



**YKGI HOLDINGS BERHAD**  
(COMPANY NO. 032939 - U)



**Preferred value-added  
steel products**

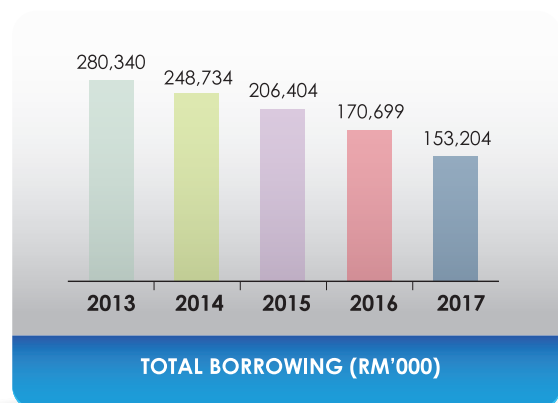
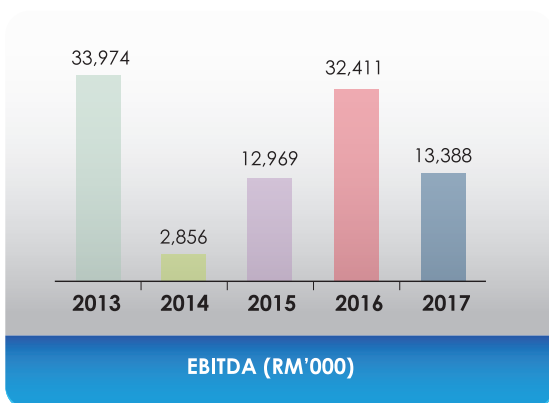
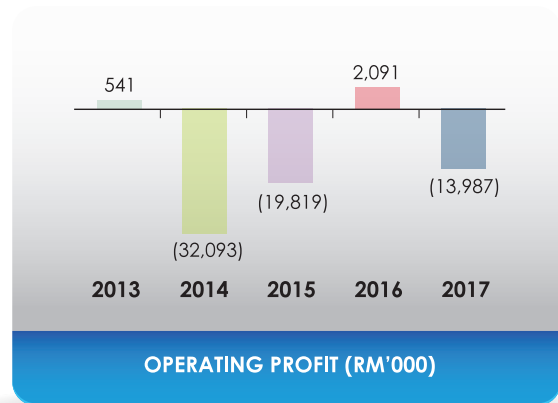
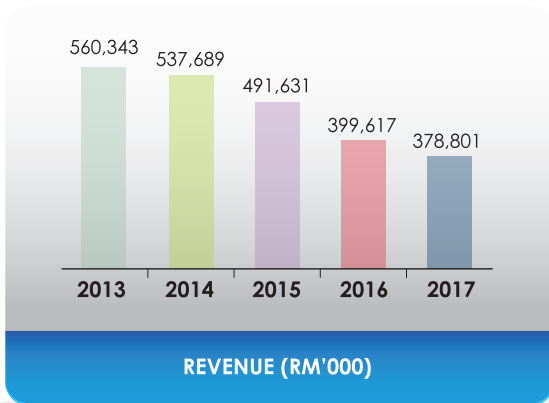


**2017**  
Annual Report



## FINANCIAL HIGHLIGHTS

	(RM'000)	2013	2014	2015	2016	2017
<b>OPERATING RESULTS</b>						
Revenue		560,343	537,689	491,631	399,617	378,801
Operating (Loss)/Profit		541	(32,093)	(19,819)	2,091	(13,987)
(Loss)/Profit Before Tax		541	(32,093)	(19,819)	(7,262)	(13,987)
(Loss)/Profit attributable to owners of the company		255	(26,642)	(16,552)	(9,957)	(14,736)
EBITDA		33,974	2,856	12,969	32,411	13,388
<b>KEY BALANCE SHEET DATA</b>						
Share Capital		185,032	185,032	185,032	45,697	176,128
Total Borrowing		280,340	248,734	206,404	170,699	153,204
Cash and cash equivalents		29,397	26,823	28,075	31,405	42,201
<b>RATIO ANALYSIS</b>						
Gearing Ratio	Times	1.42	1.15	1.03	0.90	0.86
Gross Profit Margin	%	9.07	2.37	5.47	12.57	6.63



## Financial Highlights

---

### Management Discussion and Analysis 2

---

### Corporate Profile 5

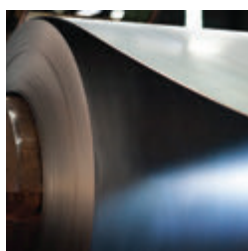
---

Corporate Information  
Corporate Structure  
Board of Directors  
Directors' Profile  
Profile of Key Senior Management

### Corporate Governance 15

---

Corporate Governance Overview Statement  
Statement on Risk Management and Internal Control  
Report of Audit Committee  
Additional Compliance information  
Sustainability Statement  
Contacts of YKGI Group of Companies



# CONTENTS



### Financial Information 43

---

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

### Additional Investor Information 126

---

Analysis of Shareholdings  
Analysis of Warrant Holdings

### Notices 130

---

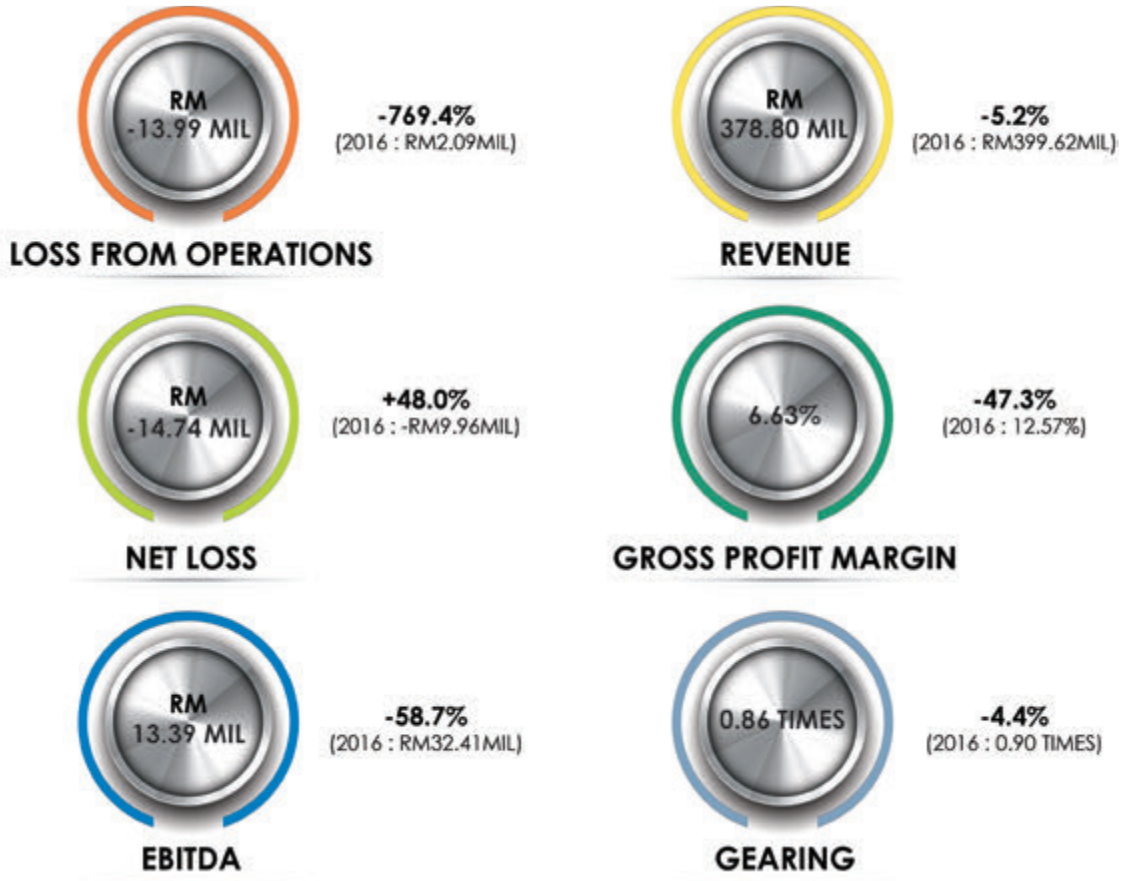
Notice of Annual General Meeting  
Form of Proxy

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

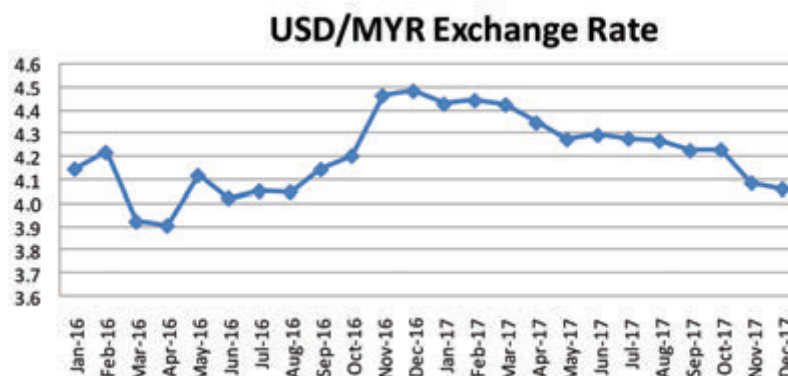
The financial year 2017 ("FY2017") has been very challenging. The Group registered a net loss after taxation of RM14.74 million on the back of turnover of RM378.80 million. In comparison to the financial year 2016 ("FY2016"), the sales revenue dropped by RM20.82 million (5.2%) and the net loss after taxation was higher by RM4.78 million (48.0%).

### REVIEW OF FINANCIAL RESULTS



During FY2017, various unfavourable operating factors impacted the performance of the Group's manufacturing operations at the Klang factory. The margins for most of its coil products were much lower compared to FY2016. Some of the unfavourable factors were:-

- (i) Appreciation of US Dollar against Ringgit which increased raw material costs and put a lot of pressure on the gross margins of steel products as the additional cost could not be fully absorbed into the selling price. The US Dollar appreciated by an average of 3.3% in FY2017 compared to FY2016;



Source :BNM

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

- (ii) The volatility and increasing price trend of Hot Rolled Coil price resulted in narrowing gross margins; and
- (iii) Cheaper imported material from ASEAN countries resulted in an influx of material into the local steel market which was already experiencing an over-supply conditions.

	FY2017	FY2016
<b>Profitability</b>		
a. Return on Capital Employed (Operating Profit/Non-Current Liabilities + Total Equity)	-6.97%	0.97%
b. Return on Equity (Net Earnings/ Equity)	-8.25%	-5.23%
<b>Liquidity</b>		
c. Current Ratio (Current Asset/Current Liabilities)	0.76	0.82
d. Interest Cover Ratio (EBITDA/Net Interest Expenses)	1.55	2.96
<b>Capital</b>		
e. Debt to Equity Ratio (includes all interest bearing debt)	0.86	0.90
<b>Value</b>		
f. Net Asset per Share (Sen/share)	51	55

### OPERATION REVIEW

The business of YKGI Group is divided into two (2) main segments namely:

- (i) Coated coil business ("Coil Business"); and  
(ii) Metal roofing and trading in hardware and building material ("Downstream Business").

For FY2017, the Downstream Business produced better results than the Coil Business with positive earnings contribution whereas the Coil Business made losses. In terms of product margin, the Coil Business registered a very low contribution with single digit margin compared with the Downstream Business with double-digit margin. For FY2017, the Downstream Business segment was the major contributor to the Group's overall earnings.

The table below outlined the segment performance of the Coil Business and Downstream Business:-

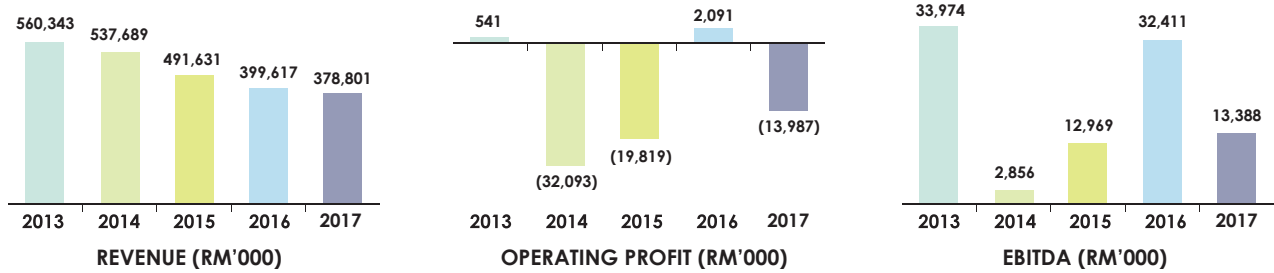
	Coil Business		Downstream Business	
	FY2017	FY2016	FY2017	FY2016
Pre-tax Profit Margin (%)	-7.59%	-4.26%	3.94%	3.96%
Return on Capital Employed (%)	-12.60%	-1.52%	10.18%	10.74%
Segment's Revenue/ Assets Employed (Times)	0.65	0.63	1.45	1.80
Segment's Net Earnings/Assets Employed (Sens on Ringgit)	-4.84	-2.86	4.39	4.24
Segment's Assets/ Total Segment Assets (%)	81.35%	87.12%	18.65%	12.88%

The financial performance of the Downstream Business was better in terms of pre-tax profit margin and return on capital employed. For the past two (2) years, the business unit had been showing reasonable financial results. On the contrary, the financial result of the Coil Business showed negative returns for the FY2016 and FY2017. The losses were mainly due to external environment factors mentioned earlier and to some extent issues on the internal capabilities and constraints.

## MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

The Group's administrative expenses in FY2017 was 15.8% higher than that of FY2016. The increase was mainly from higher provisions made for impairment loss on plant and machinery and trade receivables. The Group's EBITDA for FY2017 was lower by 58.7% compared to FY2016.

The low gross margin of the Coil Business and the low volume were the key issues that resulted in the operating losses.



### 2018 OUTLOOK

The Group is considering a restructuring exercise to realign its business direction with the view to cut down unprofitable operations and to focus on the downstream business. The steel market in Malaysia is highly competitive with the supply landscape saturated. Taking the cue from the Government, the local steel industry needs to seriously consider embarking on a consolidation strategy. This involves consolidating financial resources, improvement in operating efficiency and quality of products in order to improve productivity and lower cost to withstand the stiff competition from imported products.

( The rest of this page is intentionally left blank)

## CORPORATE INFORMATION

### Board of Directors

**Mr Lim Pang Kiam**  
*Independent Director / Non-Executive Chairman*

**Dato' Soh Thian Lai, DIMP**  
*Executive Deputy Chairman*

**Mr Victor Hii Lu Thian**  
*Managing Director*

**Mr Yoshihiko Okuno**  
*Executive Director*

**Mr Fong Yoo Kaw @ Fong Yee Kow**  
*Senior Independent Director*

**Mr Liew Jee Min @ Chong Jee Min**  
*Independent Director*

**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 000872)*

### Incorporation

Incorporated on 29 April 1977 in Malaysia

### Listing

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

### Bursa LINK Agent

Tengis Corporate Services Sdn Bhd

### Registered Address

Wisma YKGI, Lot 6479 Lorong Sungai Puloh/KU6,  
Kawasan Perindustrian Sungai Puloh,  
42100 Klang, Selangor Darul Ehsan, Malaysia  
Phone : +60 3 3297 5555/3291 5189  
Fax : +60 3 3290 6668/3291 6193

Email : [ykgi@ykgigroup.com](mailto:ykgi@ykgigroup.com)  
Website : <http://www.ykgigroup.com>

### Audit Committee

**Mr Fong Yoo Kaw @ Fong Yee Kow**  
*Senior Independent Director*

**Mr Lim Pang Kiam**  
*Independent Director*

**Mr Liew Jee Min @ Chong Jee Min**  
*Independent Director*

**Ms Yan Ying Chieh**  
*Independent Director*

### Bankers

**MBSB Bank Berhad**  
*(formerly known as Asian Finance Bank Berhad)*  
**Hong Leong Bank Berhad**  
**HSBC Bank Malaysia Berhad**  
**Malayan Banking Berhad**  
**RHB Bank Berhad**  
**United Overseas Bank (Malaysia) Berhad**

### Investment Bankers

**Public Investment Bank Berhad**  
**AmlInvestment Bank Berhad**

### Legal Advisors

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

### Auditors

**KPMG PLT (AF 0758)**

### Internal Auditors

**Ernst & Young Advisory Services Sdn Bhd**

### Share Registrar

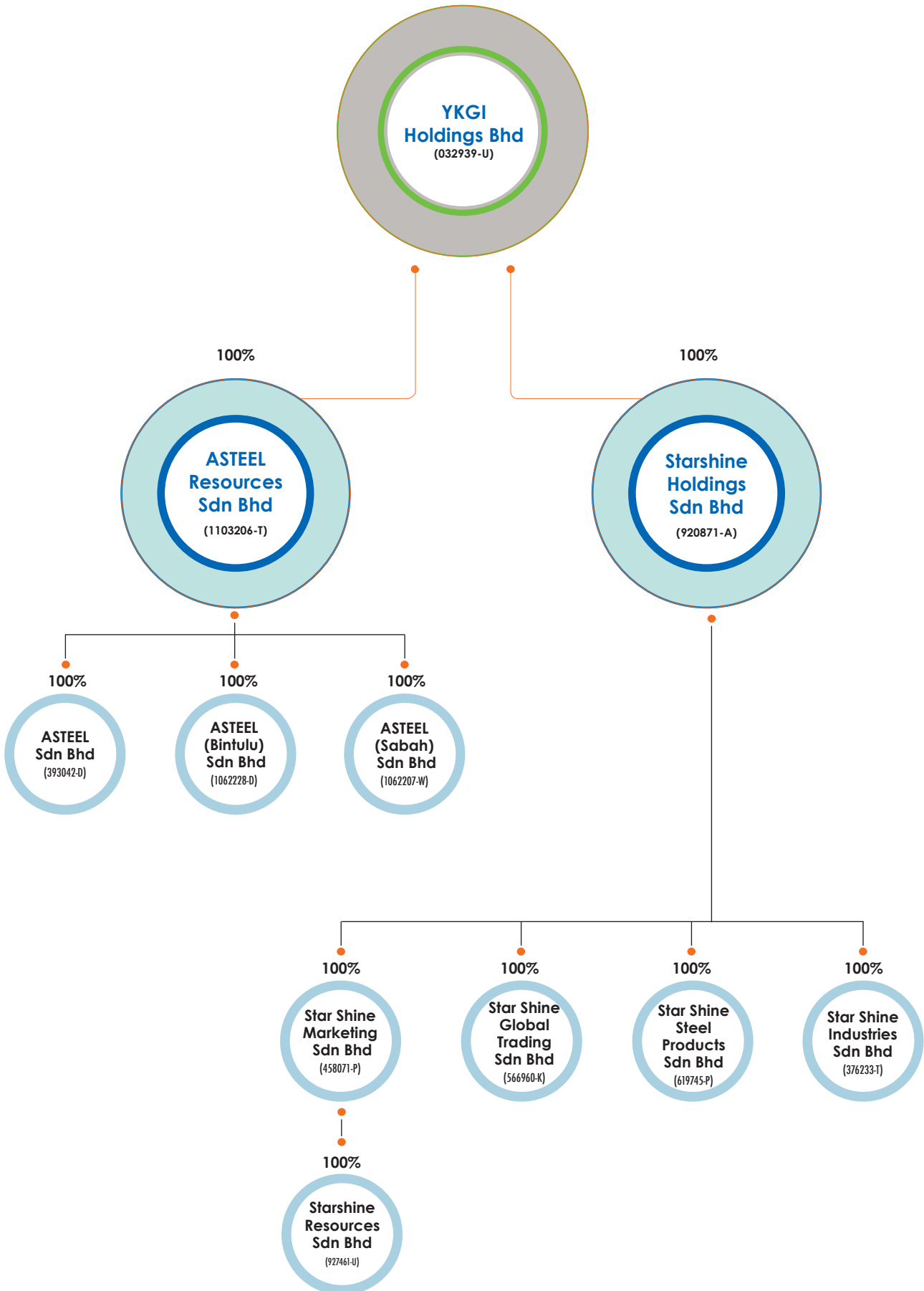
**Tricor Investor & Issuing House Services Sdn Bhd**  
*Unit 32-01, Level 32, Tower A,*  
*Vertical Business Suite, Avenue 3,*  
*Bangsar South, No.8, Jalan Kerinchi,*  
*59200 Kuala Lumpur, Malaysia*  
Phone : +60 3 2783 9299  
Fax : +60 3 2783 9222

### Certification

**ISO 9001:2015**  
**MS ISO 9001:2015**  
**ISO 14001:2015**  
**MS ISO 14001:2015**  
**OHSAS 18001:2007**



## CORPORATE STRUCTURE

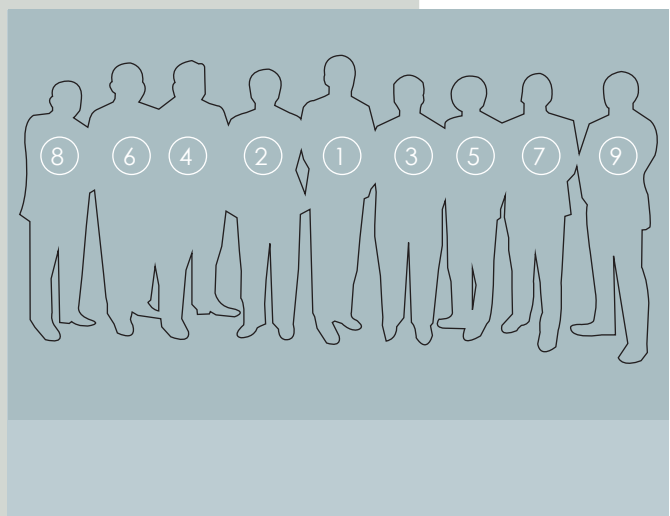




## BOARD OF DIRECTORS



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



## DIRECTORS' PROFILE



**LIM PANG KIAM**  
(Malaysian, age 55, Male)  
Independent Director/  
Non-Executive Chairman

**Board Appointment :**

3 January 2013/Chairman since 2 January 2014

**Board Committees :**

A member of Audit, Board Risk and Remuneration Committees

**Education and Experience :**

Mr Lim obtained a Bachelor of Science (Honours) in Housing, Building and Planning and a Master of Science in Planning from Universiti Sains Malaysia in 1988 and 1989 respectively.

Mr Lim is also a Certified Financial Planner, a title by the Financial Planning Association of Malaysia which he has held since 2002. He is also a Credit Risk Management specialist, whereby he obtained his chartered membership as a Certified Risk Professional from the Bank Administration Institute for Certification in USA in 2003. He has also been a member of the Council of the Asian Institute of Chartered Bankers (formerly known as Institute of Bankers Malaysia) since 1999.

He began his full time career when he joined BHL Bank Berhad as a Credit Officer in 1989 and was later promoted to Branch Manager in 1991. He left BHL Bank Berhad in 1999 as the Branch Manager to join United Overseas Bank (Malaysia) Berhad as Vice President of Business Banking till 2002. He then joined AFFIN Bank Berhad as Head of Corporate Banking from 2002 to 2004. After that he has held numerous executive and non-executive position in public listed companies in Malaysia.

He is presently also the Independent Non-Executive Chairman of Inta Bina Group Berhad, a position he has held since 2016.

Mr Lim attended all seven (7) Board Meetings held during the financial year ended 31 December 2017.

**Public Company Directorship :**

Inta Bina Group Berhad



**DATO' SOH THIAN LAI, DIMP**  
(Malaysian, age 57, Male)  
Executive Deputy Chairman

**Board Appointment :**

15 March 2012

**Board Committees :**

Chairman of ESOS Committee and a member of Board Risk 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), President of Malaysian Iron and Steel Industry Federation (MISIF), Vice President of National Chamber of Commerce & Industry of Malaysia, Vice President of ASEAN Iron & Steel Council (AISC), Council member of Malaysian Steel Council (MSC), Founding member and Director of Malaysian Steel Institute, Director of South East Asia Iron and Steel Institute (SEASI), 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, and Council member of National Accreditation Council, Department of Standard Malaysia, Ministry of Science, Technology & Innovations.

He attended all seven (7) Board meetings held during the financial year ended 31 December 2017.

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

**Public Company Directorships :**

Federation of Malaysian Manufacturers (FMM)  
Malaysia Iron and Steel Industry Federation (MISIF)  
Malaysia Steel Institute (MSI)  
South East Asia Iron and Steel Institute (SEASI)



**VICTOR HII LU THIAN**  
(Malaysian, age 43, Male)  
Managing Director

**Board Appointment :**

27 February 2006

**Board Committees :**

A member of ESOS Committee

**Education and Experience :**

Mr Victor Hii holds an Executive Master of Science in Project Management, Master of Business Administration in Management, Bachelor of Business Administration in Management, Bachelor of Science (Project Management), and Diploma in Executive Secretaryship.

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

He attended all seven (7) Board meetings held during the financial year ended 31 December 2017.

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

**Public Company Directorship :**

Malaysia Iron and Steel Industry Federation (MISIF)  
Federation of Malaysian Manufacturers (FMM)



**YOSHIHIKO OKUNO**  
(Japanese, age 50, 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 2017.

## DIRECTORS' PROFILE



**CHRISTOPHER HII LU MING**  
(Malaysian, age 41, 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 2017.

Mr Christopher Hii is a brother of Mr Victor Hii Lu Tian, 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.



**AIZAN SUGIWAKA**  
(Japanese, age 47, 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.

Since his appointment to the Board on 1 October 2017, Mr Sugiwaka attended one (1) Board meeting held during the financial year ended 31 December 2017.



**FONG YOO KAW @ FONG YEE KOW**  
(Malaysian, age 66, Male)  
Senior Independent Director

**Board Appointment :**

3 January 2013

**Board Committees :**

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

**Education and Experience :**

Mr Victor Fong is a Chartered Accountant and member of the New Zealand Institute of Chartered Accountants, Malaysian Institute of Accountants and Malaysian Institute of Chartered Secretaries and Administrators. He was educated in Malaysia and New Zealand from which he holds a Bachelor's Degree in Commerce and Administration.

Mr Victor Fong has worked both in New Zealand and in Malaysia in both the corporate and public sectors and in public practice. He was Head of Finance of a local timber group and was Director of Finance and Group Managing Director, Commercial Division, of State Economic Development Corporation for six (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 all seven (7) Board meetings held during the financial year ended 31 December 2017.

**Public Company Directorships :**

Pansar Berhad  
Sarawak Oil Palms Berhad  
DPI Holdings Berhad



**LIEW JEE MIN @ CHONG JEE MIN**  
(Malaysian, age 59, Male)  
Independent Director

**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 graduated from the University of Leeds, England in 1984 with an Honours degree in Law and obtained his Certificate of Legal Practice, Malaya in 1985. He was admitted as an advocate and solicitor at the High Court of Malaya in 1986.

Mr Chong has been practicing law, concentrating on banking, property and corporate matters since 1986 when he established the firm, J.M. Chong, Vincent Chee & Co. He is the Vice President cum Chairman for Legal Affairs Committee for Klang Chinese Chamber of Commerce and Industry, Chairman for the Legal Affairs Committee for The Associated Chinese Chamber of Commerce and Industry of Coastal Selangor, Deputy Chairman for Legal Affairs Committee for Kuala Lumpur, Selangor Chinese Chamber of Commerce and Industry and a Member for Legal Affairs Committee for The Associated Chinese Chamber of Commerce and Industry of Malaysia. He is also the legal advisor for the Malaysia Used Vehicle Autoparts Traders' Association, The Kuala Lumpur and Selangor Furniture Entrepreneurs' Association and Sekolah Menengah Chung Hwa (PSDN) Klang.

He attended six (6) out of the seven (7) Board meetings held during the financial year ended 31 December 2017.

**Public Company Directorship :**

Jaks Resources Berhad  
Lion Industries Corporation Berhad  
Weida (M) Berhad  
Halax Holdings Berhad

## DIRECTORS' PROFILE



**YAN YING CHIEH**  
(Malaysian, age 55, Female)  
Independent Director

**Board Appointment :**

3 July 2017

**Board Committees :**

Chairman of Board Risk Committee, and a member of Audit 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 and Bank Negara Malaysia in 2016.

Since her appointment to the Board on 3 July 2017, Ms Yan attended two (2) Board meetings held during the financial year ended 31 December 2017.

**Notes:**

Save as disclosed above, none of the Directors have:

- any family relationships with any Director of the Company, and/or major shareholders of the Company save for Dato' Soh Thian Lai, Mr Victor Hii and Mr Christopher Hii.
- any conflicts of interest with the Company other than the significant related party transactions as disclosed in the Notes to the Financial Statements of this Annual Report.
- any conviction of offences within the past five (5) years (other than traffic offences).
- any sanction and/or penalty imposed on them by the regulatory bodies during FY2017.

## PROFILE OF KEY SENIOR MANAGEMENT

### **Dato' Soh Thian Lai**

(Malaysian, age 57, Male)

#### **Executive Deputy Chairman**

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

### **Victor Hii Lu Thian**

(Malaysian, age 43, Male)

#### **Managing Director**

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

### **Yoshihiko Okuno**

(Malaysian, age 50, Male)

#### **Executive Director**

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

### **Tan Ching Pding**

(Malaysian, age 53, 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 26 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.

### **Lee Khim Meng, Tony**

(Malaysian, age 60, Male)

#### **Director of Commercial – YKGI Holdings Bhd**

#### **Appointment :**

1 March 2016

#### **Education and Experience :**

Mr. Tony Lee was appointed as Group Advisor – Group MD Office/Corporate for YKGI Holdings Berhad on 1 March 2016. From 1 January 2017, he was appointed as Chief Executive Officer for Star Shine Marketing Sdn Bhd to spearhead its business development, marketing and trading operations. Effective 1 January 2018 he was re-designated as Commercial Director for YKGI Holdings Berhad.

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

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

Graduated in 1981 with a BSc in Economics & Management from University of Manitoba, Canada, he started his career with Jururancang Bersekutu, a Town & Country Planning Consultancy. He also holds an MBA from the University of Hull, UK.

Tony has more than 31 years' experience in the building material industry which includes working in BHP Lysaght (M) Sdn Bhd (now known as NS BlueScope Lysaght Malaysia Sdn Bhd). He has also worked as Marketing Manager in MetroPlex Bhd, a property developer and CI Holdings Bhd, a building material manufacturing conglomerate.

### **Alex Chan Mun Kee**

(Malaysian, age 50, Male)

#### **Chief Operating Officer - Star Shine Steel Products Sdn Bhd**

#### **Appointment :**

1 February 2018

#### **Education and Experience :**

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

His prior work experience includes Assistant Sales Manager in Poly Glass Fibre (M) Bhd and Sales Designer in Ip Muda (M) Sdn Bhd. He joined YKGI Group in October 2001 and has been taking charge of the sales and marketing of YKGI Group products since then.

Mr Alex Chan is responsible for the overall operation of Star Shine Steel Products Sdn Bhd.

### **Chin Kok Kheong**

(Malaysian, age 56, Male)

#### **Director of Quality Assurance**

#### **Appointment :**

1 March 2017

#### **Education and Experience :**

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

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

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

## PROFILE OF KEY SENIOR MANAGEMENT (cont'd)

### **Aw Chiew Lan**

(Malaysian, age 47, 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.

### **Eileen Yeoh Soo Chin**

(Malaysian, age 42, Female)

**Senior Financial Controller**

**Appointment :**

1 October 2011

**Education and Experience :**

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

Ms Eileen Yeoh began her career with Moore Stephens Public Accountant Firm in 1998. Subsequently, she joined LCL Corporation Berhad as an Accountant in 2006, she was later promoted to Head of Corporate Finance and was responsible for overseeing and managing the Corporate Finance for the Group of Companies. She has over 19 years of working experience in the field of accounting, auditing, treasury and corporate finance which specialized in project finance, debt capital raising, corporate and debt restructuring and treasury cash management.

### **Ngu Liew Ing**

(Malaysian, age 57, 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 Sdn Bhd.

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 43, 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.

### **Hoo Mun Keet**

(Malaysian, age 42, Male)

**General Manager - Production, Engineering, Logistic & Warehouse**

**Appointment :**

1 June 2016

**Education and Experience :**

Mr Hoo graduated with a Bachelor (Hons) of Engineer, Mechanical Engineering, from University of Hertfordshire, United Kingdom.

He has more than 18 years of diverse experience in the steels industry and has been involved in the field of mechanical engineering covers Projects, Productions, Engineering and Maintenance. He began his career in 2001 with Group Steel Corporation (China Steel Corporation (M) Bhd.) as Maintenance Engineer. In year 2004, he join Yung Kong Galvanising Industries Bhd. as Mechanical Engineer. Subsequently, he join BlueScope Steel (Malaysia) Sdn. Bhd. (NS BlueScope (Malaysia) Sdn. Bhd.) in year 2011 as Maintenance Manager and year 2012 he join YKGI Holdings Bhd. as Senior Manager until present position as General Manager.

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

**Notes:**

Save as disclosed above, none of the key senior management has:

- (a) any directorship in public companies and listed issuers;
- (b) any family relationship with any directors and/or major shareholders of the Company;
- (c) any conflict of interest with the Company;
- (d) any conviction for offences (other than traffic offences) within the past five (5) years; and
- (e) any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



## CORPORATE GOVERNANCE 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 2017 ("FY2017") 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](http://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.

#### (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;

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### A. BOARD OF DIRECTORS (cont'd)

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

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

#### (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 2017 Annual General Meeting ("AGM") and at least one (1) Company Secretary attends all Board and Board committee meetings during the FY2017. 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.

#### (viii) Board Composition and Diversity

The Board currently comprises nine (9) members, with six (6) Non-Executive Directors (including four (4) 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### A. BOARD OF DIRECTORS (cont'd)

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

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 Lim Pang Kiam	√			√		√				√	
Dato' Soh Thian Lai	√			√		√		√	√		
Mr Victor Hii Lu Thian	√		√			√		√	√		
Mr Yoshihiko Okuno	√			√			√		√		
Mr Fong Yoo Kaw @ Fong Yee Kow	√				√	√				√	
Mr Liew Jee Min @ Chong Jee Min	√			√		√					√
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 FY2017 which were attended by majority of the Directors except Ms Yan Ying Chieh who attended two (2) meetings as she was appointed as Independent Director on 3 July 2017 and Mr Aizan Sugiwaka attended one (1) meeting as he was appointed Non-Independent Non-Executive Director on 1 October 2017.

Name of Directors	Meetings attended	Percentage of attendance (%)
Mr Lim Pang Kiam (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)	7/7	100%
Mr Liew Jee Min @ Chong Jee Min (Independent Director)	6/7	86%
Ms Yan Ying Chieh * (Independent Director)	2/2	100%
Mr Christopher Hii Lu Ming (Non-Independent Non-Executive Director)	6/7	86%
Mr Aizan Sugiwaka ** (Non-Independent Non-Executive Director)	1/1	100%

Notes:

\* Appointed on 3 July 2017

\*\* Appointed on 1 October 2017

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 FY2017, 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. Ms Yan Ying Chieh had completed the Mandatory Accreditation Programme ("MAP") within the timeframe prescribed by Bursa Securities. During FY2017, 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 FY2017 were as follows:-

Name of Directors	Name of Training Attended
Mr Lim Pang Kiam	<ul style="list-style-type: none"> <li>Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments")" and the "new Malaysian Code on Corporate Governance</li> <li>Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</li> <li>Case Study Workshop for Independent Directors</li> </ul>
Dato' Soh Thian Lai	<ul style="list-style-type: none"> <li>15th International Steel Market &amp; Trade Conference</li> <li>Module 4 : Entrepreneurship Aspects and Up-close &amp; Personal Session</li> <li>FMM Selangor Strategic Brainstorming Session</li> <li>SEASI 2017 Conference &amp; Exhibition</li> <li>Dialogue between MISIF &amp; Vietnam Steel Association</li> <li>The New Companies Act 2016 and Regulations-Impact and Significance</li> <li>Board Excellence : How to Engage and enthuse Beyond Compliance with Sustainability</li> <li>Global Capital Markets : Entering New Era</li> <li>60 Minutes we are OSH Leader Programme</li> <li>Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments")" and the "new Malaysian Code on Corporate Governance</li> <li>TSIIA &amp; MISIF Steel Conference</li> <li>Trade Forum on the Malaysian Iron and Steel Industry</li> </ul>
Mr Victor Hii Lu Thian	<ul style="list-style-type: none"> <li>SSM Sarawak Seminar 2017</li> <li>Peningkatan Keuntungan Melalui Kawalan Kos</li> <li>Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments")" and the "new Malaysian Code on Corporate Governance</li> <li>Kursus Induksi Keselamatan Dan Kesihatan Untuk Perkerja Binaan</li> <li>4th Sarawak Business &amp; Investment Summit 2017</li> <li>Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</li> <li>Trade Forum on the Malaysian Iron and Steel Industry</li> <li>Tax and Business Summit</li> </ul>
Mr Yoshihiko Okuno	<ul style="list-style-type: none"> <li>Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments")" and the "new Malaysian Code on Corporate Governance</li> <li>Trade Forum on the Malaysian Iron and Steel Industry</li> </ul>
Mr Christopher Hii Lu Ming	<ul style="list-style-type: none"> <li>Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments")" and the "new Malaysian Code on Corporate Governance</li> </ul>
Mr Aizan Sugiwaka	* Mandatory Accreditation Programme for Directors of Public Listed Companies
Mr Fong Yoo Kaw @ Fong Yee Kow	<ul style="list-style-type: none"> <li>GST latest updates/audit and Malaysian withholding tax</li> <li>New Malaysian Code on Corporate Governance - Unpacking It for Practical Application</li> <li>Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments")" and the "new Malaysian Code on Corporate Governance</li> <li>Effective Internal Audit Function for Audit Committee Workshop - A programme for Audit Committee Members</li> </ul>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### A. BOARD OF DIRECTORS (cont'd)

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

Name of Directors	Name of Training Attended
Mr Liew Jee Min @ Chong Jee Min	<ul style="list-style-type: none"> <li>Fraud Risk Management Workshop</li> <li>Driving Financial Integrity &amp; Performance – Enhancing Financial Literacy</li> <li>Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments") and the "new Malaysian Code on Corporate Governance</li> <li>Bursa Risk Management Programme – I Am Ready to Manage Risks</li> <li>Advocacy Session on Corporate Disclosure for Directors and Principal Officers of Listed Issuers</li> <li>Effective Internal Audit Function for Audit Committee Workshop - A programme for Audit Committee Members</li> </ul>
Ms Yan Ying Chieh	<ul style="list-style-type: none"> <li>Amendments to the Listing Requirements of Bursa Malaysia Securities Berhad enhancing Disclosure and Corporate Governance Practices ("Amendments") and the "new Malaysian Code on Corporate Governance</li> <li>Mandatory Accreditation Programme for Directors of Public Listed Companies</li> </ul>

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.

#### (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 four (4) members, all of whom are Independent Non-Executive Directors with accounting or related financial management expertise or experience. Audit Committee Chairman is Mr Fong Yoo Kaw @ Fong Yee Kow and the members are Mr Lim Pang Kiam, Mr Liew Jee Min @ Chong Jee Min and Ms Yan Ying Chieh (who was appointed on 3 July 2017). Dr. Loh Leong Hua resigned on 1 September 2017.

The AC met seven (7) times during FY2017. More information on the functions, duties and activities carried out by the AC during FY2017 is set out under the heading AC Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### A. BOARD OF DIRECTORS (cont'd)

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

##### (a) Audit Committee (cont'd)

Name of AC Members	Meetings attended	Percentage of attendance (%)
Mr Fong Yoo Kaw @ Fong Yee Kow (Senior Independent Director/AC Chairman)	7/7	100%
Mr Lim Pang Kiam (Independent Director/Member)	7/7	100%
Mr Liew Jee Min @ Chong Jee Min (Independent Director/Member)	7/7	100%
Ms Yan Ying Chieh * (Independent Director)	3/3	100%
Dr Loh Leong Hua ** (Independent Director/Member)	5/6	83%

Notes:

\* Appointed on 3 July 2017

\*\* Resigned on 1 September 2017

##### (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)

The NC held three (3) meetings during FY2017.

Name of NC Members	Meetings attended	Percentage of attendance (%)
Mr Fong Yoo Kaw @ Fong Yee Kow (Senior Independent Director/ NC Chairman)	3/3	100%
Mr Liew Jee Min @ Chong Jee Min (Independent Director/Member)	2/3	66%
Mr Christopher Hii Lu Ming (Non-Independent Non-Executive Director) *	2/2	100%
Dr Loh Leong Hua ** (Independent Director/Member)	2/2	100%

Notes:

\* Appointed on 5 April 2017

\*\* Resigned on 1 September 2017

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### A. BOARD OF DIRECTORS (cont'd)

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

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

During FY2017, 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 FY2017 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 FY2017, and was guided by the Corporate Governance Guide – "Towards Boardroom Excellence", taking into consideration the following key aspects for assessment:

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

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

- the required mix of skills, experience and diversity, including gender, age and ethnicity, where appropriate;
- character, knowledge, expertise, professionalism, integrity and time availability;
- the results of the assessment on individual Directors, including the Independent Directors, 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.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### A. BOARD OF DIRECTORS (cont'd)

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

##### (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 RC 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
- Mr Lim Pang Kiam (Independent Director/Member).

The RC held one (1) meeting during FY2017.

Name of RC Members	Meetings attended	Percentage of attendance (%)
Mr Liew Jee Min @ Chong Jee Min (Independent Director/ RC Chairman)	1/1	100%
Mr Fong Yoo Kaw @ Fong Yee Kow (Senior Independent Director/Member)	1/1	100%
Mr Lim Pang Kiam * (Independent Director/Member)	n/a	n/a
Dr Loh Leong Hua ** (Independent Director/Member)	1/1	100%

Notes:

\* Appointed on 5 April 2017

\*\* Resigned on 1 September 2017

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 2017 is as follows:

Executive Directors	Salary	Bonus	EPF	Other Benefits	Total
Dato' Soh Thian Lai	720,000	-	115,200	75,000	910,200
Mr Victor Hii Lu Thian	604,366	227,500	139,981	119,200	1,091,047
Mr Yoshihiko Okuno	307,104	-	-	600	307,704
<b>Total</b>	<b>1,631,470</b>	<b>227,500</b>	<b>255,181</b>	<b>194,800</b>	<b>2,308,951</b>

Non Executive Directors	Fee	Other Allowances	Total
Mr Lim Pang Kiam	53,500	16,140	69,640
Mr Fong Yoo Kaw @ Fong Yee Kow	59,000	19,260	78,260
Mr Liew Jee Min @ Chong Jee Min	51,500	16,280	67,780
Ms Yan Ying Chieh	25,250	7,140	32,390
Mr Christopher Hii Lu Ming	31,000	4,000	35,000
Mr Aizan Sugiwaka	7,500	-	7,500
Dr Loh Leong Hua (resigned)	35,000	16,280	51,280
Mr Yasuji Nakano (retired)	22,500	-	22,500
<b>Total</b>	<b>285,250</b>	<b>79,100</b>	<b>364,350</b>

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### A. BOARD OF DIRECTORS (cont'd)

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

##### (c) Remuneration Committee (cont'd)

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 four (4) times in FY2017 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 Lim Pang Kiam (Independent Director);
- Mr Liew Jee Min @ Chong Jee Min (Independent Director); and
- Dato' Soh Thian Lai (Executive Deputy Chairman).

The BRC held four (4) meetings during the FY2017.

Name of BRC Members	Meetings attended	Percentage of attendance (%)
Ms Yan Ying Chieh * (Independent Director/ BRC Chairman)	1/1	100%
Mr Fong Yoo Kaw @ Fong Yee Kow (Senior Independent Director)	4/4	100%
Mr Liew Jee Min @ Chong Jee Min (Independent Director)	4/4	100%
Mr Lim Pang Kiam (Independent Director)	4/4	100%
Dato' Soh Thian Lai (Executive Deputy Chairman)	4/4	100%
Dr Loh Leong Hua ** (Independent Director)	3/3	100%

Notes:

\* Appointed on 1 September 2017

\*\* Resigned on 1 September 2017

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### A. BOARD OF DIRECTORS (cont'd)

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

##### (e) ESOS Committee

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

Dr. Loh Leong Hua resigned on 1 September 2017 and Ms Yan Ying Chieh was appointed as a member on 1 September 2017.

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 FY2017, ESOS Committee granted to eligible employees 36,350,000 option shares with exercise price of RM0.23 and another 2,400,000 option shares with exercise price of RM0.20 according to the ESOS By-Laws. As at the date of this report, 2,321,600 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 four Independent Directors, with Mr Fong Yoo Kaw @ Fong Yee Kow as the Audit Committee Chairman. The composition of the Audit Committee, including its roles and responsibilities, are set out in the Audit Committee Report. One of the key responsibilities of the Audit Committee in its specific terms of reference is to ensure that the financial statements of the Group and the Company comply with applicable financial reporting standards in Malaysia and provisions of the Companies Act 2016. Such financial statements comprise the quarterly financial report announced to Bursa Securities and the annual statutory financial statements.

The Directors are satisfied that in preparing the financial statements of the Group and of the Company for the FY2017, 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 FY2017 by the Company's external auditors, KPMG PLT, and a firm and company affiliated to KPMG PLT are set out below:

	RM
Audit fees	160,000
Non-audit fees	23,824

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

### B. ACCOUNTABILITY AND AUDIT (cont'd)

#### (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 FY2017 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.

The Company's corporate website at [www.ykgigroup.com](http://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 AGM is circulated to shareholders at least 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 show of hand and duly passed. The outcome of the AGM was announced to Bursa Securities on the same day.

The Company has adopted MMLR that any resolution set out in the notice of any general meetings is voted by poll for its proposed disposal of property tabled at the AGM held on 30 June 2017 and the appointment of an independent scrutineer to validate the votes casted 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.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (cont'd)

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

#### (ii) Shareholder Participation at General Meetings (cont'd)

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 FY2017, the timely release of annual reports, circulars to shareholders, press releases and financial results on a quarterly basis provide shareholders and investors with an overview of the Group's performance and operations.

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

### D. MATERIAL CONTRACTS WITH SUBSTANTIAL SHAREHOLDERS

The Company had obtained shareholders' approval in respect of renewal and new shareholders' mandate for recurrent related party transactions ("RRPT") of a revenue or trading nature at the AGM held on 30 June 2017. 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 Christopher Hii Lu Ming was appointed a member of Nomination Committee on 5 April 2017.
- (2) Ms Yan Ying Chieh was appointed to the Board of Directors and Audit Committee on 3 July 2017.
- (3) Ms Yan Ying Chieh was appointed as Chairman of Board Risk Committee and a Member of ESOS Committee on 1 September 2017.
- (4) Mr Yasuji Nakano was appointed as Member of Nomination Committee on 1 September 2017.
- (5) Mr Yasuji Nakano retired as a Director and as a member of the Nomination Committee with effect from 30 September 2017.
- (6) Mr Yoshiyuki Komaki ceased as Alternate Director to Mr Yasuji Nakano following Mr Nakano's retirement from the Board on 30 September 2017.
- (7) Mr Aizan Sugiwaka was appointed as Director of the Company with effect from 1 October 2017.
- (8) On 10 January 2018 Mr Yoshiyuki Komaki was appointed Alternate Director to Mr Aizan Sugiwaka.
- (9) On 1 April 2018 Mr Yoshiyuki Komaki resigned as Alternate Director to Mr Aizan Sugiwaka.
- (10) On 1 April 2018 Mr Koichiro Nakazawa was appointed as Alternate Director to Mr Aizan Sugiwaka.

## 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 Holdings 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.

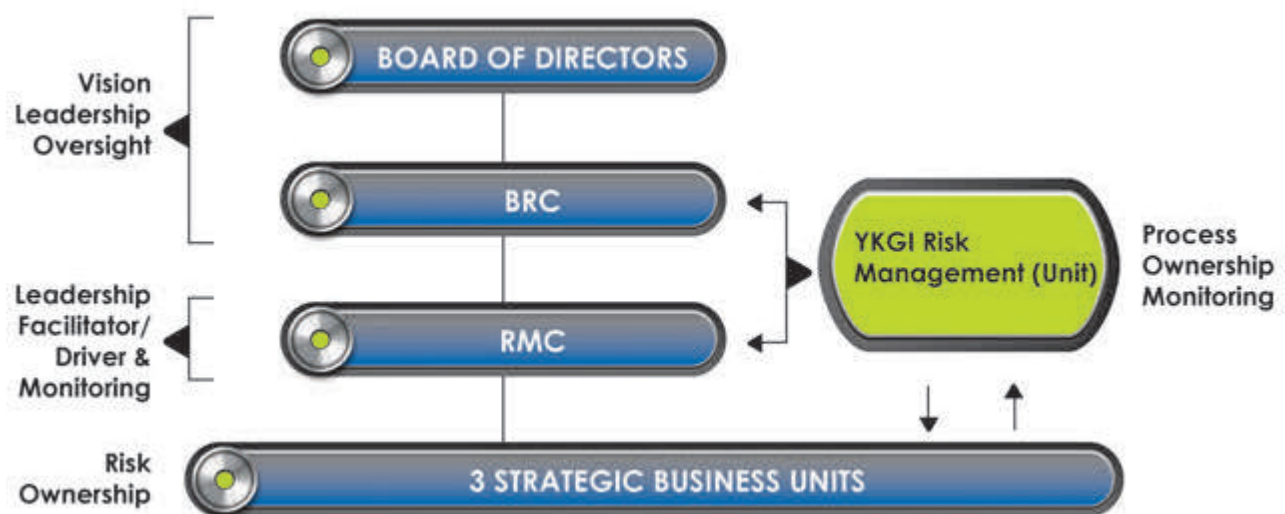
In view of the inherent limitations in any such system, the Board recognises that the system is designed to manage and mitigate the Group's risks within an acceptable and acknowledged risk profile, rather than eliminate the risks that may impede the achievement of business objectives and goals of the 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 2017, the BRC has met four 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 summarised as follows:

1. Supports BRC in facilitating and co-ordinating risk management activities at operational level, including formulating, reviewing and adopting/implementing risk philosophy, risk policy and determining level of risk appetite and risk tolerance, risk standards and criteria and measurements, and recommend the same to the Board/BRC for adoption/approval/endorsement;
2. Makes or ratifies Strategic Business Units ("SBU")/management decisions on risk management;
3. Formulates and/or recommends strategies, proposals and resource allocation for risk management to the 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. Review risk portfolio and compare the same against risk appetite;
7. Receive and review reports from SBUs on implementation of risk management and approve the SBUs/Group's risk register;
8. Review and approve the Group's risk profile, risk prioritisation and mitigation strategies for risk treatment (including risk treatment plans); and
9. Monitor and track 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 (3) years commencing from Year 2016 to 2018. 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 and implementation of audit recommendations adopted as well.

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 2017, the AC met four (4) times.

AC ensures the internal audit's independence, reviews its scope of work and assesses adequacy of resources. AC also reviews the internal audit plan, internal audit activities and external audit plan and findings. The details of the AC's activities are highlighted under the heading of 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 unit 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 and BRC. Specific responsibilities have been delegated to these Board Committees, all of which have formalised terms of reference. These Committees have the authority to examine all matters within their scope and report to the Board with their recommendations for decisions;
- 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 2017, three (3) surveillance audits were carried out on 15,16 and 19 June 2017;
- 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, 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 2017, eleven (11) meetings were held; and
- 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.

The Statement is issued in accordance with a resolution of the Board of Directors dated 13 April 2018.



## 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 31 December 2017 ("FY2017") 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 Lim Pang Kiam	Member, 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 FY2017, 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 FY2017. Three (3) attended 7/7 and one (1) attended 3/3. Dr Loh Leong Hua who resigned on 1 September 2017 attended 5/6. The Executive Deputy Chairman, Managing Director, Chief Financial Officer, Senior Financial Controller and Company Secretaries attended all the AC meetings. Other management personnel attending the meetings as and when requested by AC if clarification 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 FY2017 to present their respective reports and to discuss their audit plan and audit findings on the Company and Group. Assessment of risk profile and criterions was also carried out by the internal auditors.

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

#### 3.1 Financial Reporting

- a. Reviewed the Company and Group's unaudited financial results for the first quarter, second quarter, third quarter and fourth quarter which were announced to Bursa Securities after the Board's approvals, respectively on 28 February 2017, 5 April 2017, 8 August 2017 and 7 November 2017.
- b. Reviewed the Company's Audited Financial Statements ("AFS") for FY2017 and to ensure that the AFS complied with appropriate financial reporting standards and regulatory requirements.

## REPORT OF AUDIT COMMITTEE (cont'd)

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

#### 3.1 Financial Reporting (cont'd)

- c. Reviewed the Statement on Risk Management and Internal Control, Statement of Corporate Governance and AC Report for inclusion in this Annual Report prior to review by external auditors and the Board's approval.
- d. 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 objectivity 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 FY2017:

- 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.

## REPORT OF AUDIT COMMITTEE (cont'd)

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

#### 3.4 Internal Audit Function (cont'd)

- 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 FY2017 was RM148,843.12.

( The rest of this page is intentionally left blank)

## ADDITIONAL COMPLIANCE INFORMATION

### 1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2017

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	23	9,053
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	13	79,235
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	11	8,504

### 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:-

Description	Number of Options (Since commencement of ESOS to 31 December 2017)	
	Grand Total	Directors and Chief Executive
(a) Options 1 Granted	36,350,000	7,700,000
Options 2 Granted	2,400,000	-
(b) Options Exercised	-	-
(c) Options 1 Outstanding	36,350,000	7,700,000
Options 2 Outstanding	2,400,000	-

During the financial year ended 31 December 2017, the followings were allocated to eligible Directors and employees of the Group.

- (i) On 9 May 2017, 36,350,000 ESOS option shares at RM0.23 per share, and
- (ii) on 8 August 2017, 2,400,000 ESOS option shares at RM0.20 per share.

## ADDITIONAL COMPLIANCE INFORMATION (con't)

### 4. EMPLOYEES' SHARE OPTION SCHEME (con't)

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 Classification	1 Jan 2017	Granted	Exercised	Lapsed	31 Dec 2017	%
1 Executive Directors	-	4,200,000	-	-	4,200,000	11.07
2 Non Executive Directors	-	4,300,000	-	(800,000)	3,500,000	9.22
3 Senior Management	-	3,850,000	-	-	3,850,000	10.14
4 Others	-	26,400,000	-	-	26,400,000	69.57
<b>Total</b>	<b>-</b>	<b>38,750,000</b>	<b>-</b>	<b>(800,000)</b>	<b>37,950,000</b>	<b>100.00</b>

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 2017	Granted	Exercised	Lapsed	31 Dec 2017
1 Lim Pang Kiam	0.23	-	1,000,000	-	-	1,000,000
2 Fong Yoo Kaw @ Fong Yee Kow	0.23	-	900,000	-	-	900,000
3 Liew Jee Min @ Chong Jee Min	0.23	-	800,000	-	-	800,000
4 Christopher Hii Lu Ming	0.23	-	800,000	-	-	800,000
5 Loh Leong Hua (Resigned)	0.23	-	800,000	-	(800,000)	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,300,000</b>	<b>-</b>	<b>(800,000)</b>	<b>3,500,000</b>

( The rest of this page is intentionally left blank)

## 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 2017 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 2017 (RM)
Purchase of YKGI Group Products from YKGI Group	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	6,689,845
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	32,891
	Yunco Enterprise Sdn Bhd	Company connected to certain Directors	20,307,835
	Yunco Integrated Sdn Bhd ("YIS")	Company connected to certain Directors	726,126
	Yunco Building Systems Sdn Bhd	Company connected to certain Directors	418,676
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	7,525,150
	Golden Shogun Sdn Bhd	Company connected to certain Directors	14,113
	Milicorp Sdn Bhd	Company connected to certain Directors	5,315,076
	Northern Steel Centre Sdn bhd	Company connected to MISI	6,431,469
	Marubeni-Itochu Steel (Malaysia) Sdn Bhd	Company connected to MISI	3,790,475
	<b>Total</b>		<b>51,251,656</b>
Purchase of raw materials and consumables by YKGI Group	Marubeni-Itochu Steel Inc ("MISI")	Major shareholder of YKGI	153,175,164
		<b>Total</b>	<b>153,175,164</b>
Purchase of consumables by YKGI Group	YKC	Major shareholder of YKGI	179,078
	YIS	Company connected to certain Directors	719,217
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	38,350
	Continental Strength Sdn Bhd ("CSSB")	Company connected to certain Directors	805,668
		<b>Total</b>	<b>1,742,313</b>
Purchase of down graded products from YKGI Group	CSSB	Company connected to certain Directors	6,106,961
		<b>Total</b>	<b>6,106,961</b>
Hire purchase loan and term loan to finance purchase of vehicles and equipments for the operations of factories by the YKGI Group	Yung Kong Credit Corporation Berhad	Company connected to certain Directors	2,852,800
		<b>Total</b>	<b>2,852,800</b>

## SUSTAINABILITY STATEMENT

The Group has in place a sustainability framework that provided 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:

- 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.
- Practicing "Safety First" for all activities to minimise any preventable accidents and health hazards that may occur not only in the workplace but also in the communities we operate in.
- 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 free 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.
- 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 of being galvanised 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-Labeling 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:

- 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	2017	Category	2017
Steel Recycle Per Tonne Product	4.40 kg	SW Output Per Tonne Product	1.61 kg

Electricity Consumption Initiatives		Water Consumption Initiatives	
Category	2017	Category	2017
Consumption Per Tonne Product	99.13 kWh	Consumption Per Tonne Product	0.39 m <sup>3</sup>



### 4. COMMUNITY

YKGI also continues to support local charity programs through donation and volunteering efforts of our local employees. 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 2017 include:

- Making charity contribution to charitable organisation.
- Having factory visit by Generate Trainees.
- Setting up an Emergency Response Team (ERT).
- Having blood donation campaign.



**SUSTAINABILITY STATEMENT (cont'd)**



1

1) 4 Jan 2017, Chinese New Year cheers and donation of a drum set to Salvation Army Children's Home, Kuching.

2) 30 Mar 2017 Donation of goodies to the Kids at Klang Hospital at Hospital Tengku Ampuan Rahimah Klang.

3) 30 Mar 2017 Donation of groceries and kain batik to Rumah Org Tua CKS at Jln Bukit Mertajam off Jalan Kapar.

4) 25 May 2017 Mr. Victor Hii with the Bowling Competition Champions at Megalanes King Centre, Kuching.

5) 12-13Aug 2017 Team Building for Miri & Bintulu Branches.



2



3



5



4



5



5

**SUSTAINABILITY STATEMENT (cont'd)**

- 6) 16 Sep 2017 YKGI Malaysia Day Run with a total of 82 YKGI participants. (24 participants for 10 km, 58 participants for 5 km).
- 7) 14-15 Oct 2017 Team Building for Sabah Branch.



6



7



7



8



9



9

8) 10 Dec 2017 Distribution of Children Education Assistance.

9) 14 Dec 2017 Factory visit by Generate Trainees.

SUSTAINABILITY STATEMENT (cont'd)



10



10



10

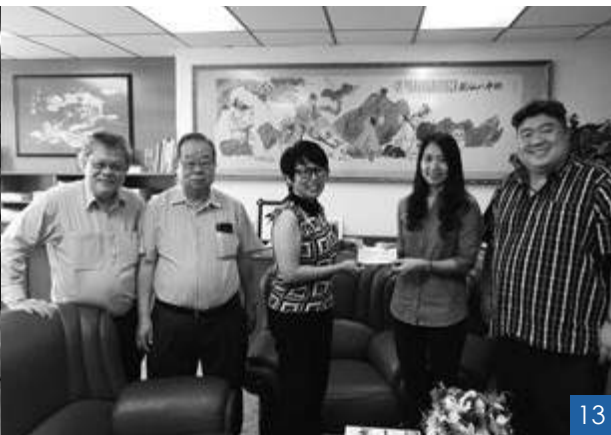


11



12

- 10) 18 Dec 2017 Rock The Night Away! Appreciation Dinner
- 11) 22 Dec 2017 Christmas Gift Exchange Party
- 12) 18 Dec 2017 Long Service Awards recipients with Dato' Peter Hii.
- 13) Donation to the The Hii Yii Ngiiik And Wong Ai Lang Foundation



13



14



15

- 14) Datuk Abang Abdul Karim presenting token of appreciation to Mr. Victor Hii at "Malaysia Productivity for E&E Sub Sector in Sarawak" seminar and 2017 blood donation campaign event at MPC Wilayah Sarawak.
  - 15) Blood donation drive was held 11 Jan, 15 June and 5 Dec. Total pint collected 182 for year 2017.
- Throughout 2017 ASTEEL donated to the following association:**
- The Hii Yii Ngiiik And Wong Ai Lang Foundation
  - Persatuan Kepolisian Komuniti Sarawak
  - Dyslexia Association of Sarawak
  - Kolej Sains Kesihatan Bersekutu Kuching
  - Kelab Usahawan Sahabat Ikhtiar Bandar Baru



## CONTACTS OF YKGI GROUP OF COMPANIES

### **YKGI HOLDINGS BERHAD (032939-U)**

#### **Registered Address/Head Office & Factory (Klang)**

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

#### **Subsidiaries (Sabah & Sarawak)**

##### **ASTEEL Resources Sdn. Bhd. (1103206-T)**

##### **ASTEEL Sdn Bhd (393042-D)**

##### **ASTEEL (Bintulu) Sdn Bhd (1062228-D)**

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](mailto:enquiries@asteel.com.my)

##### **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

##### **envio Concept Store (Bintulu)**

Lot 1260(B) Jalan Saberka 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

##### **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 88 498 877

##### **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

#### **Subsidiaries (Peninsular Malaysia)**

##### **Starshine Holdings Sdn Bhd (920871-A)**

##### **Star Shine Marketing Sdn Bhd (458071-P)**

##### **Star Shine Industries Sdn Bhd (376233-T)**

##### **Star Shine Global Trading Sdn Bhd (566960-K)**

##### **Star Shine Steel Products Sdn Bhd (619745-P)**

##### **Starshine Resources Sdn Bhd (927461-U)**

Wisma YKGI, Lot 6479 Lorong Sungai Puloh/KU6,  
Kawasan Perindustrian Sungai Puloh,  
42100 Klang Selangor Darul Ehsan Malaysia.  
Tel: +60 3 3297 5555/3291 5189 Fax: +60 3 3290 6668/3291 6193

##### **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

**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 2017

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 2017.

### 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 for the year attributable to owners of the Company	14,736,285 =====	19,295,941 =====

### Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in Note 11.3 to the financial statements.

### 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
Lim Pang Kiam	-
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 (appointed on 01.10.2017)	Yoshiyuki Komaki (appointed 10.01.2018) Yoshiyuki Komaki (resigned 01.04.2018) Koichiro Nakazawa (appointed 01.04.2018)
Yan Ying Chieh (appointed on 03.07.2017)	-
Yasuji Nakano (resigned on 30.09.2017)	Yoshiyuki Komaki (resigned on 30.09.2017)
Dr. Loh Leong Hua (resigned on 01.09.2017)	-

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

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

**DIRECTORS' REPORT** for the year ended 31 December 2017 ( cont'd)**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:

	At 1.1.2017	Number of ordinary shares		At 31.12.2017
		Bought	Sold	
<b>Direct interests in the Company:</b>				
Dato' Soh Thian Lai	12,929,346	-	-	12,929,346
Victor Hii Lu Thian	4,294,356	-	-	4,294,356
Christopher Hii Lu Ming	4,283,546	-	-	4,283,546
Lim Pang Kiam	-	197,000	( 197,000)	-
<b>Deemed interests in the Company:</b>				
Dato' Soh Thian Lai	11,576,216	-	-	11,576,216
Victor Hii Lu Thian	57,219,466	-	-	57,219,466
Christopher Hii Lu Ming	57,219,466	-	-	57,219,466

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.

( The rest of this page is intentionally left blank)



## Directors' interests in shares (continued)

	Direct interests		Number of Warrants B (2013/2020)		Deemed interests	
	At 1.1.2017	Bought	Sold	At 31.12.2017	At 1.1.2017	At 31.12.2017
<b>Interests in the Company</b>						
Dato' Soh Thian Lai	57	-	-	57	-	-
Victor Hii Lu Thian	138,990	-	-	138,990	752,309	82,799
Christopher Hii Lu Ming	12,180	-	-	12,180	752,309	82,799
					<-----Number of ESOS options over ordinary shares----->	
<b>Interests in the Company</b>						
	At 1.1.2017			Granted	Exercised	Lapsed
Dato' Soh Thian Lai	-	-	-	2,200,000	-	-
Victor Hii Lu Thian	-	-	-	2,000,000	-	-
Christopher Hii Lu Ming	-	-	-	800,000	-	-
Lim Pang Kiam	-	-	-	1,000,000	-	-
Fong Yoo Kow @ Fong Yee Kow	-	-	-	900,000	-	-
Liew Jee Min @ Chong Jee Min	-	-	-	800,000	-	-

The other Directors holding office at 31 December 2017 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 2017 ( 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 26 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

There were neither changes in the issued and paid-up capitals of the Company, nor issuance of debentures by 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 2017, 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 (2016: 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:

Date of offer	Exercise price	Number of options over ordinary shares				At 31.12.2017
		At 1.1.2017	Granted	Exercised	Forfeited	
9.5.2017	RM0.23	-	36,350,000	-	( 800,000)	35,550,000
8.8.2017	RM0.20	-	2,400,000	-	-	2,400,000
		-	38,750,000	-	( 800,000)	37,950,000



## DIRECTORS' REPORT for the year ended 31 December 2017 ( 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, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

## **DIRECTORS' REPORT** for the year ended 31 December 2017 ( cont'd)

### **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: 13 April 2018



**STATEMENTS OF FINANCIAL POSITION** as at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
<b>Assets</b>					
Property, plant and equipment	3	265,000,966	269,741,825	234,577,193	241,052,475
Investment in subsidiaries	4	-	-	46,803,265	38,803,265
Other investments	5	9,775	9,775	-	-
<b>Total non-current assets</b>		<u>265,010,741</u>	<u>269,751,600</u>	<u>281,380,458</u>	<u>279,855,740</u>
Inventories	6	97,863,249	99,812,444	62,743,080	65,927,840
Trade and other receivables	7	66,478,816	105,294,557	54,506,433	111,113,930
Deposits and prepayments	8	1,539,586	5,612,491	802,531	4,782,351
Current tax assets		320,382	645,597	11,000	-
Derivative financial assets	9	-	6,026,980	-	6,026,980
Cash and cash equivalents	10	42,200,661	31,404,656	15,583,428	5,822,089
<b>Total current assets</b>		<u>208,402,694</u>	<u>248,796,725</u>	<u>133,646,472</u>	<u>193,673,190</u>
<b>Total assets</b>		<u>473,413,435</u>	<u>518,548,325</u>	<u>415,026,930</u>	<u>473,528,930</u>
<b>Equity</b>					
Share capital	11.1	176,128,190	45,696,808	176,128,190	45,696,808
Share premium	11.2	-	130,431,382	-	130,431,382
Reserves	11.3	2,597,653	14,192,453	16,644,856	35,838,151
<b>Total equity</b>		<u>178,725,843</u>	<u>190,320,643</u>	<u>192,773,046</u>	<u>211,966,341</u>
<b>Liabilities</b>					
Loans and borrowings	12	21,315,691	24,857,048	1,532,428	5,066,311
Deferred tax liabilities	13	606,000	385,000	-	517,000
<b>Total non-current liabilities</b>		<u>21,921,691</u>	<u>25,242,048</u>	<u>1,532,428</u>	<u>5,583,311</u>
Trade and other payables	14	139,176,038	155,639,485	129,817,633	146,044,883
Loans and borrowings	12	131,888,559	145,842,020	89,746,769	109,734,395
Derivative financial liabilities	9	1,157,054	-	1,157,054	-
Current tax payables		544,250	1,504,129	-	200,000
<b>Total current liabilities</b>		<u>272,765,901</u>	<u>302,985,634</u>	<u>220,721,456</u>	<u>255,979,278</u>
<b>Total liabilities</b>		<u>294,687,592</u>	<u>328,227,682</u>	<u>222,253,884</u>	<u>261,562,589</u>
<b>Total equity and liabilities</b>		<u>473,413,435</u>	<u>518,548,325</u>	<u>415,026,930</u>	<u>473,528,930</u>

The notes on pages 58 to 118 are an integral part of these financial statements.

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Revenue</b>	15	378,800,932	399,617,157	255,076,746	285,117,823
Cost of sales		(353,700,935)	(349,382,945)	(254,861,832)	(259,426,445)
<b>Gross profit</b>		<u>25,099,997</u>	<u>50,234,212</u>	<u>214,914</u>	<u>25,691,378</u>
Other income	16	15,888,207	6,733,810	15,649,549	9,633,632
Selling and distribution expenses		( 5,565,141)	( 6,560,782)	( 2,093,785)	( 3,150,280)
Administrative expenses		( 34,790,418)	( 30,042,563)	( 21,845,271)	( 16,871,766)
Other operating expenses	17	( 5,993,860)	( 7,310,401)	( 5,993,860)	( 7,310,401)
<b>Results from operating activities</b>	18	( 5,361,215)	13,054,276	( 14,068,453)	7,992,563
Finance income	19	1,315,834	684,621	273,471	123,195
Finance costs	19	( 9,941,632)	( 11,647,745)	( 6,150,098)	( 7,066,229)
<b>Net finance costs</b>		( 8,625,798)	( 10,963,124)	( 5,876,627)	( 6,943,034)
(Loss)/Profit from operation		( 13,987,013)	2,091,152	( 19,945,080)	1,049,529
Other non-operating expenses	20	-	( 9,353,280)	-	-
<b>(Loss)/Profit before tax</b>		( 13,987,013)	( 7,262,128)	( 19,945,080)	1,049,529
Taxation	21	( 749,272)	( 2,694,680)	649,139	( 497,000)
<b>(Loss)/Profit for the year attributable to the owners of the Company</b>		<u>( 14,736,285)</u>	<u>( 9,956,808)</u>	<u>( 19,295,941)</u>	<u>552,529</u>
<b>Other comprehensive income, net of tax</b>					
Foreign current translation difference	11	-	8,377	-	-
Revaluation surplus		3,038,839	-	-	-
Share option reserve		102,646	-	102,646	-
<b>(Loss)/Profit/Total comprehensive (loss)/income for the year attributable to the owners of the Company</b>		<u>( 11,594,800)</u>	<u>( 9,948,431)</u>	<u>( 19,193,295)</u>	<u>552,529</u>
<i>Basic/diluted loss per ordinary share (sen):</i>	22	<u>( 4.2)</u>	<u>( 2.9)</u>		

The notes on pages 58 to 118 are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017



Group	Attributable to owners of the Company							Total RM
	Ordinary share RM	Redeemable convertible preference share RM	Translation reserve RM	Revaluation reserve RM	Share premium RM	Accumulated losses RM		
<b>At 1 January 2016</b>	174,168,790	10,863,050	( 29,513)	50,596,245	1,968,881	( 37,068,483)	200,498,970	
Foreign currency translation difference for foreign operations	-	-	8,377	-	-	-	8,377	
Realisation of revaluation gain	-	-	-	( 15,260,000)	-	15,260,000	-	
Loss for the year	-	-	-	-	-	( 9,956,808)	( 9,956,808)	
<b>Total comprehensive loss for the year</b>	-	-	8,377	( 15,260,000)	-	5,303,192	( 9,948,431)	
Par value reduction (Note 11.1)	(139,335,032)	-	-	-	128,692,397	10,642,635	-	
Defrayed expense	-	-	-	-	( 229,896)	-	( 229,896)	
	(139,335,032)	-	-	-	128,462,501	10,642,635	( 229,896)	
<b>At 31 December 2016</b>	34,833,758	10,863,050	( 21,136)	35,336,245	130,431,382	( 21,122,656)	190,320,643	
	(Note 11.1)	(Note 11.1)	(Note 11.3)	(Note 11.3)	(Note 11.2)	(Note 11.3)	=====	

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2017 (cont'd)

Group	Atributable to owners of the Company								Total RM
	Ordinary share RM	Redeemable convertible preference share RM	Translation reserve RM	Revaluation reserve RM	Share option reserve RM	Share premium RM	Accumulated losses RM		
<b>At 31 December 2016/ 1 January 2017</b>	34,833,758	10,863,050	( 21,136)	35,336,245	-	130,431,382	( 21,122,656)	190,320,643	
Foreign currency translation difference for foreign operations	-	-	21,136	-	-	-	(21,136)	-	
Share-based payment transactions	-	-	-	2,959,839	102,646	-	-	102,646	
Revaluation surplus	-	-	-	2,959,839	-	-	79,000	3,038,839	
Loss for the year	-	-	-	-	-	-	(14,736,285)	(14,736,285)	
<b>Total comprehensive loss for the year</b>	-	-	21,136	2,959,839	102,646	-	(14,678,421)	(11,594,800)	
Transfer in accordance with Section 618(2) of the Companies Act 2016	130,431,382	-	-	-	-	(130,431,382)	-	-	
<b>At 31 December 2017</b>	165,265,140	10,863,050	-	38,296,084	102,646	-	(35,801,077)	178,725,843	
	=====	=====	=====	=====	=====	=====	=====	=====	
	(Note 11.1)	(Note 11.1)	(Note 11.3)	(Note 11.3)	(Note 11.3)	(Note 11.2)	(Note 11.3)		

The notes on pages 58 to 118 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017 (cont'd)



Company	Attributable to owners of the Company					Total	
	Ordinary share RM	Redeemable convertible preference share RM	Revaluation reserve RM	Share option reserve RM	Share premium RM		(Accumulated losses)/ Retained earnings RM
<b>At 1 January 2016</b>	174,168,790	10,863,050	35,285,622	-	1,968,881	(10,642,635)	211,643,708
Profit for the year	-	-	-	-	-	552,529	552,529
Par value reduction (Note 11.1)	(139,335,032)	-	-	-	128,692,397	10,642,635	-
Defrayed expense	-	-	-	-	(229,896)	-	(229,896)
	(139,335,032)	-	-	-	128,462,501	11,195,164	322,633
<b>At 31 December 2016/1 January 2017</b>	34,833,758	10,863,050	35,285,622	-	130,431,382	552,529	211,966,341
Share-based payment transactions	-	-	-	102,646	-	-	102,646
Realisation of revaluation gain	-	-	(1,605,622)	-	-	1,605,622	-
Loss for the year	-	-	-	-	-	(19,295,941)	(19,295,941)
Transfer in accordance with Section 618 (2) of the Companies Act 2016	130,431,382	-	-	-	(130,431,382)	-	-
	130,431,382	-	(1,605,622)	102,646	(130,431,382)	(17,690,319)	(19,193,295)
<b>At 31 December 2017</b>	165,265,140	10,863,050	33,680,000	102,646	-	(17,137,790)	192,773,046
	=====	=====	=====	=====	=====	=====	=====
	(Note 11.1)	(Note 11.1)	(Note 11.3)	(Note 11.3)	(Note 11.2)	(Note 11.3)	

The notes on pages 58 to 118 are an integral part of these financial statements.



## STATEMENTS OF CASH FLOWS

for the year ended 31 December 2017

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flows from operating activities</b>				
(Loss)/Profit before tax	(13,987,013)	( 7,262,128)	(19,945,080)	1,049,529
Adjustments for:				
Depreciation of property, plant and equipment	17,433,767	18,671,672	14,852,685	14,793,504
Finance income	( 1,315,834)	( 684,621)	( 273,471)	( 123,195)
Finance costs	9,941,632	11,647,745	6,150,098	7,066,229
Dividend received	-	( 375)	-	( 2,400,000)
Loss/(Gain) on disposal of:				
- property, plant and equipment	( 24,342)	( 176,732)	( 61,007)	320,559
- property held for sale	-	9,353,280	-	-
Impairment loss on:				
- property, plant and equipment	1,631,487	-	1,631,487	-
- investment in subsidiary	-	-	-	198,831
Property, plant and equipment written off	557,961	1,648,634	502,569	-
Unrealised foreign exchange (gain)/loss	( 6,427,135)	5,606,370	( 6,427,135)	5,606,370
Unrealised derivative loss/(gain) on forward foreign exchange contracts (Note 9)	1,157,054	( 6,026,980)	1,157,054	( 6,026,980)
Equity settled share-based payment transactions	102,646	-	102,646	-
<b>Operating profit/(loss) before changes in working capital</b>	<b>9,070,223</b>	<b>32,776,865</b>	<b>( 2,310,154)</b>	<b>20,484,847</b>
Changes in inventories	1,949,195	( 10,772,129)	3,184,760	( 1,472,378)
Changes in trade and other receivables, deposits and prepayments	42,888,646	2,481,704	60,587,317	2,404,627
Changes in trade and other payables	( 4,031,331)	4,084,783	(4,153,748)	2,161,145
<b>Cash generated from operations</b>	<b>49,876,733</b>	<b>28,571,223</b>	<b>57,308,175</b>	<b>23,578,241</b>
Tax paid	( 2,115,936)	( 1,179,378)	( 78,861)	-
Interest paid	( 8,120,737)	( 8,784,755)	( 5,675,396)	( 6,328,776)
Interest received	468,671	86,448	224,330	59,816
<b>Net cash from operating activities</b>	<b>40,108,731</b>	<b>18,693,538</b>	<b>51,778,248</b>	<b>17,309,281</b>

**STATEMENTS OF CASH FLOWS**

for the year ended 31 December 2017 ( cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment [Note (i)]	( 7,146,849)	( 4,076,875)	(18,751,254)	( 3,721,288)
Increase in investment in existing subsidiary	-	-	( 1,275,858)	-
Dividend received	-	375	-	2,400,000
Proceeds from disposal of property, plant and equipment [Note (ii)]	27,350	252,363	1,957,273	607,061
Proceeds from disposal of property held for sale	-	29,597,325	-	-
Interest received	847,163	598,173	49,141	63,379
(Increase)/Decrease in deposits pledged to banks	(14,215,158)	3,801,888	( 2,400,000)	( 330,634)
<b>Net cash (used in)/from investing activities</b>	<u>(20,487,494)</u>	<u>30,173,249</u>	<u>(20,420,698)</u>	<u>( 981,482)</u>
<b>Cash flows from financing activities</b>				
Net repayment of term loans	( 5,637,341)	(21,425,566)	( 3,784,973)	( 5,838,510)
Net repayment from bankers' acceptances and revolving credits	(13,405,038)	(14,392,301)	(18,129,000)	(14,875,000)
Repayment of finance lease liabilities	( 2,773,975)	( 2,512,601)	( 874,493)	( 728,181)
Interest paid	( 1,820,896)	( 2,862,990)	( 474,702)	( 737,453)
Defrayed expenses	-	( 229,896)	-	( 229,896)
<b>Net cash used in financing activities</b>	<u>(23,637,250)</u>	<u>(41,423,354)</u>	<u>(23,263,168)</u>	<u>(22,409,040)</u>
Net (decrease)/increase in cash and cash equivalents	( 4,016,013)	7,443,433	8,094,382	( 6,081,241)
Cash and cash equivalents at beginning of year	16,344,059	8,900,626	2,222,728	8,303,969
Cash and cash equivalents at end of year [Note (iii)]	<u>12,328,046</u>	<u>16,344,059</u>	<u>10,317,110</u>	<u>2,222,728</u>

**Notes**
**(i) Acquisition of property, plant and equipment**

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Paid in cash	7,146,849	4,076,875	18,751,254	3,721,288
In the form of finance lease assets	3,724,676	2,937,412	-	724,300
<b>Total (see Note 3)</b>	<u>10,871,525</u>	<u>7,014,287</u>	<u>18,751,254</u>	<u>4,445,588</u>

**STATEMENTS OF CASH FLOWS**

for the year ended 31 December 2017 ( cont'd)

**Notes** (continued)**(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Received in cash	27,350	252,363	1,957,273	607,061
Contra with shares subscription	-	-	6,343,529	-
Total (see Note 3)	<u>27,350</u> =====	<u>252,363</u> =====	<u>8,300,802</u> =====	<u>607,061</u> =====

**(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	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits placed with licensed banks with maturities less than three months	-	14,000,000	-	-
Cash in hand and at banks	15,081,388	4,500,541	11,383,428	4,022,089
Total (see Note 10)	<u>15,081,388</u>	<u>18,500,541</u>	<u>11,383,428</u>	<u>4,022,089</u>
Less: Bank overdrafts (Note 12)	( 2,753,342)	( 2,156,482)	( 1,066,318)	( 1,799,361)
	<u>12,328,046</u> =====	<u>16,344,059</u> =====	<u>10,317,110</u> =====	<u>2,222,728</u> =====

The notes on pages 58 to 118 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 Wisma YKGI, Lot 6479 Lorong Sg. Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan.

### Registered office

Wisma YKGI, Lot 6479 Lorong Sungai Puloh/KU6 Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan.

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 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 2017 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 13 April 2018.

## 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
Amendments to MFRS 2, <i>Classification and Measurement of Share-based Payment Transaction</i>	1 January 2018
MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
<i>Clarification to MFRS 15, Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 1, <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014 – 2017 Cycle)</i>	1 January 2018
Amendments to MFRS 2, <i>Share-based payment- Classification and Measurement of Share-based Payment Translation</i>	1 January 2018
Amendments to MFRS 4, <i>Applying MFRS 9 Financial Instrument with MFRS 4 Insurance Contract</i>	1 January 2018
Amendments to MFRS 128, <i>Investment in Associates and Joint Ventures</i>	1 January 2018
Amendments to MFRS 140, <i>Transfers of Investment Property</i>	1 January 2018
IC interpretation 22, <i>Foreign Currency Transactions And Advance Consideration</i>	1 January 2018
MFRS 16, <i>Leases</i>	1 January 2019
Amendments to MFRS 128, <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 119, <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
MFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10, <i>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</i>	To be determined

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

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

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

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2018 for those amendments that are effective for annual periods beginning on or after 1 January 2018 except for the Amendments to MFRS 1, Amendments to MFRS 4 and Amendments to MFRS 128 which are assessed as not applicable to the Group and to the Company.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019 except for the Amendments to MFRS 128 which is assessed as not applicable to the Group and to the Company.

The Group and 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 Company.

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

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

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The Group and Company does not expect material financial impact on initial application of MFRS 15 based on assessment undertaken to date.

#### (ii) MFRS 9, Financial Instruments

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

The Group and Company is currently assessing the financial impact that may arise from adopting MFRS 9.

#### (iii) MFRS 16, Leases

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

The Group and Company is currently assessing the financial impact that may arise from adopting MFRS 16.

#### (b) Basis of measurement

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

The Directors have prepared the financial statements of the Group and of the Company on a going concern basis, notwithstanding that, the Group and the Company has incurred net losses of RM14,736,285 (2016: RM9,956,808) and RM19,295,941 (2016: net profit of RM552,529) respectively during the financial year ended 31 December 2017, and as of that date, the Group and Company current liabilities exceeded the current assets by RM64,363,207 (2016: RM54,188,909) and RM87,074,984 (2016: RM62,306,088) respectively. These events or conditions indicate that there is material uncertainty on the Group's and the Company's ability to continue as going concerns.

The Group and Company have implemented certain business turnaround plans which are currently in progress and are continually exploring various options to address the net current liabilities position, amongst which,

- Increase production efficiency with view of achieving better production yield and lower production cost, which include realignment of product mix, production scheduling and staff redeployment exercise;
- Streamline non-profitable production line and to further develop and strengthen its profitable downstream business; and
- On-going programme of disposal of non-core assets to raise funding for working capital and other purposes for which those completed transactions have raised approximately RM51 million to-date.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

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

#### (b) Basis of measurement (cont'd)

In view of the above, the appropriateness of preparing the financial statements on a going concern basis is dependent upon the successful execution of the abovementioned plans to achieve profitability, continued support from the financial institutions as well as from a substantial shareholder, who is also a major supplier. As at 31 December 2017, the outstanding balance due to the abovementioned substantial shareholder amounted to RM116,778,110 (2016: RM126,980,148) (see Note 14).

Accordingly, the financial statements of the Group and of the Company do not include any adjustments relating to the recoverability and classification of recorded assets amounts or to additional amounts and classification of liabilities that may be necessary should the aforesaid plans were not forthcoming or successfully implemented.

#### (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, valuation of property, plant and equipment;
- Note 3, impairment assessment of property, plant and equipment; and
- Note 7, impairment assessment of trade receivables.

### 2. Significant accounting policies

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

#### (a) Basis of consolidation

##### (i) Subsidiaries

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

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.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

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

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

##### (ii) Business combinations (cont'd)

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

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

##### (iii) Acquisitions of non-controlling interests

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

##### (iv) Acquisitions from entities under common controls

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

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

##### (v) Loss of control

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

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

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

#### (b) Foreign currency (cont'd)

##### (i) Foreign currency transactions (cont'd)

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

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

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

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

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

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

#### (c) Financial instruments

##### (i) Initial recognition and measurement

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

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

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

##### (ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

#### Financial assets

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

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

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

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



## 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)

###### (b) *Held-to-maturity investments*

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

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

###### (c) *Loans and receivables*

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

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

###### (d) *Available-for-sale financial assets*

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

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

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

##### *Financial liabilities*

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

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

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

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

##### (iii) *Financial guarantee contracts*

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

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

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 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.

#### (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 the 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)

##### (i) 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.

##### (ii) 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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 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) Cash and cash equivalents

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

#### (i) Impairment

##### (i) Financial assets

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

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the 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.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

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

#### (i) Impairment (cont'd)

##### (i) Financial assets (cont'd)

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

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

##### (ii) Other assets

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

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

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

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

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

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

#### (j) Equity instruments

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

##### (i) Issue expenses

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

##### (ii) Ordinary shares

Ordinary shares are classified as equity.

##### (iii) Preference share capital

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

#### (k) 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)

#### (l) Contingent liabilities

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

#### (m) Revenue and other income

##### (i) Goods sold

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

##### (ii) Services rendered

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

##### (iii) 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.

##### (iv) 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.

##### (v) Interest income

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

#### (n) Borrowing costs

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

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

#### (o) Income tax

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

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

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

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

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced 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.

#### (p) Discontinued operations

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

#### (q) Earnings per ordinary share

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

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

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

#### (r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. 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.



## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

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

#### (s) Fair value measurement

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

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

( The rest of this page is intentionally left blank)

## 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
<b>Cost/Valuation</b>							
At 1 January 2016	60,700,000	3,972,000	4,627,000	65,023,404	310,512,923	12,404,630	457,239,957
Additions	-	-	-	820,078	2,471,073	595,489	3,886,640
Disposals	-	-	-	(195)	(4,776,036)	(167,700)	(4,943,931)
Written off	-	-	-	-	(3,527,260)	(1,901,923)	(5,429,183)
At 31 December 2016/	60,700,000	3,972,000	4,627,000	65,843,287	304,680,700	10,930,496	450,753,483
1 January 2017	-	5,846	-	499,827	5,736,125	704,076	6,945,874
Additions	-	-	-	-	-	(19,717)	(19,717)
Disposals	-	-	-	-	(39,638,743)	(705,906)	(40,344,649)
Written off	-	-	-	-	3,433,410	-	3,433,410
Transfer	-	-	-	-	-	-	-
Revaluation of assets (Note 3.1)	-	622,154	2,885,000	-	-	-	3,507,154
At 31 December 2017	60,700,000	4,600,000	7,512,000	66,343,114	274,211,492	10,908,949	424,275,555
Representing items at:							
Cost	27,020,000	-	-	66,343,114	274,211,492	10,908,949	378,483,555
Directors' valuation	33,680,000	4,600,000	7,512,000	-	-	-	45,792,000
At 31 December 2017	60,700,000	4,600,000	7,512,000	66,343,114	274,211,492	10,908,949	424,275,555

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 3. Property, plant and equipment (continued)

Group (continued)	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, and equipment and tools RM	Subtotal RM
<b>Depreciation/Impairment</b>							
At 1 January 2016	-	47,855	121,763	31,480,032	155,636,252	8,735,150	196,021,052
Depreciation for the year	-	46,729	121,763	3,040,071	13,760,091	797,846	17,766,500
Disposals	-	-	-	(2)	(4,881,974)	(122,981)	(5,004,957)
Reclassification	-	-	-	-	(3,146)	3,146	-
Written off	-	-	-	-	(2,010,289)	(1,783,437)	(3,793,726)
Accumulated depreciation	-	94,584	243,526	34,520,101	162,318,934	7,629,724	204,806,869
Accumulated impairment loss	-	-	-	-	182,000	-	182,000
At 31 December 2016/	-	94,584	243,526	34,520,101	162,500,934	7,629,724	204,988,869
1 January 2017	-	46,812	121,763	2,713,618	12,890,857	740,675	16,513,725
Depreciation for the year	-	-	-	-	-	(16,709)	(16,709)
Disposals	-	-	-	-	(39,123,157)	(695,080)	(39,818,237)
Written off	-	-	-	-	(7,800)	7,800	-
Transfer	-	-	-	-	744,362	-	744,362
Impairment	-	-	-	-	-	-	-
Revaluation of assets (Note 3.1)	-	(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 31 December 2017	-	-	-	37,233,719	137,005,196	7,666,410	181,905,325
<b>Carrying amounts</b>							
At 31 December 2016/	60,700,000	3,877,416	4,383,474	31,323,186	142,179,766	3,300,772	245,764,614
1 January 2017	60,700,000	4,600,000	7,512,000	29,109,395	137,206,296	3,242,539	242,370,230



## 3. Property, plant and equipment (continued)

<u>Group</u> (continued)	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
<b>Cost/Valuation</b> (continued)						
At 1 January 2016	457,239,957	8,234,943	1,588,477	6,324,091	13,773,646	487,161,114
Additions	3,886,640	1,182,334	-	-	1,945,313	7,014,287
Disposals	( 4,943,931)	( 1,220,545)	-	-	-	( 6,164,476)
Written off	( 5,429,183)	-	( 1,503,020)	-	-	( 6,932,203)
At 31 December 2016/	450,753,483	8,196,732	85,457	6,324,091	15,718,959	481,078,722
1 January 2017	6,945,874	1,104,828	-	-	2,820,823	10,871,525
Additions	( 19,717)	( 232,292)	-	-	-	( 252,009)
Disposals	( 40,344,649)	-	( 85,456)	-	-	( 40,430,105)
Written off	3,433,410	-	-	-	( 3,433,410)	-
Transfer	3,507,154	-	-	-	-	3,507,154
Revaluation of assets (Note 3.1)						
At 31 December 2017	424,275,555	9,069,268	1	6,324,091	15,106,372	454,775,287
Representing items at:						
Cost	378,483,555	9,069,268	1	6,324,091	15,106,372	408,983,287
Directors' valuation	45,792,000	-	-	-	-	45,792,000
At 31 December 2017	424,275,555	9,069,268	1	6,324,091	15,106,372	454,775,287

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 3. Property, plant and equipment (continued)

Group (continued)	Subtotal RM	Motor vehicles RM	Moulds, loose tools and implements RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
<b>Depreciation/impairment</b> (continued)						
At 1 January 2016	196,021,052	5,638,309	1,530,770	847,505	-	204,037,636
Depreciation for the year	17,766,500	665,785	11,556	227,831	-	18,671,672
Disposals	( 5,004,957)	( 1,083,885)	-	-	-	( 6,088,842)
Reclassification	-	-	-	-	-	-
Written off	( 3,793,726)	-	( 1,489,843)	-	-	( 5,283,569)
Accumulated depreciation	204,806,869	5,220,209	52,483	1,075,336	-	211,154,897
Accumulated impairment loss	182,000	-	-	-	-	182,000
At 31 December 2016/						
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)
Transfer	-	-	-	-	-	-
Impairment	744,362	-	-	-	887,125	1,631,487
Revaluation of assets (Note 3.1)	( 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	181,905,325	5,656,373	-	1,325,498	887,125	189,774,321
<b>Carrying amounts</b>						
At 31 December 2016/						
1 January 2017	245,764,614	2,976,523	32,974	5,248,755	15,718,959	269,741,825
At 31 December 2017	242,370,230	3,412,895	1	4,998,593	14,219,247	265,000,966



## 3. Property, plant and equipment (continued)

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, and tools RM	Motor vehicles RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
<b>Cost/Valuation</b>									
At 1 January 2016	60,700,000	4,627,000	59,437,177	270,423,466	8,228,550	4,044,152	6,324,091	13,773,644	427,558,080
Additions	-	-	580,123	2,362,507	417,001	784,882	-	301,075	4,445,588
Disposals	-	-	-	( 2,266,291)	( 33,742)	( 148,376)	-	-	( 2,448,409)
At 31 December 2016/1 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	60,700,000	-	44,556,881	228,318,758	6,354,788	2,487,086	6,324,091	14,414,719	363,156,323
Representing items at:									
Cost	27,020,000	-	44,556,881	228,318,758	6,354,788	2,487,086	6,324,091	14,414,719	329,476,323
Directors' valuation	33,680,000	-	-	-	-	-	-	-	33,680,000
At 31 December 2017	60,700,000	-	44,556,881	228,318,758	6,354,788	2,487,086	6,324,091	14,414,719	363,156,323

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

3. Property, plant and equipment (continued)

Company (continued)	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
<b>Depreciation</b>									
At 1 January 2016	-	121,763	30,888,361	134,508,258	5,716,276	3,147,906	847,505	-	175,230,069
Depreciation for the year	-	121,763	2,669,990	10,834,505	534,833	404,582	227,831	-	14,793,504
Disposals	-	-	-	( 1,370,078)	( 14,705)	( 136,006)	-	-	( 1,520,789)
At 31 December 2016/ 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	-	-	22,659,301	97,415,886	4,716,411	1,574,909	1,325,498	887,125	128,579,130
<b>Carrying amounts</b>									
At 31 December 2016/ 1 January 2017	60,700,000	4,383,474	26,458,949	126,546,997	2,375,405	1,264,176	5,248,755	14,074,719	241,052,475
At 31 December 2017	60,700,000	-	21,897,580	130,902,872	1,638,377	912,177	4,998,593	13,527,594	234,577,193

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 3. Property, plant and equipment (continued)

#### 3.1 Property, plant and equipment under the revaluation model

During the financial year, the Group had revalued for both freehold land and leasehold land according to its policy. The revaluation was performed by independent professional valuers, namely Raine & Horne International Zaki + Partners Sdn. Bhd. and Henry Butcher (Malaysia) Sdn. Bhd. using the comparison method. Following the exercise, revaluation surplus of RM2,959,839 were taken up in the revaluation reserve accounts of the Group (see Note 11.3).

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Carrying amounts</b>				
Freehold land	27,020,000	27,020,000	27,020,000	27,020,000
Short-term leasehold land	2,296,203	2,359,565	-	2,359,565
Long-term leasehold land	3,781,107	3,827,919	-	-
	<u>33,097,310</u>	<u>33,207,484</u>	<u>27,020,000</u>	<u>29,379,565</u>
	=====	=====	=====	=====

#### 3.2 Security

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

Group	Carrying amounts	
	2017 RM	2016 RM
<u>Fixed legal charges</u>		
Leasehold land	4,600,000	3,877,416
Buildings	4,333,910	4,626,782
	<u>8,933,910</u>	<u>8,504,198</u>
	=====	=====

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

#### 3.3 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 by independent professional valuers by reference to the market values of similar assets and after taking into accounts the age and physical condition of the assets. Based on the valuation reports provided by the independent professional valuers, an impairment amounted to RM744,362 has been provided for certain plant and machineries during the financial year. The fair value of the remaining assets are higher than their recoverable amounts, hence no impairment losses is required.

#### 3.4 Leased property, plant and equipment

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

Group	Carrying amounts	
	2017 RM	2016 RM
Plant and machinery	4,455,217	8,717,649
Motor vehicles	2,184,587	1,926,317
	<u>6,639,804</u>	<u>10,643,966</u>
	=====	=====



## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 4. Investment in subsidiaries

	Company	
	2017 RM	2016 RM
Unquoted shares, at cost	46,803,265	39,002,096
Less: Allowance for impairment losses	-	( 198,831)
	46,803,265	38,803,265
	=====	=====

#### 4.1 Increase in investment in a subsidiary

On 10 November 2017, the Company subscribed a total of 8,000,000 new ordinary shares in ASTEEL Resources Sdn Bhd ("ARSB") via:

- (i) 6,724,142 new ordinary shares of RM1.00 each satisfied by a parcel of industrial land and building of the Company.
- (ii) 1,275,858 new ordinary shares of RM1.00 each for a total cash consideration of RM1,275,858.

#### 4.2 Allowance for impairment losses

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

#### 4.3 Details of the subsidiaries

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

Subsidiary	Principal activities	Effective ownership interest/Voting interest	
		2017 %	2016 %
<u>Direct</u>			
ASTEEL Resources Sdn. Bhd. ("AR")	Investment holding	100	100
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	100	100
YKGI (Thai) Co. Ltd. ("YKGI Thai")^^	Investment holding	-	49/100
<u>Indirect through SSH</u>			
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

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 4. Investment in subsidiaries (continued)

#### 4.3 Details of the subsidiaries (continued)

Subsidiary	Principal activities	Effective ownership interest/Voting interest	
		2017 %	2016 %
<u>Indirect through SSH (continued)</u>			
Star Shine Steel Products Sdn. Bhd.	Manufacture and sale of steel products and trading of other building and construction materials as well as provision of shearing and slitting services until it ceased the operation in August and commenced in trading of hardware and building materials.	100	100
Star Shine Industries Sdn. Bhd.	Manufacture and trading of steel tubes and pipes as well as provision of slitting services	100	100
<u>Indirect through SSM</u>			
Starshine Resources Sdn. Bhd.	Dormant	100	100
<u>Indirect through AR</u>			
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 (Bintulu) Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100	100
<u>Indirect through YKGI Thai</u>			
YKGI (Thai) Steel Co. Ltd.^	Dormant	-	49/100

^^ Not audited by member firms of KPMG International.

**4.4** As the Group does not have material non-controlling interests, there is no disclosure on the financial information of non-controlling interests.

**4.5** YKGI (Thai) Steel Co Ltd and YKGI (Thai) Co Ltd were liquidated on 20 April 2017 and 6 July 2017 respectively.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 5. Other investments

	Group	
	2017 RM	2016 RM
Available-for-sale financial assets	21,400	21,400
Less: Impairment loss	( 11,625)	( 11,625)
	9,775	9,775
	9,775	9,775

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

### 6. Inventories

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>At cost</b>				
Raw materials	39,520,287	32,788,826	27,097,355	20,215,721
Work-in-progress	19,774,802	9,081,196	11,310,830	3,623,612
Manufactured inventories	15,877,020	35,385,266	9,921,759	29,465,406
Trading products	7,594,949	9,356,338	-	-
Consumables	12,191,466	12,142,891	11,841,833	11,723,583
	94,958,524	98,754,517	60,171,777	65,028,322
	94,958,524	98,754,517	60,171,777	65,028,322
<b>At net realisable value</b>				
Raw materials	-	83,641	-	-
Manufactured inventories	2,628,005	899,518	2,571,303	899,518
Trading products	276,720	74,768	-	-
	2,904,725	1,057,927	2,571,303	899,518
	2,904,725	1,057,927	2,571,303	899,518
<b>Total</b>	97,863,249	99,812,444	62,743,080	65,927,840
<b>Recognised in profit or loss:</b>				
- Inventories recognised as cost of sales	353,700,935	348,491,639	254,861,832	259,426,445
- Write-down to net realisable value	628,643	615,360	335,600	550,115
	628,643	615,360	335,600	550,115

The Group and the Company evaluated their inventories as at the end of the reporting period to determine if any of them would not be saleable at or above their cost. Following the evaluation, the Group and the Company wrote down certain inventories (comprising mainly low-grade inventories) to their net realisable value. The 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		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade</b>					
Trade receivables	7.1	67,637,691	83,217,442	31,363,559	39,619,947
Less: Allowance for impairment losses		( 1,427,873)	( 2,581,911)	-	( 124,814)
		66,209,818	80,635,531	31,363,559	39,495,133
Subsidiaries		-	-	19,916,848	66,289,798
Subtotal		66,209,818	80,635,531	51,280,407	105,784,931
<b>Non-trade</b>					
Subsidiaries	7.2	-	-	3,221,192	3,660,156
Other receivables	7.3	1,788,662	24,659,026	1,524,498	1,668,843
Less: Allowance for impairment losses		( 1,519,664)	-	( 1,519,664)	-
		268,998	24,659,026	4,834	1,668,843
		268,998	24,659,026	3,226,026	5,328,999
Total		66,478,816	105,294,557	54,506,433	111,113,930

**7.1 Assessment of impairment loss on receivables**

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

**7.2 The non-trade balance due from subsidiaries are unsecured, interest free and repayable on demand.**
**7.3 Included in other receivables of the Group and of the Company is an amount of RM1,519,664 (2016: RM1,518,130) due from a former subsidiary of the Group, which are unsecured and interest free. During the year, the outstanding balance has been fully impaired.**
**8. Deposits and prepayments**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits	499,760	4,424,694	557,128	4,004,763
Prepayments	1,039,826	1,187,797	245,403	777,588
	1,539,586	5,612,491	802,531	4,782,351

Included in prior year deposit of the Group and of the Company was an upfront payment for purchasing parts and machinery amounted to RM3,941,036.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 9. Derivative financial (liabilities)/assets

	Group and Company	
	2017 RM	2016 RM
Derivatives held for trading at fair value through profit or loss		
- Forward foreign exchange contracts	( 1,157,054)	6,026,980
	=====	=====

Nominal value of the outstanding forward foreign exchange contracts as at 31 December 2017 is RM31,052,431 (2016: RM121,740,666).

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	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits placed with licensed banks with maturities less than three months	-	14,000,000	-	-
Cash in hand and at banks	15,081,388	4,500,541	11,383,428	4,022,089
	-----	-----	-----	-----
Total cash and cash equivalents	15,081,388	18,500,541	11,383,428	4,022,089
Deposits placed with licensed banks with maturities less than three months and pledged with financial institutions	14,418,617	-	-	-
Deposits placed with licensed banks with maturities more than three months and pledged with financial institutions	12,700,656	12,904,115	4,200,000	1,800,000
	-----	-----	-----	-----
	42,200,661	31,404,656	15,583,428	5,822,089
	=====	=====	=====	=====

The fixed deposits were pledged to secure bank facilities granted for certain subsidiaries. (see Note 12)

**NOTES TO THE FINANCIAL STATEMENTS ( cont'd)**
**11. Capital and reserves**
**11.1 Share capital**

	<b>Group and Company</b>			
	<b>Amount</b>		<b>Number of shares</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>		
<b>Issued and fully paid up</b>				
<i>Ordinary shares</i>				
Opening balances	34,833,758	174,168,790	348,337,580	348,337,580
Par value reduction	-	(139,335,032)	-	-
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 [Note 11.2]	130,431,382	-	-	-
Closing balances	<u>165,265,140</u>	<u>34,833,758</u>	<u>348,337,580</u>	<u>348,337,580</u>
<i>Redeemable convertible preference shares</i>				
Opening and closing balances	10,863,050	10,863,050	21,726,100	21,726,100
Total	<u>176,128,190</u>	<u>45,696,808</u>	<u>370,063,680</u>	<u>370,063,680</u>

The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no major impact on the number of ordinary shares in issue or the relative entitlements of any members as a results of the transition.

Included in share capital is share premium amounting to RM130,431,382 that is available to be utilised in accordance with Section 618(3) of the Companies Act 2016 on or before 30 January 2019 (24 months from commencement of section 74).

**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 (10<sup>th</sup>) 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.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 11. Capital and reserves (continued)

#### 11.1 Share capital (continued)

##### **Redeemable convertible preference shares ("RCPS") (continued)**

- ii) No fractional shares shall be issued upon conversion of the RCPS. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall pay cash equal to such fraction multiplied by:
  - (1) where the shares are listed and quoted on Bursa Malaysia at the conversion time, the arithmetic mean of the daily volume weighted average price of the ordinary shares during the period of 5 market days immediately preceding the conversion time; or
  - (2) where the shares cease to be listed and quoted on Bursa Malaysia at the conversion time, the fair market value of the shares as determined in good faith by the Board of Directors of the Company.

Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of RCPS the holder is at the time converting into shares and the aggregate number of shares issuable upon such conversion.
- iii) The RCPS shall rank in priority both as regards payment of dividends and repayment of capital in priority to all classes of shares of the Company and are not transferable.
- iv) The holder of RCPS are not entitled to participate in the profits or assets of the Company beyond such rights as are expressly set out in the Memorandum and Articles of the Company and except in the event of the winding-up of the Company as hereinafter provided.
- v) The RCPS shall carry the right to receive a non-cumulative dividend at a rate to be determined by the Board of Directors of the Company provided always that such rate shall not be less than 10% above that declared on the ordinary shares in issue in any financial year.
- vi) The RCPS will not be listed on Bursa Malaysia and/or any other foreign stock exchange.
- vii) The holder of the RCPS will be entitled to vote in each of the following circumstances and in no others:
  - (a) when a dividend (or part of a dividend) in respect of the RCPS is in arrears;
  - (b) to reduce the Company's share capital or share premium account;
  - (c) to vary, modify, abrogate or otherwise affect the rights and privileges attached to the RCPS;
  - (d) to wind up, dissolve, amalgamate, merge or consolidate the Company with any other body corporate;
  - (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.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 11. Capital and reserves (continued)

#### 11.1 Share capital (continued)

##### Warrants B (2013/2020) (continued)

- 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 2017, issued in conjunction with the share issue exercises undertaken by the Company on 29 May 2013 and exercisable at RM0.50 for each ordinary share in the Company over a period of seven years to 28 May 2020, is 95,000,428 (2015: 95,000,428). None of the said warrants have been exercised during the year.

#### 11.2 Share premium

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 January	130,431,382	1,968,881	130,431,382	1,968,881
Par value reduction	-	128,692,397	-	128,692,397
Defrayed expenses	-	( 229,896)	-	( 229,896)
Transfer to share capital in accordance with Section 618(2) of the Companies Act 2016	(130,431,382)	-	(130,431,382)	-
At 31 December	-	130,431,382	-	130,431,382

In accordance with Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account and the capital redemption reserve has become part of the Company's share capital. The Company has twenty-four months upon the commencement of the Companies Act 2016 on 31 January 2017 to utilise the credit.

#### 11.3 Reserves

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Accumulated losses)/				
Retained earnings	(35,801,077)	( 21,122,656)	(17,137,790)	552,529
Revaluation reserve	38,296,084	35,336,245	33,680,000	35,285,622
Translation reserve	-	( 21,136)	-	-
Share option reserve	102,646	-	102,646	-
	2,597,653	14,192,453	16,644,856	35,838,151

##### **Revaluation reserve**

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

##### **Warrant reserve**

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

##### **Employee share option reserve**

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



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 12. Loans and borrowings

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-current</b>				
Term loans				
- secured	15,796,314	17,280,839	-	-
- unsecured	234,543	2,851,499	234,543	2,851,499
Finance lease liabilities				
- secured	5,284,834	4,724,710	1,297,885	2,214,812
	<u>21,315,691</u>	<u>24,857,048</u>	<u>1,532,428</u>	<u>5,066,311</u>
<b>Current</b>				
Term loans				
- secured	1,707,446	2,075,289	-	-
- unsecured	3,032,146	4,200,163	3,032,146	4,200,163
Finance lease liabilities				
- secured	2,398,782	2,008,205	959,305	916,871
Bankers' acceptances and revolving credits				
- secured	15,651,842	21,025,880	-	-
- unsecured	106,345,001	114,376,001	84,689,000	102,818,000
Bank overdrafts				
- unsecured	2,356,894	1,799,361	1,066,318	1,799,361
- secured	396,448	357,121	-	-
	<u>131,888,559</u>	<u>145,842,020</u>	<u>89,746,769</u>	<u>109,734,395</u>
Total	<u>153,204,250</u>	<u>170,699,068</u>	<u>91,279,197</u>	<u>114,800,706</u>

#### (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).
- Covered by a negative pledge over certain subsidiaries' present and future assets.
- Covered by corporate guarantees from the Company and one of the subsidiary.
- Joint and several guarantees of certain Directors of the Group and of the Company.

##### Finance leases liabilities

##### **Company and subsidiaries**

Finance lease liabilities are secured on the respective finance lease assets (see Note 3). Outstanding finance lease liabilities of RM1,725,225 (2016: RM1,394,699) granted to certain subsidiaries are guaranteed by the Company. In addition, the finance lease liabilities of another indirect subsidiary of RM3,701,201 (2016: RM1,162,273) are jointly and severally guaranteed by certain Directors of the Group and of the Company.

#### (ii) Significant covenants on loans and borrowings

The Group and the Company are required to maintain a gearing ratio not exceeding 1.75 (2016: 1.75 times) and 1.25 (2016: 1.25 times) respectively in respect of the banking facilities granted by a licensed bank to the Group/Company.

The total outstanding loans and borrowings of the Group/Company with the said bank as at 31 December 2017 are RM4,635,000 (2016: RM4,528,000).



## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 12. Loans and borrowings (continued)

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

	At 1 January 2017 RM	Net changes from financing cash flows RM	Acquisition of new lease RM	At 31 December 2017 RM
<b><u>Group</u></b>				
Term loans				
- secured	19,356,128	( 1,852,368)	-	17,503,760
- unsecured	7,051,662	( 3,784,973)	-	3,266,689
	26,407,790	( 5,637,341)	-	20,770,449
Finance lease liabilities				
- secured	6,732,915	( 2,773,975)	3,724,676	7,683,616
Bankers' acceptance and revolving credits				
- secured	21,025,880	( 5,374,038)	-	15,651,842
- unsecured	114,376,001	( 8,031,000)	-	106,345,001
	135,401,881	(13,405,038)	-	121,996,843
Total liabilities from financing activities	168,542,586	(21,816,354)	3,724,676	150,450,908
	=====	=====	=====	=====
<b><u>Company</u></b>				
Term loans				
- unsecured	7,051,662	( 3,784,973)	-	3,266,689
Finance lease liabilities				
- secured	3,131,683	( 874,493)	-	2,257,190
Bankers' acceptance and revolving credits				
- unsecured	102,818,000	(18,129,000)	-	84,689,000
Total liabilities from financing activities	113,001,345	(22,788,466)	-	90,212,879
	=====	=====	=====	=====



NOTES TO THE FINANCIAL STATEMENTS (cont'd)

13. Deferred tax (continued)

Recognised deferred tax (continued)

Company (continued)	Assets		Liabilities		Net	
	2017 RM	2016 RM	2017 RM	2016 RM	2017 RM	2016 RM
Tax assets/(liabilities)	-	28,698,000	-	( 29,215,000)	-	( 517,000)
Set off of tax	-	( 28,698,000)	-	28,698,000	-	-
Net tax liabilities	-	-	-	( 517,000)	-	( 517,000)

Movements in deferred tax during the year are as follows:

Group	At 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016/ 1.1.2017 RM	Recognised in profit or loss RM	Revaluation of assets RM	At 31.12.2017 RM
Property, plant and equipment	( 28,776,000)	( 260,000)	( 29,036,000)	28,907,000	-	( 129,000)
Revaluation reserve	( 471,000)	27,000	( 444,000)	447,000	( 953,000)	( 950,000)
Capital allowances carried forward	25,889,000	( 459,000)	25,430,000	(25,430,000)	-	-
Tax losses carried forward	2,987,000	-	2,987,000	( 2,987,000)	-	-
Provisions	107,000	571,000	678,000	( 205,000)	-	473,000
	( 264,000)	( 121,000)	( 385,000)	732,000	( 953,000)	( 606,000)

(Note 21)

(Note 21)

13. **Deferred tax** (continued)**Recognised deferred tax** (continued)

<u>Company</u>	At 1.1.2016 RM	Recognised in profit or loss RM	At 31.12.2016/ 1.1.2017 RM	Recognised in profit or loss RM	At 31.12.2017 RM
Property, plant and equipment	( 28,541,000)	( 230,000)	( 28,771,000)	28,771,000	-
Revaluation reserve	( 471,000)	27,000	( 444,000)	444,000	-
Capital allowances carried forward	25,824,000	( 394,000)	25,430,000	( 25,430,000)	-
Tax losses carried forward	2,986,000	-	2,986,000	( 2,986,000)	-
Other items	-	282,000	282,000	( 282,000)	-
	( 202,000)	( 315,000)	( 517,000)	517,000	-
	=====	=====	=====	=====	=====
		(Note 21)		(Note 21)	

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 13. Deferred tax (continued)

#### 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	
	2017 RM	2016 RM	2017 RM	2016 RM
Foreign exchange gains	5,270,000	-	5,270,000	-
Property, plant and equipment	113,608,000	8,831,000	113,486,000	-
Capital allowances carried forward	(129,118,000)	( 20,399,000)	(109,700,000)	-
Tax losses carried forward	( 27,061,000)	( 11,778,000)	( 17,337,000)	-
Provisions	( 1,530,000)	-	( 1,200,000)	-
Revaluation reserve				
Reinvestment allowances carried forward	(124,598,000)	(132,776,000)	(116,400,000)	(116,400,000)
	<u>(163,429,000)</u>	<u>(156,122,000)</u>	<u>(125,881,000)</u>	<u>(116,400,000)</u>
	=====	=====	=====	=====
Deferred tax assets	39,222,960	37,469,280	30,211,440	27,936,000
	=====	=====	=====	=====

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

### 14. Trade and other payables

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade</b>				
Trade payables	130,664,731	144,241,844	124,770,685	140,631,048
	-----	-----	-----	-----
<b>Non-trade</b>				
Other payables	1,615,135	3,519,708	546,101	603,269
Accrued expenses	6,896,172	7,877,933	4,500,847	4,810,566
	<u>8,511,307</u>	<u>11,397,641</u>	<u>5,046,948</u>	<u>5,413,835</u>
	-----	-----	-----	-----
Total	139,176,038	155,639,485	129,817,633	146,044,883
	=====	=====	=====	=====

Trade payables of the Group and Company include an amount of RM116,778,110 (2016: RM126,980,148) denominated in USD. The outstanding amount was due to a substantial foreign shareholder of the Company, which bears interest of 2.78% (2016: 2.36%) 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.

**NOTES TO THE FINANCIAL STATEMENTS ( cont'd)**
**15. Revenue**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods	378,800,932	399,477,770	255,076,746	284,941,313
Services rendered	-	139,387	-	176,510
	<u>378,800,932</u>	<u>399,617,157</u>	<u>255,076,746</u>	<u>285,117,823</u>

**16. Other income**

Included in other income of the Group and Company consist mainly of foreign exchange gain and derivative gain from forward foreign exchange contract.

**17. Other operating expenses**

Included in other operating expenses of the Group and Company consist mainly of foreign exchange loss and derivative loss from forward foreign exchange contract.

**18. Results from operating activities**

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Results from operating activities are arrived at after charging:</b>					
Auditors' remuneration:					
- Audit fees					
- KPMG		160,000	175,000	62,000	62,000
- Non-audit fees					
- KPMG		6,000	11,000	6,000	11,000
- Local affiliates of KPMG		17,824	16,030	8,811	7,500
- Others		15,111	15,111	-	-
Depreciation of property, plant and equipment	3	17,433,767	18,671,672	14,852,685	14,793,504
Foreign exchange loss					
- realised	17	-	1,253,265	-	1,253,265
- unrealised	17	-	5,606,370	-	5,606,370
Derivative loss on forward foreign exchange contracts					
- realised		4,836,806	450,766	4,836,806	450,766
- unrealised	9	1,157,054	-	1,157,054	-
Property, plant and equipment written off	3	557,961	1,648,634	502,569	-
Inventories written down	6	628,643	615,360	335,600	550,115
Bad debts written off		144,151	-	-	-
Loss on disposal of:					
- property, plant and equipment		-	-	-	320,559
- property held for sale		-	9,353,280	-	-
Impairment loss on:					
- property, plant and equipment	3	1,631,487	-	1,631,487	-
- trade receivables	23.3	412,519	514,866	-	-
- other receivables	7	1,519,664	-	1,519,664	-
- investment in subsidiary	4	-	-	-	198,831
Personnel expenses (including key management personnel):					
- contributions to state plans		2,505,056	2,350,081	1,362,541	1,488,865
- wages, salaries and others		27,335,837	26,773,312	16,987,800	16,767,107
Rental of premises and land		655,020	600,790	120,790	120,790
		<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 18. Results from operating activities (continued)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Results from operating activities are arrived at after crediting:</b>					
Derivative gain on forward foreign exchange contracts - unrealised	9	-	6,026,980	-	6,026,980
Forex exchange gain - realised	17	5,218,268	-	5,218,268	-
- unrealised	17	6,427,135	-	6,427,135	-
Gain on disposal of property, plant and equipment		24,342	176,732	61,007	-
Bad debts recoverable		19,974	-	-	-
Reversal of impairment loss on trade receivables	23.3	4,403	-	-	-
Rental income from property leased out		118,800	136,600	-	1,105,000
Dividend income		-	375	-	2,400,000
		=====	=====	=====	=====

### 19. Finance income and costs

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Finance income</b>				
Interest income of financial assets that are not at fair value through profit or loss				
- term deposits	800,843	581,106	49,141	47,825
- other finance income	514,991	103,515	224,330	75,370
Recognised in profit or loss	1,315,834	684,621	273,471	123,195
	=====	=====	=====	=====
<b>Finance costs</b>				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- term loans	1,211,338	2,379,107	261,024	490,102
- overdrafts	785,438	772,641	724,355	740,290
- other borrowings	6,482,662	7,234,559	3,777,786	4,591,301
	8,479,438	10,386,307	4,763,165	5,821,693
- other finance costs	1,462,194	1,261,438	1,386,933	1,244,536
Recognised in profit or loss	9,941,632	11,647,745	6,150,098	7,066,229
	=====	=====	=====	=====

### 20. Other non-operating expenses

Non-operating expenses in prior year arose from the loss on disposal of land and building classified as asset held for sale.

**NOTES TO THE FINANCIAL STATEMENTS ( cont'd)**
**21. Taxation**
**Recognised in profit or loss**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense				
Malaysian - current year	1,457,000	2,394,000	-	211,000
- prior years	( 79,673)	( 31,487)	( 132,139)	( 29,000)
	<u>1,377,327</u>	<u>2,362,513</u>	<u>(132,139)</u>	<u>182,000</u>
Deferred tax expense /(income) (Note 13)				
- current year	( 675,000)	174,000	(517,000)	319,000
- prior year	( 57,000)	( 53,000)	-	( 4,000)
	<u>( 732,000)</u>	<u>121,000</u>	<u>( 517,000)</u>	<u>315,000</u>
Real property gains tax	103,945	211,167	-	-
Total taxation	<u>749,272</u>	<u>2,694,680</u>	<u>( 649,139)</u>	<u>497,000</u>

**Reconciliation of taxation**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit for the year	(14,736,285)	( 9,956,808)	(19,295,941)	552,529
Total tax expense/(income)	<u>749,272</u>	<u>2,694,680</u>	<u>(649,139)</u>	<u>497,000</u>
(Loss)/Profit excluding tax	<u>(13,987,013)</u>	<u>( 7,262,128)</u>	<u>(19,945,080)</u>	<u>1,049,529</u>
Income tax calculated using Malaysian tax rate of 24% (2016: 24%)	(3,357,000)	( 1,743,000)	( 4,787,000)	252,000
Non-deductible expenses	2,829,320	3,483,000	1,994,560	854,000
Non-taxable income	( 82,000)	( 341,000)	-	( 576,000)
Effect of deferred tax assets not recognised (Note 13)	1,753,680	1,349,000	2,275,440	-
Effect of reinvestment allowance	-	( 180,000)	-	-
Realisation of revaluation reserve	( 24,000)	-	-	-
Effect of lower tax rate*	( 338,000)	-	-	-
	<u>782,000</u>	<u>2,568,000</u>	<u>( 517,000)</u>	<u>530,000</u>
Over-provision in prior years	( 136,673)	( 84,487)	( 132,139)	( 33,000)
Real property gain tax	103,945	211,167	-	-
Total taxation	<u>749,272</u>	<u>2,694,680</u>	<u>( 649,139)</u>	<u>497,000</u>

\* 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)

### 22. Loss per ordinary share - Group

#### Basic and diluted loss per ordinary share

The calculation of basic and diluted loss per ordinary share at 31 December 2017 was based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2017 RM	2016 RM
Loss attributable to ordinary shareholders	( 14,736,285) =====	( 9,956,808) =====
Weighted average number of ordinary shares at 1 January and 31 December	348,337,580* =====	348,337,580* =====
Basic and diluted loss per ordinary share (sen)	( 4.2) =====	( 2.9) =====

\* The exercise price of Warrants B issued in 2013 was higher than the average market price of the ordinary shares of the Company during the year ended 31 December 2017. As the warrants were anti-dilutive in nature, no consideration for adjustment in the form of an increase in the number of shares had been applied in computing potential dilution of loss per ordinary share for the year ended 31 December 2017.

### 23. Financial instruments

#### 23.1 Categories of financial instruments

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

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

	Carrying amount RM	L&R/ (FL) RM	AFS RM	FVTPL RM
<b>Financial assets/ (liabilities)</b>				
<b>2017</b>				
<b>Group</b>				
Quoted investments	9,775	-	9,775	-
Trade and other receivables	66,478,816	66,478,816	-	-
Cash and cash equivalents	42,200,661	42,200,661	-	-
Loans and borrowings	(153,204,250)	(153,204,250)	-	-
Trade and other payables	(132,279,866)	(132,279,866)	-	-
Derivative financial liabilities	( 1,157,054) =====	- =====	- =====	( 1,157,054) =====

**NOTES TO THE FINANCIAL STATEMENTS ( cont'd)**
**23. Financial instruments (continued)**
**23.1 Categories of financial instruments (continued)**

	Carrying amount RM	L&R/ (FL) RM	AFS RM	FVTPL RM
<b>Financial assets/ (liabilities)</b>				
<b>2017 (continued)</b>				
<b>Company</b>				
Trade and other receivables	54,506,433	54,506,433	-	-
Cash and cash equivalents	15,583,428	15,583,428	-	-
Loans and borrowings	( 91,279,197)	( 91,279,197)	-	-
Trade and other payables	(125,316,786)	(125,316,786)	-	-
Derivative financial liabilities	( 1,157,054)	-	-	( 1,157,054)
	=====	=====	=====	=====
<b>2016</b>				
<b>Group</b>				
Quoted investments	9,775	-	9,775	-
Trade and other receivables	105,294,557	105,294,557	-	-
Derivative financial assets	6,026,980	-	-	6,026,980
Cash and cash equivalents	31,404,656	31,404,656	-	-
Loans and borrowings	(170,699,068)	(170,699,068)	-	-
Trade and other payables	(147,761,552)	(147,761,552)	-	-
	=====	=====	=====	=====
<b>Company</b>				
Trade and other receivables	111,113,930	111,113,930	-	-
Derivative financial assets	6,026,980	-	-	6,026,980
Cash and cash equivalents	5,822,089	5,822,089	-	-
Loans and borrowings	(114,800,706)	(114,800,706)	-	-
Trade and other payables	(141,234,317)	(141,234,317)	-	-
	=====	=====	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. Financial instruments (continued)

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Net gains/(losses) on: Financial instruments at:				
FVTPL	( 1,157,054)	6,026,980	( 1,157,054)	6,026,980
L&R	903,315	169,755	273,471	123,195
FL	( 9,941,632)	(18,507,381)	( 6,150,098)	(13,925,864)
	<u>(10,195,371)</u>	<u>(12,310,646)</u>	<u>( 7,033,681)</u>	<u>( 7,775,689)</u>
	=====	=====	=====	=====

#### 23.3 Financial risk management

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

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

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

##### (a) Credit risk

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

##### **Risk management objectives, policies and processes for managing the risk**

##### • **Receivables from external parties**

Management has a credit policy in place 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.

##### • **Inter-company loans and advances**

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

##### **Receivables**

##### **Exposure to credit risk, credit quality and collateral**

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

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

**NOTES TO THE FINANCIAL STATEMENTS ( cont'd)**
**23. Financial instruments (continued)**
**23.3 Financial risk management (continued)**
**(a) Credit risk (continued)**
**Receivables (continued)**
**Exposure to credit risk, credit quality and collateral (continued)**

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

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Amount due from two (2016: three) subsidiaries	-	-	19,792,357	64,970,036
Trade receivables	-	-	15,557,542	15,755,603
	<u>-</u>	<u>-</u>	<u>35,349,899</u>	<u>80,725,639</u>
	=====	=====	=====	=====

**Impairment losses**

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

<u>Group</u>	<u>Gross RM</u>	<u>Impairment RM</u>	<u>Net RM</u>
<b>2017</b>			
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
	<u>67,637,691</u>	<u>( 1,427,873)</u>	<u>66,209,818</u>
	=====	=====	=====
<b>2016</b>			
Not past due	55,948,762	-	55,948,762
Past due 0-30 days	13,046,656	-	13,046,656
Past due 31-120 days	8,872,954	-	8,872,954
Past due 121-180 days	358,094	-	358,094
Past due more than 180 days	4,990,976	( 2,581,911)	2,409,065
	<u>83,217,442</u>	<u>( 2,581,911)</u>	<u>80,635,531</u>
	=====	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 23. Financial instruments (continued)

#### 23.3 Financial risk management (continued)

##### (a) Credit risk (continued)

##### Receivables (continued)

##### Impairment losses (continued)

<u>Company</u>	<u>Gross RM</u>	<u>Impairment RM</u>	<u>Net RM</u>
<b>2017</b>			
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
	<u>51,280,407</u>	<u>-</u>	<u>51,280,407</u>
	=====	=====	=====
<b>2016</b>			
Not past due	68,739,333	-	68,739,333
Past due 0-30 days	10,366,530	-	10,366,530
Past due 31-120 days	12,645,082	-	12,645,082
Past due 121-180 days	69,553	-	69,553
Past due more than 180 days	14,089,247	( 124,814)	13,964,433
	<u>105,909,745</u>	<u>( 124,814)</u>	<u>105,784,931</u>
	=====	=====	=====

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

	<b>Group</b>		<b>Company</b>	
	<b>2017 RM</b>	<b>2016 RM</b>	<b>2017 RM</b>	<b>2016 RM</b>
At 1 January	2,581,911	2,067,045	124,814	124,814
Impairment loss recognised	412,519	514,866	-	-
Impairment loss reversed	(4,403)	-	-	-
Bad debts written off	(1,562,154)	-	( 124,814)	-
At 31 December	<u>1,427,873</u>	<u>2,581,911</u>	<u>-</u>	<u>124,814</u>
	=====	=====	=====	=====

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

Although the 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. These advances are aged less than a year.

#### 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.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 23. Financial instruments (continued)

#### 23.3 Financial risk management (continued)

##### (a) Credit risk (continued)

###### Financial guarantees (continued)

###### *Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk from unsecured financial guarantees to banks amounts to RM55,236,284 (2016: RM54,217,793), representing the outstanding banking facilities of subsidiaries guaranteed by the Company as at the end of the reporting period.

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

##### (b) Liquidity risk

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

###### *Risk management objectives, policies and processes for managing the risk*

The Group maintains a level of cash and cash equivalents and 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 and a company that the foreign shareholder has interests which are interest bearing and carrying credit terms of 180 days for purchases of raw materials.

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



## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 23. Financial instruments (continued)

#### 23.3 Financial risk management (continued)

##### (b) Liquidity risk (continued)

##### 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
<b>2017</b>							
Trade and other payables							
- interest free	15,501,756	-	15,501,756	15,501,756	-	-	-
- 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	-	-	-
	<u>285,484,116</u>		<u>291,268,199</u>	<u>266,226,521</u>	<u>5,653,838</u>	<u>12,173,334</u>	<u>7,214,506</u>
	=====		=====	=====	=====	=====	=====
<b>2016</b>							
Trade and other payables							
- interest free	20,781,404	-	20,781,404	20,781,404	-	-	-
- interest bearing	126,980,148	2.36	126,980,148	126,980,148	-	-	-
Loans and borrowings							
- finance lease liabilities	6,732,915	2.22 - 6.50	7,642,241	2,508,801	2,093,853	3,039,587	-
- bankers' acceptances and revolving credits	135,401,882	4.58 - 6.20	135,574,125	135,574,125	-	-	-
- term loans	26,407,790	5.16 - 5.25	31,871,120	6,901,793	5,384,929	10,686,718	8,897,680
- bank overdrafts	2,156,482	7.65 - 8.35	2,156,482	2,156,482	-	-	-
	<u>318,460,621</u>		<u>325,005,520</u>	<u>294,902,753</u>	<u>7,478,782</u>	<u>13,726,305</u>	<u>8,897,680</u>
	=====		=====	=====	=====	=====	=====



## 23. Financial instruments (continued)

## 23.3 Financial risk management (continued)

## (b) Liquidity risk (continued)

## Maturity analysis (continued)

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
<b>2017</b>							
Trade and other payables							
- interest free	8,538,676	-	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	-	-	-
	<u>216,595,983</u>		<u>272,423,117</u>	<u>270,737,911</u>	<u>1,070,717</u>	<u>614,489</u>	<u>-</u>
<b>2016</b>							
Trade and other payables							
- interest free	14,254,169	-	14,254,169	14,254,169	-	-	-
- interest bearing	126,980,148	2.36	126,980,148	126,980,148	-	-	-
Loans and borrowings							
- finance lease liabilities	3,131,683	2.22 - 6.50	3,590,011	1,124,946	1,100,153	1,331,796	33,116
- bankers' acceptances and revolving credits	102,818,000	4.58 - 6.20	102,818,000	102,818,000	-	-	-
- term loans	7,051,662	5.16 - 5.25	7,433,049	4,099,110	2,721,649	612,290	-
- bank overdrafts	1,799,361	7.65 - 8.35	1,799,361	1,799,361	-	-	-
Financial guarantees*	-	-	54,217,793	54,217,793	-	-	-
	<u>256,035,023</u>		<u>311,092,531</u>	<u>305,293,527</u>	<u>3,821,802</u>	<u>1,944,086</u>	<u>33,116</u>

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

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 23 Financial instruments (continued)

#### 23.3 Financial risk management (continued)

##### (c) Market risk

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

##### (i) Currency risk

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

##### **Risk management objectives, policies and processes for managing the risk**

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

##### **Exposure to foreign currency risk**

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

	<b>Group and company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Denominated in USD</b>		
<b>Balances recognised in the statement of financial position</b>		
Trade payables	(116,778,110)	(126,980,148)
	=====	=====

##### **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.

	<b>Profit or loss</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>In USD</b>		
- Group and Company	11,677,811	12,698,000
	=====	=====

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

Foreign exchange forward contracts are used to hedge foreign exchange risk associated with the purchases of raw materials. The outstanding contracted principal amounts of the foreign exchange forward contracts falling due within a year as at 31 December 2017 are RM31,043,219 (2016: RM121,740,666) and the fair value changes are recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 23. Financial instruments (continued)

#### 23.3 Financial risk management (continued)

##### (c) Market risk (continued)

##### (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 14).

##### **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	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Fixed rate instruments</b>				
Financial assets	27,119,273	26,904,115	4,200,000	1,800,000
Financial liabilities	(246,458,569)	(269,114,944)	(203,724,300)	(232,929,831)
	<u>(219,339,296)</u>	<u>(242,210,829)</u>	<u>(199,524,300)</u>	<u>(231,129,831)</u>
	=====	=====	=====	=====
<b>Floating rate instrument</b>				
Financial liabilities	( 23,523,791)	( 28,564,272)	( 4,333,007)	( 8,851,023)
	=====	=====	=====	=====

##### **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)

### 23. Financial instruments (continued)

#### 23.3 Financial risk management (continued)

##### (c) Market risk (continued)

##### (ii) Interest rate risk (continued)

##### Cash flow sensitivity analysis for variable rate instruments

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

Group	Profit or loss	
	100bp increase RM	100bp decrease RM
Floating rate instruments		
- 2017	( 179,000)	179,000
- 2016	( 217,000)	217,000
	=====	=====

Company	Profit or loss	
	100bp increase RM	100bp decrease RM
Floating rate instruments		
- 2017	( 33,000)	33,000
- 2016	( 67,000)	67,000
	=====	=====

##### (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 (2016: RM9,775) (see Note 5).

##### Equity price risk sensitivity analysis

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

#### 23.4 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.



## 23. Financial instruments (continued)

## 23.4 Fair value information (continued)

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.

2017	Fair value of financial instruments carried at fair value			Total fair value RM	Fair value of financial instrument not carried at fair value Level 3 RM	Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Total RM				
<b>Group</b>							
<b>Financial assets</b>							
Quoted shares	21,700	-	21,700		-	21,700	9,775
<b>Financial liabilities</b>							
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
<b>2016</b>							
<b>Financial assets</b>							
Quoted shares	9,725	-	9,725			9,725	9,775
Forward foreign exchange contracts	-	6,026,980	6,026,980			6,026,980	6,026,980
	9,725	6,026,980	6,036,705			6,036,705	6,036,755
<b>Financial liabilities</b>							
Secured term loans	-	-	-	19,356,128		19,356,128	19,356,128
Unsecured term loans	-	-	-	7,051,662		7,051,662	7,051,662
Finance lease liabilities	-	-	-	6,944,135		6,944,135	6,732,915
	-	-	-	33,351,925		33,351,925	33,140,705

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 23. Financial instruments (continued)

## 23.4 Fair value information (continued)

	Fair value of financial instruments carried at fair value		Fair value of financial instrument not carried at fair value	Total fair value	Carrying amount
	Level 2 RM	Total RM	Level 3 RM	RM	RM
<b>2017</b>					
<b>Company</b>					
<b>Financial liabilities</b>					
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
	<u>1,157,054</u>	<u>1,157,054</u>	<u>5,801,083</u>	<u>6,958,137</u>	<u>6,680,933</u>
	=====	=====	=====	=====	=====
<b>2016</b>					
<b>Financial asset</b>					
Forward foreign exchange contracts	6,026,980	6,026,980	-	6,026,980	6,026,980
	<u>6,026,980</u>	<u>6,026,980</u>	<u>-</u>	<u>6,026,980</u>	<u>6,026,980</u>
	=====	=====	=====	=====	=====
<b>Financial liabilities</b>					
Unsecured term loans	-	-	7,051,662	7,051,662	7,051,662
Finance lease liabilities	-	-	3,520,544	3,520,544	3,131,683
	<u>-</u>	<u>-</u>	<u>10,572,206</u>	<u>10,572,206</u>	<u>10,183,345</u>
	=====	=====	=====	=====	=====

**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)

### 23. Financial instruments (continued)

#### 23.4 Fair value information (continued)

##### 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 (2016: No transfers in either directions).

##### Level 3 fair value

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

##### Financial instruments not carried at fair value

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

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

### 24. Capital management

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

During the year, the Group's and the Company's strategy, is to maintain the debt-to-equity ratio at not more than 1.75 times and 1.25 times respectively. The debt-to-equity ratios of the Group and of the Company as at 31 December 2017 and 31 December 2016 were as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total loans and borrowings	153,204,250	170,699,068	91,279,197	114,800,706
Total equity	178,725,843	190,320,643	192,773,046	211,966,341
Debt-to-equity ratio	0.86	0.90	0.47	0.54



## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 24. Capital management (continued)

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

The Group and the Company are also required to maintain a maximum gearing level of 1.75 times (2016: 1.75 times) and 1.25 times (2016: 1.25 times) respectively to comply with certain bank covenants, failing which the affected banking facilities as well as loans and borrowings are subject to recall. The Group and the Company have not breached these covenants.

### 25. Capital expenditure commitments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Property, plant and equipment</b>				
Contracted but not provided for	1,546,734	2,283,369	1,232,344	2,092,180
	=====	=====	=====	=====

### 26. 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 14.

#### Transactions with subsidiaries

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Nature of transactions</u>				
Sale of galvanised and other steel products	-	-	( 83,421,117)	( 80,645,700)
Tolling charges expense	-	-	-	75,275
Purchase of steel related products	-	-	262,014	44,840
Purchase of property, plant and equipment	-	-	12,639,837	338,784
Rental of property, plant and equipment received	-	-	-	( 968,400)
Sale of property, plant and equipment	-	-	( 8,283,605)	( 604,570)
Sales of scrap	-	-	( 2,593)	( 11,313)
Management fee paid	-	-	-	200,000
	=====	=====	=====	=====

**NOTES TO THE FINANCIAL STATEMENTS ( cont'd)**
**26. Related parties (continued)**
**Significant related party transactions (continued)**
**Transactions with substantial shareholders of the Company**

Nature of transactions	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Purchase of consumables	179,078	32,313	-	22
Purchase of raw materials	153,175,164	155,794,114	153,175,164	155,794,114
Freight and handling charges	128,558	156,666	-	-
Purchase of property, plant & equipment	801	-	-	-
Sale of galvanised and other steel products	( 6,689,845)	( 6,384,128)	-	-
	=====	=====	=====	=====

**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**

Nature of transactions	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Insurance premium paid	757,997	482,480	514,151	324,944
Purchase of consumables	2,425,339	3,412,259	396,334	569,016
Sale of galvanised and other steel products	(50,768,616)	(47,877,729)	(9,873,985)	(12,250,164)
Purchase of property, plant and equipment	132,322	14,860	-	14,860
Rental of premises and land	65,100	60,000	-	-
Income from rental of premises	( 126,600)	( 135,600)	-	( 135,600)
Repayment of finance leases for acquisition of property, plant and equipment *	1,188,167	733,742	538,981	505,674
Income from tolling and transportation fee	-	( 72,786)	-	( 71,789)
Tolling and transportation fee	17,950	95,923	1,950	5,717
Interest income	( 191,562)	( 22,010)	(38,069)	( 22,010)
Handling and transportation fee	29,567	23,766	-	-
Rental of vehicle	3,717	400	-	-
Repair and maintenance	45,885	-	-	-
Sales of property, plant & equipment	( 3,000)	-	-	-
Stamping fee & Workmanship	20,800	-	-	-
Hire purchase loan	( 2,852,800)	( 941,800)	-	-
	=====	=====	=====	=====

\* Interest is charged at fixed rates ranging from 2.90% to 6.50% (2016: 2.90% to 6.50%) flat per annum.

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 26. Related parties (continued)

#### Significant related party transactions (continued)

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 (continued)

#### Transactions with key management personnel

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<u>Nature of transactions</u>				
Compensations to key management personnel:				
Directors of the Company				
- Director fee	207,000	171,000	172,000	-
- Contribution to state plans	255,181	203,520	117,421	117,120
- Wages, salaries and others	2,012,771	1,929,769	1,099,571	1,023,999
	<u>2,474,952</u>	<u>2,304,289</u>	<u>1,388,992</u>	<u>1,141,119</u>
Directors of subsidiaries				
- Director fee	50,000	50,000	-	-
- Contribution to state plans	99,040	28,480	-	-
- Wages, salaries and others	725,700	422,118	-	-
	<u>874,740</u>	<u>500,598</u>	<u>-</u>	<u>-</u>
Other key management personnel				
- Contribution to state plans	448,810	244,554	307,435	208,394
- Wages, salaries and others	3,082,408	1,624,724	2,112,681	1,521,782
	<u>3,531,218</u>	<u>1,869,278</u>	<u>2,420,116</u>	<u>1,730,176</u>
Total	<u>6,880,910</u>	<u>4,674,165</u>	<u>3,809,108</u>	<u>2,871,295</u>

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.

Certain key management personnel of the Group and of the Company are also entitled to the warrants issued to take up unissued shares of the Company (see Note 11) and Employee Share Option Scheme ("ESOS") offered by the Group (see Note 27).

The amount due from/to subsidiaries is disclosed in Notes 7 and 14 to the financial statements. The outstanding balances with other related parties are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Amount due from	5,915,628	5,833,337	247,436	319,096
Amount due to	(120,951,672)	(129,110,632)	(117,985,960)	(128,660,726)
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 27. Employee benefits

#### **Employee Share Option Scheme ("ESOS")**

On 9 May 2017 and 8 August 2017, 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:

	<b>2017 RM</b>
Fair value of share option at the following grant dates (RM):	
9 May 2017	0.23
8 August 2017	0.20
Weighted average share price (RM)	0.22
Weighted average exercise price (RM)	0.215
Expected volatility (%)	2.16%
Expected life (years)	5
Risk free rate (%)	3.56%
Expected dividend yield (%)	-

( The rest of this page is intentionally left blank)

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

### 27. Employee benefits (continued)

#### Employee Share Options Scheme ("ESOS") (continued)

The expected life of the options is based on historical data 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	Granted RM	Exercised RM	Movements during the year			Outstanding 31 December RM	Exercisable 31 December RM
				Forfeited and other adjustments RM	Expired RM	RM		
2017								
2017 options	-	38,750,000	-	( 800,000)	-	37,950,000	7,590,000	
WAEP	-	0.215	-	-	-	0.215	0.215	

## NOTES TO THE FINANCIAL STATEMENTS ( cont'd)

### 27. Employee benefits (continued)

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

Grant date	WAEP RM	Exercise period
2017	0.23	09.05.2017
2017	0.20	08.08.2017

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
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 =====		

### 28. 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.
- **YKGI:**  
Manufacture and sale of galvanised, coated and non-coated steel products in West Malaysia.
- **STARSHINE:**  
Trading of galvanised, coated and non-coated steel products, building and construction materials;

#### Geographical segments and major customers

Group sales were mostly to customers in Malaysia and there were very limited export sales. Revenue from one (1) major customer totalling RM50,793,410 (YKGI: RM49,052,094; STARSHINE: RM1,741,316) contributed to more than 10% of the Group's revenue.

## NOTES TO THE FINANCIAL STATEMENTS (cont'd)

## 28. Operating segments (continued)

	ASTEEL RM	YKGI RM	STARSHINE RM	Inter-segment RM	Total RM
<b>Revenue</b>					
External customers	128,065,258	171,655,629	79,080,045	-	378,800,932
Inter-segment	-	83,421,117	260,235	(83,681,352)	-
	128,065,258	255,076,746	79,340,280	(83,681,352)	378,800,932
<b>Segment profit/(loss)</b>	5,046,195	(19,604,263)	485,710	85,345	(13,987,013)
Taxation					( 749,272)
Loss for the year from continuing operations					( 14,736,285)
Other comprehensive income					3,141,485
Total comprehensive income for the year					( 11,594,800)
Non-controlling interests					-
<b>Total comprehensive loss attributable to owners of the Company</b>					( 14,736,285)
Included in the measure of segment loss are:					
Depreciation and amortisation	( 2,434,619)	(14,852,685)	( 146,463)	-	(17,433,767)
Derivative loss	-	( 5,993,860)	-	-	( 5,993,860)
Finance costs	( 2,401,456)	( 6,150,098)	(1,390,078)	-	( 9,941,632)
Finance income	187,240	273,471	855,123	-	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	-	( 502,570)	( 55,389)	-	( 557,959)



## 28. Operating segments (continued)

## 2016

	ASTEEL RM	YKGI RM	STARSHINE RM	Inter-segment RM	Total RM
<b>Revenue</b>					
External customers	118,691,843	204,517,498	76,407,816	-	399,617,157
Inter-segment	-	69,862,231	320,100	(70,182,331)	-
	118,691,843	274,379,729	76,727,916	(70,182,331)	399,617,157
<b>Segment profit/(loss)</b>	4,697,846	1,916,034	(14,299,052)	423,044	(7,262,128)
Taxation					(2,694,680)
Loss for the year from continuing operations					(9,956,808)
Other comprehensive income					-
Total comprehensive income for the year					(9,956,808)
Non-controlling interests					-
<b>Total comprehensive loss attributable to owners of the Company</b>					(9,956,808)
Included in the measure of segment loss are:					
Depreciation and amortisation	(2,633,526)	(13,375,462)	(2,662,684)	-	(18,671,672)
Derivative gain	-	6,026,980	-	-	6,026,980
Finance costs	(1,692,340)	(7,066,229)	(2,889,176)	-	(11,647,745)
Finance income	24,070	123,195	537,356	-	684,621
Inventories written down/written off	(65,245)	(550,115)	-	-	(615,360)
Impairment loss on receivables	(514,866)	-	-	-	(514,866)
Property, plant and equipment written off	-	-	(1,648,634)	-	(1,648,634)
Loss on disposal of land and building classified as held for sale	-	-	(9,353,280)	-	(9,353,280)

## 29. Subsequent events

The Board of Directors has agreed to classify certain of the non-current assets to assets held for sale under the current assets. The Group will initiate the sale of the assets in the subsequent year.



## 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 50 to 118 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 2017 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: 13 April 2018

## 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 50 to 118 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 CA9741, at Klang in the State of Selangor Darul Ehsan on 13 April 2018.

**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 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, including a summary of significant accounting policies, as set out on pages 50 to 118.

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 2017, 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.

#### Material Uncertainty Related to Going Concern

We draw attention to Note 1(b) in the financial statements, which indicates that the Group and Company incurred net losses of RM14,736,285 and RM19,295,941 respectively during the year ended 31 December 2017 and, as of that date, the Group's and Company's current liabilities exceeded the current assets by RM64,363,207 and RM87,074,984 respectively. As stated in Note 1(b), these events or conditions indicate that there is material uncertainty on the Group's and the Company's ability to continue as going concerns. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

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

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

### Key Audit Matters (cont'd)

Key Audit Matters	How the matter address in our audit
Refer to Note 2(m) – Revenue accounting policy and Note 15 – Revenue of the financial statements.	
<p><b>Revenue recognition</b></p> <p>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 2017, the Group and the Company recorded revenue of RM379 million and RM255 million respectively.</p> <p>Revenue recognition is a key audit matter as there is a risk that the revenue may be overstated.</p>	<p>We performed the following audit procedures, amongst others, around the revenue recognition:</p> <ul style="list-style-type: none"> <li>• We evaluated the sales and order management control process and tested the design and effectiveness of those controls;</li> <li>• We verified the sales invoices which are selected based on sampling basis to underlying supporting documents, which included delivery orders;</li> <li>• We obtained direct confirmations on outstanding balances as at year end from selected customers based on sampling basis; and</li> <li>• We assessed the sales transaction occurring prior and subsequent to the year-end and inspected the relevant underlying documents for goods delivered and checked that these transactions were recognised in the correct financial year.</li> </ul>
Refer to Note 2(f) – Inventories accounting policy and Note 6 – Inventories of the financial statements.	
<p><b>Valuation of manufactured and trading inventories</b></p> <p>The Group and the Company hold significant inventories balance of RM98 million and RM63 million respectively, representing 20% and 15% of total assets as at 31 December 2017. The gross margin of the Group and Company has deteriorated from 13% to 7% and 9% to 0.1% respectively as a result of the continuing increase in raw material prices, which is not translated to the selling price.</p> <p>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. This include the subsequent sales of respective products and planned product selling price which highly depend on market conditions.</p>	<p>We performed the following audit procedures, amongst others, around the valuation of inventories:</p> <ul style="list-style-type: none"> <li>• We evaluated the management's assessments on the valuation of inventories for slow moving and obsolete inventories held at year end and obtained an understanding of the process for measuring the amount of allowance required;</li> <li>• 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</li> <li>• We have considered the adequacy of write down provided by verifying selected inventories on a sampling basis to the actual sales achieved subsequent to year end and the actual selling prices.</li> </ul>

## 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(i) – Impairment accounting policy and Note 7 –Trade and other receivables of the financial statements.	
<p><b>Valuation of trade receivables</b></p> <p>As at 31 December 2017, the trade receivables of the Group and the Company stood at RM66 million and RM51 million, representing 14% and 12% of total assets.</p> <p>The recoverability of the trade receivables and the level of allowance for impairment losses of doubtful receivables are considered to be key audit matter due to the pervasive nature of these balances to the financial statement. The level of allowance of impairment losses involved management judgement based upon the individual debtor's credit risk evaluation, historical payment trends, subsequent to year end collections and the existence of collaterals. There is a risk that the management assessment of the level of these allowances is insufficient or inaccurate.</p>	<p>We performed the following audit procedures, amongst others, around the valuation of trade receivables:</p> <ul style="list-style-type: none"> <li>• We evaluated the processes for trade receivables and credit control, including the allowance for impairment losses and cash receipts;</li> <li>• We checked the accuracy of trade receivables ageing and verified the past payment patterns and credit history, existence of collaterals and disputes with customers;</li> <li>• We checked the adequacy of impairment loss of trade receivables by recalculating the impairment loss for significantly aged balances, and considered receivables where the ageing profile had deteriorated or where there is evidence that the credit quality of the debtor is considered a risk; and</li> <li>• We evaluated the Directors' conclusion on the level of impairment loss of trade receivables, specifically significant outstanding balances which are past due but assessed as not impaired, by assessing the cash receipts during the year and subsequent to year end collections and considered the actions taken by management to recover the debts.</li> </ul>
Refer to Note 2(i) – Impairment accounting policy and Note 3 – Property, plant and equipment of the financial statements.	
<p><b>Valuation of property, plant and equipment</b></p> <p>As the outlook of the local steel industry remains uncertain, the Group has ceased the operations of some of the loss making production lines of certain subsidiaries. The assets in relation to certain pipe mill manufacturing and shearing production line which total carrying amount of RM10,258,980 remain idle as at 31 December 2017.</p> <p>This is a key audit matter as the valuation process used in assessing the recoverable amounts of the property, plant and equipment may involved significant judgement and estimates.</p>	<p>We performed the following audit procedures, amongst others, around the valuation of property, plant and equipment:</p> <ul style="list-style-type: none"> <li>• We performed physical sighting on selected property, plant and equipment and identify any idle and damaged plant and machineries; and</li> <li>• We obtained the valuation report prepared by external valuer engaged by the management. We evaluated the credibility and background of the valuer as well as the key assumptions and the basis applied by the valuer in preparing the valuation report.</li> </ul>

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

### **Information Other than the Financial Statements and Auditors' Report Thereon**

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

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

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

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

The Directors of the Company are responsible for the preparation and presentation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 entity or to cease operations, or has no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



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

### ***Information Other than the Financial Statements and Auditors' Report Thereon***

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

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

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

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

The Directors of the Company are responsible for the preparation and presentation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 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 entity or to cease operations, or has no realistic alternative but to do so.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

### **Auditors' Responsibilities for the Audit of the Financial Statements (con't)**

- 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: 13 April 2018



## ANALYSIS OF SHAREHOLDINGS as at 30 March 2018

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 1,898.  
There is only one (1) RCPS holder.

### DISTRIBUTION SCHEDULE OF ORDINARY SHARES

No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
84	Less than 100 shares	3,846	0.00*
220	100 - 1,000 shares	67,646	0.02
752	1,001 - 10,000 shares	3,971,867	1.14
665	10,001 - 100,000 shares	19,954,247	5.72
174	100,001 to less than 5% of issued shares	152,352,256	43.69
3	5% and above of issued shares	172,377,718	49.43
<b>Total</b>	<b>1,898</b>	<b>348,727,580</b>	<b>100.00</b>

\* less than 0.01%

### THIRTY LARGEST ORDINARY SHARES ACCOUNT HOLDERS

Account Holders	No. of Ordinary Share	Percentage
1 Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	93,279,991	26.75
2 Yung Kong Co Bhd	53,434,600	15.32
3 Hii Wi Sing	25,663,127	7.36
4 "Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai"	12,584,678	3.61
5 "Amsec Nominees(Tempatan) Sdn Bhd Pledged Securities Account for Soh TL Holdings Sdn Bhd (MX3613)"	11,039,616	3.17
6 Hii Ngo Sing	6,610,109	1.90
7 Mt Sungai Sdn Bhd	5,337,865	1.53
8 Alexander Hii Lu Kwong	4,271,636	1.22
9 Hu Ik Ming @ Rose Hii Ik Ming	4,190,205	1.20
10 Christopher Hii Lu Ming	4,037,686	1.16
11 Arthur Hii Lu Choon	4,003,036	1.15
12 Ting Chuo Kiew	3,909,859	1.12
13 Ling Eng Leh	3,663,610	1.05
14 Alam Mantap Development Sdn Bhd	3,492,200	1.00
15 Victor Hii Lu Thian	3,439,726	0.99
16 Chan Wah Kiang	3,300,000	0.95
17 "Kenanga Nominees (Tempatan) Sdn Bhd Ong King Seng"	3,211,700	0.92
18 Tan Kim Seng	2,800,000	0.80
19 Chi On Kang	2,727,100	0.78
20 Michael Hii Ee Sing	2,418,587	0.69
21 Tioh Kwang Joo	2,190,000	0.63
22 "M & A Nominees (Tempatan) Sdn Bhd Chew Hun Seng (M&A)"	2,100,000	0.60
23 "Kenanga Nominees (Tempatan) Sdn Bhd Andrew Yap Hoong Yee (021)"	2,005,000	0.57
24 Quek See Kui	1,898,900	0.54
25 "HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tiang Chiin Yew"	1,850,000	0.53
26 Tan Pak Nang	1,430,000	0.41
27 Lee Wei Chuen	1,395,700	0.40
28 "UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheam Tow Yong"	1,300,000	0.37
29 Wong Kiew Ing	1,220,000	0.35
30 Yung Venture Sdn Bhd	1,210,000	0.35
<b>Total</b>	<b>270,014,931</b>	<b>77.43</b>



## ANALYSIS OF SHAREHOLDINGS

### as at 30 March 2018 (cont'd)

#### Redeemable Convertible Preference Shares Account Holder

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

#### SUBSTANTIAL SHAREHOLDERS

The substantial shareholders' interests in shares in the Company as per the Register of Substantial Shareholders as at 30 March 2018 are as follows :

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1	Marubeni-Itochu Steel Inc.	93,279,991	26.75	-	-
2	Yung Kong Co Bhd	53,434,600	15.32	-	-
3	Dato' Hii Ngo Sing	6,610,109	1.90	57,219,466 (1)	16.41%
4	Dato' Dr Hii Wi Sing	25,663,127	7.36	57,219,466 (1)	16.41%
5	Arthur Hii Lu Choon	4,003,036	1.15	57,219,466 (1)	16.41%
6	Ir Michael Hii Ee Sing	2,418,587	0.69	63,502,671 (2)	18.21%
7	Victor Hii Lu Thian	4,294,356 (3)	1.23	57,219,466 (1)	16.41%
8	Francis Hii Lu Sheng	-	-	57,219,466 (1)	16.41%
9	Alexander Hii Lu Kwong	5,123,036 (4)	1.47	57,219,466 (1)	16.41%
10	Christopher Hii Lu Ming	4,283,546 (5)	1.23	57,219,466 (1)	16.41%
11	Dato' Soh Thian Lai	12,929,346 (6)	3.71	11,039,616 (7)	3.17%

#### Notes

- (1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Venture Sdn Bhd, 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 30 March 2018 are as follows:

#### In The Company

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1.	Lim Pang Kiam	-	-	-	-
2.	Dato' Soh Thian Lai	12,929,346 (5)	3.71	11,576,216 (1)	3.32
3.	Victor Hii Lu Thian	4,294,356 (3)	1.23	57,219,466 (2)	16.40
4.	Christopher Hii Lu Ming	4,283,546 (4)	1.23	57,219,466 (2)	16.40
5.	Aizan Sugiwaka	-	-	-	-
6.	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
7.	Liew Jee Min @ Chong Jee Min	-	-	-	-
8.	Yan Ying Chieh	-	-	-	-
9.	Yoshihiko Okuno	-	-	-	-
10.	Yoshiyuki Komaki (Alternate Director to Aizan Sugiwaka)	-	-	-	-

#### 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 30 March 2018

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
251	Less than 100 warrants	12,300	0.01
199	100 - 1,000 warrants	111,129	0.12
808	1,001 - 10,000 warrants	2,642,271	2.78
381	10,001 - 100,000 warrants	15,584,033	16.40
104	100,001 to less than 5% of issued warrants	44,410,664	46.75
2	5% and above of issued warrants	32,240,031	33.94
<b>Total</b>	<b>1,745</b>	<b>95,000,428</b>	<b>100.00</b>

### 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	Chi On Kang	3,400,000	3.58
4	Wong Sing Kiong	2,000,000	2.11
5	Quek See Kui	1,809,600	1.90
6	Ha Tung Hua	1,784,000	1.88
7	Tong Yun Mong	1,761,800	1.85
8	Cheng Poh Ling	1,500,000	1.58
9	Oh Kook Wah	1,500,000	1.58
10	Mt Sungai Sdn Bhd	1,455,781	1.53
11	Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheam Tow Yong (473744)	1,300,000	1.37
12	Si Tho Yoke Meng	1,200,000	1.26
13	HLIB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Chui Lin (CCTS)	1,000,000	1.05
14	Rosemarinah Binti Abd Rahim	1,000,000	1.05
15	Ong Swee Beng	855,500	0.90
16	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Suhaimy Bin Othman	812,000	0.85
17	Ng Sin Mooi	722,000	0.76
18	Chia Chien Yen	700,000	0.74
19	Tan Jin Kiat	700,000	0.74
20	Bay Peng Hock	680,000	0.72
21	Michael Hii Ee Sing	659,614	0.69
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Puay Seng	550,000	0.58
23	Tan Ah Bee	502,500	0.53
24	Maybank Nominees (Tempatan) Sdn Bhd Abu Mawan Bin Daiman	500,100	0.53
25	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Law Goo @ Law Yeow Ching	500,000	0.53
26	Zamri Bin Mohamad	500,000	0.53
27	Lim Chee Hong	490,000	0.52
28	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Sing Lee (E-JCL)	420,200	0.44
29	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Giang Ren (E-TSA)	400,000	0.42
30	Wong Chin Meng	400,000	0.42
	<b>Total</b>	<b>61,343,126</b>	<b>64.57</b>

## ANALYSIS OF WARRANT HOLDINGS

as at 30 March 2018 (cont'd)

### DIRECTORS' INTERESTS

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 30 March 2018 are as follows:

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

#### Notes

- (1) Deemed interested by virtue of his substantial interests in Yung Venture Sdn Bhd (formerly known as Yung Kong Holdings 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.

( The rest of this page is intentionally left blank)

## NOTICE OF 41ST ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the 41st Annual General Meeting ("41st AGM") of YKGI Holdings Berhad ("YKGI" or the "Company") will be held at Meeting Room, Wisma YKGI, Lot 6479 Lorong Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan on Friday, 29 June 2018 at 3:00 pm to transact the following businesses:

### AGENDA

#### AS ORDINARY BUSINESS

- |    |  |                                 |
|----|--|---------------------------------|
| 1. | To receive the Audited Financial Statements of the Company for the financial year ended 31 December 2017 together with the Reports of the Directors and the Auditors thereon.        | <b>(Please refer to Note 8)</b> |
| 2. | To approve the payment of Directors' fees of RM 285,250 for the Non-Executive Directors for the financial year ended 31 December 2017 (2016:RM202,000)                               | <b>Resolution 1</b>             |
| 3. | To approve other benefits payable to the Directors up to RM100,000 for the period from 30 June 2018 until the conclusion of the next Annual General Meeting of the Company.          | <b>Resolution 2</b>             |
| 4. | To re-elect the following Directors, who retire in accordance with Article 103 of the Company's Constitution and, being eligible, offer themselves for re-election:                  |                                 |
|    | i) Mr Lim Pang Kiam  | <b>Resolution 3</b>             |
|    | ii) Mr Liew Jee Min @ Chong Jee Min  | <b>Resolution 4</b>             |
| 5. | To re-appoint the following Directors who retire in accordance with Article 108 of the Company's Constitution and, being eligible, offer themselves for re-election:                 |                                 |
|    | i) Ms Yan Ying Chieh   | <b>Resolution 5</b>             |
|    | ii) Mr Aizan Sugiwaka  | <b>Resolution 6</b>             |
| 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. | <b>Resolution 7</b>             |

#### AS SPECIAL BUSINESS

- |    |  |                     |
|----|--|---------------------|
| 7. | To consider and, if thought fit, pass the following Ordinary Resolutions with or without modifications:  |                     |
|    | <ul style="list-style-type: none"> <li>• <b>AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016 ("ACT")</b></li> </ul> <p>"THAT pursuant to Section 76 of the Act, the provisions of the Company's Constitution 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."</p>  | <b>Resolution 8</b> |
|    | <ul style="list-style-type: none"> <li>• <b>PROPOSED RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE</b></li> </ul> <p>"THAT approval be and is hereby given 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 4 to 11) of the Circular to Shareholders dated 30 April 2018, 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");</p> <p>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:</p> <p>(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</p> | <b>Resolution 9</b> |

## NOTICE OF 41ST ANNUAL GENERAL MEETING (cont'd)

• **PROPOSED RENEWAL OF SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (cont'd)**

**Resolution 9**

- (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."

**8. PROPOSED GRANT OF OPTIONS TO YAN YING CHIEH**

**Resolution 10**

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

- (i) not more than 15% of the prevailing issued shares of the Company (excluding treasury shares) shall be made available under the Scheme at any point in time throughout the duration of the Scheme when an offer is made;
- (ii) not more than 70% of the total number of YKGI shares to be issued pursuant to the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group;
- (iii) Yan Ying Chieh must not participate in the deliberation or discussion of her own allocation of new ordinary shares of YKGI to be issued under the Scheme;
- (iv) not more than 10% of the total number of new ordinary shares of YKGI available under the Scheme shall be allocated to Yan Ying Chieh, if she, either singly or collectively through persons connected with her, hold 20% or more of the issued shares (excluding treasury shares) of the Company; and

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

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

**9. PROPOSED GRANT OF OPTIONS TO AIZAN SUGIKAWA**

**Resolution 11**

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

- (i) not more than 15% of the prevailing issued shares of the Company (excluding treasury shares) shall be made available under the Scheme at any point in time throughout the duration of the Scheme when an offer is made;
- (ii) not more than 70% of the total number of YKGI shares to be issued pursuant to the Scheme shall be allocated, in aggregate, to the Directors and senior management of the Group;



## NOTICE OF 41ST ANNUAL GENERAL MEETING (cont'd)

### 9. PROPOSED GRANT OF OPTIONS TO AIZAN SUGIKAWA (cont'd)

- (iii) Aizan Sugikawa must not participate in the deliberation or discussion of his own allocation of new ordinary shares of YKGI to be issued under the Scheme;
- (iv) not more than 10% of the total number of new ordinary shares of YKGI available under the Scheme shall be allocated to Aizan Sugikawa, if he, either singly or collectively through persons connected with him, hold 20% or more of the issued shares (excluding treasury shares) of the Company; and

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

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

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

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

Klang, Selangor  
Dated : 30 April 2018

( The rest of this page is intentionally left blank)

## NOTICE OF 41ST ANNUAL GENERAL MEETING (cont'd)

### NOTES :

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2018 shall be eligible to attend the 41st AGM.
2. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where two (2) proxies are appointed, a member shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid provided that where a member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the 41st AGM have the same rights as the member to participate, speak and vote at the meeting.
4. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of 41st AGM will be put to vote by poll.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or 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 securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.
7. The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma YKGI, Lot 6479 Lorong Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time set for holding the 41st 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. Any Director referred to in Resolutions 3, 4, 5 and 6, who is also a shareholder of the Company will abstain from voting on the resolution in respect of his or her re-election at the 41st AGM.
10. The proposed Resolution 8, 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 40th AGM of the Company held on 30 June 2017 ("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 propose of funding future investment project(s), working capital and/or acquisition(s).
11. The proposed Resolution 9 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.
12. The proposed Resolutions 10 and 11 in respect of the Proposed Grant of Options to Yan Ying Chieh and Aizan Sugiwaka are intended to provide an opportunity for them to participate directly in the equity interest of the Company, to reward and retain them whose service is vital to the continued growth and success of the Group as well as to motivate them towards their better performance through greater loyalty and commitment to the Group.

### STATEMENT ACCOMPANYING NOTICE OF 41ST 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 41st AGM.



**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 \_\_\_\_\_  
(Full Name In Capital Letters)  
(NRIC No.: \_\_\_\_\_) of \_\_\_\_\_  
(Full Address)  
or failing him/her \_\_\_\_\_ (NRIC No.: \_\_\_\_\_)  
(Full Name In Capital Letters)  
of \_\_\_\_\_  
(Full Address)

or failing him/her, the CHAIRMAN OF THE MEETING as \*my/our proxy to vote for \*me/us and on \*my/our behalf at the 41<sup>st</sup> Annual General Meeting of the Company to be held at Meeting Room, Wisma YKGI, Lot 6479 Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan on Friday, 29 June 2018 at 3:00 pm and 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
<b>RESOLUTION 1</b>	To approve the payment of Directors' fees of RM285,250 for the Non-Executive Directors for the financial year ended 31 December 2017.		
<b>RESOLUTION 2</b>	To approve other benefits payable to the Directors up to RM100,000 for the period from 30 June 2018 until the conclusion of the next Annual General Meeting of the Company.		
<b>RESOLUTION 3</b>	To re-elect Mr Lim Pang Kiam as Director.		
<b>RESOLUTION 4</b>	To re-elect Mr Liew Jee Min @ Chong Jee Min as Director.		
<b>RESOLUTION 5</b>	To re-elect Ms Yan Ying Chieh as Director.		
<b>RESOLUTION 6</b>	To re-elect Mr Aizan Sugiwaka as Director.		
<b>RESOLUTION 7</b>	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.		
<b>RESOLUTION 8</b>	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.		
<b>RESOLUTION 9</b>	Proposed Renewal of Shareholder Mandate for Recurrent Related Party Transactions.		
<b>RESOLUTION 10</b>	Proposed grant of options to Ms Yan Ying Chieh.		
<b>RESOLUTION 11</b>	Proposed grant of options to Mr Aizan Sugiwaka.		

\*Strike out whichever not applicable.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

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

**Notes:**

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2018 ("General Meeting Record of Depositors") shall be eligible to attend the Meeting.*
- A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting and where two (2) proxies are appointed, a member shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid provided that where a member of the Company is an authorised nominee as defined in accordance with the provisions of the Securities Industry (Central Depositories) Act 1991, it may appoint at least one proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.*
- There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at the Meeting shall have the same rights as the member to participate, speak and vote at the Meeting.*
- 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 a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a Power of Attorney.*
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- The instrument appointing a proxy must be deposited at the Registered Office of the Company at Wisma YKGI, Lot 6479 Lorong Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan not less than 48 hours before the time for holding the 41<sup>st</sup> AGM or at any adjournment thereof.*



Fold here for sealing

Fold along this line ( 1 )

Affix  
Stamp  
Here

The Company Secretary

**YKGI HOLDINGS BERHAD**

(032939 - U)

**WISMA YKGI,**

Lot 6479 Lorong Sungai Puloh/KU6

Kawasan Perindustrian Sungai Puloh

42100 Klang, Selangor Darul Ehsan, Malaysia

Fold along this line ( 2 )

# YKGI HOLDINGS BERHAD

(COMPANY NO. 032939 - U)

## WISMA YKGI,

Lot 6479 Lorong Sungai Puloh/KU6, Kawasan Perindustrian Sungai Puloh, 42100 Klang, Selangor Darul Ehsan, Malaysia.

Tel: +60 3 3297 5555/3291 5189 Fax: +60 3 3290 6668/3291 6193

Website: <http://www.ykgigroup.com> E-mail: [ykgi@ykgigroup.com](mailto:ykgi@ykgigroup.com)