convertible preference share RM**	**Revaluation reserve RM**	**Share option reserve RM**	**Share premium RM**	**Retained earnings/ (Accumulated losses) RM**	**Total RM**
At 1 January 2017	34,833,758	10,863,050	35,285,622	-	130,431,382	552,529	211,966,341
Loss for the year	-	-	-	-	-	(19,295,941)	(19,295,941)
Other comprehensive income – Realisation of revaluation gain	-	-	(1,605,622)	-	-	1,605,622	-
Total comprehensive loss for the year	-	-	(1,605,622)	-	-	(17,690,319)	(19,295,941)
Contributions by and distributions to owners of the company							
- Share-based payment transactions	-	-	-	102,646	-	-	102,646
Total transactions with owners of the Company	-	-	-	102,646	-	-	102,646
Transfer in accordance with Section 618 (2) of the Companies Act 2016	128,462,501	1,968,881	-	-	(130,431,382)	-	-
At 31 December 2017/1 January 2018, as previously reported	163,296,259	12,831,931	33,680,000	102,646	-	(17,137,790)	192,773,046
Adjustment on initial application of MFRS 9, net of tax	-	-	-	-	-	(68,164)	(68,164)
At 1 January 2018, *restated*	163,296,259	12,831,931	33,680,000	102,646	-	(17,205,954)	192,704,882

Consolidated statement of changes in equity
for the year ended 31 December 2018 (cont'd)

	Attributable to owners of the Company						
	Non-distributable						
Company (cont'd)	**Ordinary share RM**	**Redeemable convertible preference share RM**	**Revaluation reserve RM**	**Share option reserve RM**	**Share premium RM**	**Retained earnings/ (Accumulated losses) RM**	**Total RM**
At 1 January 2018, *restated*	163,296,259	12,831,931	33,680,000	102,646	-	(17,205,954)	192,704,882
Loss for the year	-	-	-	-	-	(136,512,850)	(136,512,850)
Total comprehensive loss for the year	-	-	-	-	-	(136,512,850)	(136,512,850)
Contributions by and distributions to owners of the company							
- Share-based payment transactions	-	-	-	(27,218)	-	-	(27,218)
- Issuance of ordinary shares pursuant to exercise of share options	537,618	-	-	-	-	-	537,618
Total transactions with owners of the Company	537,618	-	-	(27,218)	-	-	510,400
At 31 December 2018	163,833,877	12,831,931	33,680,000	75,428	-	(153,718,804)	56,702,432
	(Note 12.1)	(Note 12.1)	(Note 12.2)	(Note 12.2)			

The notes on pages 59 to 138 are an integral part of these financial statements.

Statements of cash flows for the year ended 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from operating activities					
Profit/(Loss) before tax from:					
- continuing operations		3,839,033	5,881,256	(149,500)	(76,811)
- discontinued operation	20	(136,363,350)	(19,868,269)	(136,363,350)	(19,868,269)
		(132,524,317)	(13,987,013)	(136,512,850)	(19,945,080)
Adjustments for:					
Depreciation of property, plant and equipment	3	5,500,654	17,433,767	1,901,911	14,852,685
Finance income	17	(1,290,918)	(1,315,834)	(766,537)	(273,471)
Finance costs	17	9,889,847	9,941,632	5,957,366	6,150,098
Gain on disposal of property, plant and equipment		(82,494)	(24,342)	(22,377)	(61,007)
Dividend from other investment		(375)	-	-	-
Impairment loss on:					
- property, plant and equipment		2,649,270	1,631,487	2,649,270	1,631,487
- asset held for sale		107,444,464	-	107,444,464	-
- Inventories		3,005,715	-	2,920,247	-
- trade receivables		1,759,983	412,519	1,822,636	-
Property, plant and equipment written off		1,657	557,961	1,657	502,569
Unrealised foreign exchange gain		(1,248,583)	(6,427,135)	(1,248,583)	(6,427,135)
Unrealised derivative loss on forward foreign exchange contracts		-	1,157,054	-	1,157,054
Equity settled share-based paymen transactions		(27,218)	102,646	(27,218)	102,646
Operating (loss)/profit before changes in working capital		(4,922,315)	9,482,742	(15,880,014)	(2,310,154)
Changes in inventories		4,636,575	1,949,195	17,720,390	3,184,760
Changes in trade and other receivables, deposits and prepayments		16,323,243	42,476,127	18,017,109	60,587,317
Changes in trade and other payables		7,452,889	(4,031,331)	840,535	(4,153,748)
Cash generated from operations		23,490,392	49,876,733	20,698,020	57,308,175
Tax paid		(1,256,736)	(2,115,936)	(5,250)	(78,861)
Interest paid		(8,277,162)	(8,120,737)	(5,685,936)	(5,675,396)
Interest received		574,723	468,671	527,695	224,330
Net cash from operating activities		14,531,217	40,108,731	15,534,529	51,778,248
Cash flows from investing activities					
Acquisition of property, plant and equipment [Note (i)]		(5,614,747)	(7,146,849)	(543,975)	(18,751,254)
Dividend received		375	-	-	-
Increase in investment in existing subsidiary		-	-	-	(1,275,858)
Subtotal		(5,614,372)	(7,146,849)	(543,975)	(20,027,112)

Statements of cash flows for the year ended 31 December 2018 (cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash flows from investing activities (cont'd)					
Subtotal (cont'd)		(5,614,372)	(7,146,849)	(543,975)	(20,027,112)
Proceeds from disposal of property, plant and equipment [Note (ii)]		211,837	27,350	146,337	1,957,273
Interest received		716,195	847,163	238,842	49,141
Placement of deposits held in Escrow account		12,500,000	-	12,500,000	-
Upliftment of deposits pledged with financial institutions		14,418,617	-	-	-
Movement in deposits placed with licensed banks with pledged		(1,192,979)	(14,215,158)	(1,010,214)	(2,400,000)
Net cash generated from/ (used in) investing activities		21,039,298	(20,487,494)	11,330,990	(20,420,698)
Cash flows from financing activities					
Net repayment of loan and borrowings	13	(29,302,252)	(21,816,354)	(25,034,905)	(22,788,466)
Interest paid		(1,612,685)	(1,820,896)	(271,430)	(474,702)
Proceed from issuance of share to non-controlling interest by a subsidiary		200,000	-	-	-
Proceeds from exercise of employee share option scheme		537,618	-	537,618	-
Net cash used in financing activities		(30,177,319)	(23,637,250)	(24,768,717)	(23,263,168)
Net increase/(decrease) in cash and cash equivalents		5,393,196	(4,016,013)	2,096,802	8,094,382
Cash and cash equivalents at beginning of year		12,328,046	16,344,059	10,317,110	2,222,728
Cash and cash equivalents at end of year [Note (iii)]		17,721,242	12,328,046	12,413,912	10,317,110

Notes

(i) Acquisition of property, plant and equipment

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

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Paid in cash	5,614,747	7,146,849	543,975	18,751,254
In the form of finance lease assets	3,812,000	3,724,676	-	-
Total (see Note 3)	9,426,747	10,871,525	543,975	18,751,254

Statements of cash flows for the year ended 31 December 2018 (cont'd)

(ii) Proceeds from disposal of property, plant and equipment

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

	Group		Company	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Paid in cash	211,837	27,350	146,337	1,957,273
Contra with shares subscription	-	-	-	6,343,529
Total	211,837	27,350	146,337	8,300,802

(iii) 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	
	2018 RM	**2017 RM**	**2018 RM**	**2017 RM**
Cash in hand and at banks (Note 10)	19,381,767	15,081,388	13,405,557	11,383,42
Less: Bank overdrafts (Note 13)	(1,660,525)	(2,753,342)	(991,645)	(1,066,318)
	17,721,242	12,328,046	12,413,912	10,317,110

The notes on pages 59 to 138 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

- Kuching branch	Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak.
- Klang branch	Lot 6479, Lorong Sg. Puloh/KU06, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan (ceased with effect from 28 February 2019).
	Suite 27-1, Setia Avenue, No.2 jalan Setia Prima S U13/5, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan (with effect from 1 March 2019).

Registered office

Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak.

The consolidated financial statements of the Company as at and for the year ended 31 December 2018 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 2018 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 16 April 2019.

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 2016 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRS/Amendment/Interpretation	Effective Date
MFRS 16, *Leases*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 119, Employee Benefits – *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long Term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 3, *Business Combinations – Definition of a Business*	1 January 2020
Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*	1 January 2020
MFRS 17, *Insurance Contracts*	1 January 2021
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

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019 except for the Amendments to MFRS 11 and Amendments to MFRS 128 which are assessed as not applicable 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 2020 for the accounting standard that is effective for annual periods beginning on or after 1 January 2020.

The Group and the Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Group and the Company.

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

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*.

MFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and lease of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group plans to adopt MFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of MFRS 16, the Group will measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply MFRS 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts MFRS 16 in 2019.

On the adoption of MFRS 16, the Group expects to recognise additional right-of-use assets and lease liabilities for its leases previously classified as operating leases by RM2.13 million and RM2.2 million respectively.

(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, the Group and the Company has incurred net losses of RM133,511,725 and RM136,512,850 respectively during the financial year ended 31 December 2018. This condition indicates that there is material uncertainty on the Group's and the Company's ability to continue as going concerns.

Notes to the financial statements (cont'd)

1. Basis of preparation (cont'd)

(b) Basis of measurement (cont'd)

As disclosed in note 28 to the financial statements, the Group and the Company have implemented certain business turnaround plans which are currently in progress, amongst which,

i) to further develop and strengthen its downstream operation to increase the Group's profitability; and

ii) to complete disposal of the entire coated coil assets together with the land and building for a total cash consideration of RM125 million.

On 2 November 2018, the Group and the Company had entered into a conditional assets and business sales and purchase agreement with a third party for the proposed disposal of the coated coil business and its land and building.

The Group and the Company had on 16 April 2019 completed the disposal following the receipt of the balance disposal consideration from the seller.

In view of the above, the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful completion of the disposal and continue profitability of the downstream operation.

Accordingly, the financial statements of the Group and 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 disclosed in note 28 were not forthcoming or successfully implemented.

(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.

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

- Note 1(b), going concern assumption used in the preparation of the financial statements;
- Note 3, impairment assessment of property, plant and equipment;
- Note 6, valuation of inventories;
- Notes 7 and 22.3, impairment assessment of trade receivables and measurement of expected credit loss ("ECL").

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in theses financial statement, unless otherwise stated.

Arising from the adoption of MFRS 5, *Revenue from contracts with Customers and* MFRS 9, *Financial Instruments*, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments.

2. Significant accounting policies (cont'd)

As compared to those adopted in previous financial statements. The impacts arising from the changes are disclosed in Note 30.

(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.

(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.

Notes to the financial statements (cont'd)

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

(a) **Basis of consolidation** (cont'd)

(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.

(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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, *Financial Instruments*, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial 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.

Current financial year

A financial asset (unless it is a trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured 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.

Previous financial year

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

Current financial year

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets [see note 2(k)(i)] where the effective interest rate is applied to the amortised cost.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial assets (cont'd)

Current financial year (cont'd)

(b) Fair value through other comprehensive income

Equity investment

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see note 2(k)(i)).

Previous financial year

In the previous financial year, financial assets of the Group and the Company were classified and measured under MFRS 139, *Financial Instruments*: Recognition and Measurement as follows:

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

Fair value through profit or loss category comprised financial assets that were held for trading, including derivatives (except for a derivative that was a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination or financial assets that were specifically designated into this category upon initial recognition.

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

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

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

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

Financial assets (cont'd)

Previous financial year (cont'd)

(b) 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.

(c) 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(k)(i)].

Financial liabilities

Current financial year

The categories of financial liabilities at initial recognition are as follows:

(a) 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 and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

Notes to the financial statements (cont'd)

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

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

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

Financial liabilities (cont'd)

Current financial year (cont'd)

(a) Fair value through profit or loss (cont'd)

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

Previous financial year

In the previous financial year, financial liabilities of the Group and the Company were 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.

(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.

Current financial year

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

Previous financial year

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

2. Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

(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.

(vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(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.

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

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

Property, plant and equipment under revaluation model

The Group and the Company revalue their properties 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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

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

(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.

(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.

2. Significant accounting policies (cont'd)

(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) 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 recognised 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.

(h) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments (see Note 2(k)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(i) Contract cost

(i) Incremental cost of obtaining a contract

The Group or the Company recognises incremental costs of obtaining contracts when the Group or the Company expects to recover these costs.

(ii) Cost to fulfil a contract

The Group or the Company recognises a contract cost that relate directly to a contract or to an anticipated contract as an asset when the cost generates or enhances resources of the Group or the Company, will be used in satisfying performance obligations in the future and it is expected to be recovered.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in the profit and loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Where the impairment condition no longer exists or has improved, the impairment loss is reversed to the extent that the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(j) 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 deposits pledged with finance institutions.

(k) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

Current financial year

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

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

(k) **Impairment** (cont'd)

(i) Financial assets (cont'd)

Previous financial year

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 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 financial 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.

Notes to the financial statements (cont'd)

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

(k) **Impairment** (cont'd)

*(ii) **Other assets** (cont'd)*

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

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

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

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

(l) **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) Issue expenses

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.

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

(m) **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.

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 Black-Scholes 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 behaviour), 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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(n) 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.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(p) Revenue and other income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) 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.

(iii) 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.

(iv) 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.

(q) 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.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(q) Borrowing costs (cont'd)

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.

(r) 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 temporary differences arise from 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.

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 to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax 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.

(s) 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.

(t) 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 which comprise share options granted to employees.

Notes to the financial statements (cont'd)

2. Significant accounting policies (cont'd)

(u) 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.

(v) 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 2017	60,700,000	3,972,000	4,627,000	65,843,287	304,680,700	10,930,496	450,753,483
Additions	-	5,846	-	499,827	5,736,125	704,076	6,945,874
Disposals	-	-	-	-	-	(19,717)	(19,717)
Written off	-	-	-	-	(39,638,743)	(705,906)	(40,344,649)
Transfer	-	-	-	-	3,433,410	-	3,433,410
Revaluation of assets	-	622,154	2,885,000	-	-	-	3,507,154
At 31 December 2017/ 1 January 2018	60,700,000	4,600,000	7,512,000	66,343,114	274,211,492	10,908,949	424,275,555
Additions	-	-	-	1,223	6,506,144	1,003,410	7,510,777
Disposals	-	-	-	-	(38,315)	(26,000)	(64,315)
Written off	-	-	-	-	-	(4,670)	(4,670)
Transfer	-	-	-	483,173	248,352	27,790	759,315
Transfer to assets held for sale (Note 11)	(60,700,000)	-	-	(44,556,881)	(215,152,874)	(4,998,600)	(325,408,355)
At 31 December 2018	-	4,600,000	7,512,000	22,270,629	65,774,799	6,910,879	107,068,307

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 2017	-	94,584	243,526	34,520,101	162,500,934	7,629,724	204,988,869
Depreciation for the year	-	46,812	121,763	2,713,618	12,890,857	740,675	16,513,725
Disposals	-	-	-	-	-	(16,709)	(16,709)
Written off	-	-	-	-	(39,123,157)	(695,080)	(39,818,237)
Transfer	-	-	-	-	(7,800)	7,800	-
Impairment	-	-	-	-	744,362	-	744,362
Revaluation of assets	-	(141,396)	(365,289)	-	-	-	(506,685)
Accumulated depreciation	-	-	-	37,233,719	136,078,834	7,666,410	180,978,963
Accumulated impairment loss	-	-	-	-	926,362	-	926,362
At At 31 December 2017/ 1 January 2018	-	-	-	37,233,719	137,005,196	7,666,410	181,905,325
Depreciation for the year	-	54,762	-	1,050,168	2,979,204	662,263	4,746,397
Disposals	-	-	-	-	(6,595)	(26,000)	(32,595)
Written off	-	-	-	-	-	(3,013)	(3,013)
Impairment	-	-	-	-	2,649,270	-	2,649,270
Transfer to assets held for sale (Note 11)	-	-	-	(22,659,301)	(95,977,816)	(3,751,157)	(122,388,274)
Accumulated depreciation	-	54,762	-	15,624,586	43,999,989	4,548,503	64,227,840
Accumulated impairment loss	-	-	-	-	2,649,270	-	2,649,270
At 31 December 2018	-	54,762	-	15,624,586	46,649,259	4,548,503	66,877,110
Carrying amounts							
At 31 December 2017/ 1 January 2018	60,700,000	4,600,000	7,512,000	29,109,395	137,206,296	3,242,539	242,370,230
At 31 31 December 2018	-	4,545,238	7,512,000	6,646,043	19,125,540	2,362,376	40,191,197

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

Group (cont'd)	Subtotal RM	Motor vehicles RM	Moulds, loose tools and implement RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Cost/Valuation (cont'd)						
At 1 January 2017	450,753,483	8,196,732	85,457	6,324,091	15,718,959	481,078,722
Additions	6,945,874	1,104,828	-	-	2,820,823	10,871,525
Disposals	(19,717)	(232,292)	-	-	-	(252,009)
Written off	(40,344,649)	-	(85,456)	-	-	(40,430,105)
Transfer	3,433,410	-	-	-	(3,433,410)	-
Revaluation of assets	3,507,154	-	-	-	-	3,507,154
At 31 December 2017/ 1 January 2018	424,275,555	9,069,268	1	6,324,091	15,106,372	454,775,287
Additions	7,510,777	662,852	-	-	1,253,118	9,426,747
Disposals	(64,315)	(578,463)	-	-	-	(642,778)
Written off	(4,670)	-	-	-	-	(4,670)
Transfer	759,315	-	-	-	(759,315)	-
Transfer to assets held for sale (Note 11)	(325,408,355)	(124,711)	-	(6,324,091)	(14,414,719)	(346,271,876)
At 31 December 2018	107,068,307	9,028,946	1	-	1,185,456	117,282,710

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 2017	204,988,869	5,220,209	52,483	1,075,336	-	211,336,897
Depreciation for the year	16,513,725	668,456	1,424	250,162	-	17,433,767
Disposals	(16,709)	(232,292)	-	-	-	(249,001)
Written off	(39,818,237)	-	(53,907)	-	-	(39,872,144)
Impairment	744,362	-	-	-	887,125	1,631,487
Revaluation of assets	(506,685)	-	-	-	-	(506,685)
Accumulated depreciation	180,978,963	5,656,373	-	1,325,498	-	187,960,834
Accumulated impairment loss	926,362	-	-	-	887,125	1,813,487
At 31 December 2017/ 1 January 2018	181,905,325	5,656,373	-	1,325,498	887,125	189,774,321
Depreciation for the year	4,746,397	754,257	-	-	-	5,500,654
Disposals	(32,595)	(480,840)	-	-	-	(513,435)
Written off	(3,013)	-	-	-	-	(3,013)
Impairment	2,649,270	-	-	-	-	2,649,270
Transfer to assets held for sale (Note 11)	(122,388,274)	(126,515)	-	(1,325,498)	(887,125)	(124,727,412)
Accumulated depreciation	64,227,840	5,803,275	-	-	-	70,031,115
Accumulated impairment loss	2,649,270	-	-	-	-	2,649,270
At 31 December 2018	66,877,110	5,803,275	-	-	-	72,680,385
Carrying amounts						
At 31 December 2017/ 1 January 2018	242,370,230	3,412,895	1	4,998,593	14,219,247	265,000,966
At 31 December 2018	40,191,197	3,225,671	1	-	1,185,456	44,602,325

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 2017	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
Additions	-	-	154,203	18,098,390	154,979	3,682	-	340,000	18,751,254
Disposals	-	(4,627,000)	(15,614,622)	(20,782,571)	(1,785,448)	(2,197,254)	-	-	(45,006,895
Written Off	-	-	-	(39,516,743)	(626,552)	-	-	-	(40,143,295)
At 31 December 2017/ 1 January 2018	60,700,000	-	44,556,881	228,318,758	6,354,788	2,487,086	6,324,091	14,414,719	363,156,323
Additions	-	-	-	233,937	310,038	-	-	-	543,975
Disposals	-	-	-	(29,815)	-	(430,688)	-	-	(460,503)
Written Off	-	-	-	-	(4,670)	-	-	-	(4,670)
Transfer to assets held for sale (Note 11)	(60,700,000)	-	(44,556,881)	(215,152,874)	(4,998,600)	(124,711)	(6,324,091)	(14,414,719)	(346,271,876)
At 31 December 2018	-	-	-	13,370,006	1,661,556	1,931,687	-	-	16,963,249

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 2017	-	243,526	33,558,351	143,972,685	6,236,404	3,416,482	1,075,336	-	188,502,784
Depreciation for the year	-	-	2,118,332	11,757,822	449,660	276,709	250,162	-	14,852,685
Disposals	-	(243,526)	(13,017,382)	(20,044,809)	(1,343,101)	(2,118,282)	-	-	(36,767,100)
Written Off	-	-	-	(39,014,174)	(626,552)	-	-	-	(39,640,726)
Impairment	-	-	-	744,362	-	-	-	887,125	1,631,487
Accumulated depreciation	-	-	22,659,301	96,671,524	4,716,411	1,574,909	1,325,498	-	126,947,643
Accumulated impairment loss	-	-	-	744,362	-	-	-	887,125	1,631,487
At 31 December 2017/ 1 January 2018	-	-	22,659,301	97,415,886	4,716,411	1,574,909	1,325,498	887,125	128,579,130
Depreciation for the year	-	-	-	1,338,332	304,481	259,098	-	-	1,901,911
Disposals	-	-	-	(3,478)	-	(333,065)	-	-	(336,543)
Written Off	-	-	-	-	(3,013)	-	-	-	(3,013)
Impairment	-	-	-	2,649,270	-	-	-	-	2,649,270
Transfer to assets for sale (Note 11)	-	-	(22,659,301)	(95,977,816)	(3,751,157)	(126,515)	(1,325,498)	(887,125)	(124,727,412)
Accumulated depreciation	-	-	-	2,772,924	1,266,722	1,374,427	-	-	5,414,073
Accumulated impairment loss	-	-	-	2,649,270	-	-	-	-	2,649,270
At 31 December 2018	-	-	-	5,422,194	1,266,722	1,374,427	-	-	8,063,343
Carrying amounts									
At 31 December 2017/ 1 January 2018	60,700,000	-	21,897,580	130,902,872	1,638,377	912,177	4,998,593	13,527,594	234,577,193
At 31 December 2018	-	-	-	7,947,812	394,834	557,260	-	-	8,899,906

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

3.1 Impairment review of property, plant and equipment

The Group and the Company have evaluated whether the underlying 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 based on Directors' best estimate with reference to the market values of similar assets and after taking into accounts the age and physical condition of the assets.

Following the assessment made by the Director, allowance of impairment amounting to RM2.7 million has been provided for the affected plant and machineries.

3.2 Property, plant and equipment under the revaluation model

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

The last revaluation was carry out in financial year 2017. The valuation exercise were performed by independent valuers, namely Raine & Horne International Zaki + Partners Sdn. Bhd. and Henry Butcher (Malaysia) Sdn. Bhd. using the comparison method.

Had the leasehold land been carried under the cost model, its 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	
	2018	**2017**
	RM	**RM**
Carrying amounts		
Short-term leasehold land	2,232,841	2,296,203
Long-term leasehold land	3,671,583	3,781,107
	5,904,424	6,077,310

3.3 Security

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

	Carrying amounts	
	2018	**2017**
Group	**RM**	**RM**
Fixed legal charges		
Leasehold land	11,859,554	4,600,000
Buildings	5,768,691	4,333,910
	17,628,245	8,933,910

Assets under finance leases (See Note 3.4) were charged to secure the lease obligations of the Group.

Notes to the financial statements (cont'd)

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

3.4 Leased property, plant and equipment

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Plant and machinery	4,446,844	4,455,217	-	-
Motor vehicles	2,037,397	2,184,587	515,949	641,531
Total	6,484,241	6,639,804	515,949	641,531

4. Investment in subsidiaries

	Company	
	2018	2017
	RM	RM
Unquoted shares, at cost	46,803,265	46,803,265

4.1 Details of the subsidiaries

The subsidiaries which are all incorporated in Malaysia, are as follows:

		Effective ownership interest/Voting interest	
		2018	2017
Subsidiary	**Principal activities**	%	%
Direct			
ASTEEL Resources Sdn. Bhd. ("AR")	Investment holding	100	100
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	100	100
Indirect through SSH			
Star Shine Marketing Sdn. Bhd. ("SSM")	Trading of galvanised iron and coated galvanised iron steel sheets in coils and building materials	100	100
Star Shine Global Trading Sdn. Bhd.	Trading of flat steel products	100	100

4. Investment in subsidiaries (cont'd)

4.1 Details of the subsidiaries *(cont'd)*

Subsidiary	Principal activities	Effective ownership interest/Voting interest 2018 %	2017 %
Indirect through SSH (cont'd)			
Star Shine Steel Products Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100	100
Star Shine Industries Sdn. Bhd.	Dormant	100	100
Indirect through SSM			
Starshine Resources Sdn. Bhd.	Dormant	100	100
Indirect through AR			
ASTEEL Sdn. Bhd.	Manufacture and sale of metal roofing, coated steel 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 Development Sdn. Bhd. (formerly known as ASTEEL (Bintulu) Sdn. Bhd.)	Dormant	100	100
ASTEEL Ajiya Sdn. Bhd.	Manufacture and sale of safety glass, supply and and trading of metal door frame, window frame, metal ceiling and sunshade products.	60	-

Incorporation of a new subsidiary

On 12 May 2018, ASTEEL Ajiya Sdn. Bhd. ("AASB") was incorporated in Malaysia with total share capital of RM500,000 comprising 500,000 shares of RM1 each. The total issued and paid up capital is 500,000 out of which 300,000 ordinary shares are held by a wholly owned subsidiary, ASTEEL Resources Sdn. Bhd. and the remaining 200,000 ordinary shares are held by a third party corporate shareholder. Following the incorporation, AASB became a 60% owned subsidiary of the Group via ASTEEL Resources Sdn. Bhd..

Notes to the financial statements (cont'd)

4. Investment in subsidiaries (cont'd)

4.2 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") is as follows:

2018	ASTEEL Ajiya Sdn. Bhd. RM
NCI percentage of ownership interest and voting interest	40%
Carrying amount of NCI	302,534
Profit allocated to NCI	102,534

Summarised financial information before intra-group elimination

	ASTEEL Ajiya Sdn. Bhd. RM
As at 31 December	
Non-current assets	2,930,484
Current assets	1,557,215
Non-current liabilities	(1,942,033)
Current liabilities	(1,789,331)
Net assets	756,335
Year ended 31 December	
Revenue	2,670,805
Profit for the financial year	256,335
	2,927,140
Cash flows from operating activities	321,249
Cash flows used in investing activities	(270,160)
Cash flows financing activities	168,433
Net increase in cash and cash equivalents	219,522

5. Other investments

	Group 2018 RM	Group 2017 RM
Quoted Investment	21,400	21,400
Less: Impairment loss	(11,625)	(11,625)
	9,775	9,775

The recoverable amount was estimated with reference to the market value and as at 31 December 2018, the fair value of the quoted investment is RM11,500. No adjustment as the valuation surplus of RM1,725 is insignificant to the Group.

Notes to the financial statements (cont'd)

6. Inventories

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
At cost					
Raw materials		23,565,524	39,520,287	8,754,424	27,097,355
Work-in-progress		9,761,446	19,774,802	94,397	11,310,830
Manufactured inventories		11,060,488	15,877,020	4,450,472	9,921,759
Trading products		14,703,966	7,594,949	-	-
Consumables	6.1	2,747,943	12,191,466	2,235,944	11,841,833
		61,839,367	94,958,524	15,535,237	60,171,777
At net realisable value					
Raw materials		1,814,386	-	-	-
Manufactured inventories		15,667,206	2,628,005	15,667,206	2,571,303
Trading products		-	276,720	-	-
Subtotal		17,481,592	2,904,725	15,667,206	2,571,303
Total		79,320,959	97,863,249	31,202,443	62,743,080
Recognised in profit or loss:					
- Inventories recognised as cost of sales		315,964,052	353,700,935	203,515,651	254,861,832
- Write-down to net realisable value		3,005,715	628,643	2,920,247	335,600
Total recognised in profit or loss		318,969,767	354,329,578	206,435,898	255,197,432

6.1 Consumables amounting to RM10.9 million have been classified as part of assets held for sale upon approval by the Board of Directors on 27 February 2018 (see Note 11).

6.2 The Group and the Company evaluated the inventories as at the end of the reporting period to determine if any of these inventory 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 cost of 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 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Trade					
Trade receivables from contracts with customers	7.1	50,387,927	67,637,691	16,195,859	31,363,559
Less: Allowance for impairment losses		(4,290,547)	(1,427,873)	(1,822,636)	-
		46,097,380	66,209,818	14,373,223	31,363,559
Subsidiaries		-	-	17,198,858	19,916,848
Subtotal		46,097,380	66,209,818	31,572,081	51,280,407
Non-trade					
Subsidiaries	7.2	-	-	3,100,000	3,221,192
Other receivables		2,917,138	1,788,662	2,044,623	1,524,498
Less: Allowance for impairment losses		(1,519,664)	(1,519,664)	(1,519,664)	(1,519,664)
		1,397,474	268,998	524,959	4,834
		1,397,474	268,998	3,624,959	3,226,026
Total		47,494,854	66,478,816	35,197,040	54,506,433

7.1 Included in the trade receivables of the Group and the Company as at 31 December 2018 is amount due from eight (2017: six) and one (2017: one) related parties amounting to RM3,262,612 (2017: RM6,098,053) and RM90,301 (2017: RM247,436) respectively, with credit term of 7 days to 60 days.

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

7.3 Assessment of impairment loss on receivables

The Company has adopted MFRS 9, *Financial Instrument* during the financial year and has use an allowance matrix to measure Expected Credit Loss ("ECL"). The calculation of the impairments under ECL model is based on historical record. These include assessment of customers' past payment records 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.

Notes to the financial statements (cont'd)

8. Deposits and prepayments

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Deposits	832,776	499,760	68,907	557,128
Prepayments	504,854	1,039,826	135,108	245,403
	1,337,630	1,539,586	204,015	802,531

9. Derivative financial liabilities

	Group and Company	
	2018	2017
	RM	RM
Derivatives held for trading at fair value through profit or loss		
- Forward foreign exchange contracts	-	(1,157,054)

Nominal value of the outstanding forward foreign exchange contracts as at 31 December 2018 is nil (2017: RM31,052,431).

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	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Cash in hand and at banks	10.1	19,381,767	15,081,388	13,405,557	11,383,428
Deposits placed with licensed banks and pledge with financial institutions		-	14,418,617	-	-
Deposits placed with licensed banks with pledged	10.2	13,893,635	12,700,656	5,210,214	4,200,000
		33,275,402	42,200,661	18,615,771	15,583,428

10.1 The bank balances consist of RM12,500,000 held under Escrow account related to deposits paid by buyer in connection of the disposal of coated coil assets currently classified held for sale.

10.2 The fixed deposits were pledged to secure bank facilities granted for certain subsidiaries. (see Note 13)

Notes to the financial statements (cont'd)

11. Assets classified as held for sale

Certain property, plant and equipment have been classified as assets held for sale as efforts to sell those assets have commenced upon approval by the Board of Directors on 27 February 2018. The disposal is expected to complete by April 2019 upon fulfill the remaining condition precedent as mentioned in Note 1(b) to the financial statements.

	Note	Group and Company 2018 RM
Property, plant and equipment	3	346,271,876
Accumulated depreciation	3	(124,727,412)
		221,544,464
Less: Allowance for impairment losses	20.1	(107,444,464)
		114,100,000
Inventories	6.1	10,900,000
Total		125,000,000

11.1 Impairment assessment of Asset held for disposal

The Group and the Company have evaluated whether the assets classified as held for sale are stated in excess of their recoverable amounts with referenced to its estimated fair value. The estimated fair value is determined based on selling price offer by an independent party. Based on selling price offered, an impairment amounted to RM107,444,464 has been recognised during the financial year.

11.2 Property, plant and equipment under the revaluation model

The property, plant and equipment classified as held for sale included a freehold land that is stated at revalued amount according to the Company revaluation accounting policy [Note 2(d)(i)]. Had the freehold land been carried under the cost model, the carrying amounts, net of any 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 and Company 2018 RM	Group and Company 2017 RM
Carrying amounts		
Freehold land	27,020,000	27,020,000

12. Capital and reserves

12.1 Share capital

	Group and Company – Amount 2018 RM	Amount 2017 RM	Number of shares 2018	Number of shares 2017
Issued and fully paid shares classified as equity instruments:				
Ordinary shares				
Opening balances	*163,296,259*	*34,833,758*	*348,337,580*	*348,337,580*
Issued for cash under ESOS	*537,618*	*-*	*2,346,600*	*-*
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	128,462,501	-	-
Closing balances	163,833,877	163,296,259	350,684,180	348,337,580

Notes to the financial statements (cont'd)

12. Capital and reserves (cont'd)

12.1 Share capital (cont'd)

	Group and Company			
	Amount		Number of shares	
	2018 RM	2017 RM	2018	2017
Redeemable convertible preference shares				
Opening balances	12,831,931	10,863,050	21,726,100	21,726,100
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016	-	1,968,881	-	-
Closing balances	12,831,931	12,831,931	21,726,100	21,726,100
Total	176,665,808	176,128,190	372,410,280	370,063,680

In accordance with section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company had twenty four (24) months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

As at the date of issuance of the financial statements, the total share premium of RM130,431,382 has been fully utilised to set-off against the Company accumulated losses. This is upon its lodgment with Companies Commission of Malaysia ("SSM") on 30 January 2019 and received the notification from SSM on 1 February 2019 (See Note 28).

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

Notes to the financial statements (cont'd)

12. Capital and reserves (cont'd)

12.1 Share capital (cont'd)

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

(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;
(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.

12. Capital and reserves (cont'd)

12.1 *Share capital* (cont'd)

Warrants B (2013/2020) (cont'd)

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 2018, 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 (2017: 95,000,428). None of the said warrants have been exercised during the year.

12.2 *Reserves*

Revaluation reserve

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

Employee share option reserve

	Group and Company	
	2018	2017
	RM	RM
At 1 January	102,646	-
Share options granted under ESOS recognised in profit or loss	-	102,646
Reversal of share options reserve	(27,218)	-
At 31 December	75,428	102,646

The employee share option reserve represents the value of equity-settled share options granted to employees.

As at 31 December 2018, the remaining outstanding ESOS is 36,623,400 (2017: 37,950,000) (see Note 26).

Notes to the financial statements (cont'd)

13. Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-current				
Term loans				
- secured	8,192,659	15,796,314	-	-
- unsecured	-	234,543	-	234,543
Finance lease liabilities				
- secured	6,665,631	5,284,834	574,426	1,297,885
	14,858,290	21,315,691	574,426	1,532,428
Current				
Term loans				
- secured	1,158,284	1,707,446	-	-
- unsecured	702,477	3,032,146	702,477	3,032,146
	1,860,761	4,739,592	702,477	3,032,146
Finance lease liabilities				
- secured	2,868,405	2,398,782	709,071	959,305
Bankers' acceptances and revolving credits				
- secured	42,181,200	15,651,842	-	-
- unsecured	63,192,000	106,345,001	63,192,000	84,689,000
	105,373,200	121,996,843	63,192,000	84,689,000
Bank overdrafts				
- unsecured	991,645	2,356,894	991,645	1,066,318
- secured	668,880	396,448	-	-
	1,660,525	2,753,290	991,645	1,066,318
	111,762,891	131,888,559	65,595,193	89,746,769
Total	126,621,181	153,204,250	66,169,619	91,279,197

(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).

Finance leases liabilities

Company and subsidiaries

Finance lease liabilities are secured on the respective finance lease assets (see Note 3). Finance lease liabilities are secured on the respective finance lease assets (see Note 3). In addition, the finance lease liabilities of certain subsidiaries amounted RM5,006,312 (2017: RM3,701,201) are jointly and severally guaranteed by certain Directors of the Group and of the Company.

(ii) Significant covenants on loans and borrowings

In the previous year, the Group and the Company are required to maintain a gearing ratio not exceeding 1.75 (2017: 1.75 times) and 1.25 (2017: 1.25 times) respectively in respect of the banking facilities granted by a licensed bank to the Group and the Company.

The covenant has been waived upon full settlement of the outstanding borrowing made by the Company during the financial year. The total outstanding loans and borrowings of the Group/Company with the said bank as at 31 December 2018 is Nil. (2017: RM4,635,000).

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

(iii) Finance lease liabilities

Finance lease liabilities are payable as follows:

	2018			2017		
	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	3,170,538	302,133	2,868,405	2,958,199	559,417	2,398,782
Between one and five years	7,828,117	1,162,486	6,665,631	5,929,425	644,591	5,284,834
	10,998,655	1,464,619	9,534,036	8,887,624	1,204,008	7,683,616
Company						
Less than one year	785,794	76,723	709,071	1,119,665	160,360	959,305
Between one and five years	614,513	40,087	574,426	1,414,729	116,844	1,297,885
	1,400,307	116,810	1,283,497	2,534,394	277,204	2,257,190

Notes to the financial statements (cont'd)

13. Loans and borrowings (cont'd)

(iv) Reconciliation of movement of liabilities to cash flows arising from financing activities

	At 1 January 2018 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2018 RM
Group				
Term loans				
- secured	17,503,760	(8,152,816)	-	9,350,944
- unsecured	3,266,689	(2,564,213)	-	702,476
	20,770,449	(10,717,029)	-	10,053,420
Finance lease liabilities				
- secured	7,683,616	(1,961,580)	3,812,000	9,534,036
Bankers' acceptance and revolving credits				
- secured	15,651,842	26,529,358	-	42,181,380
- unsecured	106,345,001	(43,153,001)	-	63,192,000
	121,996,843	(16,623,643)	-	105,373,200
Total liabilities from financing activities	150,450,908	(29,302,252)	3,812,000	124,960,656
Company				
Term loans				
- unsecured	3,266,689	(2,564,212)	-	702,477
Finance lease liabilities				
- secured	2,257,190	(973,693)	-	1,283,497
Bankers' acceptance and revolving credits				
- unsecured	84,689,000	(21,497,000)	-	63,192,000
Total liabilities from financing activities	90,212,879	(25,034,905)	-	65,177,974

14. Deferred tax

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
Group	**2018 RM**	**2017 RM**	**2018 RM**	**2017 RM**	**2018 RM**	**2017 RM**
Property, plant and equipment	347,000	-	-	(129,000)	347,000	(129,000)
Revaluation reserve	-	-	(926,000)	(950,000)	(926,000)	(950,000)
Trade and other payable	306,000	473,000	-	-	306,000	473,000
Tax assets/(liabilities)	653,000	473,000	(926,000)	(1,079,000)	(273,000)	(606,000)
Set off of tax	(653,000)	(473,000)	653,000	473,000	-	-
Net tax liabilities	-	-	(273,000)	(606,000)	(273,000)	(606,000)

Movements in deferred tax during the year are as follows:

Group	**At 1.1.2017 RM**	**Recognised in profit or loss RM**	**Revaluation of assets RM**	**At 31.12.2017/ 1.1.2018 RM**	**Recognised in profit or loss RM**	**At 31.12.2018 RM**
Property, plant and equipment	(29,036,000)	28,907,000	-	(129,000)	476,000	347,000
Revaluation reserve	(444,000)	447,000	(953,000)	(950,000)	24,000	(926,000)
Capital allowances carried forward	25,430,000	(25,430,000)	-	-	-	-
Tax losses carried forward	2,987,000	(2,987,000)	-	-	-	-
Trade and other payables	678,000	(205,000)	-	473,000	(167,000)	306,000
	(385,000)	732,000	(953,000)	(606,000)	333,000	(273,000)
		(Note 19)			(Note 19)	

Notes to the financial statements (cont'd)

14. Deferred tax (cont'd)

***Recognised deferred tax** (cont'd)*

COMPANY	At 31.12.2017/ 1.1.2018 RM	Recognised in profit or loss RM	At 31.12.2017/ 1.1.2018 and 31.12.2018 RM
Property, plant and equipment	(28,771,000)	28,771,000	-
Revaluation reserve	(444,000)	444,000	-
Capital allowances carried forward	25,430,000	(25,430,000)	-
Tax losses carried forward	2,986,000	(2,986,000)	-
Other items	282,000	(282,000)	-
	(517,000)	517,000	-
		(Note 19)	

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Foreign exchange (loss)/gains	(1,065,000)	5,180,000	(1,065,000)	5,270,000
Property, plant and equipment	-	-	750,000	1,506,000
Capital allowances carried forward	(19,824,000)	(18,891,000)	-	-
Tax losses carried forward	(43,867,000)	(29,305,000)	(32,160,000)	(18,356,000)
Provisions	(4,961,000)	(1,440,000)	(4,664,000)	(1,200,000)
Reinvestment allowances carried	(132,552,000)	(132,552,000)	(116,400,000)	(116,400,000)
Infrastructure allowance carried forward	(83,000)	(83,000)	(83,000)	(83,000)
	(202,352,000)	(177,091,000)	(153,622,000)	(129,263,000)
Deferred tax assets	48,565,000	42,502,000	36,869,000	31,023,000

Pursuant to the announcement of Finance Bill 2018 in conjunction with the Budget Announcement 2018, unabsorbed business losses from a year of assessment can only be carried forward up to 7 consecutive year of assessment. In the case of a dormant company, such losses will not be available to the company if there has been a change of 50% or more in the shareholdings thereof. The deferred tax assets in respect of unabsorbed tax losses carried forward have not been recognised because it is uncertain if future sustainable taxable profits of sufficient quantum will be available against which the affected group entities can utilise the benefits therefrom.

Notes to the financial statements (cont'd)

15. Trade and other payables

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade				
Trade payables	139,517,215	130,664,731	127,202,840	124,770,685
Non-trade				
Other payables	14,316,848	1,615,135	13,161,441	546,101
Accrued expenses	5,203,334	6,896,172	2,702,358	4,500,847
	19,520,182	8,511,307	15,863,799	5,046,948
Total	159,037,397	139,176,038	143,066,639	129,817,633

Trade payables of the Group and Company include an amount of RM122,255,515 (2017: RM116,778,110) denominated in USD. The outstanding amount was due to a substantial foreign shareholder of the Company, which bears interest of 2.78% (2017: 2.78%) per annum. The Group and the Company have utilised the credit facilities offered by the substantial foreign shareholder which carry credit terms of 180 days to purchase raw materials.

16. Revenue

	Continuing operations		Discontinued operation		Total	
	2018 RM	**2017 RM (restated)**	**2018 RM**	**2017 RM (restated)**	**2018 RM**	**2017 RM (restated)**
Revenue from contracts with customers						
At point in time						
- Sale of coil related products	117,447,717	115,478,187	114,865,268	171,658,222	232,312,985	287,136,409
- Slitting and shearing services	159,280	36,967	1,359,371	262,014	1,518,651	298,981
- Sale of roll-formed product	91,911,807	80,266,664	-	-	91,911,807	80,266,664
- Hardware, building material and roll-formed trading	9,249,941	11,098,878	-	-	9,249,941	11,098,878
Over time						
- Roofing supply and installation (specific project)	2,441,156	-	-	-	2,441,156	-
Total revenue	221,209,901	206,880,696	116,224,639	171,920,236	337,434,540	378,800,932
			(Note 20)	(Note 20)		

	2018 RM	2017 RM
Company		
At point in time		
- Sale of coil related products	199,180,011	254,898,276
- Slitting and shearing services	1,359,371	178,470
Total revenue	200,539,382	255,076,746

Notes to the financial statements (cont'd)

16. Revenue (cont'd)

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

16.1 Nature of goods and services

The following information reflects the typical transactions of the Group and the Company:

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Sale of Roll-formed product	Revenue is recognised when the goods are delivered to and have been accepted by customer at their premises.	Cash on delivery or credit period of 14 to 90 days from invoice date.
Hardware trading	Revenue is recognised when the goods have been accepted by customer.	Cash on delivery or credit period from 7 to 90 days from invoice date.
Sale of Roll-formed product	Revenue is recognised when the goods are delivered to and have been accepted by customer at their premises.	Cash on delivery or credit period of 14 to 60 days from invoice date.
Hardware trading	Revenue is recognised when the goods have been accepted by customer.	Credit period from 7 to 60 days from invoice date.
Supply and installation – specific contract	Revenue is recognised overtime by using the output method. Based on agreed survey of performance to date by contract customer.	Credit period from 30 to 60 days from invoice date.

17. Finance income and costs

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Finance income				
Interest income of financial assets calculated using effective interest method that are at amortised cost				
- continuing operations	524,381	1,042,363	-	-
- discontinued operation	766,537	273,471	766,537	273,471
	1,290,918	1,315,834	766,537	273,471
Finance costs				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
Continuing operations				
- term loans	725,638	950,314	-	-
- overdrafts	80,436	61,083	-	-
- other borrowings	3,126,337	2,704,876	-	-
- other finance costs	70	75,261	-	-
	3,932,481	3,791,534	-	-
Discontinued operation				
- term loans	111,642	261,024	111,642	261,024
- overdrafts	551,453	724,355	551,453	724,355
- other borrowings	3,532,235	3,777,786	3,532,235	3,777,786
- other finance costs	1,762,036	1,386,933	1,762,036	1,386,933
Sub-total	5,957,366	6,150,098	5,957,366	6,150,098
Total	9,889,847	9,941,632	5,957,366	6,150,098

Notes to the financial statements (cont'd)

18. Profit before tax from continuing operations

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Profit before tax arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
KPMG PLT					
- Statutory audit		159,000	160,000	52,000	62,000
- Non-statutory audit		30,000	-	30,000	-
- Non-audit fees					
- KPMG PLT		54,000	6,000	54,000	6,000
- Local affiliates of KPMG PLT		24,600	17,824	13,500	8,811
- Others		15,000	15,111	-	-
Material expense/(income)					
Depreciation of property, plant and equipment	3	3,598,743	2,581,082	-	-
Property, plant and equipment written off	3	-	55,392	-	-
Inventories written down	6	85,468	293,043	-	-
Bad debts written off		-	144,151	-	-
Impairment loss on trade receivables		5,511	1,427,873	-	-
Personnel expenses (including key management personnel):					
- contributions to state plans		1,335,532	1,142,515	-	-
- wages, salaries and others		12,093,854	10,348,037	-	-
Rental of premises and land		549,084	534,230	-	-
Loss/(gain) on disposal of property, plant and equipment		(60,117)	36,665	-	-
Bad debts recoverable		-	(19,974)	-	-
Rental income from property leased out		(45,200)	(118,800)	-	-

19. Taxation

Recognised in profit or loss

	Note	Group 2018 RM	Group 2017 RM Restated	Company 2018 RM	Company 2017 RM
Taxation on continuing operations		987,408	1,398,411	-	-
Taxation on discontinued operation	20	-	(649,139)	-	(649,139)
Total taxation		987,408	749,272	-	(649,139)
Current tax expense					
Malaysian - current year		1,338,000	1,457,000	-	-
- prior years		(17,592)	(79,673)	-	(132,139)
		1,320,408	1,377,327	-	(132,139)
Deferred tax expense /(income) (Note 14)					
- Over provision in prior year		(431,000)	(57,000)	-	-
- Effect of lower tax rate		(54,000)	(337,000)	-	-
- Origination and reversal of and reversal temporary difference		152,000	(338,000)	-	(517,000)
Total deferred tax recognised in profit or loss		(333,000)	(732,000)	-	(517,000)
Real property gains tax		-	103,945	-	-
Total taxation		987,408	749,272	-	(649,139)
Loss for the year		(133,511,725)	(14,736,285)	(136,512,850)	(19,295,941)
Total taxation		987,408	749,272	-	(649,139)
Loss excluding tax		(132,524,317)	(13,987,013)	(136,512,850)	(19,945,080)
Income tax calculated using Malaysian tax rate of 24% (2017: 24%)		(31,806,000)	(3,357,000)	(32,763,000)	(4,787,000)
Non-deductible expenses		27,882,000	2,829,320	26,916,000	1,994,560
Non-taxable income		(625,000)	(82,000)	-	-
Effect of deferred tax assets not recognised (Note 14)		6,063,000	1,753,680	5,847,000	2,275,440
Realisation of revaluation reserve		(24,000)	(24,000)	-	-
Effect of lower tax rate*		(54,000)	(338,000)	-	-
		1,436,000	782,000	-	(517,000)
Over-provision in prior years		(448,592)	(136,673)	-	(132,139)
Real property gain tax		-	103,945	-	-
Total taxation		987,408	749,272	-	(649,139)

** Pursuant to the Income Tax (Exemption) (No. 2) Order 2017, income tax rate has been reduced between 1% to 4% on the increase in the chargeable income from the immediate preceding year. The Exemption Order No. 2 is applicable for YA2017 and 2018.*

Notes to the financial statements (cont'd)

20. Discontinued operation

The Group has classified its coated coils assets as held for sale and is in the progress of completing the disposal. The affected assets represent a major line of its operating segment (See note 27).

The segment was not a discontinued operation or classified as held for sale as at 31 December 2017 and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show the discontinued operation separately from continuing operations.

Loss attributable to the discontinued operation was as follows:

Results of discontinued operation

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	16	116,224,639	171,920,236	200,539,382	255,076,746
Expenses		(137,303,426)	(185,911,878)	(221,618,169)	(269,068,388)
Results from operating activities		(21,078,787)	(13,991,642)	(21,078,787)	(13,991,642)
Finance income		766,537	273,471	766,537	273,471
Finance cost		(5,957,366)	(6,150,098)	(5,957,366)	(6,150,098)
Net Finance cost		(5,190,829)	(5,876,627)	(5,190,829)	(5,876,627)
Loss from operation		(26,269,616)	(19,868,269)	(26,269,616)	(19,868,269)
Other non-operating expenses	20.1	(110,093,734)	-	(110,093,734)	-
Loss before tax		(136,363,350)	(19,868,269)	(136,363,350)	(19,868,269)
Taxation		-	649,139	-	649,139
Loss for the year		(136,363,350)	(19,219,130)	(136,363,350)	(19,219,130)

The loss from discontinued operation of RM136,363,350 (2017: RM19,219,130) is attributable entirely to the owners of the Company.

20.1 Other non-operating expenses

Other non-operating expenses is in relation to impairment loss on asset held for sale and impairment loss on plant and machinery.

Notes to the financial statements (cont'd)

20. Discontinued operation (cont'd)

Included in loss after taxation from the discontinued operations are the following:

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Material expense/(income)					
Depreciation of property, plant and equipment	3	1,901,911	14,852,685	1,901,911	14,852,685
Foreign exchange loss					
- realised		4,340,000	-	4,340,000	-
Derivative loss on forward foreign exchange contracts					
- realised		95,842	4,836,806	95,842	4,836,806
- unrealised	9	-	1,157,054	-	1,157,054
Property, plant and equipment written off	3	1,657	502,569	1,657	502,569
Inventories written down	6	2,920,247	335,600	2,920,247	335,600
Impairment loss on:					
- assets held for sale		107,444,464	-	107,444,464	-
- property, plant and equipment	3	2,649,270	1,631,487	2,649,270	1,631,487
- trade receivables	22.3	1,754,472	-	1,754,472	-
- other receivables	7	-	1,519,664	-	1,519,664
Personnel expenses (including key management personnel):					
- contributions to state plans		1,230,005	1,362,541	1,230,005	1,362,541
- wages, salaries and others		11,357,297	16,987,800	11,357,297	16,987,800
Rental of premises and land		-	120,790	-	120,790
Forex exchange gain					
- realised		-	(5,218,268)	-	(5,218,268)
- unrealised		(1,248,583)	(6,427,135)	(1,248,583)	(6,427,135)
Gain on disposal of property, plant and equipment		(22,377)	(61,007)	(22,377)	(61,007)

	Group and Company 2016 RM	Group and Company 2015 RM
Cash flow generated from discontinued operation		
Net cash generated from operating activities	15,534,539	51,778,248
Net cash from investing activities	11,330,990	(20,420,698)
Net cash from financing activities	(24,768,717)	(23,263,168)
Effect on cash flows	2,096,812	8,094,382

21. Loss per ordinary share - Group

Basic and diluted loss per ordinary share

The calculation of basic and diluted earnings/(loss) per ordinary share at 31 December 2018 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2018			2017		
	Continuing operations RM	**Discontinued operation RM**	**Total RM**	**Continuing operations RM Restated**	**Discontinued operation RM**	**Total RM Restated**
Profit/(Loss) for the year attributable to ordinary shareholders	2,851,625	(136,363,350)	(133,511,725)	4,482,845	(19,219,130)	(14,736,285)

	Group 2018 RM	Group 2017 RM
Weighted average number of ordinary shares	350,127,947*	348,337,580*

	Group 2018 RM	Group 2017 RM
From continuing operations	0.8	1.3
From discontinued operation	(38.9)	(5.5)
Basic and diluted loss per ordinary share	(38.1)	(4.2)

* *The exercise price of Warrants B issued in 2013 and ESOS issued in both year 2017 and 2018 was higher than the average market price of the ordinary shares of the Company during the year ended 31 December 2018. As both the warrants and ESOS 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 2017 and 2018.*

Notes to the financial statements (cont'd)

22. Financial instruments

22.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

(i) Amortised cost ("AC"); and
(ii) Fair value through profit or loss ("FVTPL").

Financial assets/(liabilities)	Carrying amount RM	AC RM	FVTPL RM
2018			
Group			
Other investments	9,775	-	9,775
Trade and other receivables	47,494,854	47,494,854	-
Deposits	832,776	832,776	-
Cash and cash equivalents	33,275,402	33,275,402	-
Loans and borrowings	(126,621,181)	(126,621,181)	-
Trade and other payables	(159,037,397)	(159,037,397)	-
Company			
Trade and other receivables	35,197,040	35,197,040	-
Deposits	68,907	68,907	-
Cash and cash equivalents	18,615,771	18,615,771	-
Loans and borrowings	(66,169,619)	(66,169,619)	-
Trade and other payables	(143,066,639)	(143,066,639)	-

The table below provides an analysis of financial instruments as at 31 December 2017 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").

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

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

	Carrying amount RM	L&R/ (FL) RM	AFS RM	FVTPL RM
Financial assets/ (liabilities)				
2017				
Group				
Other investment	9,775	-	9,775	-
Trade and other receivables	66,478,816	66,478,816	-	-
Deposits	499,760	499,760	-	-
Cash and cash equivalents	42,200,661	42,200,661	-	-
Loans and borrowings	(153,204,250)	(153,204,250)	-	-
Trade and other payables	(139,176,038)	(139,176,038)	-	-
Derivative financial liabilities	(1,157,054)	-	-	(1,157,054)
Company				
Trade and other receivables	54,506,433	54,506,433	-	-
Deposits	557,128	557,128	-	-
Cash and cash equivalents	15,583,428	15,583,428	-	-
Loans and borrowings	(91,279,197)	(91,279,197)	-	-
Trade and other payables	(129,817,633)	(129,817,633)	-	-
Derivative financial liabilities	(1,157,054)	-	-	(1,157,054)

22.2 *Net gains and losses arising from financial instruments*

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Net losses on:				
Financial liabilities at fair value through profit or loss:				
Designated upon initial recognition				
- recognised in profit or loss	-	(1,157,054)	-	(1,157,054)
Financial assets at amortised cost	1,290,919	-	766,537	-
Financial liabilities at amortised cost	(9,889,847)	(9,941,632)	(5,957,366)	(6,150,098)
Loan and receivables	-	903,315	-	273,471
	(8,598,928)	(10,195,371)	(5,190,829)	(7,033,681)
Net loss on impairment of financial instruments				
- Financial asset at amortised cost	1,759,983	1,427,873	1,651,466	-

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

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, loan and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries.

Trade receivables

Risk management objectives, policies and processes for managing the risk

- *Receivables from external parties*

  Management has a credit policy in place to mitigate its exposure to credit risk, the 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.

At each reporting date, the Group or the Company assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

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

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

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 *Financial risk management* (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Concentration of credit risk

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Amount due from a (2017: two) subsidiary	-	-	15,505,914	19,792,357
Trade receivables	-	-	-	15,557,542
	-	-	15,505,914	35,349,899

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 7 - 150 days. The Group's debt recovery process is as follows:

a) Above 90 days past due after credit term, the Group will start to initiate a debt recovery process which is monitored by both sales management team and credit committee; and

b) Above 365 days past due, the Group will commence a legal proceeding against the customer.

The Group uses an allowance matrix to measure ECLs of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due 90 days will be considered as credit impaired.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to 90 days past due.

Loss rates are based on actual credit loss experience over the past three years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the year.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Trade receivables *(cont'd)*

Recognition and measurement of impairment loss *(cont'd)*

Group	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**
Current (not past due)	14,696,387	(39,782)	14,656,605
0-30 days past due	11,625,008	(35,589)	11,589,419
31-60 days past due	10,703,464	(73,659)	10,629,805
61-90 days past due	2,897,584	(231,444)	2,666,140
Credit impaired			
More than 90 days past due	5,793,505	(646,579)	5,146,926
Individually impaired	4,671,979	(3,263,494)	1,408,485
	50,387,927	(4,290,547)	46,097,380

Company	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**
Current (not past due)	7,388,449	-	7,388,449
0-30 days past due	5,455,796	-	5,455,796
31-60 days past due	8,418,793	-	8,418,793
61-90 days past due	6,259,853	-	6,259,853
Credit impaired			
More than 90 days past due	2,855,463	(68,164)	2,787,299
Individually impaired	3,016,363	(1,754,472)	1,261,891
	33,394,717	(1,822,636)	31,572,081

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 *Financial risk management* (cont'd)

(a) Credit risk (cont'd)

***Trade receivables** (cont'd)*

***Recognition and measurement of impairment loss** (cont'd)*

The movements in the allowance for impairment in respect of trade receivables during the year are shown below.

Group	Lifetime ECL RM	Credit impaired RM	Total RM
Balances at 1 January as per MFRS 139	-	1,427,873	1,427,873
Adjustment on initial application of MFRS 9	1,102,691	-	1,102,691
Balances at 1 January as per MFRS 9	1,102,691	1,427,873	2,530,564
Net remeasurement of loss allowance	(275,396)	-	(275,396)
Addition	-	2,035,379	2,035,379
Balances at 31 December	827,295	3,463,252	4,290,547

Company	Lifetime ECL RM	Credit impaired RM	Total RM
Balances at 1 January as per MFRS 139	-	-	-
Adjustment on initial application of MFRS 9	68,164	-	68,164
Balances at 1 January as per MFRS 9	68,164	-	68,164
Net remeasurement of loss allowance	-	1,754,472	1,754,472
Balances at 31 December	68,164	1,754,472	1,822,636

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

***Trade receivables** (cont'd)*

***Recognition and measurement of impairment loss** (cont'd)*

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follow:

Group	**Gross RM**	**Impairment RM**	**Net RM**
2017			
Not past due	42,375,186	-	42,375,186
Past due 0-30 days	14,437,597	-	14,437,597
Past due 31-120 days	6,597,685	-	6,597,685
Past due 121-180 days	724,671	-	724,671
Past due more than 180 days	3,502,552	(1,427,873)	2,074,679
	67,637,691	(1,427,873)	66,209,818

Company	**Gross RM**	**Impairment RM**	**Net RM**
2017			
Not past due	41,929,405	-	41,929,405
Past due 0-30 days	6,232,227	-	6,232,227
Past due 31-120 days	2,607,045	-	2,607,045
Past due 121-180 days	34,510	-	34,510
Past due more than 180 days	477,220	-	477,220
	51,280,407	-	51,280,407

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

	Group RM 2017	**Company RM 2017**
At 1 January	2,581,911	124,814
Impairment loss recognised	412,519	-
Impairment loss reversed	(4,403)	-
Bad debts written off	(1,562,154)	(124,814)
At 31 December	1,427,873	-

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.

Intercompany loans and advances

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

Although the Group 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.

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Intercompany loans and advances (cont'd)

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured loans and advances to subsidiaries. The Group monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

Other receivables

Credit risks on other receivables are mainly arising from deposits paid and GST receivables from Royal Malaysian Customs Department.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Group did not recognised any allowance for impairment losses.

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Group provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Group 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 RM58,596,830 (2017: RM55,236,284), representing the outstanding banking facilities of subsidiaries guaranteed by the Company as at the end of the reporting period.

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.3 Financial risk management (cont'd)

(a) Credit risk (cont'd)

Financial guarantees (cont'd)

Recognition and measurement of impairment loss

Generally, the Group considers loans and advances to subsidiaries have low credit risk. The Group assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Group considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Group considers a subsidiary's loan or advance to be credit impaired when:

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Group determines the probability of default for these loans and advances individually using internal information available.

Based on the assessment, no impairment losses to be provided for the financial guarantee given to the subsidiaries.

(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 bank facilities deemed adequate by the 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 which are interest bearing and carrying credit terms of 180 days for purchases of raw materials.

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

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

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

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

Maturity analysis

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

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2018							
Trade and other payables							
- interest free	36,781,882	-	36,781,882	36,781,882	-	-	-
- interest bearing	122,255,515	2.78	122,255,515	122,255,515	-	-	-
Loans and borrowings							
- finance lease liabilities	9,534,036	4.22 – 11.68	10,998,655	3,170,538	2,928,413	4,899,704	-
- bankers' acceptances and revolving credits	105,373,200	4.67 – 5.81	105,504,858	105,504,858	-	-	-
- term loans	10,053,420	4.90 – 6.85	12,395,759	2,359,472	1,543,792	5,630,805	2,861,690
- bank overdrafts	1,660,525	7.65 – 8.35	1,660,525	1,660,525	-	-	-
	285,667,578		289,597,194	271,732,790	4,472,205	10,530,509	2,861,690
2017							
Trade and other payables							
- interest free	22,397,928	-	22,397,928	22,397,928	-	-	-
- interest bearing	116,778,110	2.78	116,778,110	116,778,110	-	-	-
Loans and borrowings							
- finance lease liabilities	7,683,616	2.22 - 6.50	8,887,624	2,958,199	2,326,689	3,602,736	-
- bankers' acceptances and revolving credits	121,996,843	4.60 - 5.90	122,136,567	122,136,567	-	-	-
- term loans	20,770,449	4.90 - 6.17	25,210,800	6,098,547	3,327,149	8,570,598	7,214,506
- bank overdrafts	2,753,342	7.65 - 8.60	2,753,342	2,753,342	-	-	-
	292,380,288		298,164,371	273,122,693	5,653,838	12,173,334	7,214,506

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
2018							
Trade and other payables							
- interest free	20,811,124	-	18,108,766	18,108,766	-	-	-
- interest bearing	122,255,515	2.78	122,255,515	122,255,515	-	-	-
Loans and borrowings							
- finance lease liabilities	1,283,497	2.22 - 6.55	1,400,307	785,794	614,513	-	-
- bankers' acceptances and revolving credits	63,192,000	4.73 - 5.80	63,192,000	63,192,000	-	-	-
- term loans	702,477	4.90 - 6.17	714,632	714,632	-	-	-
- bank overdrafts	991,645	7.35 - 8.60	991,645	991,645	-	-	-
Financial guarantees*	-	-	58,596,830	58,596,830	-	-	-
	209,236,258		267,962,053	267,347,540	614,513	-	-
2017							
Trade and other payables							
- interest free	13,039,523	-	8,538,676	8,538,676	-	-	-
- interest bearing	116,778,110	2.78	116,778,110	116,778,110	-	-	-
Loans and borrowings							
- finance lease liabilities	2,257,190	2.22 - 6.50	2,534,394	1,119,665	800,240	614,489	-
- bankers' acceptances and revolving credits	84,689,000	4.73 - 5.80	84,828,724	84,828,724	-	-	-
- term loans	3,266,689	4.90 - 6.17	3,440,611	3,170,134	270,477	-	-
- bank overdrafts	1,066,318	7.65 - 8.60	1,066,318	1,066,318	-	-	-
Financial guarantees*	-	-	55,236,284	55,236,284	-	-	-
	221,096,830		276,923,964	275,238,758	1,070,717	614,489	-

* 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) 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	
	2018	**2017**
	RM	**RM**
Denominated in USD		
Balances recognised in the statement of financial position		
Trade payables	(122,255,515)	(116,778,110)

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	9,291,419	8,875,136

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.

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

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 party (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	
	2018	2017	2018	2017
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	13,893,635	27,119,273	5,210,214	4,200,000
Financial liabilities	(237,162,751)	(246,458,569)	(186,731,012)	(203,724,300)
	(223,269,116)	(219,339,296)	(181,520,798)	(199,524,300)

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Floating rate instrument				
Financial liabilities	(11,713,945)	(23,523,791)	(1,694,122)	(4,333,007)

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.

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)

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
	100bp increase RM	**100bp decrease RM**
Group		
Floating rate instruments		
- 2018	(89,000)	89,000
- 2017	(179,000)	179,000

	Profit or loss	
	100bp increase RM	**100bp decrease RM**
Company		
Floating rate instruments		
- 2018	(13,000)	13,000
- 2017	(33,000)	33,000

(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 of the Group 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 (2017: 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.

22.4 Fair value information

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

22. Financial instruments (cont'd)

22.4 Fair value information *(cont'd)*

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 the statements of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instrument not carried at fair value		
2018	**Level 1 RM**	**Level 2 RM**	**Total RM**	**Level 3 RM**	**Total fair value RM**	**Carrying amount RM**
Group						
Financial assets						
Quoted shares	11,500	-	11,500	-	11,500	9,775
Financial liabilities						
Secured term loans	-	-	-	9,350,944	9,350,944	9,350,944
Unsecured term loans	-	-	-	702,476	702,476	702,476
Finance lease liabilities	-	-	-	10,998,655	10,998,655	9,534,036
	-	-	-	21,052,075	21,052,075	19,587,456
2017						
Group						
Financial assets						
Quoted shares	21,700	-	21,700	-	21,700	9,775
Financial liabilities						
Secured term loans	-	-	-	17,503,760	17,503,760	17,503,760
Unsecured term loans	-	-	-	3,266,689	3,266,689	3,266,689
Finance lease liabilities	-	-	-	8,093,586	8,093,586	7,683,616
Forward foreign exchange contracts	-	1,157,054	1,157,054	-	1,157,054	1,157,054
	-	1,157,054	1,157,054	28,864,035	30,021,089	29,611,119

22. Financial instruments (cont'd)

22.4 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value		Fair value of financial instrument not carried at fair value		
	Level 2	Total	Level 3	Total fair value	Carrying amount
2018	RM	RM	RM	RM	RM
Company					
Financial liabilities					
Unsecured term loans	-	-	702,477	702,477	702,477
Finance lease liabilities	-	-	1,283,497	1,283,497	1,400,307
	-	-	1,985,974	1,985,974	2,102,784
2017					
Company					
Financial liabilities					
Unsecured term loans	-	-	3,266,689	3,266,689	3,266,689
Finance lease liabilities	-	-	2,534,394	2,534,394	2,257,190
Forward foreign exchange contracts	1,157,054	1,157,054	-	1,157,054	1,157,054
	1,157,054	1,157,054	5,801,083	6,958,137	6,680,933

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.

Notes to the financial statements (cont'd)

22. Financial instruments (cont'd)

22.4 Fair value information (cont'd)

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 financial year (2017: No transfers in either directions).

Level 3 fair value

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

Financial instruments not carried at fair value

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

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

Notes to the financial statements (cont'd)

23. Capital management

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 the Company 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.

In previous financial year, the Group and the Company was required to maintain a maximum gearing level of 1.75 times and 1.25 times respectively, the covenant has been waived upon full settlement of the outstanding borrowing during the financial year.

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Total loans and borrowings	126,621,181	153,204,250	66,169,619	91,279,197
Total equity	44,519,293	178,725,843	56,702,431	192,773,046
Debt-to-equity ratio	2.84	0.86	1.17	0.47

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.

24. Capital expenditure commitments

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Property, plant and equipment				
Contracted but not provided for	440,618	1,546,734	-	1,232,344

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.

Notes to the financial statements (cont'd)

25. Related parties (cont'd)

Significant related party transactions (cont'd)

Transactions with subsidiaries

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Nature of transactions				
Purchase of steel related products	-	-	158,897	262,014
Purchase of property, plant and equipment	-	-	-	12,639,837
Sale of property, plant and equipment	-	-	(26,337)	(8,283,605)
Sales of scrap	-	-	(13,412)	(2,593)
Sale of galvanised and other steel products	-	-	(84,473,640)	(83,421,117)

Transactions with substantial shareholders of the Company

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Nature of transactions				
Purchase of consumables	65,424	179,078	-	-
Purchase of raw materials	146,684,449	153,175,164	146,684,449	153,175,164
Freight and handling charges	110,107	128,558	-	-
Purchase of property, plant & equipment	-	801	-	-
Sale of galvanised and other steel products	(6,862,426)	(6,689,845)	-	-

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Nature of transactions				
Insurance premium paid	732,125	757,997	405,095	514,151
Purchase of consumables	1,552,399	2,425,339	311,628	396,334
Purchase of stocks	1,339,160	-	-	-
Sale of galvanised and other steel products	(58,161,770)	(50,768,616)	(10,485,013)	(9,873,985)
Sale of glass products	(12,606)	-	-	-
Purchase of property, plant and equipment	8,635	132,322	-	-
Purchase of packing, material and services	675,759	719,217	-	-
Rental of premises and land	199,660	65,100	-	-
Income from rental of premises	(38,000)	(126,600)	-	-
Repayment of finance leases for acquisition of property, plant and equipment *	1,976,933	1,188,167	605,772	538,981
Lease rental of property, plant and equipment	385,448	-	-	-
Tolling and transportation fee	-	17,950	-	1,950
Interest income	-	(191,562)	-	(38,069)
Handling and transportation fee	116,622	29,567	-	-
Rental of vehicle	4,900	3,717	-	-
Repair and maintenance	-	45,885	-	-
Sales of property, plant & equipment	-	(3,000)	-	-
Stamping fee & Workmanship	1,000	20,800	-	-
Hire purchase loan	1,970,000	2,852,800	-	-

* *Interest is charged at fixed rates ranging from 2.90% to 6.50% (2017: 2.90% to 6.50%) flat per annum.*

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
<u>**Nature of transactions**</u>				
Compensations to key management personnel:				
Directors of the Company				
- Director fee	286,750	207,000	251,750	172,000
- Contribution to state plans	250,480	255,181	117,120	117,421
- Wages, salaries and others	2,030,164	2,012,771	1,167,104	1,099,571
	2,567,394	2,474,952	1,535,874	1,388,992
Directors of subsidiaries				
- Director fee	50,000	50,000	-	-
- Contribution to state plans	119,808	99,040	-	-
- Wages, salaries and others	852,221	725,700	-	-
	1,022,029	874,740	-	-
Other key management personnel				
- Contribution to state plans	374,099	448,810	270,395	307,435
- Wages, salaries and others	2,326,393	3,082,408	1,641,418	2,112,681
	2,700,492	3,531,218	1,911,813	2,420,116
Total	6,289,915	6,880,910	3,447,687	3,809,108

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 Group. For salaried key management personnel, the Group also contributes to state plans at the minimum statutory rate.

Notes to the financial statements (cont'd)

25. Related parties (cont'd)

Significant related party transactions *(cont'd)*

Transactions with key management personnel *(cont'd)*

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) and Employee Share Option Scheme ("ESOS") offered by the Group (see Note 26).

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	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Amount due from	2,521,594	5,915,628	90,301	247,436
Amount due to	(129,121,206)	(120,951,672)	(122,307,842)	(117,985,960)

26. Employee benefits

Employee Share Option Scheme ("ESOS")

On 9 May 2017, 8 August 2017 and 7 August 2018, the Group granted share options to eligible Directors and employees of the Group to purchase shares in the Company under the Employees Share Option Scheme approved by the shareholders of the Company on 30 June 2016.

The fair value of share options granted during the year was estimated by an external valuer using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The fair value of share options measured at granted date and the assumptions are as follows:

	2018	**2017**
	RM	**RM**
Share price at the following grant dates (RM):		
- 9 May 2017	0.23	0.23
- 8 August 2017	0.20	0.20
- 7 August 2018	0.22	-
Weighted average share price (RM)	0.22	0.22
Weighted average exercise price (RM)	0.215	0.215
Expected volatility (%)	3.50	2.16
Expected life (years)	5	5
Risk free rate (%)	3.83	3.56
Expected dividend yield (%)	-	-

26. Employee benefits (cont'd)

Employee Share Option Scheme ("ESOS") (cont'd)

The expected life of the options is based on historical date and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year.

	Outstanding 1 January RM	Movements during the year Granted RM	Exercised RM	Forfeited and other adjustments RM	Expired RM	Outstanding 31 December RM	Exercisable 31 December RM
2018							
2018 options	37,950,000	4,750,000	(2,346,600)	(3,730,000)	-	36,623,400	12,291,400
WAEP (RM)	0.215	0.22	0.229	0.266	-	0.227	0.228
2017							
2017 options	-	38,750,000	-	(800,000)	-	37,950,000	7,590,000
WAEP (RM)	-	0.215	-	-	-	0.215	0.215

Notes to the financial statements (cont'd)

26. Employee benefits (cont'd)

Details of share options outstanding at the end of the year:

	WAEP RM	Exercise period RM
Grant date		
2017	0.23	09.05.2017 – 09.05.2021
2017	0.20	08.08.2017 – 08.08.2021
2018	0.22	07.08.2018 – 07.08.2022

The terms and conditions related to the grants of the share option programme are as follows; all options are to be settled by physical delivery of shares:

Grant date/ Employees entitled	Number of Options RM	Vesting conditions	Contractual life of options
2018			
Options grant to key management and employee on 7 August 2018	4,650,000	Remain as employee of the Company over the contracted life of options	5 years
2017			
Options grant to key management and employee on 9 May 2017	36,350,000	Remain as employee of the Group over the contracted life of options	5 years
Options grant to key management and employee 8 August 2017	2,400,000	Remain as employee of the Group over the contracted life of options	5 years
	38,750,000		

27. Operating segments

The Group has three reporting segments, as described below, which are the Group's strategic business units. 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:

- ASTEEL:
  Manufacture and sale of coated steel products and downstream roofing products in Sabah and Sarawak, East Malaysia.
- STARSHINE:
  Trading of galvanised, coated and non-coated steel products, building and construction materials;
- YKGI:
  Manufacture and sale of galvanised, coated and non-coated steel products in West Malaysia.

Geographical segments and major customers

Group sales were mostly to customers in Malaysia and there were very limited export sales. Revenue from one (1) major customer totalling RM42,790,840 (YKGI: RM42,775,846; STARSHINE: RM14,993) contributed to more than 10% of the Group's revenue.

Notes to the financial statements (cont'd)

27. Operating segments (cont'd)

	Continued ----- operation ----- ASTEEL RM	STARSHINE RM	Discontinued operation YKGI RM	Inter-segment RM	Total RM
2018					
Revenue					
External customers	140,231,791	80,978,110	116,224,639	-	337,434,540
Inter-segment	-	868,187	84,314,743	(85,182,930)	-
	140,231,791	81,846,297	200,539,382	(85,182,930)	337,434,540
Segment profit/(loss)	3,230,143	886,856	(136,512,850)	(231,000)	(132,626,851)
Taxation					(987,408)
Loss for the year					(133,614,259)
Non-controlling interests					102,534
Total comprehensive loss attributable to owners of the Company					(133,511,725)
Included in the measure of segment loss are:					
Depreciation and amortisation	(3,309,782)	(288,962)	(1,901,913)	-	(5,500,657)
Finance costs	(3,197,293)	(735,188)	(5,957,366)	-	(9,889,847)
Finance income	47,073	477,308	766,538	-	1,290,919
Inventories written down/written off	(30,380)	(55,088)	(2,920,247)	-	(3,005,715)
Impairment loss on receivables	(177,164)	(103,743)	(1,754,472)	-	(2,035,379)
Property, plant and equipment written off	-	-	(1,657)	-	(1,657)
Realised foreign exchange loss	-	-	(4,340,000)	-	(4,340,000)
Unrealised foreign exchange gain	-	-	1,248,583	-	1,248,583
Realised derivatives loss on forward foreign exchange contracts	-	-	(95,842)	-	(95,842)

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

	Continued ----- operation -----		Discontinued operation		
	ASTEEL	STARSHINE	YKGI	Inter-segment	Total
2017	RM	RM	RM	RM	RM
Revenue					
External customers	128,065,258	79,080,045	171,655,629	-	378,800,932
Inter-segment	-	260,235	83,421,117	(83,681,352)	-
	128,065,258	79,340,280	255,076,746	(83,681,352)	378,800,932
Segment profit/(loss)	5,046,195	485,710	(19,604,263)	85,345	(13,987,013)
Taxation					(749,272)
Loss for the year					(14,736,285)
Other comprehensive income					3,038,839
Total comprehensive expense attributable to owners of the Company					(11,697,446)
Included in the measure of segment loss are:					
Depreciation and amortisation	(2,434,619)	(146,463)	(14,852,685)	-	(17,433,767)
Derivative loss	-	-	(5,993,860)	-	(5,993,860)
Finance costs	(2,401,456)	(1,390,078)	(6,150,098)	-	(9,941,632)
Finance income	187,240	855,123	273,471	-	1,315,834
Inventories written down/written off	(293,043)	-	(335,600)	-	(628,643)
Impairment loss on receivables	(109,755)	(302,764)	-	-	(412,519)
Property, plant and equipment written off	-	(55,389)	(502,570)	-	(557,959)
Realised foreign exchange gain	-	-	5,218,268	-	5,218,268
Unrealised foreign exchange gain	-	-	6,427,135	-	6,427,135
Realised derivatives loss on forward foreign exchange contracts	-	-	(4,836,806)	-	(4,836,806)
Unrealised derivatives loss on forward foreign exchange contracts	-	-	(1,157,054)	-	(1,157,054)

Notes to the financial statements (cont'd)

28. Subsequent and significant events

(i) Capital reduction exercise

On 18 December 2018, the Company announced that approval has been obtained from shareholders of the Company at the extraordinary general meeting for the capital reduction exercise via the reduction and cancellation of the share capital of approximately RM137,918,980 from the Company's issued share capital pursuant to Section 117 of Companies Act 2016. The corresponding credit arising from the cancellation of the share capital will be used to set off against the accumulated losses.

Following the shareholders' approval, the Company had on 1 February 2019 receive the notification from Companies Commission of Malaysia ("SSM") confirming that the reduction of share capital have been completed and complied with the requirements of Companies Act 2016.

(ii) Disposal of coated coil assets

The Group and the Company have implemented certain business turnaround plans which are currently in progress, amongst which,

i) to further develop and strengthen its downstream operation to increase the Group's profitability; and

ii) to complete disposal of the entire coated coil assets together with the land and building for a total cash consideration of RM125 million

On 2 November 2018, the Company had entered into a conditional assets and business sale and purchase agreement ("BSA") with NS BlueScope Malaysia Sdn Bhd to dispose of its Coated Coil Business and assets for a total cash consideration of RM125,000,000.

The Company had in 20 February 2019 obtained approval from shareholders of the Company at the extraordinary general meeting to dispose of the Coated Coil Business and assets. On 16 April 2019, the disposal has been completed following the receipt of the balance disposal consideration from the seller.

Notes to the financial statements (cont'd)

29. Material litigation

A Writ of Summons dated 13 April 2017 was filed by Dataprenuer Sdn Bhd ("Plaintiff") against the Company for the claim of RM1,172,700 and interest at the rate of 5% per annum, relating to the supply, installation and commissioning of ERP system pursuant to the License Agreement. The Company denied categorically that the ERP system is fully functional as the Plaintiff failed to deliver a functional ERP system and the system acceptance had yet to be determined. The Company's position is that the Plaintiff's termination of the License Agreement is unlawful and amounts to a repudiatory breach. The Company had through its solicitors filed a Counterclaim against the Plaintiff for unlawful termination of the License Agreement and seeking refund of RM887,125 and compensation of RM45,580 for the data migrating charges.

On 12 April 2019, The Selangor High Court ("High Court") delivered the following decisions:

(a) The plaintiff claim against the Company is dismissed and therefore the Company is not liable to pay the sum claimed by the plaintiff; and

(b) The claim filed by the Company is allowed and the High Court has granted the following :

(i) A declaration that Dataprenuer has breached the License Agreement dated 2 November 2014;
(ii) The plaintiff to refund total sum of RM887,125 which had already been paid by the Company;
(iii) Additional cost in the sum of RM45,580 for data migration charges incurred by the Company;
(iv) Interest at the rate of 5% from the date of judgment till realisation; and
(v) Total cost of RM30,000 subject to allocator fee.

30. Significant changes in accounting policies

During the year, the Group and the Company adopted MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

30.1 Impacts on financial statements

The following tables summaries the impacts arising from the adoption of MFRS 9 on the Company's financial statements whereas the adoption of MFRS 15 had not result any restatement and misstatement as the timing of the revenue recognition is similar as it was previously reported under MFRS 118.

Statement of financial position:

Group	**As previously reported RM**	**MFRS 9 Adjustments RM**	**As restated RM**
1 January 2018			
Trade and other receivables	66,478,816	(1,102,691)	65,376,125
Others	406,934,619	-	406,934,619
Total assets	473,413,435	(1,102,691)	472,310,744
Equity			
Share capital	176,128,190	-	176,128,190
Retained earnings	2,597,653	(1,102,691)	1,494,962
Total equity	178,725,843	(1,102,691)	177,623,152
Total liabilities	294,687,592	-	294,687,592
Total equity and liabilities	473,413,435	(1,102,691)	472,310,744
Company			
1 January 2018			
Trade and other receivables	54,506,433	(68,164)	54,438,269
Others	360,520,497	-	360,520,497
Total assets	415,026,930	(68,164)	414,958,766
Equity			
Share capital	176,128,190	-	176,128,190
Retained earnings	16,644,856	(68,164)	16,576,692
Total equity	192,773,046	(68,164)	192,704,882
Total liabilities	222,253,884	-	222,253,884
Total equity and liabilities	415,026,930	(68,164)	414,958,766

Notes to the financial statements (cont'd)

30. Significant changes in accounting policies (cont'd)

30.2 *Accounting for financial instruments*

a. Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

(i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, Financial Instruments: Recognition and Measurement.

(ii) The following assessments have been made based on the facts and circumstances that existed at the date of initial application:
- the determination of the business model within which a financial asset is held; and
- the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

(iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's and the Company's financial assets and financial liabilities as at 1 January 2018:

		1 January 2018		
			Reclassification to new MFRS 9 category	
Category under MFRS 139	**31 December 2017 RM**	**Remeasurement RM**	**AC RM**	**FVTPL RM**
Group				
Financial assets				
Available for sale				
Other investments	9,775	-	-	9,775
Loan and receivables				
Trade and other receivables	66,478,816	(1,102,691)	65,376,125	-
Deposits	499,760	-	499,760	-
Cash and cash equivalents	42,200,661	-	42,200,661	-
	109,189,012	(1,102,691)	108,076,546	9,775
Company				
Financial assets				
Loan and receivables				
Trade and other receivables	54,406,433	(68,164)	54,338,269	-
Deposits	557,128	-	557,128	-
Cash and cash equivalents	15,583,428	-	15,583,428	-
	70,546,989	(68,164)	70,478,825	-

Notes to the financial statements (cont'd)

30. Significant changes in accounting policies (cont'd)

30.2 Accounting for financial instruments *(cont'd)*

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (cont'd)

Category under MFRS 139	31 December 2017 RM	1 January 2018 Remeasurement RM	1 January 2018 Reclassification to new MFRS 9 category AC RM	1 January 2018 Reclassification to new MFRS 9 category FVTPL RM
Group				
Financial liabilities				
Other financial liabilities measured at amortised cost				
Trade and other payables	139,176,038	-	139,176,038	-
Loans and borrowings	153,204,250	-	153,204,250	-
	292,380,288	-	292,380,288	-
Fair value through profit or loss				
Foreign exchange contract	1,157,054	-	-	1,157,054

Category under MFRS 139	31 December 2017 RM	1 January 2018 Remeasurement RM	1 January 2018 Reclassification to new MFRS 9 category AC RM	1 January 2018 Reclassification to new MFRS 9 category FVTPL RM
Company				
Financial liabilities				
Other financial liabilities measured at amortised cost				
Trade and other payables	129,817,633	-	129,817,633	-
Loans and borrowings	91,279,197	-	91,279,197	-
	221,096,830	-	221,096,830	-
Fair value through profit or loss				
Foreign exchange contract	1,157,054	-	-	1,157,054

Notes to the financial statements (cont'd)

30. Significant changes in accounting policies (cont'd)

30.2 Accounting for financial instruments (cont'd)

b. Classification of financial assets and financial liabilities on the date of initial application of MFRS 9 (cont'd)

(i) Reclassification from loans and receivables to amortised cost

Trade and other receivables that were classified as loans and receivables under MFRS 139 are now reclassified at amortised cost. An increase of RM1,102,691 and RM68,164 in allowance for impairment was recognised in opening retained earnings of the Group and the Company at 1 January 2018 respectively on transition to MFRS 9.

(ii) Reclassification from AFS to FVTPL

These are equity investments which are not held for strategic purposes. As a result, the carrying amount of RM9,775 was reclassified from available-for-sale to fair value though profit or loss.

(iii) Reclassification from FVTPL designated upon initial recognition to mandatorily recognition

There were a group of quoted shares, where the Group manages and assesses its performance on a fair value basis, in accordance to the Group's risk management strategy and it is provided to the key management personnel on a periodic basis is classified as FVTPL which are designated upon initial recognition. There is no change in the carrying amount as going forward those quoted shares are mandatorily recognised as FVTPL.

30.3 Accounting for revenue

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

(a) for completed contracts, the Group does not restate contracts that begin and end within the same annual reporting period.

(b) for completed contracts that have variable consideration, the Group uses the transaction price at the date the contract was completed rather than estimating variable consideration amounts in the comparative reporting periods.

The main variable consideration is discount given which is not based on performance or target i.e. volume rebate and is at ad-hoc negotiation. Therefore cannot reliably estimate the impact.

Notes to the financial statements (cont'd)

30. Significant changes in accounting policies (cont'd)

30.3 Accounting for revenue *(cont'd)*

Type of revenue	Previous year's revenue recognition	Current year's revenue recognition
Sale of coil related products	Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.	Under MFRS 15, revenue is recognised at a point at time which based on timing of goods delivered and have been accepted by customers.
Slitting and shearing services	Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.	Under MFRS 15, revenue is recognised at a point at time which based on timing of services performed and have been accepted by customers.
Sale of Roll-formed product	The Group previously recognised revenue when the goods were delivered to the customer's premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.	Under MFRS 15, revenue is recognised at a point at time which based on timing of goods delivered and have been accepted by customers.
Hardware trading	Revenue was recognised when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.	Under MFRS 15, revenue is recognised at a point at time which based on timing of goods delivered and have been accepted by customers.
Project- roofing supply and installation (specific project)	Not applicable as the particular projects is only commenced during financial year 2018.	Revenue is recognised overtime by using the output method.

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 49 to 138 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 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 2018 and of their financial performance and cash flows for the financial year then ended.

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: 16 April 2019

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

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 49 to 138 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 Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Tan Ching Pding, NRIC: 641021-08-5657, MIA CA 9741, at Klang in the State of Selangor Darul Ehsan on 16 April 2019

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 2018 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, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 138.

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 2018, 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, 2016 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.

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.

Key Audit Matters	How the matter address in our audit
Refer to Note 1(b) -Basis of measurement	
Use of going concern basis in the preparation of financial statements As disclosed in Note 1(b) to the financial statements, the Group and the Company have prepared their financial statements on a going concern basis, notwithstanding that the Group's and Company's incurred loss after tax of RM134 million and RM137 million respectively as at the end of the current financial year. The loss were mainly attributed to the planned disposal of its coated coil assets, as the Group and the Company is exiting from the upstream operation. Arising from the planned disposal, impairment loss of approximately RM107 million has been recognised in profit or loss accounts. The disposal of the said assets is to mitigate the net current liability position of the Group and the Company in order for the Group and the Company to able to meet their obligations as they fall due.	Our audit procedures included, amongst others: • We considered the status and achievability of the conditions precedent stated in the assets and business sales and purchase agreement; • We considered the ability of the Group and of the Company to continue as going concern and meet their obligations for the next twelve months from the date of financial statements based on the utilisation plan for cash proceeds from disposal of upstream core assets prepared by management for the said period and the profitability of the downstream business; • We challenged the management's key assumptions on cash flow forecast for downstream operations based on our knowledge of the business, industry and historical data.

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

Key Audit Matters *(cont'd)*

Key Audit Matters	How the matter was addressed in our audit
Refer to Note 1(b) -Basis of measurement (cont'd)	
Use of going concern basis in the preparation of financial statements (cont'd) Accordingly, the Directors believe that there is no material uncertainty that exists and the preparation of the financial statements of the Group and the Company on the going concern basis is appropriate. This is a key audit matter due to the degree of judgement involved in our evaluation of the appropriateness of the going concern basis for the preparation of the financial statements of the Group and the Company.	• We have performed inquiry with management and reviewed the event subsequent to year end to evaluate any possible event which may affect the Group and the Company ability to continue as a going concern; and • We also considered the adequacy of disclosures made by management regarding the significant judgement exercised in determining the appropriateness of using the going concern basis in the preparation of the financial statements.
Refer to Note 2(p) – Revenue accounting policy, Note 16 and Note 20 – Revenue and discontinued operation of the financial statements.	
Revenue recognition The Group and the Company derived the revenue from the manufacture and sale of galvanised and coated steel products, pickled and oiled, cold rolled coils, metal roofing, building materials and hardware. As at 31 December 2018, the Group and the Company recorded revenue of RM337 million and RM200 million respectively. Revenue recognition is a key audit matter as there is a risk that the revenue may be overstated	Our audit procedures included, amongst others: • We evaluated the sales and order management control process and tested the design and effectiveness of those controls; • We verified the sales invoices selected on a sampling basis to the underlying supporting documents such as delivery orders; • We obtained direct confirmations on outstanding balances as at year end from selected customers based on sampling basis; • We assessed the sales transaction occurring prior and subsequent to the year-end on a sampling basis and inspected the relevant underlying documents for goods delivered and checked that these transactions were recognised in the correct financial year; and • We assessed the completeness, accuracy and appropriateness of disclosures as required by MFRS 15.

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(f) – Inventories accounting policy and Note 6 – Inventories of the financial statements.	
Valuation of manufactured and trading inventories The Group and the Company hold significant inventories balance of RM79 million and RM31 million respectively, representing 24% and 12% of total assets as at 31 December 2018. The gross margin of the Group and Company has deteriorated from 7% to 5% and 0.1% to - 3% respectively as a result of the continuing increase in raw material price which is not translated to the selling price. The inventories are required to be measured at the lower of cost and net realisable value. The management applies judgement in assessing the adequacy of the allowances based upon a detail analysis of the stock aging profile, inventory level and future market demand of the products. This is a key audit matter as significant judgement is required to assess the appropriate level of allowance provided for the inventories.	Our audit procedures included, amongst others: • We challenged the management's assumption 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 performed inquiry with management to identify any slow moving inventory lines and we assessed whether appropriate allowances or write-offs has been established for slow moving and obsolete inventory; and • We have considered the adequacy of write down provided by verifying selected inventories on a sampling basis to the actual sales achieved, contracted purchase order subsequent to year end and the actual selling prices.
Refer to Note 2(k) – Impairment accounting policy and Note 7 –Trade and other receivables of the financial statements.	
Valuation of trade receivables As at 31 December 2018, the trade receivables of the Group and the Company stood at RM46 million and RM32 million, representing 14% and 12% of total assets. 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 is based upon the individual debtor's credit risk evaluation, historical payment trends, subsequent to year end collections and the existence of collaterals. The evaluation is however inherently judgemental and requires material estimates, including the loss rate used in the calculation of Expected Credit Loss. There is a risk that the management assessment of the level of these allowances is insufficient or inaccurate.	Our audit procedures included, amongst others: • We evaluated 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 selected on a sampling basis and verified to the past payment patterns, credit history, existence of collaterals and disputes with customers; • We assessed the adequacy of the allowance for impairment losses by assessing the assumptions made by the Group and the Company with reference to the profile of aged debts at the reporting date and post year-end payment records; and • We assessed the completeness, accuracy and relevance of the transition disclosures as required by MFRS 9.

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 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, 2016 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 of the Group and of the Company, 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 Group or the Company 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.

Other Matter

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: 03102/03/2020 J
Chartered Accountant

Kuching,

Date: 16 April 2019

ANALYSIS OF SHAREHOLDINGS
as at 29 March 2019

Class of Shares : (1) Ordinary Shares
(2) Redeemable Convertible Preference Shares ("RCPS")
Voting rights is one (1) vote per ordinary share.
Total number of ordinary shareholders is 2,362.
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

	No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
	87	Less than 100 shares	3,996	0.00*
	238	100 - 1,000 shares	79,348	0.02
	897	1,001 - 10,000 shares	5,096,311	1.45
	944	10,001 - 100,000 shares	31,691,697	9.04
	193	100,001 to less than 5% of issued shares	143,939,910	41.05
	3	5% and above of issued shares	169,872,918	48.44
Total	**2,362**		**350,684,180**	**100.00**

* less than 0.01%

THIRTY LARGEST ORDINARY SHARE ACCOUNT HOLDERS

	Account Holders	No. of Ordinary Share	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	93,279,991	26.60
2	Yung Kong Co Bhd	50,929,800	14.52
3	Hii Wi Sing	25,663,127	7.32
4	"Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai"	12,584,678	3.59
5	"Amsec Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Soh TL Holdings Sdn Bhd (MX3613)"	11,039,616	3.15
6	Hii Ngo Sing	5,540,000	1.58
7	Mt Sungai Sdn Bhd	5,337,865	1.52
8	Quek See Kui	4,935,700	1.41
9	Alexander Hii Lu Kwong	4,271,636	1.22
10	Hu Ik Ming @ Rose Hii Ik Ming	4,190,205	1.19
11	Christopher Hii Lu Ming	4,037,686	1.15
12	Arthur Hii Lu Choon	3,953,036	1.13
13	Ting Chuo Kiew	3,909,859	1.11
14	Victor Hii Lu Thian	3,539,726	1.01
15	Chan Wah Kiang	3,200,000	0.91
16	Alam Mantap Development Sdn Bhd	3,100,000	0.88
17	Ling Eng Leh	2,950,010	0.84
18	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Chew Hun Seng (M&A)	2,500,000	0.71
19	Michael Hii Ee Sing	2,418,587	0.69
20	"Kenanga Nominees (Tempatan) Sdn Bhd Andrew Yap Hoong Yee (021)"	2,005,000	0.57
21	"HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tiang Chiin Yew"	1,500,000	0.43
22	Tan Pak Nang	1,430,000	0.41
23	Olive Lim Swee Lian	1,328,500	0.38
24	Zamri Bin Mohamad	1,300,000	0.37
25	"Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Andrew Yap Hoong Yee (8121295)"	1,289,400	0.37
26	Yung Venture Sdn Bhd	1,210,000	0.35
27	Yong Ai Ting	1,207,800	0.34
28	Hii Lu Foong	1,186,900	0.34
29	"Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Quek See Kui"	1,184,800	0.34
30	Elizabeth Hii Lu Yen	1,103,555	0.31
	Total	**262,127,477**	**74.75**

ANALYSIS OF SHAREHOLDINGS
as at 29 March 2019 (cont'd)

REDEEMABLE CONVERTIBLE PREFERENCE SHARE 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 29 March 2019 are as follows :

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1	Marubeni-Itochu Steel Inc.	93,279,991	26.60	-	-
2	Yung Kong Co Bhd	50,929,800	14.52	-	-
3	Dato' Hii Ngo Sing	5,540,000	1.58	54,714,666 (1)	15.60%
4	Dato' Dr Hii Wi Sing	25,663,127	7.32	54,714,666 (1)	15.60%
5	Arthur Hii Lu Choon	3,953,036	1.13	54,714,666 (1)	15.60%
6	Ir Michael Hii Ee Sing	2,418,587	0.69	60,997,871 (2)	17.39%
7	Victor Hii Lu Thian	4,394,356 (3)	1.25	54,714,666 (1)	15.60%
8	Francis Hii Lu Sheng	-	-	54,714,666 (1)	15.60%
9	Alexander Hii Lu Kwong	5,123,036 (4)	1.46	54,714,666 (1)	15.60%
10	Christopher Hii Lu Ming	4,283,546 (5)	1.22	54,714,666 (1)	15.60%
11	Dato' Soh Thian Lai	12,929,346 (6)	3.69	11,039,616 (7)	3.15%

Notes

(1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Venture 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, 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 29 March 2019 are as follows:

In The Company

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1.	Dato' Soh Thian Lai	12,929,346 (5)	3.69	11,616,216 (1)	3.31
2.	Victor Hii Lu Thian	4,394,356 (3)	1.25	54,714,666 (2)	15.60
3.	Christopher Hii Lu Ming	4,283,546 (4)	1.22	54,714,666 (2)	15.60
4	Yoshihiko Okuno	-	-	-	-
5	Azizan Sugiwaka	-	-	-	-
6	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
7	Liew Jee Min @ Chong Jee Min	-	-	-	-
8	Yan Ying Chieh	-	-	-	-
9	Koichiro Nakazawa (Alternate to Azizan Sugikawa)	-	-	-	-

The Directors by virtue of their interest in shares in the company are also deemed to have interests in shares in all of its related companies to the extent the company has an interest pursuant to Section 8 of the Companies Act 2016.

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, 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 29 March 2019

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
	256	Less than 100 warrants	12,464	0.01
	194	100 - 1,000 warrants	108,442	0.11
	785	1,001 - 10,000 warrants	2,584,037	2.72
	406	10,001 - 100,000 warrants	17,029,590	17.93
	124	100,001 to less than 5% of issued warrants	43,025,864	45.29
	2	5% and above of issued warrants	32,240,031	33.94
Total	**1,767**		**95,000,428**	**100.00**

THIRTY LARGEST WARRANT ACCOUNT HOLDERS

	Name of Account Holders	No. of Warrants Held	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	25,439,997	26.78
2	Hii Wi Sing	6,800,034	7.16
3	Quek See Kui	3,159,600	3.33
4	Zamri Bin Mohamad	3,000,000	3.16
5	Mt Sungai Sdn Bhd	1,455,781	1.53
6	Aliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Si Tho Yoke Meng (6000156)	1,200,000	1.26
7	Ha Tung Hua	1,194,000	1.26
8	Zamri Bin Mohamad	1,000,000	1.05
9	Bay Peng Hock	980,000	1.03
10	Ong Swee Beng	955,500	1.01
11	Foong Wai Chee	890,800	0.94
12	Low Lay Ping	885,200	0.93
13	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Suhaimy Bin Othman	812,000	0.85
14	Maybank Nominees (Tempatan) Sdn Bhd Kua Song Tuck	782,900	0.82
15	Maybank Nominees (Tempatan) Sdn Bhd Zamri Bin Mohamad	725,700	0.76
16	Michael Hii Ee Sing	659,614	0.69
17	Tan Jin Kiat	600,000	0.63
18	Ting Kee Wei	550,000	0.58
19	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Goo @ Law Yeow Ching	500,000	0.53
20	Hew Ling Shang	500,000	0.53
21	Koon Ching Chai @ Jimmy	500,000	0.53
22	Maybank Nominees (Tampatan) Sdn Bhd Pledged Securities Account for Lim Yih Tong	484,300	0.51
23	Lai Chun Yew	460,000	0.48
24	Lim Yih Tong	450,000	0.47
25	RHB Nominees (Tempatan) Sdn Bhd Khiu Chen Huan	450,000	0.47
26	Muhammad Badri Bin Mukhtar	425,100	0.45
27	Dayana Binti Che'Melan	400,000	0.42
28	Seow Lian Soon	400,000	0.42
29	Wong Chin Meng	400,000	0.42
30	Leong Wah Keong	398,000	0.42
	Total	**56,458,526**	**59.43**

ANALYSIS OF WARRANT HOLDINGS
as at 29 March 2019 (cont'd)

DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 29 March 2019 are as follows:

		Direct	%	Indirect	%
1.	Dato' Soh Thian Lai	57	-	-	-
2.	Victor Hii Lu Thian	138,990 (2)	0.15	669,510 (1)	0.70
3.	Christopher Hii Lu Ming	12,180 (3)	0.01	669,510 (1)	0.70
4	Aizan Sugiwaka	-	-	-	-
5	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
6	Liew Jee Min @ Chong Jee Min	-	-	-	-
7	Yan Ying Chieh	-	-	-	-
8	Yoshihiko Okuno	-	-	-	-
9	Koichiro Nakazawa (Alternate Director to Aizan Sugiwaka)	-	-	-	-

The Directors by virtue of their interest in shares in the company are also deemed to have interests in shares in all of its related companies to the extent the company has an interest pursuant to Section 8 of the Companies Act 2016.

Notes

(1) Deemed interested by virtue of his substantial interests in Yung Venture Sdn Bhd and Yung Lieng Sdn Bhd.

(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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NOTICE OF 42ND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 42nd Annual General Meeting ("42nd AGM") of YKGI Holdings Berhad ("YKGI" or "the Company") will be held at Lot 712 Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak on Thursday, 23 May 2019 at 2:00 pm to transact the following businesses:

A G E N D A

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 8)**

2. To approve the payment of Directors' fees of RM251,750 for the Non-Executive Directors for the financial year ended 31 December 2018 (2017:RM285,250) **Resolution 1**

3. To approve other benefits payable to the Directors up to RM100,000 for the period from 24 May 2019 until the conclusion of the next Annual General Meeting of the Company. **Resolution 2**

4. To re-elect the following Directors, who retire in accordance with Article 103 of the Company's Articles of Association and, being eligible, offer themselves for re-election:

   i) Christopher Hii Lu Ming **Resolution 3**
   ii) Victor Hii Lu Thian **Resolution 4**
   iii) Yoshihiko Okuno **Resolution 5**

5. To re-appoint Messrs KPMG PLT (AF 0758) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

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

   - **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016 ("ACT")** **Resolution 7**

     "THAT pursuant to Section 76 of the Act, the provisions of the Company's Articles of Association and other relevant regulatory authorities, the Directors of the Company be and are hereby empowered to issue shares in the Company, from time to time, at such price, upon such terms and conditions and for such purposes and to such person(s) 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 Directors be and are also empowered to obtain the approval for the listing and quotation of the additional shares so issued on the Bursa Malaysia Securities Berhad AND FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

   - **PROPOSED RENEWAL OF AND NEW SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Resolution 8**

     "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 or trading nature with the Related Parties as stated in item 3(b) (pages 3 to 12) of the Circular to Shareholders dated 29 April 2019, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Shareholder Mandate");

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

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

NOTICE OF 42ND ANNUAL GENERAL MEETING (cont'd)

- **PROPOSED RENEWAL OF AND NEW SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** (con't) **Resolution 8**

  (b) the expiration of the period within which the annual general meeting after that date is required to be held pursuant to Section 340(2) of the Act (but must 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 Shareholder Mandate."

7. To transact any other business which may properly be transacted at an annual general meeting, due notice of which shall have been given in accordance with the Companies Act 2016 and the Company's Articles of Association.

BY ORDER OF THE BOARD OF DIRECTORS
IR MICHAEL HII EE SING (LS 0000872)
VOON JAN MOI (MAICSA 7021367)
Company Secretaries

Kuching, Sarawak
Dated : 29 April 2019

NOTICE OF 42ND ANNUAL GENERAL MEETING (cont'd)

NOTES :

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 May 2019 shall be eligible to attend the 42nd AGM.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the 42nd AGM 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 (1) 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 42nd AGM have the same rights as the member to participate, speak and vote at the 42nd AGM.
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 42nd AGM will be put to vote by poll at the 42nd AGM.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is 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 (1) 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 Lot 712 Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak not less than 48 hours before the time set for holding the 42nd AGM or at any adjournment thereof.
8. Explanatory Note for Agenda 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 will not be put forward for voting.
9. All the Directors of the Company who are shareholders of the Company will abstain from voting on Resolutions 1 and 2, where applicable. The Directors as referred to in Resolutions 3, 4 and 5 who are also the shareholders of the Company will abstain from voting on the resolution in respect of his re-election at the 42nd 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 76 of the Act ("General Mandate"). The Company had been granted a General Mandate by its shareholders at the 41st AGM of the Company held on 29 June 2018 ("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 Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature is intended to facilitate transaction in the ordinary 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 the terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

STATEMENT ACCOMPANYING NOTICE OF 42ND AGM

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, no individual is standing for election as a Director at the 42nd AGM.

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YKGI HOLDINGS BERHAD (032939-U)
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares Held	
CDS Account No.	

*I/We ____
(Full Name In Capital Letters)
of ____
(Full Address)
being a Member of YKGI HOLDINGS BERHAD, hereby appoint (Proxy 1) ____________________________________
(Full Name In Capital Letters)
(NRIC No.: ______________________) of ____
(Full Address)
or Proxy 2 (if any) ____(NRIC No.: __________________)
(Full Name In Capital Letters)
of ____
(Full Address)

or failing him/her/them, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the 42nd Annual General Meeting of the Company to be held at Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak on Thursday, 23 May 2019 at 2:00 pm and at any adjournment thereof.

Please indicate with an "X" in the space provided below how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his discretion.

		FOR	AGAINST
RESOLUTION 1	To approve the payment of Directors' fees of RM 251,750 to the Non-Executive Directors for the financial year ended 31 December 2018.		
RESOLUTION 2	To approve other benefits payable to the Directors up to RM100,000 for the period from 24 May 2019 until the conclusion of the next Annual General Meeting of the Company.		
RESOLUTION 3	To re-elect Mr Christopher Hii Lu Ming as Director.		
RESOLUTION 4	To re-elect Mr Victor Hii Lu Thian as Director.		
RESOLUTION 5	To re-elect Mr Yoshihiko Okuno as Director.		
RESOLUTION 6	To re-appoint Messrs KPMG PLT (AF 0758) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
RESOLUTION 7	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.		
RESOLUTION 8	Proposed renewal of and new Shareholder Mandate for Recurrent Related Party Transactions.		

*Strike out whichever not applicable.

The proportions of *my/our holdings to be represented by *my/our proxy are as follows:

First named proxy	
Second named proxy	

Dated this day of 2019.

…..
Signature/common seal of shareholder(s)

Notes:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 15 May 2019 shall be eligible to attend the AGM.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the AGM 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 (1) 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 AGM have the same rights as the member to participate, speak and vote at the AGM.
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 AGM will be put to vote by poll at the AGM.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is 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 (1) 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 Lot 712 Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak not less than 48 hours before the time set for holding the AGM or at any adjournment thereof.

Fold here for sealing

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Affix
Stamp
Here

The Company Secretary

YKGI HOLDINGS BERHAD
(032939 - U)

Lot 712, Block 7, Demak Laut Industrial Park,
93050 Kuching, Sarawak, Malaysia.

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YKGI HOLDINGS BERHAD

(COMPANY NO. 032939 - U)

Lot 712, Block 7, Demak Laut Industrial Park, 93050 Kuching, Sarawak, Malaysia.

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