YKGI HOLDINGS BERHAD

REGISTRATION NO. 1977 0100 1682 (032939-U)

2019 ANNUAL REPORT

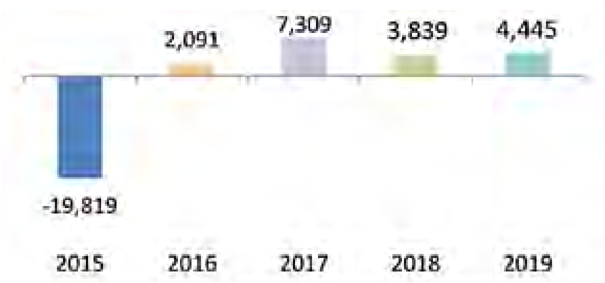
1. FINANCIAL HIGHLIGHTS

		(RM'000)	2015	2016	2017 (restated*)	2018	2019
OPERATING RESULTS							
Revenue			491,631	399,617	206,881	221,210	201,205
Operating (Loss)/Profit			(19,819)	2,091	7,309	3,839	4,445
(Loss)/Profit Before Tax			(19,819)	(7,262)	5,881	3,839	4,445
Loss Attributable to owners of the Company			(16,552)	(9,957)	(14,736)	(133,614)	(7,566)
EBITDA			12,969	32,410	11,212	10,846	12,872
Key Balance Sheet Data							
Share Capital			185,032	45,697	176,128	176,666	38,747
Total Borrowing			206,404	170,699	153,204	126,621	70,359
Cash and cash equivalents			28,075	31,405	42,201	33,275	23,213
Ratio Analysis							
Gearing Ratio	Times		1.03	0.90	0.86	2.82	1.73
Gross Profit Margin	%		5.47	12.57	12.03	11.01	14.54

Note

(*) The financial result for year 2017 was restated due to a major business which has been classified as discontinued operations as it was held for sale. The comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

REVENUE (RM'000)



OPERATING PROFIT (RM'000)

EBITDA (RM'000)

TOTAL BORROWING (RM'000)

CONTENT

2. MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group completed the disposal of its manufacturing assets of the coated coil business ("Coated Coil Business") in April 2019 for a cash consideration of RM125 million. The disposal marked a new chapter for YKGI Holdings Berhad and its subsidiaries ("YKGI") as the Group shifted its focus to the downstream segment of the steel industry. The Group's downstream business includes manufacturing and trading of metal roofing products, one-stop building solutions for roofing and walling, structural decking and steel framing systems under the ASTEEL and ASTAR brands.

The Group's metal roofing business operates predominantly in East Malaysia. In August 2019, the Group acquired a 51% equity interest in a metal roofing company based in Johor for a consideration of RM3.50 million. This acquisition served as a platform for the Group's expansion of its downstream business in West Malaysia. This is in line with the Group's vision to be the leading metal roofing company in Malaysia.

BUSINESS REVIEW

The Group's revenue and profit before tax for the continuing business in 2019 were RM201.20 million and RM4.44 million respectively. All the revenue was derived from the metal roofing business - a significant portion was generated from East Malaysia's operation. Despite a slight reduction in the turnover as compared to 2018 of RM221.20 million, an improvement in the product margins resulted in an increase of 15.8% in the Group's profit before tax from RM3.84 million in 2018 to RM4.44 million in 2019.

The disposal of Coated Coil Business was a strategic decision for the good of the Group in the long term. Following that, the Group streamlined its operations from the mid-stream steel sector to the downstream steel sector. After the disposal, the Group's working capital requirement has been eased and this enabled more financial resources to be allocated to its profit-generating business units. In light of the COVID-19 pandemic, the disposal was timely as it would have been a tremendous financial strain to the Group had the Coated Coil Business remained.

> Our strategies are to expand the downstream business and to strengthen our position as a one-stop solution for roofing needs. We aspire to grow geographically and expand our product range in the building ecosystem.

The above aspiration has been part of the management team's medium term strategy which is currently being implemented.

STRATEGY AND CULTURE

This year, the Group marked the 43rd anniversary of its establishment. In 1977, the Group started its humble beginning in East Malaysia, starting with the trading of steel products and then becoming a listed mid-stream steel player. The Group disposed the Coated Coil Business which was loss making to limit further losses to the Group. This resulted in the Group's continuing business registering a profit before tax of RM4.44 million for 2019. By refocusing our business on the downstream business segment, the Group aims to achieve long term profitability as well as to protect shareholder value.

> The Group adopts a culture of excellence. Our business approach focuses on short-term priorities with long-term growth in mind.

We are passionate, and we believe we can achieve our aspirations and objectives by continuously striving for excellence, doing more with less, being better than yesterday.

FINANCIAL REVIEW

Revenue of the Group dropped by 9.0% from RM221.20 million in 2018 to RM201.20 million in 2019. This reduction was due to lower sales volume by 26.9%. However, the reduction was substantially mitigated by higher revenue derived from supplying and installation of metal roofing products projects and sales of safety glass products. Low sales volume was due to the decrease in sales volume of coils as a result of the cessation of the Coated Coil Business.

The Group registered a higher profit before tax of RM4.44 million in 2019 compared to RM3.84 million in 2018. The improved profitability was mainly contributed by the higher profit margin in the supply and installation of the metal roofing products. The post-disposal financial results showed that the downstream business segment can generate better profit for the Group. The Group's disposal of its Coated Coil Business is a good move in the right direction.

Administration cost incurred in 2019 was higher than in 2018 by RM3.62 million due to the following:-

(i) Higher administrative staff cost due to an increase in staff incentive and remuneration arising from the Group's business expansion plan and additional administrative cost from the consolidation of a newly acquired subsidiary in Johor ; and

(ii) Higher depreciation charges arising from leases of building due to the adoption of Malaysian Financial Reporting Standard ("MFRS") 16, Leases.

As for the discontinued operation, the Group incurred a loss of RM11.17 million, mainly from the impairment loss on the remaining machinery totaling RM4.17 million and the operating costs for about 4 months before the disposal of the Coated Coil Business on 16 April 2019. The revenue registered for the discontinued operation up to April 2019 was RM15.30 million.

The Group's total loss attributable to the shareholders was RM7.40 million which was much lower than RM133.51 million registered in 2018. In 2018, the Group provided an allowance for impairment loss on the Coated Coil Business of RM107.0 million under MFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

The financial position of the Group improved after the disposal of the Coated Coil Business. Working capital remained positive with a ratio of 1.08 times versus 1.06 times for 2018. As at 31 December 2019, the gearing ratio of the Group stood at 1.73 times (31 December 2018: 2.82).

REVENUE

-9.0%

(FY2018: RM221.20 Million)

RM201.20 Million

PROFIT AFTER TAX

+32.3%

(FY2018: RM2.85 Million)

RM3.77 Million

WORKING CAPITAL RATIO

+1.89%

(FY2018: 1.06 Times)

1.08 Times

SHAREHOLDERS' EQUITY

-17.52%

(FY2018: RM44.52 Million)

RM36.72 Million

OPERATION REVIEW

Dependence on key management and experienced personnel

Whilst we endeavour to provide a competitive remuneration package to our staff and ensure that they are appropriately rewarded, the competition for competent personnel in our industry remains intense.

As part of the Group's long term plan to nurture and retain its key management and employees, the Group has undertaken an employee share option scheme which the Group has implemented on 9 November 2016. Additionally, the Group continuously grooms younger members of the management staff and other employees to participate in the management of the Group. It is also the current practice of the Group to not depend on one person to perform an important job function to prevent dependency on any particular person. Emphasis is placed on teamwork and all-important projects will have backup personnel.

Competition risk

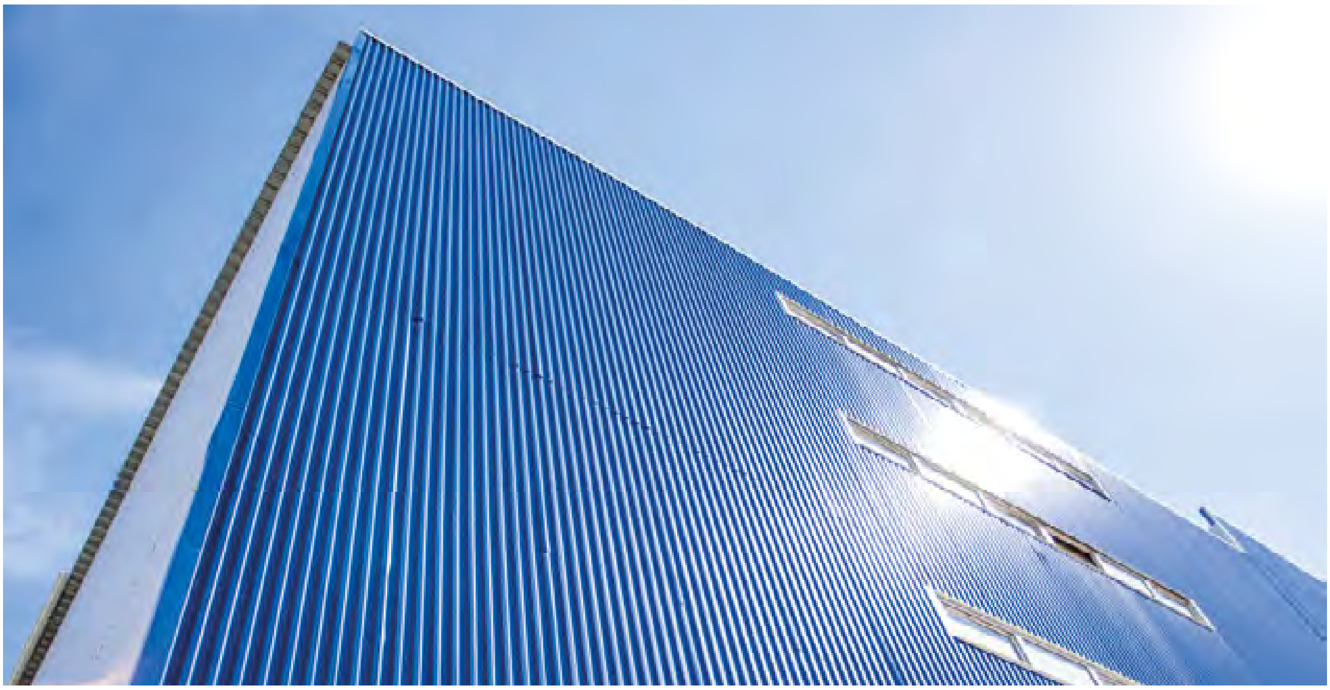
The Group faces competition from both international and local players. Technology, product quality, pricing, proximity to customers, range of products/solutions and quality of service are the key areas of competition for our business. Many of our customers are locally based and very closely connected to the building industry. The close relationship and competitive pricing of the products are the keys to the growth of our business.

Financial risk

The Group's financial risks are set out in ***Note 25.3*** under the notes to the financial statements.

PROSPECTS

With the disposal of Coated Coil Business, the Group is now in a better financial position. It has enhanced its financial capacity to undertake business expansion. In light of this, the Group will continue to expand and improve the metal roofing business and bring it to a new level. The Group will also look into synergistic business arrangements including joint-ventures and acquisitions. The Group will remain constructive in creating value and returns to its shareholders.



3. CORPORATE INFORMATION

Board of Directors

Mr Liew Jee Min @ Chong Jee Min
Independent Director / Non-Executive Chairman

Tan Sri Dato' Soh Thian Lai, *PSM, DIMP*
Executive Deputy Chairman

Mr Victor Hii Lu Thian
Managing Director

Mr Fong Yoo Kaw @ Fong Yee Kow
Senior Independent Director

Ms Yan Ying Chieh
Independent Director

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

Mr Toshihiro Tachibana
Non-Independent Non-Executive Director

Mr Koichiro Nakazawa
Non-Independent Non-Executive Director

Alternate Director

Mr Nobuyoshi Kariya
(To Mr Toshihiro Tachibana)

Mr. Keisuke Yamanishi
(To Mr Koichiro Nakazawa)

Company Secretaries

Ms Voon Jan Moi (MAICSA 7021367)

Ir Michael Hii Ee Sing (LS 0000872)

Incorporation

Incorporated on 29 April 1977 in Malaysia

Listing

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

Bursa LINK Agent

Tengis Corporate Services Sdn Bhd

Registered Address

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

Corporate Office/Business Address

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

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

Audit and Risk Committee

Mr Fong Yoo Kaw @ Fong Yee Kow
Senior Independent Director

Mr Liew Jee Min @ Chong Jee Min
Independent Director

Ms Yan Ying Chieh
Independent Director

Bankers

Malayan Banking Berhad
MBSB Bank Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

Investment Bank

Hong Leong Investment Bank Berhad
KAF Investment Bank Berhad
Public Investment Bank Berhad

Independent Advisor

SIERAC Corporate Advisers Sdn Bhd

Legal Advisors

J.M. Chong, Vincent Chee & Co.
Azman Davidson & Co
Lim & Teo Advocates
Tang & Partners, Advocates
Ngeh Ling 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
Tel : +60 3 2783 9299
Fax : +60 3 2783 9222

Certification

ISO 9001:2015
MS ISO 9001:2015

CORPORATE STRUCTURE

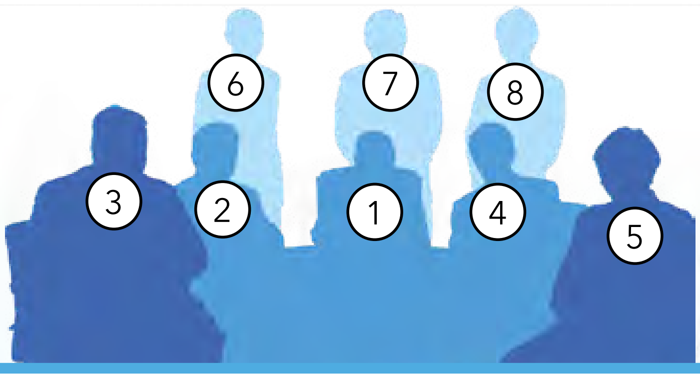
(as at 1 May 2020)

YKGI Group

YKGI Holdings Bhd
Registration No. 1977 0100 1682 (032939-U)

- 100% **ASTEEL Resources Sdn Bhd**, Reg. No. 2014 0102 7116 (1103206-T)
  - 100% ASTEEL Sdn Bhd, Reg. No. 1996 0102 0690 (393042-D)
  - 100% ASTEEL Development Sdn Bhd, Reg. No. 2013 0103 2399 (1062228-D)
  - 100% ASTEEL (Sabah) Sdn Bhd, Reg. No. 2013 0103 2378 (1062207-W)
  - 100% ASTEEL Works Sdn Bhd, Reg. No. 2019 0102 0757 (1330086-T)
  - 100% ASTEEL Dynamic Sdn Bhd, Reg. No. 2020 0100 2704 (1359023-T)
  - 100% ASTEEL Synergy Sdn Bhd, Reg. No. 2020 0100 2709 (1359028-V)
  - 100% ASTEEL (Sarawak) Sdn Bhd, Reg. No. 2020 0100 7411 (1363731-A)
    - 60% AS Tiles & Interior Design Sdn Bhd, Reg. No. 2020 0100 9209 (1365529-M)
  - 60% ASTEEL AJIYA Sdn Bhd, Reg. No. 2018 0101 7853 (1279869-K)
- 100% **Starshine Holdings Sdn Bhd**, Reg. No. 2010 0103 6948 (920871-A)
  - 100% Star Shine Marketing Sdn Bhd, Reg. No. 1998 0100 1945 (458071-P)
    - 100% Starshine Resources Sdn Bhd, Reg. No. 2010 0104 3533 (927461-U)
    - 51.41% ASTAR Steel Sdn Bhd (Acesteel Industries Sdn Bhd), Reg. No. 2007 0102 4273 (782292-U)
  - 100% Star Shine Global Trading Sdn Bhd, Reg. No. 2001 0103 1201 (566960-K)
  - 100% Star Shine Steel Products Sdn Bhd, Reg. No. 2003 0101 7325 (619745-P)
  - 100% Star Shine Industries Sdn Bhd, Reg. No. 1996 0100 3887 (376233-T)

BOARD OF DIRECTORS



1. Mr Liew Jee Min @ Chong Jee Min
2. Tan Sri Dato' Soh Thian Lai
3. Mr Victor Hii Lu Thian
4. Mr Fong Yoo Kaw @ Fong Yee Kow
5. Ms Yan Ying Chieh
6. Mr Koichiro Nakazawa
7. Mr Christopher Hii Lu Ming
8. Mr Toshihiro Tachibana

DIRECTORS' PROFILE

LIEW JEE MIN @ CHONG JEE MIN
(Malaysian, age 61, Male)
Independent Director / Non-Executive Chairman

Board Appointment
28 February 2013

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

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

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

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

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

He attended three (3) out of four (4) Board meetings held during the financial year ended 31 December 2019.

Public Company Directorships :
Jaks Resources Berhad
Hextar Global Berhad
Parkson Holdings Berhad

TAN SRI DATO' SOH THIAN LAI, *PSM, DIMP*
(Malaysian, age 59, Male)
Executive Deputy Chairman

Board Appointment
15 March 2012

Board Committees
Chairman of ESOS Committee.

Education and Experience
Tan Sri 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.

Tan Sri Dato' Soh has more than 34 years of experience in the steel industry. He has been instrumental in the development and progress of our Group. He is currently serving as the President of Federation of Malaysian Manufacturers (FMM), Vice President of National Chamber of Commerce & Industry of Malaysia, Board Director of Malaysian Investment Development Authority (MIDA), Ministry of International Trade and Industry, Audit Committee Chairman, MIDA, Disciplinary Committee, MIDA and Committee Member of Malaysian Qualifications Agency (MQA) Ministry of Education, Council member of Malaysian Steel Council (MSC), Founding member and Director of Malaysian Steel Institute, Director of South East Asia Iron and Steel Institute (SEAISI), Council Member of Malaysian Standard & Accreditation Council, Ministry of Science, Technology & Innovation.

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

He attended all four (4) Board meetings held during the financial year ended 31 December 2019.

His shareholdings in the Company and the Group are disclosed in the Directors' interest section under the heading "Analysis of Shareholdings" on pages **153** and **154** of this annual report.

Other Directorship in Public Company :
Federation of Malaysian Manufacturers (FMM)
Malaysia Steel Institute (MSI)
GS1 Malaysia Berhad

VICTOR HII LU THIAN
(Malaysian, age 45, 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), Council member of Sarawak Manufacturers' Association (SMA), Advisor to Persatuan Alumni AOTS Malaysia (PAAM) Sarawak branch, Advisor to Kuching Life Care Society (Pertubuhan Pemeliharaan Hayat Kuching), Council Member of Koh Yang (Kho Clan) Association and a member to Board of Management of SJK St. Paul Kuching .

He attended all four (4) Board meetings held during the financial year ended 31 December 2019.

Mr Victor Hii is a brother of Mr Christopher Hii Lu Ming, who is a Director and major shareholder of the Company. His shareholdings in the Company and the Group are disclosed in the Directors' interest section under the heading "Analysis of Shareholdings" on pages **153** and **154** of this annual report.

Other Directorship in Public Company :
Federation of Malaysian Manufacturers (FMM)

CHRISTOPHER HII LU MING
(Malaysian, age 43, 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 three (3) out of the four (4) Board meetings held during the financial year ended 31 December 2019.

Mr Christopher Hii is a brother of Mr Victor Hii Lu Thian, who is a Director and major shareholder of the Company. His shareholdings in the Company and the Group are disclosed in the Directors' interest section under the heading Analysis of Shareholdings on pages **153** and **154** of this annual report.

KOICHIRO NAKAZAWA
(Japanese, age 40, Male)
Non-Independent / Non-Executive Director

Board Appointment
1 July 2019

Board Committees
None

Education and Experience
Mr Nakazawa is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He holds a degree in Economics and joined Marubeni-Itochu Steel Inc. in 2009.

He has more than 10 years business career in Marubeni-Itochu Steel Inc., working and managing in various departments, namely Staff, Overseas Hot Rolled Steel Sheets Sec, Overseas Iron & Steel Dept and Overseas Steel Sheets Dept.

Since his appointment to the Board in July 2019, Mr Nakazawa attended two (2) Board meetings applicable to him during the financial year ended 31 December 2019.

TOSHIHIRO TACHIBANA
(Japanese, age 51, Male)
Non-Independent / Non-Executive Director

Board Appointment
13 May 2020

Board Committees
None

Education and Experience
Mr Tachibana is representing Marubeni-Itochu Steel Inc., a major shareholder of the Company. He studied Business Administration and holds a Bachelor of Business Administration from Kobe University, Japan (1992).

He has more than 28 years business career in Marubeni-Itochu Steel Inc., working and managing in various departments, namely Overseas Hot Rolled Steel Sheets Sec, Overseas Iron & Steel Dept., Overseas Steel Sheets Dept., management of Johannesburg and UK Branch.

As Mr Tachibana was appointed Alternate Director to Mr Koichiro Nakazawa on 1 July 2019 and was re-designated as Non-Independent Non-Executive Director on 13 May 2020 to replace Mr Aizan Sugiwaka, there was no Board meeting applicable to him in respect of the financial year ended 31 December 2019.

FONG YOO KAW @ FONG YEE KOW
(Malaysian, age 68, Male)
Senior Independent Director

Board Appointment
3 January 2013

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

Education and Experience

Mr Victor Fong Yee Kow is a member of the Chartered Accountants of Australia and New Zealand, 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 Fong has worked both in New Zealand and in Malaysia in both the corporate and public sectors and in public practice. He was Head of Finance of a local timber group and was Director of Finance and Group Managing Director, Commercial Division, of State Economic Development Corporation for 6 years. He has over 43 years of experience in business and finance management, government and in consulting and advisory services covering corporate finance, internal audit, tax planning, business strategy, corporate restructure, public sector finance and performance improvement. His clients included those in Indo-China, Indonesia, Papua New Guinea, China and various other locations. He retired as Partner of Ernst and Young in 2010. He also sits on the Board of a number of private companies

He attended all four (4) Board meetings held during the financial year ended 31 December 2019.

Public Company Directorships :
Pansar Berhad
Sarawak Oil Palms Berhad
DPI Holdings Berhad

YAN YING CHIEH
(Malaysian, age 57, Female)
Independent Director / Non-Executive Director

Board Appointment
3 July 2017

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

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

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

She attended all four (4) Board meetings held during the financial year ended 31 December 2019.

Notes:
Save as disclosed above, none of the Directors have:
- *any family relationships with any Director of the Company, and/or major shareholders of the Company save for Mr Victor Hii and Mr Christopher Hii.*
- *any conflicts of interest with the Company other than the significant related party transactions as disclosed in the Notes to the Financial Statements of this Annual Report.*
- *any conviction of offences within the past five (5) years (other than traffic offences).*
- *any sanction and/or penalty imposed on them by the regulatory bodies during FY2019.*

PROFILE OF KEY SENIOR MANAGEMENT

TAN SRI DATO' SOH THIAN LAI
(Malaysian, age 59, Male)
Executive Deputy Chairman

Please refer to "Directors' Profile" on *Page 8*.

VICTOR HII LU THIAN
(Malaysian, age 45, Male)
Managing Director

Please refer to "Directors' Profile" on *Page 9*.

TAN CHING PDING
(Malaysian, age 55, Male)
Chief Financial Officer - YKGI Group
Managing Director/Joint Managing Director - Starshine Group

Appointment
1 March 2016

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

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

GOH KWAN SENG
(Malaysian, age 50, Male)
Joint Managing Director - ASTAR Steel Sdn Bhd
(Formerly known as Acesteel Industries Sdn Bhd)

Appointment
14 February 2011

Education and Experience
Mr. Goh Kwan Seng graduated from Auckland University of Technology, he holds a Bachelor Degree of Architecture.
His prior work experience includes Jabatan Kerja Raya Malaysia as Architecture Technician, Sales and Marketing Manager (Southern) - Concrete Products Division in MCB Holdings Berhad Group, Regional Sales and Marketing Manager (Southern) - Concrete Products Division in PJD Holdings Berhad Group, Deputy General Manager – Metal Roll Forming Division in Ajiya Berhad.

AW CHIEW LAN
(Malaysian, age 49, Female)
Director of Finance – East Malaysia

Appointment
1 July 2015

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

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

NGU LIEW ING
(Malaysian, age 59, Female)
Chief Operating Officer - ASTEEL Group

Appointment
1 July 2017

Education and Experience
Ms Ngu holds a Bachelor of Arts with Second Class Honours, First Division in Business Administration from the University of Bolton, United Kingdom.
She joined YKGI in 1993 and since then was responsible for the procurement activities till 2015. Thereafter she assumed as Director of procurement for ASTEEL Group.

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

FOO AI TING
(Malaysian, age 45, 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.

FONG FUI YEE

(Malaysian, age 41, Male)
Commercial Director – ASTEEL Group

Appointment
12 May 2018

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

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

KOH TECK HOE

(Malaysian, age 45, Male)
Assistant General Manager - Star Shine Marketing Sdn Bhd

Appointment
1 October 2016

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

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

Notes:

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

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

4. CORPORATE GOVERNANCE

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 2019 ("FY2019") and to the date of this Statement. The Board believes that the Company has complied substantially with the best practices of MCCG and the provisions in MMLR except where stated in this Statement.

A. BOARD OF DIRECTORS

The Board is entrusted with the overall management, strategic direction, formulation of policies and overseeing the business of the Group. The Board has delegated the policies implementation to the Executive Deputy Chairman, Managing Director and Executive Directors who also oversee the Group's operations; developing and implementing business strategies. The Independent Directors fulfil a pivotal role in corporate accountability by providing independent views, advice and judgement to enable a balanced and unbiased decision-making process in safeguarding shareholders' interest.

(i) Board Charter

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

(ii) Directors' Code of Ethics

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

(iii) Whistleblowing Policy & Procedure

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

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

(iv) Sustainability of business

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

In addition, the Company has carried out various efforts addressing the ESHG aspects of its business sustainability, which include capitalising on technology to promote environmental sustainability for its development projects, maintaining open and effective communication channels with its shareholders, and giving back to the community via its corporate social responsibility activities, details report on sustainability activities are provided under the heading of Corporate Social Responsibilities in this Annual Report.

(v) Role and Responsibilities of the Board

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

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

(vi) Access to information and advice

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

(vii) Company Secretaries

The Company is supported by two Company Secretaries. Both Company Secretaries are qualified Secretaries under Section 235(2)(a) of the Companies Act 2016.

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

Both Company Secretaries attended the 2019 Annual General Meeting ("AGM") and at least one (1) Company Secretary attends all Board and Board committee meetings during the FY2019. 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 eight (8) members, with six (6) Non-Executive Directors (including three (3) Independent Directors) and two (2) Executive Directors. The Directors, with their diverse backgrounds and qualifications in both the public and private sectors and academic backgrounds, provide a collective range of skills, expertise and experience in engineering, entrepreneurship, accounting, audit, legal and economics which is vital to effectively lead the Group. The profile of each Director is set out under the heading Directors' Profile in this Annual Report.

The existing Board complies with the MMLR which requires one-third of the Board to be independent. The Independent Non-Executive Directors have fulfilled the independence criteria set out in the Board Charter and MMLR. They are individuals with integrity and high caliber who always play important roles by exercising independent judgement, participate objectively in the Board's decision making process and acted in the best interest of the Group and ensure that the interests of minority shareholders are safeguarded. They bring with them independent views, advice and judgement on interests, not only of the Group, but also of shareholders, employees, customers, suppliers and the communities within which the Group conducts its business. Independent Directors are vital in protecting the interests of minority shareholders and can make significant contributions to the Company's decision making by bringing in the quality of detached impartiality and objectivity. The Non-Independent Non-Executive Directors have also contributed essential business know how and management experience relevant to the Group.

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

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

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

(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. Four (4) meetings were held during the FY2019 which were attended by majority of the Directors.

Name of Director	Meetings attended	Percentage of attendance (%)
Mr Liew Jee Min @ Chong Jee Min *(Independent Director/Non-Executive Chairman)*	3/4	75%
Tan Sri Dato' Soh Thian Lai *(Executive Deputy Chairman)*	4/4	100%
Mr Victor Hii Lu Thian *(Managing Director)*	4/4	100%
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director)*	4/4	100%
Ms Yan Ying Chieh *(Independent Director)*	4/4	100%
Mr Christopher Hii Lu Ming *(Non-Independent Non-Executive Director)*	3/4	75%
Mr Aizan Sugiwaka *(Non-Independent Non-Executive Director)*	4/4	100%
Mr Koichiro Nakazawa *(Non-Independent Non-Executive Director)*	2/2	100%

Chief Financial Officer ("CFO"), Senior Advisor 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 FY2019, inter alia, operating highlights of the Group's business and performance; annual budget and mid-year review of plan and budget; quarterly and full year results; corporate proposals; significant disposal; and risk and controls environment including other risk management and governance initiatives.

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

The Board is mindful that continuous education is vital for Board members to gain insight into the state of economy, technological advances, regulatory updates and management strategies to enhance the Board's skill sets and knowledge in discharging its responsibilities. During FY2019, 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.

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 FY2019 were as follows:

Name of Directors	Name of Training Attended
Mr Liew Jee Min@ Chong Jee Min	• Revisiting The Misconception of Board Remuneration. • Demystifying The Diversity Conundrum: The Road to Business Excellence • Bursa Malaysia Thought Leadership Series: The Convergence of Digitisation and Sustainability • Bursa Malaysia Thought Leadership Series: Sustainability Inspired Innovations: Enablers of the 21st Century
Tan Sri Dato' Soh Thian Lai	• Key Amendment to Listing Requirements arising from Companies Act 2016 & Dealings in Listed Securities, Closed Period & Insider Trading • Building Strategic Alliance • The Mandatory Accreditation Programme (MAP) • National Economic Forum 2019 • FMM Industry 4.0 Conference • Industry TVET Collaboration Dialogue with YB Minister of Education • FMM-SMF Joint Mission to Taipei, Taiwan in conjunction with Taiwan-Malaysian Industrial Collaboration Summit • FMM Conference on Love Malaysia, Buy Made in Malaysia • Industry4wd Summit • MISIF Conference 2019

Name of Directors	Name of Training Attended
Mr Victor Hii Lu Thian	• TVET Symposium 2019 : Developing Talent for the digital economy • Swak Trade & Tourism office SG (STATOS) Seminar & Exhibition • Bridging trade and investment relations between Thailand and Sarawak • Industry TVET Collaboration Dialogue • Journey to 2030 Business Engagement Session with CM of Sarawak • 2019 Trade Forum on the Malaysian Iron and Steel Industry - "Malaysian Steel Industry at the Crossroads of Change" • KPMG's Tax and Business Seminar and MFRS Updates 2019
Mr Fong Yoo Kaw @ Fong Yee Kow	• Key Amendment to Listing Requirements arising from Companies Act 2016 & Dealings in Listed Securities, Closed Period & Insider Trading • 10th National MM2H National workshop • Third Age & Longevity Economy Forum • EY Budget 2020 & Tax Conference • EY Budget 2020 Seminar
Ms Yan Ying Chieh	• 6 Stages of Retirement Planning • Enhancing Strategic Planning by Directors as Required by Bursa Malaysia • Phillip Capital 10th Annual Investment Conference • 8th AFA Annual Conference
Mr Christopher Hii Lu Ming	• Corruption and Bribery • Ethical Decision Making
Mr Aizan Sugiwaka	• Corruption & Bribery
Mr Koichiro Nakazawa	• Corruption & Bribery

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 four Committees, namely Audit and Risk Committee, Nomination Committee, Remuneration 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 advisors 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 and Risk Committee

The Board Risk Committee ("BRC") was dissolved on 30 June 2019 with its function taken over by the Audit Committee ("AC") which was renamed Audit and Risk Committee ("ARC") on 1 July 2019.

ARC comprises three (3) members, all of whom are Independent Non-Executive Directors with accounting or related financial management expertise or experience. Audit and Risk Committee Chairman is Mr Fong Yoo Kaw @ Fong Yee Kow and the members are Mr Liew Jee Min @ Chong Jee Min and Ms Yan Ying Chieh.

BRC met one time in 2019 of which all members attended. ARC (previously AC) met five (5) times during FY2019. More information on the functions, duties and activities carried out by the ARC during FY2019 is set out under the heading Audit and Risk Committee Report.

Name of ARC Members	Meetings attended	Percentage of attendance (%)
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director / ARC Chairman)*	5/5	*100%*
Mr Liew Jee Min @ Chong Jee Min *(Independent Director / Member)*	4/5	*80%*
Ms Yan Ying Chieh *(Independent Director / Member)*	5/5	*100%*

(b) Nomination Committee

The Board established a Nomination Committee ("NC") on 13 March 2001 to consider candidates for directorship and Board Committee membership, and to review the effectiveness of the Board, through performance assessment of the Board, Board Committees and individual Directors.

The NC held three (3) meetings during FY2019.

Name of NC Members	Meetings attended	Percentage of attendance (%)
Ms Yan Ying Chieh *(Independent Director / NC Chairman)*	3/3	100%
Mr Liew Jee Min @ Chong Jee Min *(Independent Director / Member)*	3/3	100%
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director / Member)*	3/3	100%
Mr Christopher Hii Lu Ming *(Non-Independent Non-Executive Director / Member)*	3/3	100%

During FY2019, 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 FY2019 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 FY2019, 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.

(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 held two (2) meetings during FY2019.

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

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 2019 is as follows:

Executive Director	Salary	Bonus	EPF	Other Benefits	Total
Tan Sri Dato' Soh Thian Lai	720,000	-	115,200	60,000	895,200
Mr Victor Hii Lu Thian	585,696	182,000	135,280	145,880	1,048,856
Mr Yoshihiko Okuno	76,776	-	-	280	77,056
Total	**1,382,472**	**182,000**	**250,480**	**206,160**	**2,021,112**

Non Executive Director	Fee	Other Allowances	Total
Mr Liew Jee Min @ Chong Jee Min	56,000	11,280	67,280
Mr Fong Yoo Kaw @ Fong Yee Kow	56,500	13,560	70,060
Ms Yan Ying Chieh	53,000	13,280	66,280
Mr Christopher Hii Lu Ming	31,000	2,780	33,780
Mr Aizan Sugiwaka	30,000	-	30,000
Mr Koichiro Nakazawa	15,000	-	15,000
Total	**241,500**	**40,900**	**282,400**

The Company has identified its top four (4) Senior Management positions as follows:

- Executive Deputy Chairman
- Managing 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) ESOS Committee

ESOS Committee was formed on 8 November 2016, and it comprises of Tan Sri Dato' Soh Thian Lai (Chairman), Mr Victor Hii Lu Thian, Ms Yan Ying Chieh, Mr Tan Ching Pding and Ms Aw Chiew Lan. ESOS Committee is responsible for implementing, regulating, allocating and administering the ESOS Scheme.

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

During FY2019, no new ESOS options was granted.

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 and later renamed Audit and Risk Committee ("ARC"), comprises all three Independent Directors, with Mr Fong Yoo Kaw @ Fong Yee Kow as the ARC Chairman. The composition of the ARC, including its roles and responsibilities, are set out in the ARC Report. One of the key responsibilities of the ARC 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 FY2019, 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 ARC 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 FY2019 by the Company's external auditors, KPMG PLT, and a firm and company affiliated to KPMG PLT are set out on the next page:

	Group RM	Company RM
Audit fees	180,000	32,000
Non-audit fees • KPMG PLT • Local affiliate of KPMG PLT	 6,000 23,600	 6,000 11,000

(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 ARC 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 FY2019 is provided in the ARC 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 serves as a key communication channel for shareholders, investors, members of the public and other stakeholders to obtain up-to-date information on the Group's activities, financial results, major strategic developments and other matters affecting stakeholders' interests.

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

(ii) Shareholder Participation at General Meetings

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

The Notice of last AGM was circulated to shareholders 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 poll and duly passed. The outcome of the AGM was announced to Bursa Securities on the same day.

The Notice of forthcoming AGM will be circulated to shareholders at least twenty-one (21) days in compliance of the MMLR and Companies Act 2016.

The Company has adopted MMLR that any resolution set out in the notice of any general meetings is voted by poll and the appointment of an independent scrutineer to validate the votes cast at AGM held thereat. The Company will continue to adhere to this poll voting for any resolution to be moved at any general meetings and the appointment of independent scrutineer to validate the votes cast at the general meeting.

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

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

In addition to various announcements made during FY2019, 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 23 May 2019. 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 Yoshihiko Okuno resigned as Director of the Company with effect from 30 June 2019 and ceased as a Member of ESOS Committee.
2. Mr Koichiro Nakazawa was appointed as Non-Executive Non-Independent Director of the Company with effect from 1 July 2019.
3. Mr Toshihiro Tachibana was appointed as the Alternate Director to Mr Koichiro Nakazawa with effect from 1 July 2019.
4. Mr Koichiro Nakazawa ceased as Alternate Director to Mr Aizan Sugiwaka with effect from 1 July 2019.
5. Mr Nobuyoshi Kariya was appointed Alternate Director to Mr Aizan Sugiwaka with effect from 1 July 2019.
6. Mr Aizan Sugiwaka ceased as Non-Independent Non-Executive Director with effect from 13 May 2020.
7. Mr Toshihiro Tachibana ceased as Alternate Director to Mr Koichiro Nakazawa with effect from 13 May 2020.
8. Mr Toshihiro Tachibana was appointed as the new Non-Independent Non-Executive Director of the Company with effect from 13 May 2020.
9. Mr Nobuyoshi Kariya ceased as Alternate Director to Mr Aizan Sugiwaka with effect from 13 May 2020 and was appointed Alternate Director to Mr Toshihiro Tachibana with effect from 13 May 2020.
10. Mr Keisuke Yamanishi was appointed as Alternate Director to Mr Koichiro Nakazawa with effect from 13 May 2020.

This statement is issued in accordance with a resolution of the Board of Directors dated 28 May 2020.

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 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

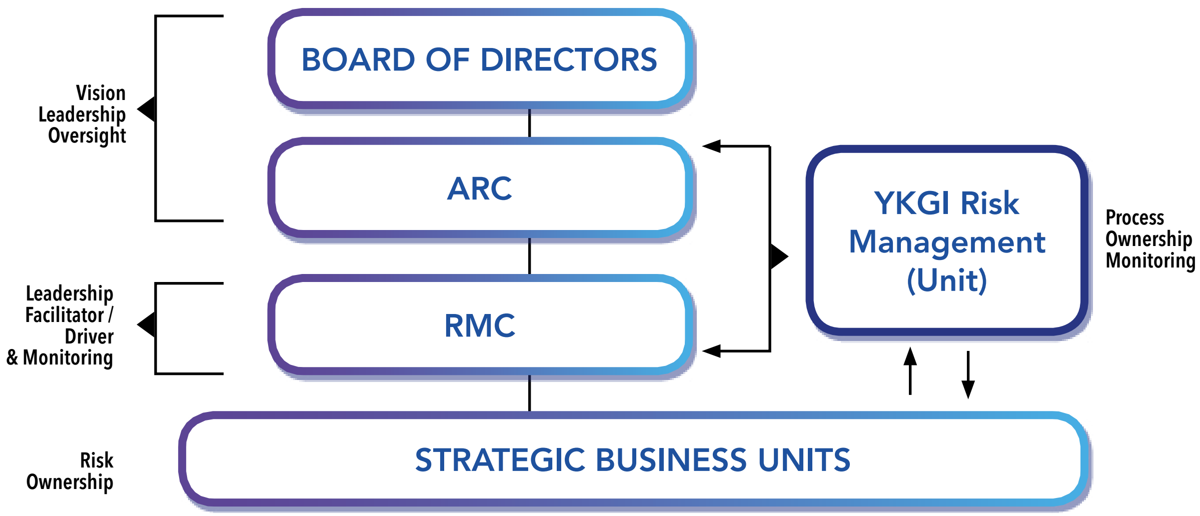
The Board has established appropriate control structure and internal audit processes in identifying, evaluating, monitoring and managing the significant risks that may hinder the achievement of business objectives. The control structure and process which has been identified and instituted throughout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

On 28 June 2019, the Board decided to streamline the roles of the Board Risk Committee with the amalgamation of its functions with the Audit Committee. With the enlarged functions the Committee is now renamed Audit and Risk Committee ("ARC").

ARC's roles in risk management are supported by Risk Management Committees ("RMC") of which it oversees the RMC's functions on the identification of risk factors, risk treatment plan and mitigation actions thereon. The RMC is headed by Chief Financial Officer and is made up of senior management personnel.

In 2019, ARC has received the two (2) reports from RMC and deliberated on the risks presented by the RMC.

YKGI Group's Risk Management Structure is as below:



Role of ARC

The main duties and responsibilities of the ARC 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 set reporting guidelines for management to report to the committee on the effectiveness of the Group's management of its business risks;
e. 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
f. 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 every year 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 ARC for deliberation, evaluation and strategic guidance thereon.

The roles of RMC are thus summarised as follows:

1. Supports ARC in facilitating and coordinating risk management activities at the operational level, including formulating, reviewing and adopting/implementing risk philosophy, risk policy and determining the level of risk appetite and risk tolerance, risk standards and criteria and measurements, and recommend the same to the Board through the ARC for adoption/approval/endorsement.
2. Makes or ratifies Strategic Business Units ("SBU") / management decisions on risk issues.
3. Formulates and/or recommends strategies, proposals and resource allocation for risk management to the ARC and the 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 prolife, risk prioritisation and mitigation strategies for risk treatment (including risk treatment plans).
9. Monitor and track implementation of mitigation strategies and risk treatment plans of the various SBUs and updating the status thereof.

INTERNAL AUDIT FUNCTION

The Group Internal Audit function is outsourced to Ernst & Young Advisory Services ("EYAS") for a period of three years commencing from the Year 2016 to 2018 and extended for FY2019. The Internal Audit programme was drawn up based on the risk identified under the Risk Assessment exercise conducted by the consultants. The Audit and Risk Committee ("ARC") 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 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 ARC 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 ARC and the Board.

Following audits, the Internal Auditor provides recommendations to improve the effectiveness of risk management, control and governance processes. The ARC considers the internal audit report before presenting the proposed measures to the Board. This is done on a quarterly basis or earlier as appropriate. Management and the ARC 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 ARC Report in this Annual Report.

AUDIT AND RISK COMMITTEE

The ARC meets on a quarterly basis or as often as necessary to review the internal control issues identified in reports prepared by the internal auditors, the external auditors and the management. ARC met five (5) times in the year 2019.

ARC ensures the internal auditor's independence, reviews the internal auditor's scope of work and assesses the adequacy of their resources. ARC also reviews the internal audit plan, internal audit activities and external audit plan and findings. The details of the ARC's activities are highlighted under the heading of ARC 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 that 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 ARC and the Board where relevant.
- Various Board Committees are set up to assist the Board to perform its oversight functions. These committees include the Nomination Committee, Remuneration Committee, Executive Finance and Investment Committee and Related Party Transaction Committee and ARC. 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 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 by a third party on the Group entities to ensure that the system is adequately implemented. During 2019, two (2) surveillance audits were carried out on 28 to 29 March 2019 and 28 to 29 August 2019.
- Monthly management reports are received and reviewed by the Group Management Committee ("GMC") which members consist of key management personnel of the Group comprising of Group Executive Deputy Chairman, Managing Director, Chief Operating Officer, Chief Financial Officer, and Commercial Director and Chief Executive Officer of a subsidiary company and Management Support Director. The review by the latter covers annual and monthly budgets of revenue, expenses and production tonnage. Actual performances are assessed against approved budgets and explanations are provided for significant variances on a monthly or quarterly basis, as the case may be. Findings and decisions arrived at by the committee are minuted under "actions to be taken" and circulated to the GMC members for information and review. During 2019, eleven (11) meetings were held.
- Scheduled and ad-hoc meetings at the respective strategic business units to identify and resolve business and operational issues. The Board is informed of the status of resolution of any significant issues identified at these meetings.

BOARD REVIEW

The Board, through the ARC, has undertaken a review of the adequacy and effectiveness of risk management and internal control system in accordance with the terms of reference of the ARC 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 in which we operated in.

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this statement on Risk Management and Internal Control pursuant to the scope set out in Audit and Assurance Practice Guide ("AAPG") 3, Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2019, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

b. is factually inaccurate.

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

The Statement is issued in accordance with a resolution of the Board of Directors dated 28 May 2020.

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REPORT OF AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("ARC") was formed on 1 July 2019 by merging the Audit Committee and Board Risk Committee which was dissolved with effect from 30 June 2019.

The ARC is to assist the Board of Directors in fulfilling its responsibilities to ensure proper corporate governance, transparent financial reporting process, oversee the Group's audit, internal process, risk management and the Group's overall compliance with laws and regulatory requirements.

ARC is pleased to present its report on the activities carried out during financial year ended 2019 ("FY2019") to the date of this report in discharging its responsibilities.

1. COMPOSITION

The present members of the ARC are as follows:

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

All the ARC members have effectively discharged their duties pursuant to the Terms of Reference of the ARC. ARC 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 ARC are clearly governed by the Terms of Reference.

Nomination Committee of the Company conducts annual review on the composition and performance of ARC including their terms of office and performance as well as effectiveness, accountability, commitment and responsibilities. Based on the evaluation conducted for the FY2019, the Board was satisfied that ARC has continued to contribute to the governance process, and ARC members have independent attitude, integrity, knowledge of the industry, objectivity and are financially literate. ARC 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 ARC's composition.

2. MEETING AND ATTENDANCE

Except Mr Liew Jee Min @ Chong Jee Min who attended 2 of the 3 meetings held, the Chairman and the other members attended all the 3 meetings held during the FY2019. The Executive Deputy Chairman, Managing Director and Chief Financial Officer are invited to all the meetings while the Company Secretaries are in attendance. Other management personnel attend the meetings as and when requested by ARC if clarifications are needed on audit issues; to facilitate direct communication and to provide first-hand information in relation to the operation of the Company. In addition, ARC members had met with the external auditors twice, and the internal auditors twice separately during the FY2019 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.

ARC 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 ARC Chairman accordingly to the Board.

Minutes of ARC meetings were included in Directors' meeting materials. All proceedings, matters arising, deliberations, issue discussed, and resolutions of the ARC's meetings were recorded in the minutes. The ARC Chairman signed all the minutes after formal confirmation of the same by the ARC.

3. SUMMARY OF WORK OF AUDIT AND RISK COMMITTEE

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

3.1 Financial Reporting

a. Reviewed the Group and the Company'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 23 May 2019, 29 July 2019, 22 November 2019 and 27 February 2020.

b. Reviewed the Company's Audited Financial Statements ("AFS") for FY2019 and to ensure that the AFS complied with appropriate financial reporting standards and regulatory requirements.

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

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

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

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

3.2 External Audit

a. Reviewed the External auditors' scope of work and audit plans. Prior to the annual audit, the ARC discussed and agreed with the external auditors on audit strategy, audit planning, review memorandum, audit approach, adequacy of audit coverage and audit emphasis.

b. Review issues brought up by the auditors and ensure that they are resolved.

c. Assessed the performance of the auditors and made recommendations to the Board of Directors on their re-appointment and remuneration.

d. 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.

e. 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

ARC received and 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. ARC had assurance from management that the monitoring process on such transactions were appropriate and sufficient.

ARC 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 outsourced its internal audit function to Ernst & Young Advisory Services Sdn Bhd ("EYAS"). The main role of EYAS is to provide ARC with independent and objective reports on the adequacy and effectiveness of the internal controls, business processes, risks and governance framework of the Company. The director-in-charge of the Internal Audit Services of EYAS reports directly to the ARC 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 ARC. The following is a summary of internal audit's work reviewed and approved by ARC during FY2019:

a. Reviewed the internal audit plans to ensure adequate scope and coverage on the key business processes of the Group.

b. Reviewed the internal audit reports which include audit findings, audit recommendations and management responses thereon.

c. Reviewed and monitored the implementation status of the audit recommendations during follow-up audits made by the auditors to ensure that key risks and controls have been addressed. This includes any improvement on the system of the internal controls and procedures.

d. Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function.

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

The total costs incurred for the internal audit function of the Company in respect of the FY2019 was RM53,940.

This report is issued in accordance with a resolution of the Board of Directors dated 28 May 2020.

SUSTAINABILITY STATEMENT

The YKGI Group firmly advocates the adoption of sustainable business practices as the key to ensuring its long term continuity. It also proactively reviewing and upgrading its sustainability framework that provided the basis for a clear focus on impacts, policies, and initiatives of the Company and Group for the financial year ended 31 December 2019 in the areas of economic, environmental and social ("EES"). This report is prepared in accordance with Part III of Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

1. EES APPROACH

The Group conducts its business activities ethically, in compliance with applicable laws and regulations.

The Board of Directors provides oversight of our EES performance. The Group through its quarterly reporting provides an insight into the risk and compliance which amongst other covers EES matter.

2. SUSTAINABILITY APPROACH

We subscribe to the practice of creating and delivering sustainable values to the Group's stakeholders which are fundamental for the success of our business. We are committed to supporting the communities in which we operate, reduce the negative environmental impact, develop sustainable products, monitor our supply chain, ensure customer satisfaction, and support employees' development.

We maintain a high standard of governance. Our Board of Directors is responsible to ensure good corporate governance is practiced and embraced throughout the organisation. The Group is supported by diverse professional experience and network of Board members which will help the Group to sustain and continue to build up its business in the longer term.

The leadership of the Board helps the Group to grow responsibly profitably and sustainably which is in the best interest of our stakeholders. The Board also develops and reviews the Group's policies and practices on corporate governance including the Group's internal control and risk management framework.

The Group has in place a code of business conduct governing amongst others, issues relating to anti-corruption, insider trading, workplace harassment and discrimination, unfair treatment, and conflicts of interests. Our code of business conduct applies to all employees.

The Board has also established a risk management committee that comprises the Managing Director, Chief Financial Officer, and senior management to assist in monitoring the risk management process within the Group and is responsible for the establishment and the maintenance of a framework of risk management for the Group. Our risk management committee conducts a meeting every quarter. Our risk management and internal control system cover finance, operations, management information systems, and compliance with relevant laws, regulations, policies, and procedures. With these, we have a clear overview of the adequacy and effectiveness of our internal controls and risk management system that would enhance our resilience and minimise the impact of any disruption to our business operations.

3. STAKEHOLDERS & MATERIAL SUSTAINABILITY MATTERS

The Group recognized the importance of the interest and support of the stakeholders in our business ecosystem. We have periodic review and engagement with our various stakeholders because we recognize that their perspectives may be important in helping the Group to prioritise the actions for continuous sustainability improvement of the Group.

The table below summarises the Group's key stakeholders and how the Group engages them:

Stakeholders	Method of Engagement
Shareholders	General Meetings (Annual/Extraordinary)
Employees	• Townhall meeting briefing • Special functions • Email and face to face meeting

Stakeholders	Method of Engagement
Customers	• Customers' visit • Face to face meetings • Official websites
Suppliers	• Suppliers' visit • Suppliers' feedbacks • Engagement via email and other electronic communication
Government and Regulatory Authorities	• Compliance with regulatory legislative framework • Workshops and seminar organised by relevant regulatory authorities
Communities	• Meeting with local communities

4. ECONOMIC

Ethics and Conducts

The Group and its employee endeavors to conduct its business in compliance with applicable laws, rules, and regulations and in accordance with high ethical principles and standards.

To facilitate the above development, the Group has adopted Anti- Bribery and Corruption Policy ("ABC") in line with the framework under Section 17A of the MACC Act. The Group intends to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls.

Customer Focus, Product Quality, and Delivery

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 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 gearing towards business excellence.
- Improving the competencies and customer service quality of sales force by training. This includes quality assessment on market place knowledge as well as thorough briefings on product features and prices.
- Participating in product exhibition to share information of our steel products with relevant parties such as developers, architects and customers.
- Always sourcing for competitively priced and better quality products from reliable sources and passing on the savings to customers where possible.
- Obtaining product certification such as SIRIM Eco-Labelling for eco-friendly products and other SIRIM certifications of Malaysia Standard.

5. ENVIRONMENTAL

The Group understands the importance of EES matters. The Group takes measures to protect the environment in which we operate through the implementation of an environmental management system at our factory.

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

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

Below are the initiatives made in FY2019 to minimise the impact on the environment:-

Recycling	Steel recycle per tonne of product	14.11 kg
Schedule Waste	Output per tonne	0.57 Kg
Electricity Consumption	Consumption per tonne	61.4 KWH
Water Consumption	Consumption per tonne	0.37 m^3

6. SOCIAL

Employees

The Group is committed to the well-being of our employees who had played a major role in driving the growth of the Group over the years. We promote and foster a conducive working environment such as an open communication policy, so our employees stay motivated. Our employees are encouraged to be innovative to help foster an interesting working environment.

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

- The health and safety of our people in the workplace are the core values and we practice "Safety First" for all activities to minimize any preventable accidents and health hazards that may occur not only in the workplace but also in the communities we operate in. We aim to achieve zero harm at work and ensure the health and safety of our people by implementing amongst others, proper work instruction and/or operation manual and adequate personal protective equipment (PPE);
- Promoting workplace diversity. To select and recruit candidates who are most suitable for the performance of the job vacancy and does not discriminate against the applicants in terms of age, gender and ethnicity;
- In 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) for employees;
- Emphasising on employee health and safety issues through education and awareness campaigns.
- Implementing the "5S" Quality Environment Management System certified by Malaysia Productivity Corporation.
- 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 a healthy body and work punctuality.

Community

YKGI continues to support local charity programs through donations and volunteering efforts of our local employees. Over the current financial year, the Group made a few corporate advertisement sponsorships for events or publications involving various communities. The Group also runs practical-training programmes with local technical Institutions to promote work-experience and employability of its graduating students. This is one of the key priorities for YKGI to develop and maintain strong and mutually beneficial relationships with its community.

In FY2019, the Group supports and made donations to the following associations, schools & projects:

- Salvation Army Children's Home
- Rotary Club of Kuching Central
- Sarawak Society for the Deaf
- Lodge Group of School
- St. Murumba Project
- STEEL RC club
- Yayasan Hii Yii Ngiik dan Wong Ai Lang.

For the Community

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1. Jan 2019 - Visit to Salvation Army Children's Home, Kuching. Computer and Ang Pows for the Home and the children
2. Happy with the children.
3. Feb 2019 - CNY Open House gathering with staff and their families.
4. Feb 2019 - Educational visit from Petrochemical Engineering Department.
5. Apr 2019 - Signing ceremony of the MOA between Universiti Malaysia Sarawak (UNIMAS), ASTEEL and UNIMAS Business School at UNIMAS Campus.
6. ASTEEL people graduated in the course conducted by UNIMAS (pioneers).

For the Community

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7 & 8.	May 2019 - Visiting poor families at Kampung Subang, Padawan, Kuching.
9 & 10.	Jun 2019 - Gawai Raya celebration.
11 & 12.	June 2019 - ASTEEL donated a van to HOPE PLACE (Persaturan Kebajikan Harapan Kuching), for them in their tireless efforts in reaching out to the needy in our society.
13.	Sep 2019 - Training in Johor.

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For the Community

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14. Sep 2019 - Training in Johor.

15 & 16. Sep 2019 - Graduation Ceremony held at Dewan Syarahan, Pusat Islam Tun Abang Sallehhudin UNIMAS.

17. Sep 2019 - Training in Kuala Lumpur.

18 & 19. Oct 2019 - In house Motivational Training in Sabah.

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For the Community


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20. Oct 2019 - MD of ASTEEL Group Mr Victor Hii sharing with students at Swinburne University, Kuching Campus.

21. Oct 2019 - ASTEEL Group wins the CMIEA 2019 Gold Award For Large Group Category (Sarawak Chief Minister's Industry Excellence Award).

22 & 23. Blood Donation (73 pints)

24 & 25. Nov 2019 - In-house Training in Miri.

For the Community

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26. Dec 2019 - Children Education Assistance (CEA) for 2020.

27. Dec 2019 - Staff Appreciation Dinner.

28. Dec 2019 - Christmas Gift Exchange.

29. Dec 2019 - Projectors for SJK(C) Chung Hua Stampin

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ADDITIONAL COMPLIANCE INFORMATION

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2019

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	25	8,381
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	13	8,297
PTD102979, Jalan Seelong Jaya 15, Mukim Senai, 81400 Senai, Johor	Freehold	0.805 Ha/ 0.367 Ha	Industrial Land and Buildings	Acquired in Nov 2010 Revalued in Jan 2018	10	6,727
Investment Property No.34, Jalan Prima 6/7 Taman Nusantara Prima 79200 Iskandar Puteri Johor Darul Tazim	Freehold	145 M^2	3 storey shoplot	Acquired in May 2014 Revalued in Dec 2018	3	1,263
Property held for Sale Unit No A10-26 (Type Loft Suite), Lot 10 Block No. A Sphere Damansara, Jalan PJU 10/9 Prima Damansara 47830 Petaling Jaya	Freehold	61.4 M^2	Small office home office	Acquired in June 2018	3	360

2. MATERIAL CONTRACTS

Apart from the related party transactions as disclosed in ***Note 29*** 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

On 16 April 2019, the Group completed the disposal of the coated coil business to NS BlueScope (Malaysia) Sdn Bhd ("NSBS") for a cash consideration of RM125 million pursuant to the conditional assets and business sale and purchase agreement dated 2 November 2018 entered into between YKGI and NSBS. The entire proceeds except for the retention sum of RM5.0 million has been received and the proceeds has been fully utilised in accordance to the circular to the shareholders of YKGI dated 4th February 2019.

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 in the next page:-

	Offer 1	Offer 2	Offer 3	Total
Granted	36,350,000	2,400,000	4,750,000	43,500,000
Options Exercised	(2,276,600)	(70,000)	-	(2,346,600)
Options lapsed	(14,385,000)	(1,030,000)	(1,200,000)	(16,615,000)
Balance exerciseable	19,688,400	1,300,000	3,550,000	24,538,400

There was no ESOS option offered during the financial year ended 31 December 2019.

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

No.	Classifcation	1 Jan 2019	Granted	Exercised	Lapsed	31 Dec 2019	%
1	Executive Directors	4,200,000	-	-	-	4,200,000	17.12
2	Non Executive Directors	3,300,000	-	-	-	3,300,000	13.44
3	Senior Management	2,780,000	-	-	(300,000)	2,480,000	10.11
	Subtotal	10,280,000	-	-	-	9,980,000	40.67
4	Others	26,343,400	-	-	(11,785,000)	14,558,400	59.33
	Total	**36,623,400**	**-**	**-**	**(12,085,000)**	**24,538,400**	**100.00**

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

No.	Directors	Exercise Price	1 Jan 2019	Granted	Exercised	Lapsed	31 Dec 2019
1	Fong Yoo Kaw @ Fong Yee Kow	0.23	900,000	-	-	-	900,000
2	Liew Jee Min @ Chong Jee Min	0.23	800,000	-	-	-	800,000
3	Christopher Hii Lu Ming	0.23	800,000	-	-	-	800,000
4	Yan Ying Chieh	0.22	800,000	-	-	-	800,000
	Total	**-**	**3,300,000**	**-**	**-**	**-**	**3,300,000**

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

The significant RRPTs entered into during the financial year ended 31 December 2019 are disclosed in ***Note 29*** 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 in the next page :-

ADDITIONAL COMPLIANCE INFORMATION

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 2019 (RM)
Purchase of YKGI Group Products from YKGI Group	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	7,221,964
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	37,593
	Yunco Enterprise Sdn Bhd ("YESB")	Company connected to certain Directors	20,641,754
	Yunco Integrated Sdn Bhd ("YIS")	Company connected to certain Directors	335,902
	Yunco Building Systems Sdn Bhd ("YBS")	Company connected to certain Directors	1,257,791
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	6,245,016
	Milicorp Sdn Bhd	Company connected to certain Directors	3,886,041
	Northern Steel Centre Sdn bhd	Company connected to MISI	10,672
	Total		**39,636,733**
Purchase of consumables by YKGI Group	YKC	Major shareholder of YKGI	124,282
	YIS	Company connected to certain Directors	409,282
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	96,327
	Continental Strength Sdn Bhd	Company connected to certain Directors	496,096
	Total		**1,125,987**
Purchase of stock by YKGI Group	Aijya Safety Glass Sdn Bhd	Company connected to certain Directors	149,839
	ARI Utara Sdn Bhd	Company connected to certain Directors	262,608
	Syarikat Perniagaan Perindustrial King Hong Sdn Bhd	Company connected to certain Directors	197,171
	YBS	Company connected to certain Directors	581,003
	YESB	Company connected to certain Directors	1,411,191
	Yunco Solution Sdn Bhd	Company connected to certain Directors	104,508
	Yung Kong Versatile Fence Sdn Bhd	Company connected to YKC and certain Directors	106,853
	YKMW	Company connected to YKC and certain Directors	109,520
	Yung Kong Wire Industries Sdn Bhd	Company connected to YKC and certain Directors	100,988
	Total		**3,023,681**

CONTACTS OF YKGI GROUP OF COMPANIES

YKGI HOLDINGS BERHAD
Reg. No. 1977 0100 1682 (032939-U)

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

Corporate Office
Suite 27-1 Setia Avenue
No.2 Jalan Setia Prima S U13/S Seksyen U13
Setia Alam 40170 Shah Alam
Selangor Darul Ehsan Malaysia
Tel: +60 3 3362 3993 Fax: +60 3 3358 0990

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

Subsidiaries (Sarawak & Sabah)

ASTEEL Resources Sdn Bhd
Reg. No. 2014 0102 7116 (1103206-T)

ASTEEL Sdn Bhd
Reg. No. 1996 0102 0690 (393042-D)

ASTEEL Development Sdn Bhd
Reg. No. 2013 0103 2399 (1062228-D)

ASTEEL Works Sdn Bhd
Reg. No. 2019 0102 0757 (1330086-T)

ASTEEL Dynamic Sdn Bhd
Reg. No. 2020 0100 2704 (1359023-T)

AS Tiles & Interior Design Sdn Bhd
Reg. No. 2020 0100 9209 (1365529-M)

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

Website: http://www.asteel.com.my
E-mail: enquiries@asteel.com.my

ASTEEL (Sarawak) Sdn Bhd
Reg. No. 2020 0100 7411 (1363731-A)
Lot 801 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia

ASTEEL AJIYA Sdn Bhd
Reg. No. 2018 0101 7853 (1279869-K)
Lot 1268, Block 8, Jalan Bako, Demak Laut Industrial Estate Phase IV, 93050 Kuching Sarawak Malaysia
Tel: +60 82 433 403 /402 Fax: +60 82 433 686

ASTEEL (Sabah) Sdn Bhd
Reg. No. 2013 0103 2378 (1062207-W)
Lot 10 Package 1 General Industrial Zone Kota Kinabalu Industrial Park (KKIP), KM26 Jalan Tuaran
88460 Kota Kinabalu Sabah Malaysia
Tel: +60 88 498 866 Fax: +60 088 498 877

ASTEEL Synergy Sdn Bhd
Reg. No. 2020 0100 2709 (1359028-V)
PT 146099, Pelabuhan Barat, Pulau Indah,
42000 Pelabuhan Klang,
Selangor Darul Ehsan, Malaysia
Tel: +60 13 207 9812

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

envio Concept Store (Bintulu)
Lot 598 Block 20 Kidurong Industrial Area,
97000 Bintulu Sarawak Malaysia
Tel: +60 86 255 720 Fax +60 86 255 020

envio Concept Store (Miri)
Lot 7900 D/Lot 872 Block 5
Kuala Baram Land District
98000 Miri Sarawak Malaysia
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, Malaysia
Tel: +60 16 7020 149

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

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

Subsidiaries (Peninsular Malaysia)

Starshine Holdings Sdn Bhd
Reg. No. 2010 0103 6948 (920871-A)

Star Shine Marketing Sdn Bhd
Reg. No. 1998 0100 1945 (458071-P)

Star Shine Industries Sdn Bhd
Reg. No. 1996 0100 3887 (376233-T)

Star Shine Global Trading Sdn Bhd
Reg. No. 2001 0103 1201 (566960-K)

Star Shine Steel Products Sdn Bhd
Reg. No. 2003 0101 7325 (619745-P)

Starshine Resources Sdn Bhd
Reg. No. 2010 0104 3533 (927461-U)
Suite 27-1, Setia Avenue,
No.2 Jalan Setia Prima S U13/S, Seksyen U13,
Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan.
Tel: +60 3 3362 3993/ 3359 6262
Fax: +60 3 3358 0990
Website: http://www.starshinegroup.com
E-mail: ssm@starshinegroup.com

ASTAR Steel Sdn Bhd
(formerly known as Acesteel Industries Sdn Bhd)
Reg. No. 2007 0102 4273 (782292-U)
PTD 102979, Jalan Seelong Jaya 15
Mukim Senai Kulai
81400 Senai, Johor, Malaysia
Tel: +60 7-599 2846 / 599 2849
Fax: +60 7-599 2854

5. FINANCIAL INFORMATION

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 2019

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 2019.

Principal activities

The Company was principally engaged in the manufacture and sale of galvanised and coated steel products, pickled and oiled hot rolled coils and cold rolled coils. The Company disposed of its property, plant and equipment in April 2019. Since then, it became an investment holding company while continuing to sell its remaining inventories.

Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

Results

	Group RM	Company RM
Loss attributable to:		
Owners of the Company	(7,566,353)	(11,458,339)
Non-controlling interests	162,621	-
	(7,403,732)	(11,458,339)

Reserves and provisions

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

Dividends

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

Directors of the Company

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

Director	Alternate
Tan Sri Dato' Soh Thian Lai*	-
Victor Hii Lu Thian*	-
Christopher Hii Lu Ming*	-
Fong Yoo Kaw @ Fong Yee Kow	-
Liew Jee Min @ Chong Jee Min	-
Yan Ying Chieh	-
Koichiro Nakazawa (appointed on 01.07.2019)	Toshihiro Tachibana (appointed on 01.07.2019 and resigned on 13.05.2020) Keisuke Yamanishi (appointed on 13.05.2020)
Toshihiro Tachibana (appointed on 13.05.2020)	Nobuyoshi Kariya (appointed on 13.05.2020)
Yoshihiko Okuno (resigned 30.06.2019)	-
Aizan Sugiwaka (resigned on 13.05.2020)	Koichiro Nakazawa (resigned on 01.07.2019) Nobuyoshi Kariya (appointed on 01.07.2019 and resigned on 13.05.2020)

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

Directors' report for the year ended 31 December 2019 (continued)

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

Dato' Dr. Hii Wi Sing

Dato' Wahab Bin Hamid

Ir. Michael Hii Ee Sing

Arthur Hii Lu Choon

Tan Ching Pding

Aw Chiew Lan

Fong Fui Yee

Chan Tai Wei

Sim Chee Liang

Goh Kwan Seng

Pang Kok Joon

Lim Kok Peng

Foo Ai Ting

Raymond Tan Chee Seong

Directors' interests in shares

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

	Number of ordinary shares			
Direct interests in the Company:	**At 1.1.2019**	**Bought**	**Sold**	**At 31.12.2019**
Tan Sri Dato' Soh Thian Lai	12,929,346	-	-	12,929,346
Victor Hii Lu Thian	4,394,356	110,000	-	4,504,356
Christopher Hii Lu Ming	4,283,546	-	-	4,283,546
Deemed interests in the Company:				
Tan Sri Dato' Soh Thian Lai	11,616,216	50,000	-	11,666,216
Victor Hii Lu Thian	54,714,666	1,106,100	-	55,820,766
Christopher Hii Lu Ming	54,714,666	1,106,100	-	55,820,766

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

Directors' report for the year ended 31 December 2019 (continued)

Directors' interests in shares (continued)

	Number of Warrants B (2013/2020)							
	Direct Interests				Deemed Interests			
	At 1.1.2019	Bought	Sold	At 31.12.2019	At 1.1.2019	Bought	Sold	At 31.12.2019
Interests in the Company								
Tan Sri Dato' Soh Thian Lai	57	-	-	57	-	-	-	-
Victor Hii Lu Thian	138,990	-	-	138,990	669,510	-	-	669,510
Christopher Hii Lu Ming	12,180	-	-	12,180	669,510	-	-	669,510

	Number of ESOS options over ordinary shares				
	At 1.1.2019	Granted	Exercised	Lapsed	At 31.12.2019
Interests in the Company					
Tan Sri Dato' Soh Thian Lai	2,200,000	-	-	-	2,200,000
Victor Hii Lu Thian	2,000,000	-	-	-	2,000,000
Christopher Hii Lu Ming	800,000	-	-	-	800,000
Fong Yoo Kaw @ Fong Yee Kow	900,000	-	-	-	900,000
Liew Jee Min @ Chong Jee Min	800,000	-	-	-	800,000
Yan Ying Chieh	800,000	-	-	-	800,000

The other Directors holding office at 31 December 2019 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 2019 (continued)

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 29 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

On 1 February 2019, the Company's issued and paid-up capital of the ordinary shares reduced from RM163,833,877 to RM25,914,897 via a capital reduction exercise by cancelling the share capital of RM137,918,980 pursuant to Section 117 of Companies Act 2016.

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

Options granted over unissued shares

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

The number of outstanding Warrants B as of 31 December 2018, issued in conjunction with the share issue exercises undertaken by the Company on 29 May 2013 and exercisable at RM0.50 for each ordinary share in the Company over a period of seven years to 28 May 2020, is RM95,000,428 (2018: RM95,000,428). None of the said warrants have been exercised during the year.

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

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

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

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

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

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

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

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

		Number of options over ordinary shares				
Date of Offer	**Exercise Price**	**At 1.1.2019**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2019**
9.5.2017	RM0.23	30,093,400	-	-	(10,405,000)	19,688,400
8.8.2017	RM0.20	1,780,000	-	-	(480,000)	1,300,000
7.8.2018	RM0.22	4,750,000	-	-	(1,200,000)	3,550,000
		36,623,400	-	-	(12,085,000)	24,538,400

Directors' report for the year ended 31 December 2019 (continued)

Indemnity and insurance costs for Officers and Auditors

a. **Directors and officers**
During the financial year, the total amount of insurance effected for/indemnity given to Directors of the Company and its subsidiaries is RM15,910 (premium paid) and RM10,000,000 (sum insured) respectively.

b. **Auditors**
Any indemnity given to or insurance effected for the auditors of the Company is to be made to the extent as permitted under Section 289 of the Companies Act 2016. There is no amount of such indemnity given or insurance effected for its auditors during the year.

Other statutory information

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

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

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

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

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

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

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

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

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

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

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

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

In the opinion of the Directors, other than the allowance for impairment losses for property, plant and equipment of RM4,172,483, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 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.

Events after reporting period

Events after reporting period is disclosed in Note 34 to the financial statement.

Auditors

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

The auditors' remuneration is disclosed in Note 21 to the financial statements.

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

Tan Sri Dato' Soh Thian Lai
Director

Victor Hii Lu Thian
Director

Klang,

Date: 28 May 2020

Statements of financial position as at 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Assets					
Property, plant and equipment	3	33,084,172	44,602,325	3,194,753	8,899,906
Right-of-use assets	4	18,357,613	-	-	-
Investment properties	5	1,262,901	-	-	-
Investment in subsidiaries	6	-	-	46,803,265	46,803,265
Other investments	7	9,775	9,775	-	-
Total non-current assets		52,714,461	44,612,100	49,998,018	55,703,171
Inventories	8	56,440,609	79,320,959	-	31,202,443
Contract assets	9	2,026,132	-	-	-
Trade and other receivables	10	40,555,519	49,918,363	23,053,349	35,197,040
Deposits and prepayments	11	2,127,268	1,337,630	100,036	204,015
Current tax assets		431,368	160,629	1,505	16,250
Cash and cash equivalents	12	23,213,233	33,275,402	5,581,286	18,615,771
		124,794,129	164,012,983	28,736,176	85,235,519
Assets classified as held for sale	13	360,000	125,000,000	-	125,000,000
Total current assets		125,154,129	289,012,983	28,736,176	210,235,519
Total assets		177,868,590	333,625,083	78,734,194	265,938,690
Equity					
Share capital	14.1	38,746,828	176,665,808	38,746,828	176,665,808
Reserves	14.2	(2,025,174)	(132,146,515)	6,472,375	(119,963,376)
Equity attributable to owners of the Company		36,721,654	44,519,293	45,219,203	56,702,432
Non-controlling interests	6	4,024,945	302,534	-	-
Total equity		40,746,599	44,821,827	45,219,203	56,702,432
Liabilities					
Loans and borrowings	15	15,810,321	14,858,290	-	574,426
Lease liabilities	16	4,780,310	-	-	-
Deferred tax liabilities	17	644,000	273,000	-	-
Total non-current liabilities		21,234,631	15,131,290	-	574,426
Trade and other payables	18	58,069,830	159,037,397	33,514,991	143,066,639
Loans and borrowings	15	54,549,063	111,762,891	-	65,595,193
Lease liabilities	16	1,831,102	-	-	-
Current tax payables		1,003,828	448,169	-	-
Contract liabilities	9	433,537	2,423,509	-	-
Total current liabilities		115,887,360	273,671,966	33,514,991	208,661,832
Total liabilities		137,121,991	288,803,256	33,514,991	209,236,258
Total equity and liabilities		177,868,590	333,625,083	78,734,194	265,938,690

The notes on pages 62 to 145 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Continuing operations					
Revenue	19	201,205,505	221,209,901	-	-
Cost of sales		(171,948,830)	(196,862,022)	-	-
Gross profit		29,256,675	24,347,879	-	-
Other income		700,952	803,604	-	-
Selling and distribution expenses		(3,650,786)	(3,487,192)	-	-
Administrative expenses		(18,028,792)	(14,411,647)	(49,000)	(149,500)
Net loss on impairment of financial instruments		(454,305)	(5,511)	-	-
Results from operating activities		7,823,744	7,247,133	(49,000)	(149,500)
Finance income	20	564,868	524,381	-	-
Finance costs	20	(3,944,008)	(3,932,481)	-	-
Net finance costs		(3,379,140)	(3,408,100)	-	-
Profit/(Loss) before tax from continuing operations	21	4,444,604	3,839,033	(49,000)	(149,500)
Taxation	22	(672,884)	(987,408)	-	-
Profit/(Loss) from continuing operations		3,771,720	2,851,625	(49,000)	(149,500)
Discontinued operation					
Loss from discontinued operation, net of tax	23	(11,175,452)	(136,363,350)	(11,409,339)	(136,363,350)
Loss and total comprehensive expenses for the year		(7,403,732)	(133,511,725)	(11,458,339)	(136,512,850)

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2019 (continued)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Loss and total comprehensive expenses for the year (continued)		(7,403,732)	(133,511,725)	(11,458,339)	(136,512,850)
(Loss)/Profit attributable to:					
Owners of the Company		(7,566,353)	(133,614,259)	(11,458,339)	(136,512,850)
Non-controlling interests	6.2	162,621	102,534	-	-
Loss for the year		(7,403,732)	(133,511,725)	(11,458,339)	(136,512,850)
Total comprehensive (expense)/ income attributable to:					
Owners of the Company		(7,566,353)	(133,614,259)	(11,458,339)	(136,512,850)
Non-controlling interests	6.2	162,621	102,534	-	-
Total comprehensive expense for the year		(7,403,732)	(133,511,725)	(11,458,339)	(136,512,850)
Basic/diluted earnings/(loss) per ordinary share (sen):	24				
from continuing operations		1.0	0.8		
from discontinued operation		(3.2)	(38.9)		
		(2.2)	(38.1)		

The notes on pages 62 to 145 are an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2019

		Attributable to owners of the Company								
		Non-distributable								
Group		**Ordinary share RM**	**Redeemable convertible preference share RM**	**Translation reserve RM**	**Revaluation reserve RM**	**Share option reserve RM**	**Accumulated losses RM**	**Total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2018, ***as previously reported***		163,296,259	12,831,931	-	38,296,084	102,646	(35,801,077)	178,725,843	-	178,725,843
Adjustment on initial application of MFRS 9, net of tax		-	-	-	-	-	(1,102,691)	(1,102,691)	-	(1,102,691)
At 1 January 2018, ***restated***		163,296,259	12,831,931	-	38,296,084	102,646	(36,903,768)	177,623,152	-	177,623,152
Loss for the year		-	-	-	-	-	(133,614,259)	(133,614,259)	102,534	(133,511,725)
Realisation of revaluation gain		-	-	-	(79,000)	-	79,000	-	-	-
Total comprehensive loss for the year		-	-	-	(79,000)	-	(133,535,259)	(133,614,259)	102,534	(133,511,725)
Contributions by and distributions to owners of the company										
- Share-based payment transactions		-	-	-	-	(27,218)	-	(27,218)	-	(27,218)
- Issuance of ordinary shares pursuant to exercise of share options		537,618	-	-	-	-	-	537,618	-	537,618
- Issuance of ordinary shares by subsidiary	6	-	-	-	-	-	-	-	200,000	200,000
Total transactions with owners of the Company		537,618	-	-	-	(27,218)	-	510,400	200,000	710,400
At 31 December 2018		163,833,877	12,831,931	-	38,217,084	75,428	(170,439,027)	44,519,293	302,534	44,821,827
		(Note 14.1)	(Note 14.1)		(Note 14.2)	(Note 14.2)				(Note 6)

Consolidated statement of changes in equity
for the year ended 31 December 2019 (continued)

		Attributable to owners of the Company								
		Non-distributable								
Group (continued)	Note	Ordinary share RM	Redeemable convertible preference share RM	Translation reserve RM	Revaluation reserve RM	Share option reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 31 December 2018/ 1 January 2019, *as previously reported*		163,833,877	12,831,931	-	38,217,084	75,428	(170,439,027)	44,519,293	302,534	44,821,827
Adjustment on initial application of MFRS 16, net of tax		-	-	-	-	-	(206,396)	(206,396)	(5,826)	(212,222)
At 1 January 2019, *restated*		163,833,877	12,831,931	-	38,217,084	75,428	(170,645,423)	44,312,897	296,708	44,609,605
Loss for the year		-	-	-	-	-	(7,566,353)	(7,566,353)	162,621	(7,403,732)
Realisation of revaluation gain		-	-	-	(33,759,000)	-	33,759,000	-	-	-
Total comprehensive loss for the year		163,833,877	12,831,931	-	4,458,084	75,428	(144,452,776)	36,746,544	459,329	37,205,873
Contributions by and distributions to owners of the company										
- Share-based payment transactions		-	-	-	-	(24,890)	-	(24,890)	-	(24,890)
- Capital reduction		(137,918,980)	-	-	-	-	137,918,980	-	-	-
- Acquisition of a subsidiary	32	-	-	-	-	-	-	-	3,565,616	3,565,616
Total transactions with owners of the Company		(137,918,980)	-	-	-	(24,890)	137,918,980	(24,890)	3,565,616	3,540,726
At 31 December 2019		25,914,897	12,831,931	-	4,458,084	50,538	(6,533,796)	36,721,654	4,024,945	40,746,599
		(Note 14.1)	(Note 14.1)		(Note 14.2)	(Note 14.2)				(Note 6)

Statement of changes in equity
for the year ended 31 December 2019 (continued)

	Attributable to owners of the Company					
	Non-distributable					
Company	**Ordinary share RM**	**Redeemable convertible preference share RM**	**Revaluation reserve RM**	**Share option reserve RM**	**Retained earnings/ (Accumulated losses) RM**	**Total RM**
At 31 December 2017/1 January 2018,						
as previously reported	163,296,259	12,831,931	33,680,000	102,646	(17,137,790)	192,773,046
Adjustment on initial application of MFRS 9, net of tax	-	-	-	-	(68,164)	(68,164)
At 1 January 2018, *restated*	163,296,259	12,831,931	33,680,000	102,646	(17,205,954)	192,704,882
Loss and total comprehensive loss for the year	-	-	-	-	(136,512,850)	(136,512,850)
Contributions by and distributions to owners of the company						
- Share-based payment transactions	-	-	-	(27,218)	-	(27,218)
- Issuance of ordinary shares pursuant to exercise of share options	537,618	-	-	-	-	537,618
Total transactions with owners of the Company	537,618	-	-	(27,218)	-	510,400
At 31 December 2018	163,833,877	12,831,931	33,680,000	75,428	(153,718,804)	56,702,432
	(Note 14.1)	(Note 14.1)	(Note 14.2)	(Note 14.2)		

Statement of changes in equity
for the year ended 31 December 2019 (continued)

	Attributable to owners of the Company					
	Non-distributable					
Company (continued)	**Ordinary share RM**	**Redeemable convertible preference share RM**	**Revaluation reserve RM**	**Share option reserve RM**	**Retained earnings/ (Accumulated losses) RM**	**Total RM**
At 31 December 2018/1 January 2019	163,833,877	12,831,931	33,680,000	75,428	(153,718,804)	56,702,432
Loss and total comprehensive loss for the year	-	-	-	-	(11,458,339)	(11,458,339)
Contributions by and distributions to owners of the company						
- Share-based payment transactions	-	-	-	(24,890)	-	(24,890)
- Capital reduction	(137,918,980)	-	-	-	137,918,980	-
Total transactions with owners of the Company	(137,918,980)	-	-	(24,890)	137,918,980	(24,890)
Realisation of revaluation gain	-	-	(33,680,000)	-	33,680,000	-
At 31 December 2019	25,914,897	12,831,931	-	50,538	6,421,837	45,219,203
	(Note 14.1)	(Note 14.1)	(Note 14.2)	(Note 14.2)		

The notes on pages 62 to 145 are an integral part of these financial statements.

Statements of cash flows for the year ended 31 December 2019

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Cash flows from operating activities					
Profit/(Loss) before tax from:					
- continuing operations		4,444,604	3,839,033	(49,000)	(149,500)
- discontinued operation	23	(11,175,452)	(136,363,350)	(11,409,339)	(136,363,350)
		(6,730,848)	(132,524,317)	(11,458,339)	(136,512,850)
Adjustments for:					
Depreciation of property, plant and equipment	3	4,863,019	5,500,654	1,270,047	1,901,911
Depreciation of right-of-use assets	4	1,455,439	-	-	-
Amortisation of investment property	5	14,269	-	-	-
Finance income	20	(1,119,947)	(1,290,918)	(321,192)	(766,537)
Finance costs	20	4,644,103	9,889,847	700,095	5,957,366
Gain on disposal of property, plant and equipment		(32,672)	(82,494)	(169,662)	(22,377)
Dividend from other investment		-	(375)	-	-
Impairment loss/(Reversal of Impairment loss) on:					
- property, plant and equipment		4,172,483	2,649,270	4,172,483	2,649,270
- asset held for sale		20,250	107,444,464	-	107,444,464
- inventories		-	3,005,715	-	2,920,247
- trade receivables		(649,197)	1,759,983	(1,103,502)	1,822,636
Property, plant and equipment written off		123,039	1,657	121,500	1,657
Gain on bargain purchase	32	(272,553)	-	-	-
Unrealised foreign exchange gain		(672,356)	(1,248,583)	(672,356)	(1,248,583)
Equity settled share-based payment transactions		(24,890)	(27,218)	(24,890)	(27,218)
Operating profit/(loss) before changes in working capital		5,790,139	(4,922,315)	(7,485,816)	(15,880,014)
Changes in inventories		27,684,056	4,636,575	31,202,443	17,720,390
Change in contract assets		(2,026,132)	-	-	-
Change in contract liabilities		(1,989,972)	2,423,509	-	-
Changes in trade and other receivables, deposits and prepayments		13,035,419	13,899,734	13,351,172	18,017,109
Changes in trade and other payables		(108,120,378)	7,452,889	(108,879,290)	840,535
Cash (used in)/generated from operations		(65,626,868)	23,490,392	(71,811,491)	20,698,020

Statements of cash flows for the year ended 31 December 2019 (continued)

	Note				
Cash flows from operating activities (continued)					
Cash (used in)/generated from operations (continued)		(65,626,868)	23,490,392	(71,811,491)	20,698,020
Net taxes (paid)/refunded		(400,364)	(1,256,736)	14,745	(5,250)
Interest paid		(3,238,973)	(8,277,162)	(640,569)	(5,685,936)
Interest received		459,148	574,723	88,028	527,695
Net cash (used in)/from operating activities		(68,807,057)	14,531,217	(72,349,287)	15,534,529
Cash flows from investing activities					
Acquisition of property, plant and equipment [Note (i)]		(1,394,105)	(5,614,747)	-	(543,975)
Dividend received		-	375	-	-
Proceeds from disposal of property, plant and equipment [Note (ii)]		481,421	211,837	310,783	146,337
Proceeds from disposal of properties held for sales		125,000,000	-	125,000,000	-
Interest received		660,799	716,195	233,164	238,842
Acquisition of subsidiary, net of cash and cash equivalents acquired	32	3,198,024	-	-	-
Movement in pledged deposits placed with licensed banks		3,165,934	25,725,638	5,210,214	11,489,786
Net cash from investing activities		131,112,073	21,039,298	130,754,161	11,330,990
Cash flows from financing activities					
Net repayment of loan and borrowings		(66,590,685)	(27,340,672)	(65,177,974)	(24,061,212)
Repayment of finance lease liabilities		-	(1,961,580)	-	(973,693)
Interest paid		(1,405,130)	(1,612,685)	(59,526)	(271,430)
Payment of lease liabilities		(1,513,767)	-	-	-
Proceed from issuance of share to non-controlling interest by a subsidiary		-	200,000	-	-
Proceeds from exercise of employee share option scheme		-	537,618	-	537,618
Net cash used in financing activities		(69,509,582)	(30,177,319)	(65,237,500)	(24,768,717)

Statements of cash flows for the year ended 31 December 2019 (continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Net (decrease)/increase in cash and cash equivalents	(7,204,566)	5,393,196	(6,832,626)	2,096,802
Cash and cash equivalents at beginning of year	17,721,242	12,328,046	12,413,912	10,317,110
Cash and cash equivalents at end of year [Note (iv)]	10,516,676	17,721,242	5,581,286	12,413,912

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	
	2019 RM	2018 RM	2019 RM	2018 RM
Paid in cash	1,394,105	5,614,747	-	543,975
In the form of hire purchase facilities	1,677,250	-	-	-
In the form of finance lease liabilities	-	3,812,000	-	-
Total (see Note 3)	3,071,355	9,426,747	-	543,975

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Received in cash	481,421	211,837	310,783	146,337

Statements of cash flows for the year ended 31 December 2019 (continued)

(iii) *Reconciliation of movements of liabilities to cash flows arising from financing activities*

	At 1 January 2018 RM	Net change from financing cash flows RM	Acquisition of new lease RM	At 31 December 2018 RM	Adjustment on initial application of MFRS 16 RM	At 1 January 2019 RM
Group						
Term loans						
- secured	17,503,760	(8,152,816)	-	9,350,944	-	9,350,944
- unsecured	3,266,689	(2,564,213)	-	702,476	-	702,476
	20,770,449	(10,717,029)	-	10,053,420	-	10,053,420
Bankers' acceptance and revolving credits						
- secured	15,651,842	26,529,358	-	42,181,200	-	42,181,200
- unsecured	106,345,001	(43,153,001)	-	63,192,000	-	63,192,000
	121,996,843	(16,623,643)	-	105,373,200	-	105,373,200
Finance lease liabilities						
- secured	7,683,616	(1,961,580)	3,812,000	9,534,036	(9,534,036)	-
Hire purchase facilities						
- secured	-	-	-	-	7,023,603	7,023,603
Lease liabilities	-	-	-	-	5,778,382	5,778,382
Total liabilities from financing activities	150,450,908	(29,302,252)	3,812,000	124,960,656	3,267,949	128,228,605

Statements of cash flows for the year ended 31 December 2019 (continued)

(iii) ***Reconciliation of movements of liabilities to cash flows arising from financing activities*** (continued)

	At 1 January 2019 RM	Net change from financing cash flows RM	Acquisition of a subsidiary RM	Acquisition of hire purchase RM	Acquisition of new leases RM	At 31 December 2019 RM
Group (continued)						
Term loans						
- secured	9,350,944	(1,019,327)	5,309,573	-	-	13,641,190
- unsecured	702,476	(702,476)	-	-	-	-
	10,053,420	(1,721,803)	5,309,573	-	-	13,641,190
Bankers' acceptance and revolving credits						
- secured	42,181,200	1,386,893	5,100,000	-	-	48,668,093
- unsecured	63,192,000	(63,192,000)	-	-	-	-
	105,373,200	(61,805,107)	5,100,000	-	-	48,668,093
Hire purchase facilities						
- secured	7,023,603	(3,063,775)	444,168	1,677,250	-	6,081,246
Lease liabilities	5,778,382	(1,513,767)	-	-	2,346,797	6,611,412
Total liabilities from financing activities	128,228,605	(68,104,452)	10,853,741	1,677,250	2,346,797	75,001,941
			(Note 32)			

	At 1 January 2018 RM	Net change from financing cash flows RM	At 31 December 2018/ 1 January 2019 RM	Net change from financing cash flows RM	At 31 December 2019 RM
Company					
Term loans					
- unsecured	3,266,689	(2,564,212)	702,477	(702,477)	-
Bankers' acceptance and revolving credits					
- unsecured	84,689,000	(21,497,000)	63,192,000	(63,192,000)	-
Finance lease liabilities					
- secured	2,257,190	(973,693)	1,283,497	(1,283,497)	-
Total liabilities from financing activities	90,212,879	(25,034,905)	65,177,974	(65,177,974)	-

Statements of cash flows for the year ended 31 December 2019 (continued)

(iv) ***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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash in hand and at banks (Note 12)	12,485,531	19,381,767	5,581,286	13,405,557
Less: Bank overdrafts (Note 15)	(1,968,855)	(1,660,525)	-	(991,645)
	10,516,676	17,721,242	5,581,286	12,413,912

(vi) ***Cash outflows for leases as a lessee***

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Included in net cash from operating leases				
Interest paid in relation to lease liabilities	300,011	-	-	-
Included in net cash from financing activities				
Payment of lease liabilities	1,513,767	-	-	-
Total cash outflows for leases	1,813,778	-	-	-

The notes on pages 62 to 145 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 place of business and registered office of the Company are as follows:

Principal place of business
Suite 27-1, Setia Avenue, No.2 Jalan Setia Prima S U13/5, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan.

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

The consolidated financial statements of the Company as at and for the year ended 31 December 2019 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 2019 do not include other entities.

The Company was principally engaged in the manufacture and sale of galvanised and coated steel products, pickled and oiled hot rolled coils and cold rolled coils. The Company disposed of its property, plant and equipment in April 2019. Since then, it became an investment holding company while continuing to sell its remaining inventories. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

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 3, *Business Combinations – Definition of a Business*	1 January 2020
Amendments to MFRS 101, *Presentation of Financial Statements and* MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*	1 January 2020
Amendments to MFRS 9, *Financial Instruments,* MFRS 139, *Financial Instruments: Recognition and Measurement and* MFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*	1 January 2020
MFRS 17, *Insurance Contracts*	1 January 2021
Amendments to MFRS 101, *Presentation of Financial Statement – Classification of Liabilities as Current Or Non-current*	1 January 2022
Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2020 for the accounting standard that is effective for annual periods beginning on or after 1 January 2020.
- for the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on 1 January 2022.

Notes to the financial statements (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

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

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

(b) Basis of measurement

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

(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:

- Going concern assumption used in the preparation of the financial statements

  In the month of July 2019, the Company (hereinafter referred to as "YKGI") commenced negotiating with Marubeni-Itochu Steel ("MISI"), an existing major shareholder of YKGI, to reschedule the amount owing to MISI arose from trade purchases of raw materials and consumables. As at 31 December 2019, the balance amount owing to MISI amounted to USD8,004,234 (RM32,665,998).

  On 30 January 2020, the Group and the Company (hereinafter referred to as "YKGI") had entered into a Repayment Agreement ("Agreement") of the amount owing by the Company to Marubeni-Itochu Steel Inc ("MISI"), who is a major shareholder of YKGI, with the terms and conditions contained in the Agreement. Pursuant to the repayment schedule in the Agreement, YKGI shall settle in cash by the respective dates the debts owing to MISI totalling USD8,004,234 (RM32,665,998) ("MISI Debt").

  Pursuant to the Agreement, the final payment for the MISI Debt shall be 30 April 2020. Further, the Agreement allows time extension for the payment up to 31 December 2020 at the discretion of MISI subject to a proper notice to be given.

  On 30 March 2020, the Company had sought an extension on the repayment of debt outstanding as at 30 April 2020 totalling USD6,695,684 (RM28,829,665) as a result of the COVID-19 pandemic which impacted on the timing for the realisation of some of the current assets. On 30 April 2020, MISI has agreed to consider not to declare an event of default pursuant to the Agreement.

  As an integral part of the Agreement, YKGI agreed to provide security charge of 49% of the total issued share capital in its wholly owned subsidiary, ASTEEL Resources Sdn. Bhd. in favour of MISI as security for the repayment of MISI Debt. The security charge shall require the approval to be obtained from the non-interested shareholders of YKGI. The security charge is immediately enforceable, among others, failure of YKGI to pay the entire amount owing by YKGI to MISI by 31 December 2020.

Notes to the financial statements (continued)

1. **Basis of preparation** (continued)

   (d) **Use of estimates and judgements** (continued)

   - Going concern assumption used in the preparation of the financial statements (continued)

     In addition to the above event, on 18 March 2020, the Government of Malaysia has announced a Movement Control Order ("MCO") to mitigate the COVID-19 pandemic. This has resulted in disruptions to the business operations of the Group as well as affect the timing of collection of proceeds from the receivables. The Group and the Company had incurred net losses of RM7,403,732 and RM11,458,339 respectively during the financial year ended 31 December 2019. As at the date, the Company is in a net current liability position of RM4,778,815.

     These give rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations in respect of the amount owing to MISI by 31 December 2020 and other obligations for the next twelve months from the end of the reporting period.

     The Group has obtained moratorium from its lenders to defer the repayment of their borrowings via extension of the repayment period by six (6) months and tenor extension of up to 120 days from original maturity date for all the Bankers' Acceptances amounting to RM34,067,637 maturing between 1 April 2020 to 30 September 2020. The Directors are confident that the share charge of 49% of the total issued share capital in its wholly owned subsidiary, ASTEEL Resources Sdn. Bhd., in favour of MISI, will receive the approval from the non-interested shareholders through an EGM to be held before 30 June 2020 or such other date if extended and that the Group will receive the continuous support from its lenders. The Directors have considered the future profitability and cash flows of the Group in determining the appropriateness of the going concern basis for the preparation of the financial statements of the Group and the Company.

     As at the end of the reporting period and as at the date these financial statements were authorised for issue, the Directors believe that there is no material uncertainty that exists over the ability of the Group and the Company to continue on a going concern basis. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as a going concern.

   Other areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements are as follows:-

   - Note 3, impairment assessment of property, plant and equipment;
   - Note 4, extension options and incremental borrowing rate in relation to leases;
   - Note 8, valuation of inventories;
   - Notes 10 and 25.3, impairment assessment of trade receivables and measurement of expected credit loss ("ECL").

2. **Significant accounting policies**

   The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

   Arising from the adoption of MFRS 16, *Leases*, there are changes to the accounting policies applied to lease contracts entered into by the Group entities as compared to those applied in previous financial statements. The impacts arising from the changes are disclosed in Note 33.

   (a) **Basis of consolidation**

   (i) Subsidiaries

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) Acquisitions from entities under common controls

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

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(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.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(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 which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(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, excluding foreign operations in hyperinflationary economies, 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) Recognition and initial measurement

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

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

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

(ii) Financial instrument categories and subsequent measurement

Financial assets

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

Notes to the financial statements (continued)

2. **Significant accounting policies** (continued)

(c) **Financial instruments** (continued)

(ii) ***Financial instrument categories and subsequent measurement***(continued)

Financial assets (continued)

(a) **Amortised cost**

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

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

(b) **Fair value through other comprehensive income**

Equity investment

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

(c) **Fair value through profit or loss**

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

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

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

Financial liabilities

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

(a) **Fair value through profit or loss**

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

Notes to the financial statements (continued)

2. **Significant accounting policies** (continued)

(ii) ***Financial instrument categories and subsequent measurement*** (continued)

Financial liabilities (continued)

(a) Fair value through profit or loss (continued)

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

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

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

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

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

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

(b) Amortised cost

Other financial liabilities not categories as fair value through profit or loss are subsequently measured at amortised cost using effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) ***Regular way purchase or sale of financial assets***

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in the current year.

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.

Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Group or the Company; and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Group or the Company.

Any changes in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group or the Company applies settlement date accounting unless otherwise stated for the specific class of asset.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iv) 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.

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

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

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

(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 transferred, 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 of the financial asset and the sum of the consideration received (including any new asset obtained less any new liability assumed) 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vi) Offsetting

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

(d) Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

Notes to the financial statements (continued)

2. **Significant accounting policies** (continued)

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

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

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 "other 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 every three (3) years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

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

(ii) ***Subsequent costs***

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

(iii) ***Depreciation***

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Property, plant and equipment 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(e) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Notes to the financial statements (continued)

2. **Significant accounting policies** (continued)

(e) **Leases** (continued)

Current financial year (continued)

(ii) **Recognition and initial measurement** (continued)

(a) **As a lessee** (continued)

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets under the revaluation model

The Group and the Company revalue their properties comprising 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.

(b) **As a lessor**

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) **Subsequent measurement**

(a) **As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(e) Leases (continued)

Current financial year (continued)

(iii) Subsequent measurement (continued)

(a) As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, *Financial Instruments* (see Note 2(l)(i)).

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was 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 was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance lease were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was 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 were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was 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 did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position, over the term of the lease. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or both, was classified as investment property and measured using fair value model.

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

Leasehold land which in substance was an operating lease was classified as prepared lease payments

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(f) Investment properties carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured at cost less any accumulated depreciation, consistent with the accounting policy for property, plant and equipment as stated in Note 2(d).

Depreciation is recognised to profit or loss on a straight-line basis over the estimated useful lives. The estimated useful life of building for the current and comparative periods is 50 years.

(g) 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 is measured based on 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.

(h) Non-current asset 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, contract assets, contract costs, 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.

(i) Contract asset/Contract liability

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

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

Notes to the financial statements (continued)

2. **Significant accounting policies** (continued)

(j) **Contract cost**

(i) **Incremental cost of obtaining a contract**

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

(ii) **Cost to fulfil a contract**

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

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

(k) **Cash and cash equivalents**

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

(l) **Impairment**

(i) Financial assets

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

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

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

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

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(l) Impairment (continued)

(i) Financial assets (continued)

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

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

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

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

(ii) Other assets

The carrying amounts of other assets [except for inventories, contract assets, 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 and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

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

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

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

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

Notes to the financial statements (continued)

2. **Significant accounting policies** (continued)

(l) **Impairment** (continued)

(ii) ***Other assets*** (continued)

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.

(m) **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.

(n) **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 financial 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(n) Employee benefits (continued)

(iii) Defined benefit plans (continued)

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. 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 transactions

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 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.

(o) 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.

(p) Provisions

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(q) Revenue and other income

(i) Revenue

Revenue from sales of goods and services in the ordinary course of business is recognised when the Group and the Company satisfy a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group and the Company expect to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group and the Company do not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

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

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

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

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

The following are descriptions of principal activities from which the Group and the Company generate other revenue.

(ii) Dividend income

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

(iii) Rental income

Rental income from letting/hiring of assets is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as "revenue".

(iv) Interest income

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(r) 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.

(s) 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.

(t) 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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(u) Earnings per ordinary share

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

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.

(v) 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.

(w) 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 is 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.

Notes to the financial statements (continued)

3. Property, plant and equipment

Group	Freehold land RM	Long-term leasehold land (unexpired lease term more than 50 years) RM	Short-term leasehold land (unexpired lease term less than 50 years) RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Subtotal RM
Cost/Valuation							
At 1 January 2018	60,700,000	4,600,000	7,512,000	66,343,114	274,211,492	10,908,949	424,275,555
Additions	-	-	-	1,223	6,506,144	1,003,410	7,510,777
Disposals	-	-	-	-	(38,315)	(26,000)	(64,315)
Written off	-	-	-	-	-	(4,670)	(4,670)
Transfer	-	-	-	483,173	248,352	27,790	759,315
Transfer to assets held for sale (Note 13)	(60,700,000)	-	-	(44,556,881)	(215,152,874)	(4,998,600)	(325,408,355)
At 31 December 2018/ 1 January 2019, *as previously reported*	-	4,600,000	7,512,000	22,270,629	65,774,799	6,910,879	107,068,307
Adjustment on initial application of MFRS 16	-	(4,600,000)	(7,512,000)	-	(2,709,000)	-	(14,821,000)
At 1 January 2019, *as restated*	-	-	-	22,270,629	63,065,799	6,910,879	92,247,307
Acquisition of a subsidiary (Note 32)	3,465,000	-	-	4,097,278	1,105,119	223,742	8,891,139
Additions	-	-	-	240,177	1,286,183	614,511	2,140,871
Disposals	-	-	-	-	(5,945,896)	(859,244)	(6,805,140)
Written off	-	-	-	-	(37,210)	(835,251)	(872,461)
Transfer	-	-	-	(23,276)	182,969	23,276	182,969
At 31 December 2019	3,465,000	-	-	26,584,808	59,656,964	6,077,913	95,784,685

Notes to the financial statements (continued)

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, equipment and tools RM	Subtotal RM
Cost/Valuation (continued)							
Representing items at:							
Cost	-	-	-	22,559,808	59,656,964	6,077,913	88,294,685
Directors' valuation	3,465,000	-	-	4,025,000	-	-	7,490,000
At 31 December 2019	3,465,000	-	-	26,584,808	59,656,964	6,077,913	95,784,685
Depreciation/Impairment							
At 1 January 2018	-	-	-	37,233,719	137,005,196	7,666,410	181,905,325
Depreciation for the year	-	54,762	-	1,050,168	2,979,204	662,263	4,746,397
Disposals	-	-	-	-	(6,595)	(26,000)	(32,595)
Written off	-	-	-	-	-	(3,013)	(3,013)
Impairment	-	-	-	-	2,649,270	-	2,649,270
Transfer to assets held for sale (Note 13)	-	-	-	(22,659,301)	(95,977,816)	(3,751,157)	(122,388,274)
Accumulated depreciation	-	54,762	-	15,624,586	43,999,989	4,548,503	64,227,840
Accumulated impairment loss	-	-	-	-	2,649,270	-	2,649,270
At 31 December 2018/ 1 January 2019, *as previously reported*	-	54,762	-	15,624,586	46,649,259	4,548,503	66,877,110
Reclassification	-	-	197,684	(228,459)	(42,338)	73,113	-
Adjustment on initial application of MFRS 16	-	(54,762)	(197,684)	-	(158,025)	-	(410,471)
At 1 January 2019, *as restated*	-	-	-	15,396,127	46,448,896	4,621,616	66,466,639

Notes to the financial statements (continued)

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, equipment and tools RM	Subtotal RM
Depreciation/Impairment (continued)							
At 1 January 2019, *as restated*	-	-	-	15,396,127	46,448,896	4,621,616	66,466,639
Depreciation for the year	-	-	-	803,986	2,851,401	501,765	4,157,152
Disposals	-	-	-	-	(7,334,133)	(231,586)	(7,565,719)
Written off	-	-	-	-	(37,210)	(712,212)	(749,422)
Impairment	-	-	-	-	4,172,484	-	4,172,484
Accumulated depreciation	-	-	-	16,200,113	39,279,684	4,179,583	59,659,380
Accumulated impairment loss	-	-	-	-	6,821,754	-	6,821,754
At 31 December 2019	-	-	-	16,200,113	46,101,438	4,179,583	66,481,134
Carrying amounts							
At 31 December 2018/ 1 January 2019	-	4,545,238	7,512,000	6,646,043	19,125,540	2,362,376	40,191,197
At 31 December 2019	3,465,000	-	-	10,384,695	13,555,526	1,898,330	29,303,551

Notes to the financial statements (continued)

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
Cost/Valuation (continued)						
At 1 January 2018	424,275,555	9,069,268	1	6,324,091	15,106,372	454,775,287
Additions	7,510,777	662,852	-	-	1,253,118	9,426,747
Disposals	(64,315)	(578,463)	-	-	-	(642,778)
Written off	(4,670)	-	-	-	-	(4,670)
Transfer	759,315	-	-	-	(759,315)	-
Transfer to assets held for sale (Note 13)	(325,408,355)	(124,711)	-	(6,324,091)	(14,414,719)	(346,271,876)
At 31 December 2018/ 1 January 2019, *as previously reported*	107,068,307	9,028,946	1	-	1,185,456	117,282,710
Adjustment on initial application of MFRS 16	(14,821,000)	-	-	-	-	(14,821,000)
At 1 January 2019, *as restated*	92,247,307	9,028,946	1	-	1,185,456	102,461,710
Acquisition of a subsidiary (Note 32)	8,891,139	537,174	-	-	-	9,428,313
Additions	2,140,871	887,784	-	-	42,700	3,071,355
Disposals	(6,805,140)	(1,934,321)	(1)	-	-	(8,739,462)
Written off	(872,461)	-	-	-	-	(872,461)
Transfer	182,969	133,000	-	-	(315,969)	-
At 31 December 2019	95,784,685	8,652,583	-	-	912,187	105,349,455

Notes to the financial statements (continued)

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

Group (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
Cost/Valuation (continued)						
Representing items at:						
Cost	88,294,685	8,652,583	-	-	912,187	97,859,455
Directors' valuaton	7,490,000	-	-	-	-	7,490,000
At 31 December 2019	95,784,685	8,652,583	-	-	912,187	105,349,455
Depreciation/impairment (continued)						
At 1 January 2018	181,905,325	5,656,373	-	1,325,498	887,125	189,774,321
Depreciation for the year	4,746,397	754,257	-	-	-	5,500,654
Disposals	(32,595)	(480,840)	-	-	-	(513,435)
Written off	(3,013)	-	-	-	-	(3,013)
Impairment	2,649,270	-	-	-	-	2,649,270
Transfer to assets held for sale (Note 13)	(122,388,274)	(126,515)	-	(1,325,498)	(887,125)	(124,727,412)
Accumulated depreciation	64,227,840	5,803,275	-	-	-	70,031,115
Accumulated impairment loss	2,649,270	-	-	-	-	2,649,270
At 31 December 2018/ 1 January 2019, *as previously reported*	66,877,110	5,803,275	-	-	-	72,680,385
Adjustment on initial application of MFRS 16	(410,471)	-	-	-	-	(410,471)
At 1 January 2019, *as restated*	66,466,639	5,803,275	-	-	-	72,269,914

Notes to the financial statements (continued)

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

Group (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
Depreciation/impairment (continued)						
At 1 January 2019, *as restated*	66,466,639	5,803,275	-	-	-	72,269,914
Depreciation for the year	4,157,152	705,867	-	-	-	4,863,019
Disposals	(7,565,719)	(724,993)	-	-	-	(8,290,712)
Written off	(749,422)	-	-		-	(749,422)
Impairment	4,172,484	-	-	-	-	4,172,484
Accumulated depreciation	59,659,380	5,784,149	-	-	-	65,443,529
Accumulated impairment loss	6,821,754	-	-	-	-	6,821,754
At 31 December 2019	66,481,134	5,784,149	-	-	-	72,265,283
Carrying amounts						
At 31 December 2018/ 1 January 2019	40,191,197	3,225,671	1	-	1,185,456	44,602,325
At 31 December 2019	29,303,551	2,868,434	-	-	912,187	33,084,172

Notes to the financial statements (continued)

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

Company	Freehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Motor vehicles RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Cost/Valuation								
At 1 January 2018	60,700,000	44,556,881	228,318,758	6,354,788	2,487,086	6,324,091	14,414,719	363,156,323
Additions	-	-	233,937	310,038	-	-	-	543,975
Disposals	-	-	(29,815)	-	(430,688)	-	-	(460,503)
Written Off	-	-	-	(4,670)	-	-	-	(4,670)
Transfer to assets held for sale (Note 13)	(60,700,000)	(44,556,881)	(215,152,874)	(4,998,600)	(124,711)	(6,324,091)	(14,414,719)	(346,271,876)
At 31 December 2018/ 1 January 2019	-	-	13,370,006	1,661,556	1,931,687	-	-	16,963,249
Disposals	-	-	(104,736)	-	(545,851)	-	-	(650,587)
Written Off	-	-	-	(531,714)	-	-	-	(531,714)
At 31 December 2019	-	-	13,265,270	1,129,842	1,385,836	-	-	15,780,948
Representing items at:								
Cost at 31 December 2019	-	-	13,265,270	1,129,842	1,385,836	-	-	15,780,948

Notes to the financial statements (continued)

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

Company (continued)	Freehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Motor vehicles RM	Spare parts, stand-by equipment and servicing equipment RM	Assets under construction RM	Total RM
Depreciation								
At 1 January 2018	-	22,659,301	97,415,886	4,716,411	1,574,909	1,325,498	887,125	128,579,130
Depreciation for the year	-	-	1,338,332	304,481	259,098	-	-	1,901,911
Disposals	-	-	(3,478)	-	(333,065)	-	-	(336,543)
Written Off	-	-	-	(3,013)	-	-	-	(3,013)
Impairment	-	-	2,649,270	-	-	-	-	2,649,270
Transfer to assets for sale (Note 13)	-	(22,659,301)	(95,977,816)	(3,751,157)	(126,515)	(1,325,498)	(887,125)	(124,727,412)
Accumulated depreciation	-	-	2,772,924	1,266,722	1,374,427	-	-	5,414,073
Accumulated impairment loss	-	-	2,649,270	-	-	-	-	2,649,270
At 31 December 2018/ 1 January 2019	-	-	5,422,194	1,266,722	1,374,427	-	-	8,063,343
Depreciation for the year	-	-	998,620	113,019	158,408	-	-	1,270,047
Disposals	-	-	(38,243)	-	(471,221)	-	-	(509,464)
Written Off	-	-	-	(410,214)	-	-	-	(410,214)
Impairment	-	-	4,172,483	-	-	-	-	4,172,483
Accumulated depreciation	-	-	3,733,301	969,527	1,061,614	-	-	5,764,442
Accumulated impairment loss	-	-	6,821,753	-	-	-	-	6,821,753
At 31 December 2019	-	-	10,555,054	969,527	1,061,614	-	-	12,586,195
Carrying amounts								
At 31 December 2018/ 1 January 2019	-	-	7,947,812	394,834	557,260	-	-	8,899,906
At 31 December 2019	-	-	2,710,216	160,315	324,222	-	-	3,194,753

Notes to the financial statements (continued)

3. Property, plant and equipment (continued)

3.1 Impairment review of property, plant and equipment

The Group and the Company have evaluated whether certain plant and machineries are stated in excess of their recoverable amounts. The recoverable amounts of these assets, which were part of the Coated Coil Business Assets, are based on their estimated fair values, which are determined based on Directors' best estimate with reference to the market values of similar assets and after taking into accounts the age and physical condition of the assets.

Following the assessment made by the Directors, allowance of impairment loss amounting to RM4,428,052 (2018: RM2,649,270) has been provided for the affected plant and machineries.

3.2 Security

The following property, plant and equipment are charged as security for certain loans and borrowings (see Note 15).

	Carrying amounts	
	2019	**2018**
Group	**RM**	**RM**
Fixed legal charges		
Freehold land	3,465,000	-
Buildings	8,639,337	5,768,691

3.3 Plant and equipment under hire purchase facilities

The carrying amounts of the property, plant and equipment under hire purchase facilities for the financial year ended 2019 as follows:

	2019	
	Group RM	**Company RM**
Plant and machinery	3,905,702	-
Motor vehicles	1,885,234	-
Total	5,790,936	-

Assets under hire purchase facilities are charged to secure the hire purchase borrowings of the Group (see Note 15).

3.4 Plant and equipment under finance lease liabilities

The carrying amounts of the property, plant and equipment under finance leases for the financial year ended 2018 were as follows:

	2018	
	Group RM	**Company RM**
Plant and machinery	4,446,844	-
Motor vehicles	2,037,397	515,949
Total	6,484,241	515,949

Assets under finance leases were charged to secure the lease obligations of the Group and the Company (see Note 15).

Notes to the financial statements (continued)

4. Right-of-use assets - Group

	Leasehold land RM	Buildings RM	Machinery RM	Total RM
Cost				
At 31 December 2018, *as previously reported*	-	-	-	-
Adjustment on initial application of MFRS 16	12,112,000	4,259,356	2,709,000	19,080,356
At 1 January 2019, *as restated*	12,112,000	4,259,356	2,709,000	19,080,356
Addition	-	528,409	1,818,388	2,346,797
At 31 December 2019	12,112,000	4,787,765	4,527,388	21,427,153
Accumulated depreciation				
At 31 December 2018, *as previously reported*	-	-	-	-
Adjustment on initial application of MFRS 16	252,446	1,203,630	158,025	1,614,101
At 1 January 2019, *as restated*	252,446	1,203,630	158,025	1,614,101
Depreciation for the year	252,446	886,633	316,360	1,455,439
At 31 December 2019	504,892	2,090,263	474,385	3,069,540
Carrying amount				
At 31 December 2019	11,607,108	2,697,502	4,053,003	18,357,613

The Group leases a number of office buildings and factory facilities that run between 3 years and 10 years, with an option to renew the lease after that date. The Group also has two parcels of lands of which the lease term expires in 2052 and 2098 respectively. Lease payments are increased every two to five years to reflect current market rentals.

4.1 Extension options

The lease of buildings contain extension options exercisable by the Group up to 3 years before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencements whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. Group entities consider all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. Group entities first determine the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

4.3 Right-of-use assets under the revaluation model

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

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

Notes to the financial statements (continued)

4. Right-of-use assets - Group (continued)

4.3 Right-of-use assets under the revaluation model (continued)

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

	2019 RM	2018 RM
Carrying amounts		
Short-term leasehold land	2,169,479	2,232,841
Long-term leasehold land	3,616,821	3,671,583
	5,786,300	5,904,424

These properties had been reclassified from property, plant and equipment as right-of-use assets in accordance with MFRS 16, *Leases* (see Note 3).

4.4 Security

The following right-of-use assets are charged as security for certain loans and borrowings (see Note 15).

	Carrying amounts	
Group	**2019 RM**	**2018 RM**
Fixed legal charges		
Leasehold land	11,804,792	11,859,554

5. Investment properties - Group

	2019 RM	2018 RM
At cost		
At 1 January	-	-
Acquisition of a subsidiary (Note 32)	1,277,170	-
At 31 December	1,277,170	-
Accumulated amortisation		
At 1 January	-	-
Charge for the year	14,269	-
At 31 December	14,269	-
Carrying amount		
At 31 December	1,262,901	-
Fair value		
At 31 December	1,277,170	-

6. Investment in subsidiaries

	Company	
	2019 RM	**2018 RM**
Unquoted shares, at cost	46,803,265	46,803,265

Notes to the financial statements (continued)

6. Investment in subsidiaries (continued)

Incorporation of a new subsidiary and acquisition of a subsidiary during the year

On 14 June 2019, ASTEEL Works Sdn. Bhd. was incorporated in Malaysia with total share capital of RM100 comprising 100 shares. The total issued and paid up ordinary shares are held by a wholly owned subsidiary, ASTEEL Resources Sdn Bhd.

On 1 August 2019, the Group acquired 51.4% equity interest in Acesteel Industries Sdn Bhd, now known as ASTAR Steel Sdn. Bhd. ("ASTAR") for a consideration sum of RM3,499,999, settled via a debt settlement for the debt owed by ASTAR to a subsidiary, Star Shine Marketing Sdn Bhd ("SSM").

6.1 Details of the subsidiaries

The subsidiaries which are all incorporated and principal place of business in Malaysia, are as follows:

Subsidiary	**Principal activities**	**Effective ownership interest/Voting interest 2019 %**	**2018 %**
Direct			
ASTEEL Resources Sdn. Bhd. ("AR")	Investment holding	100	100
Starshine Holdings Sdn. Bhd. ("SSH")	Investment holding	100	100
Indirect through SSH			
Star Shine Marketing Sdn. Bhd. ("SSM")	Trading of galvanised iron and coated galvanised iron steel sheets in coils and building materials	100	100
Star Shine Global Trading Sdn. Bhd.	Trading of flat steel products	100	100
Star Shine Steel Products Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100	100
Star Shine Industries Sdn. Bhd.	Inactive	100	100
Indirect through SSM			
Starshine Resources Sdn. Bhd.	Inactive	100	100
ASTAR Steel Sdn. Bhd. (formerly known as Acesteel Industries Sdn. Bhd)	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	51.41	-
Indirect through AR			
ASTEEL Sdn. Bhd.	Manufacture and sale of metal roofing, coated steel products and related products	100	100

Notes to the financial statements (continued)

6. Investment in subsidiaries (continued)

6.1 Details of the subsidiaries (continued)

Subsidiary	Principal activities	Effective ownership interest/Voting interest 2019 %	2018 %
<u>Indirect through AR (continued)</u>			
ASTEEL (Sabah) Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100	100
ASTEEL Development Sdn. Bhd.	Supply and install steel truss, construction and renovation works	100	100
ASTEEL Ajiya Sdn. Bhd.	Manufacture and sale of safety glass, supply and and trading of metal door frame, window frame, metal ceiling and sunshade products	60	60
ASTEEL Works Sdn. Bhd.	Processing and supply of façade products and metal fabrication	100	-

6.2 Non-controlling interests in subsidiaries

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

2019	ASTAR Steel Sdn. Bhd. RM	ASTEEL Ajiya Sdn. Bhd. RM	Total RM
NCI percentage of ownership interest and voting interest	48.59%	40%	
Carrying amount of NCI	3,468,374	556,571	4,024,945
(Loss)/Profit allocated to NCI	(97,242)	259,863	162,621
	(Note 32)		

Summarised financial information before intra-group elimination

	ASTAR Steel Sdn. Bhd. RM	ASTEEL Ajiya Sdn. Bhd. RM	Total RM
As at 31 December			
Non-current assets	9,972,407	5,117,635	15,090,042
Current assets	16,525,283	2,433,291	18,958,574
Non-current liabilities	(4,994,910)	(3,280,687)	(8,275,597)
Current liabilities	(14,885,166)	(2,878,811)	(17,763,977)
Net assets	6,617,614	1,391,428	8,009,042
Year ended 31 December			
Revenue	28,693,549	6,389,969	35,083,518
(Loss)/Profit for the financial year	(726,745)	649,657	(77,088)
	27,966,804	7,039,626	35,006,430

Notes to the financial statements (continued)

6. Investment in subsidiaries (continued)

6.2 *Non-controlling interests in subsidiaries* (continued)

Summarised financial information before intra-group elimination (continued)

	ASTAR Steel Sdn. Bhd. RM	ASTEEL Ajiya Sdn. Bhd. RM	Total RM
Cash flows from operating activities	2,451,009	679,171	3,130,180
Cash flows used in investing activities	(349,166)	(79,961)	(429,127)
Cash flows used in financing activities	(703,712)	(688,072)	(1,391,784)
Net increase/(decrease) in cash and cash equivalents	1,398,131	(88,862)	1,309,269

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

Summarised financial information before intra-group elimination

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

Notes to the financial statements (continued)

7. Other investments

	Group 2019 RM	Group 2018 RM
Quoted investment	21,400	21,400
Less: Impairment loss	(11,625)	(11,625)
	9,775	9,775

The recoverable amount was estimated with reference to the market value and as at 31 December 2019, the fair value of the quoted investment is RM15,275.

8. Inventories

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
At cost					
Raw materials		23,821,837	23,565,524	-	8,754,424
Work-in-progress		7,492,474	9,761,446	-	94,397
Manufactured inventories		7,858,534	11,060,488	-	4,450,472
Trading products		14,471,007	14,703,966	-	-
Consumables	8.2	528,158	2,747,943	-	2,235,944
		54,172,010	61,839,367	-	15,535,237
At net realisable value					
Raw materials		-	1,814,386	-	-
Manufactured inventories		2,197,524	15,667,206	-	15,667,206
Trading products		71,075	-	-	-
Subtotal		2,268,599	17,481,592	-	15,667,206
Total		56,440,609	79,320,959	-	31,202,443

Recognised in profit or loss:

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Inventories recognised as cost of sales	189,517,446	315,964,052	-	203,515,651
Write-down to net realisable value	173,960	3,005,715	-	2,920,247
Total recognised in profit or loss	189,691,406	318,969,767	-	206,435,898

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

8.2 In the previous financial year, consumables amounting to RM10.9 million had been classified as part of the assets held for sale upon approval by the Board of Directors on 27 February 2018 (See Note 13).

Notes to the financial statements (continued)

9. Contract with customers

	Group 2019 RM	Group 2018 RM
Contract assets	2,026,132	-
Contract liabilities	433,537	2,423,509

The contract assets primarily relate to the Group's rights to consideration for work completed on roofing supply and installation but not yet billed at the reporting date. The changes in contract assets are due to the differences between the agreed payment schedule and progress of the construction work. The contract assets are transferred to trade receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers in excess of the Group's rights to the consideration. The contract liabilities are recognised as revenue when the Group fulfills its performance obligation under the contracts with customers.

10. Trade and other receivables

		Group		Company	
		2019 RM	2018 RM	2019 RM	2018 RM
Trade	**Note**				
Trade receivables from contracts with customers	10.1	42,170,193	52,811,436	1,310,313	16,195,859
Less: Allowance for impairment losses		(4,519,229)	(4,290,547)	(719,135)	(1,822,636)
		37,650,964	48,520,889	591,178	14,373,223
Subsidiaries		-	-	19,459,455	17,198,858
Subtotal		37,650,964	48,520,889	20,050,633	31,572,081
Non-trade					
Subsidiaries	10.2	-	-	1,600,000	3,100,000
Other receivables		4,424,219	2,917,138	2,922,380	2,044,623
Less: Allowance for impairment losses		(1,519,664)	(1,519,664)	(1,519,664)	(1,519,664)
		2,904,555	1,397,474	1,402,716	524,959
		2,904,555	1,397,474	3,002,716	3,624,959
Total		40,555,519	49,918,363	23,053,349	35,197,040

10.1 Included in the trade receivables of the Group and the Company as at 31 December 2019 is amount due from four (2018: eight) and one (2018: one) related parties amounting to RM2,142,678 (2018: RM3,262,612) and nil (2018: RM90,301) respectively, with credit term of 7 days to 60 days.

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

10.3 Assessment of impairment loss on receivables

The Group has applied MFRS 9, Financial Instrument and has use an allowance matrix to measure Expected Credit Loss ("ECL"). The calculation of the impairments under ECL model is based on historical record. These include assessment of customers' past payment records and the age of receivables. The evaluation is however inherently judgemental and requires estimates, including the amounts and timing of future cash flows expected to be received, which may be susceptible to significant changes.

Notes to the financial statements (continued)

11. Deposits and prepayments

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Deposits	1,771,341	832,776	13,179	68,907
Prepayments	355,927	504,854	86,857	135,108
	2,127,268	1,337,630	100,036	204,015

12. Cash and cash equivalents

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Cash in hand and at banks	12.1	12,485,531	19,381,767	5,581,286	13,405,557
Deposits placed with licensed banks	12.2	10,727,702	13,893,635	-	5,210,214
		23,213,233	33,275,402	5,581,286	18,615,771

12.1 The bank balances consist of RM5,000,000 (2018: RM12,500,000) held under Escrow account related to deposit paid by buyer in connection with the disposal of coated coil assets during the year.

12.2 The fixed deposits were pledged to secure bank facilities granted for certain subsidiaries (see Note 15).

13. Assets classified as held for sale

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Assets classified as held for sale					
Transferred from property, plant and equipment	3	-	221,544,464	-	221,544,464
Arising from a debt settlement arrangement		380,250	-	-	-
		380,250	221,544,464	-	221,544,464
Less:					
- impairment loss for discontinued operation	22	-	(107,444,464)	-	(107,444,464)
- impairment loss		(20,250)	-	-	-
		360,000	114,100,000	-	114,100,000
Inventories	8.2	-	10,900,000	-	10,900,000
Total		360,000	125,000,000	-	125,000,000

On 2 November 2018, the Group and the Company had entered into a conditional assets and business sale and purchase agreement ("BSA") with NS BlueScope Malaysia Sdn. Bhd. to dispose of its Coated Coil Business and assets for a total consideration of RM125,000,000. Certain property, plant and equipment had been classified as assets held for sale as efforts to sell those assets had commenced upon approval by the Board of Directors on 27 February 2018. The disposal of these assets was completed on 16 April 2019 upon the fulfillment of the remaining conditions precedent.

Notes to the financial statements (continued)

13. Assets classified as held for sale (continued)

13.1 Impairment assessment of asset held for disposal

The Group and the Company had evaluated whether the assets classified as held for sale were stated in excess of their recoverable amounts with referenced to its estimated fair value. The estimated fair value of assets acquired through debt settlement arrangement is generally ascertained by the management using the comparative method by reference to similar/comparable properties in markets.

In the previous year, the estimated fair value was determined based on selling price offer by an independent party. Based on the selling price offered, an impairment loss amounted to RM107,444,464 had been recognised.

13.2 Property, plant and equipment under the revaluation model

The property, plant and equipment classified as held for sale included a freehold land that was stated at revalued amount according to the Company's revaluation accounting policy [Note 2(d)(i)]. Had the freehold land been carried under the cost model, the carrying amounts, net of any accumulated impairment loss where applicable, that would have been included in the financial statements at the end of the financial year are as follows:

	Group and Company	
	2019 RM	**2018 RM**
Carrying amounts		
Freehold land	-	27,020,000

On 31 May 2018, the Group had entered into a debt settlement arrangement with a certain debtor with the consideration of RM380,250 settled through transfer of a property to the Group. Upon the delivery of vacant possession on 27 May 2019, the Group had classified this property as assets held for sale as efforts to sell this property has commenced.

14. Capital and reserves

14.1 Share capital

	Group and Company			
	Amount		Number of shares	
	2019 RM	**2018 RM**	**2019**	**2018**
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
Opening balances	163,833,877	163,296,259	350,684,180	348,337,580
Issued for cash under ESOS	-	537,618	-	2,346,600
Capital reduction	(137,918,980)	-	-	-
Closing balances	25,914,897	163,833,877	350,684,180	350,684,180

Notes to the financial statements (continued)

14. Capital and reserves (continued)

14.1 *Share capital* (continued)

	Group and Company			
	Amount		Number of shares	
	2019 RM	2018 RM	2019	2018
Redeemable convertible preference shares				
Opening balances and closing balances	12,831,931	12,831,931	21,726,100	21,726,100
Total	38,746,828	176,665,808	372,410,280	372,410,280

Capital reduction

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

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

On 16 April 2019, the total share premium of RM130,431,382 has been fully utilised to set-off against the Company's accumulated losses.

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^{th}) 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 confers the holders thereof the following rights and privileges and is subject to the following conditions:

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

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

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

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

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

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

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

Notes to the financial statements (continued)

14. Capital and reserves (continued)

14.1 Share capital (continued)

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

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.

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

The number of outstanding Warrants B as of 31 December 2018, issued in conjunction with the share issue exercises undertaken by the Company on 29 May 2013 and exercisable at RM0.50 for each ordinary share in the Company over a period of seven years to 28 May 2020, is 95,000,428 (2018: 95,000,428). None of the said warrants have been exercised during the year.

14.2 Reserves

Revaluation reserve

Revaluation reserve (net of deferred tax liability recognised) represents non distributable surplus arising from the revaluation of freehold land and leasehold land. The revaluation reserve has been reclassified to certain retained earnings following the disposal of the freehold land.

Notes to the financial statements (continued)

14. Capital and reserves (continued)

14.2 Reserves (continued)

Revaluation reserve (continued)

Employee share option reserve

	Group and Company 2019 RM	Group and Company 2018 RM
At 1 January	75,428	102,646
Reversal of share options reserve	(24,890)	(27,218)
At 31 December	50,538	75,428

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

As at 31 December 2019, the remaining outstanding ESOS is 24,538,400 (2018: 36,623,400) (see Note 30).

15. Loans and borrowings

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Non-current				
Term loans				
- secured	11,696,168	8,192,659	-	-
Finance lease liabilities				
- secured	-	6,665,631	-	574,426
Hire purchase facilities				
- secured	4,114,153	-	-	-
	15,810,321	14,858,290	-	574,426
Current				
Term loans				
- secured	1,945,022	1,158,284	-	-
- unsecured	-	702,477	-	702,477
	1,945,022	1,860,761	-	702,477
Finance lease liabilities				
- secured	-	2,868,405	-	709,071
Hire purchase facilities				
- secured	1,967,093	-	-	-
Bankers' acceptances and revolving credits				
- secured	48,668,093	42,181,200	-	-
- unsecured	-	63,192,000	-	63,192,000
	48,668,093	105,373,200	-	63,192,000
Bank overdrafts				
- unsecured	-	991,645	-	991,645
- secured	1,968,855	668,880	-	-
	1,968,855	1,660,525	-	991,645
	54,549,063	111,762,891	-	65,595,193
Total	70,359,384	126,621,181	-	66,169,619

Notes to the financial statements (continued)

15. Loans and borrowings (continued)

(i) Security

Bank overdrafts, term loans and bankers' acceptances

- Secured by a pledge of term deposits (see Note 11).
- Secured by fixed charges over certain subsidiaries' long-term leasehold land and buildings erected thereon (see Note 3 and 4).

Hire purchase facilities

Hire purchase facilities are secured on the assets (see Note 3). Hire purchase facilities of certain subsidiaries amounted to RM9,697,667 are jointly and severally guaranteed by certain Directors of the Group and of the Company.

Finance lease liabilities

Finance lease liabilities were secured on the assets (see Note 3). In the previous year, finance lease liabilities of certain subsidiaries amounted to RM5,006,312 were jointly and severally guaranteed by certain Directors of the Group and of the Company.

(ii) Significant covenants on loans and borrowings

The Group is required to maintain a gearing ratio not exceeding 1.75 (2018: 1.75 times) respectively in respect of the banking facilities granted by a licensed bank to the Group.

(iii) Hire purchase facilities

Hire purchase facilities are payable as follows:

	2019		
	Payment RM	**Interest RM**	**Principal RM**
Group			
Less than one year	2,411,287	444,194	1,967,093
Between one and five years	4,193,661	548,120	3,645,541
More than 5 years	587,125	118,513	468,612
	7,192,073	1,110,827	6,081,246

(iv) Finance lease liabilities

Finance lease liabilities were payable as follows:

	2018		
	Future minimum lease payments RM	**Interest RM**	**Present value of minimum lease payments RM**
Group			
Less than one year	3,170,538	302,133	2,868,405
Between one and five years	7,828,117	1,162,486	6,665,631
	10,998,655	1,464,619	9,534,036
Company			
Less than one year	785,794	76,723	709,071
Between one and five years	614,513	40,087	574,426
	1,400,307	116,810	1,283,497

Notes to the financial statements (continued)

16. Lease liabilities

	Group 2019 RM	Group 2018 RM
Non-current		
Lease liabilities	4,780,310	-
Current		
Lease liabilities	1,831,102	-
Total lease liabilities	6,611,412	-

16.1 Lease liabilities are relating to leases of buildings and machinery recognised in accordance with MFRS 16, *Leases*.

16.2 Maturity of lease liabilities

The lease liabilities are payable as follows:

	Future minimum lease payments RM	Interest RM	Present value of minimum lease payments RM
2019			
Less than one year	2,077,726	246,623	1,831,103
Between one and five years	5,022,594	461,304	4,561,290
More than five years	220,000	981	219,019
	7,320,320	708,908	6,611,412

Notes to the financial statements (continued)

17. **Deferred tax**

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2019 RM	Assets 2018 RM	Liabilities 2019 RM	Liabilities 2018 RM	Net 2019 RM	Net 2018 RM
Property, plant and equipment	-	347,000	(372,000)	-	(372,000)	347,000
Revaluation reserve	-	-	(902,000)	(926,000)	(902,000)	(926,000)
Trade and other payable	630,000	306,000	-	-	630,000	306,000
Tax assets/(liabilities)	630,000	653,000	(1,274,000)	(926,000)	(644,000)	(273,000)
Set off of tax	(630,000)	(653,000)	630,000	653,000	-	-
Net tax liabilities	-	-	(644,000)	(273,000)	(644,000)	(273,000)

Movements in deferred tax during the year are as follows:

Group	At 1.1.2018 RM	Recognised in profit or loss RM	At 31.12.2018/ 1.1.2019 RM	Acquisition of a subsidiary RM	Recognised in profit or loss RM	At 31.12.2019 RM
Property, plant and equipment	(129,000)	476,000	347,000	(431,000)	(288,000)	(372,000)
Revaluation reserve	(950,000)	24,000	(926,000)	-	24,000	(902,000)
Trade and other payables	473,000	(167,000)	306,000	-	324,000	630,000
	(606,000)	333,000	(273,000)	(431,000)	60,000	(644,000)
			(Note 22)	(Note 32)	(Note 22)	

Notes to the financial statements (continued)

17. 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	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Foreign exchange gains/(loss)	672,000	(1,065,000)	672,000	(1,065,000)
Property, plant and equipment	2,308,000	1,170,000	1,812,000	750,000
Capital allowances carried forward	(21,837,000)	(20,932,000)	-	-
Tax losses carried forward	(57,834,000)	(43,268,000)	(45,106,000)	(32,160,000)
Provisions	(82,000)	(4,708,000)	-	(4,664,000)
Reinvestment allowances carried	(132,552,000)	(132,552,000)	(116,400,000)	(116,400,000)
Infrastructure allowance carried forward	(83,000)	(83,000)	(83,000)	(83,000)
	(209,408,000)	(201,438,000)	(159,105,000)	(153,622,000)
Deferred tax assets	(50,258,000)	(48,345,000)	(38,185,000)	(36,869,000)

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

18. Trade and other payables

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Trade				
Trade payables	53,438,107	139,517,215	32,753,728	127,202,840
Non-trade				
Subsidiaries	-	-	315,087	-
Other payables	1,336,951	14,316,848	122,903	13,161,441
Accrued expenses	3,294,772	5,203,334	323,273	2,702,358
Sub-total	4,631,723	19,520,182	761,263	15,863,799
Total	58,069,830	159,037,397	33,514,991	143,066,639

Trade payables of the Group and Company include an amount of RM32,665,998 (2018; RM122,255,515) denominated in USD due to a substantial foreign shareholder of the Company. This amount bears interest of 2.91% (2018: 2.78%) per annum. The Group and the Company have utilised the credit facilities offered by the substantial foreign shareholder which carry credit terms of 180 days to purchase raw materials.

Notes to the financial statements (continued)

19. Revenue

	Continuing operations		Discontinued operation		Total	
	2019	2018	2019	2018	2019	2018
	RM	RM	RM	RM	RM	RM
Revenue from contracts with customers						
At point in time						
- Sale of coil related products	95,995,865	117,447,717	15,300,142	114,865,268	111,296,007	232,312,985
- Slitting and shearing services	290,524	159,280	-	1,359,371	290,524	1,518,651
- Sale of roll-formed product	75,444,562	91,911,807	-	-	75,069,326	91,911,807
- Hardware, building material and roll-formed trading	21,026,308	9,249,941	-	-	21,026,308	9,249,941
Over time						
- Roofing supply and installation (specific projects)	8,448,246	2,441,156	-	-	8,823,482	2,441,156
Total revenue	201,205,505	221,209,901	15,300,142	116,224,639	216,505,647	337,434,540
			(Note 23)	(Note 23)		
Company						
At point in time						
- Sale of coil related products			31,726,356	199,180,011		
- Slitting and shearing services			-	1,359,371		
Total revenue			31,726,356	200,539,382		

Notes to the financial statements (continued)

19. Revenue (continued)

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

19.1 Nature of goods and services

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

Nature of goods or services	Timing of recognition or method used to recognise revenue	Significant payment terms
Sale of coil related products	Revenue is recognised when the goods are delivered to and have been accepted by customer at their premises.	Cash on delivery or credit period of 14 to 90 days from invoice date.
Slitting & Shearing	Revenue is recognised when the services are completed and accepted by customers.	Cash on delivery or credit period of 14 to 90 days from invoice date.
Sale of roll-formed product	Revenue is recognised when the goods are delivered to and have been accepted by customer at their premises.	Cash on delivery or credit period of 14 to 90 days from invoice date.
Hardware, building material and roll-formed trading	Revenue is recognised when the goods have been accepted by customer.	Cash on delivery or credit period from 7 to 90 days from invoice date.
Roofing supply and installation (specific projects)	Revenue is recognised overtime by using the output method. Based on agreed survey of performance to date by contract customers.	Credit period from 30 to 60 days from invoice date.

19.2 Transaction price allocated to the remaining performance obligations

The following information reflects the typical transactions of the Group entities:

	Within 1 year RM
Roofing supply and installation (specific projects)	4,078,395

Notes to the financial statements (continued)

20. Finance income and costs

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Finance income				
Interest income of financial assets calculated using effective interest method that are at amortised cost				
-continuing operations	564,868	524,381	-	-
-discontinued operation (Note 23)	555,079	766,537	321,192	766,537
	1,119,947	1,290,918	321,192	766,537
Finance costs				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
Continuing operations				
- term loans	564,855	725,638	-	-
- overdrafts	90,836	80,436	-	-
- other borrowings	2,969,419	3,126,337	-	-
- interest expenses on lease liabilities	300,011	-	-	-
- other finance costs	18,887	70	-	-
	3,944,008	3,932,481	-	-
Discontinued operation (Note 23)				
- term loans	9,255	111,642	9,255	111,642
- overdrafts	91,148	551,453	91,148	551,453
- other borrowings	361,255	3,532,235	361,256	3,532,235
- other finance costs	238,437	1,762,036	238,436	1,762,036
	700,095	5,957,366	700,095	5,957,366
Total	4,644,103	9,889,847	700,095	5,957,366

Notes to the financial statements (continued)

21. Profit/(Loss) before tax from continuing operations

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Profit/(Loss) before tax from continuing operations is arrived at after charging/(crediting):					
Auditors' remuneration:					
- Audit fees					
KPMG PLT					
- Statutory audit		180,000	159,000	32,000	52,000
- Non-statutory		-	30,000	-	30,000
- Non-audit fees					
- KPMG PLT		6,000	54,000	6,000	54,000
- Local affiliates of KPMG PLT		23,600	24,600	11,000	13,500
- Others		25,266	15,000	-	-
Material expense/(income)					
Depreciation of property, plant and equipment	3	3,592,972	3,598,743	-	-
Depreciation of right-of-use assets	4	1,455,439	-	-	-
Property, plant and equipment written off	3	1,539	-	-	-
Inventories written down	8	-	85,468	-	-
Personnel expenses (including key management personnel):					
- contributions to state plans		2,132,237	1,335,532	-	-
- wages, salaries and others		18,081,917	12,093,854	-	-
(Gain)/Loss on disposal of property, plant and equipment		(30,865)	60,117	-	-
Expenses/(income) arising from leases					
Expenses relating to short-term leases		180,000	-	-	-
Rental of premises and land		-	549,084	-	-
Income from subleasing right-of-use assets		-	(45,200)	-	-
Net loss on impairment of financial instruments					
Financial assets at amortised cost		228,471	5,511	-	-

Notes to the financial statements (continued)

22. Taxation

Recognised in profit or loss

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Current tax expense				
Malaysian - current year	1,511,175	1,338,000	-	-
- prior years	(778,291)	(17,592)	-	-
	732,884	1,320,408	-	
-				
Deferred tax expense /(income) (Note 17)				
- Over provision in prior year	(114,000)	(431,000)	-	-
- Effect of lower tax rate	-	(54,000)	-	-
- Origination of temporary difference	54,000	152,000	-	-
Total deferred tax recognised in profit or loss	(60,000)	(333,000)	-	-
Total taxation	672,884	987,408	-	-

Reconciliation of taxation

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Loss for the year	(7,403,732)	(133,511,725)	(11,458,339)	(136,512,850)
Total taxation	672,884	987,408	-	-
Loss excluding tax	(6,730,848)	(132,524,317)	(11,458,339)	(136,512,850)

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Income tax calculated using Malaysian tax rate of 24% (2018: 24%)	(1,615,000)	(31,806,000)	(2,750,000)	(32,763,000)
Non-deductible expenses	1,757,175	27,882,000	1,434,000	26,916,000
Non-taxable income	(470,000)	(625,000)	-	-
Effect of deferred tax assets not recognised (Note 17)	1,912,000	6,063,000	1,316,000	5,847,000
Realisation of revaluation reserve	(24,000)	(24,000)	-	-
Effect of lower tax rate*	-	(54,000)	-	-
	1,560,175	1,436,000	-	-
Over-provision in prior years	(887,291)	(448,592)	-	-
Total corporate taxation	672,884	987,408	-	-

** 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 (continued)

23. Discontinued operation

On 16 April 2019, the Group and the Company completed the sale of its coated coil business. The comparative consolidated statement of profit or loss and other comprehensive income is presented to show the discontinued operation separately from continuing operations.

Losses attributable to the discontinued operation was as follows:

Results of discontinued operation

		Group		Company	
	Note	2019 RM	2018 RM	2019 RM	2018 RM
Revenue	19	15,300,142	116,224,639	31,726,356	200,539,382
Expenses		(20,548,745)	(137,303,426)	(36,974,959)	(221,618,169)
Results from operating activities		(5,248,603)	(21,078,787)	(5,248,603)	(21,078,787)
Finance income		555,079	766,537	321,192	766,537
Finance costs		(700,095)	(5,957,366)	(700,095)	(5,957,366)
Net finance costs		(145,016)	(5,190,829)	(378,903)	(5,190,829)
Loss from operation		(5,393,619)	(26,269,616)	(5,627,506)	(26,269,616)
Other non-operating expenses	23.1	(5,781,833)	(110,093,734)	(5,781,833)	(110,093,734)
Loss for the year		(11,175,452)	(136,363,350)	(11,409,339)	(136,363,350)

The loss from discontinued operation of RM11,175,452 (2018: RM136,363,350) is attributable entirely to the owners of the Company.

23.1 Other non-operating expenses

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

Notes to the financial statements (continued)

23. Discontinued operation (continued)

Included in loss for the year taxation from the discontinued operations are the following:

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Material expense/(income)					
Depreciation of property, plant and equipment		1,270,047	1,901,911	1,270,047	1,901,911
Foreign exchange loss - realised		776,200	4,340,000	776,200	4,340,000
Derivative loss on forward foreign exchange contracts - realised		-	95,842	-	95,842
Property, plant and equipment written off		121,500	1,657	121,500	1,657
Inventories written down	8	-	2,920,247	-	2,920,247
Impairment loss on:					
- assets held for sale		-	107,444,464	-	107,444,464
- property, plant and equipment	3	4,172,483	2,649,270	4,172,483	2,649,270
Personnel expenses (including key management personnel):					
- contributions to state plans		394,328	1,230,005	394,328	1,230,005
- wages, salaries and others		4,010,887	11,357,297	4,010,887	11,357,297
Foreign exchange gain: - unrealised		(672,356)	(1,248,543)	(672,356)	(1,248,583)
Gain on disposal of property, plant and equipment		(1,807)	(22,377)	(178,072)	(22,377)
Net (gain)/loss on impairment of financial instruments					
Financial assets at amortised cost	25.3	(1,103,501)	1,754,472	-	1,754,472

	Group and Company 2019 RM	Group and Company 2018 RM
Cash flow generated from discontinued operation		
Net cash (used in)/generated from operating activities	(72,349,287)	15,534,529
Net cash from investing activities	130,754,161	11,330,990
Net cash used in financing activities	(65,237,500)	(24,768,717)
Effect on cash flows	(6,832,626)	2,096,802

	Note	Group and Company 2019 RM
Effect of disposal on the financial position of the Group and the Company		
Assets classified as held for sale	13	125,000,000
Net cash inflow		125,000,000

Notes to the financial statements (continued)

24. Loss per ordinary share - Group

Basic and diluted loss per ordinary share

The calculation of basic and diluted earnings/(loss) per ordinary share at 31 December 2019 was based on the profit/(loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	2019			2018		
	Continuing operations RM	Discontinued operation RM	Total RM	Continuing operations RM	Discontinued operation RM	Total RM
Profit/(Loss) for the year attributable to ordinary shareholders	3,771,720	(11,175,452)	(7,403,732)	2,851,625	(136,363,350)	(133,511,725)

	Group	
	2019 RM	2018 RM
Weighted average number of ordinary shares	350,648,180	350,127,947*
	2019 Sen	**2018 Sen**
From continuing operations	1.0	0.8
From discontinued operation	(3.2)	(38.9)
Basic and diluted loss per ordinary share	(2.2)	(38.1)

Notes to the financial statements (continued)

24. Loss per ordinary share – Group (continued)

Basic and diluted loss per ordinary share (continued)

* *The exercise price of Warrants B issued in 2013 and ESOS issued in both year 2017 and 2018 was higher than the average market price of the ordinary shares of the Company during the year ended 31 December 2018. As both the warrants and ESOS were anti-dilutive in nature, no consideration for adjustment in the form of an increase in the number of shares had been applied in computing potential dilution of loss per ordinary share for the year ended 31 December 2017 and 2018.*

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as follows:

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

	Carrying amount RM	AC RM	FVTPL RM
Financial assets/(liabilities)			
<u>2019</u>			
Group			
Other investments	9,775	-	9,775
Trade and other receivables	40,555,519	40,555,519	-
Deposits	1,771,341	1,771,341	-
Cash and cash equivalents	23,213,233	23,213,233	-
Loans and borrowings	(70,359,384)	(70,359,384)	-
Trade and other payables	(58,069,830)	(58,069,830)	-
Company			
Trade and other receivables	23,053,349	23,053,349	-
Deposits	13,179	13,179	-
Cash and cash equivalents	5,581,286	5,581,286	-
Trade and other payables	(33,514,991)	(33,514,991)	-

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.1 *Categories of financial instruments* (continued)

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

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

	Carrying amount RM	AC RM	FVTPL RM
Financial assets/(liabilities)			
2018			
Group			
Other investments	9,775	-	9,775
Trade and other receivables	49,918,363	49,918,363	-
Deposits	832,776	832,776	-
Cash and cash equivalents	33,275,402	33,275,402	-
Loans and borrowings	(126,621,181)	(126,621,181)	-
Trade and other payables	(159,037,397)	(159,037,397)	-
Company			
Trade and other receivables	35,197,040	35,197,040	-
Deposits	68,907	68,907	-
Cash and cash equivalents	18,615,771	18,615,771	-
Loans and borrowings	(66,169,619)	(66,169,619)	-
Trade and other payables	(143,066,639)	(143,066,639)	-

25.2 *Net gains and losses arising from financial instruments*

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Net (losses)/gains on:				
Financial assets at amortised cost	1,535,257	1,290,919	1,424,694	766,537
Financial liabilities at amortised cost	(3,769,009)	(9,889,847)	(27,739)	(5,957,366)
	(2,233,752)	(8,598,928)	1,396,955	(5,190,829)

25.3 *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.

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(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. The Company's exposure to the credit risk arises principally from loans and advances to subsidiaries and financial guarantees given to banks for credit facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

- ***Receivables from external parties***

  Management has a credit policy in place to mitigate its exposure to credit risk, the receivables from external customers is monitored on an ongoing 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.

- ***Receivables from subsidiaries***

  The Company monitors the results of subsidiaries regularly in mitigating the risk arising from sales to its subsidiaries.

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

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

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

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

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

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

Concentration of credit risk

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

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Amount due from three (2018: one) subsidiaries	-	-	19,459,455	15,505,914
Trade receivables	-	-	1,310,313	-
	-	-	20,769,768	15,505,914

Recognition and measurement of impairment loss

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

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

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

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

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

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

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

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

Group	**Gross carrying amount RM**	**Loss allowance RM**	**Net balance RM**
2019			
Current (not past due)	18,133,376	-	18,133,376
0-30 days past due	7,920,962	-	7,920,962
31-60 days past due	3,647,441	-	3,647,441
61-90 days past due	1,893,607	(56,019)	1,837,588
Credit impaired			
More than 90 days past due	7,505,757	(1,394,852)	6,110,905
Individually impaired	3,069,050	(3,068,358)	692
	42,170,193	(4,519,229)	37,650,964

	Gross carrying amount RM	**Loss allowance RM**	**Net balance RM**
2018			
Current (not past due)	17,119,896	(39,782)	17,080,114
0-30 days past due	11,625,008	(35,589)	11,589,419
31-60 days past due	10,703,464	(73,659)	10,629,805
61-90 days past due	2,897,584	(231,444)	2,666,140
Credit impaired			
More than 90 days past due	5,793,505	(646,579)	5,146,926
Individually impaired	4,671,979	(3,263,494)	1,408,485
	52,811,436	(4,290,547)	48,520,889

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Company	Gross carrying amount RM	Loss allowance RM	Net balance RM
2019			
Current (not past due)	2,197,524	-	2,197,524
0-30 days past due	-	-	-
31-60 days past due	-	-	-
61-90 days past due	-	-	-
Credit impaired			
More than 90 days past due	18,310,145	(457,036)	17,853,109
Individually impaired	262,099	(262,099)	-
	20,769,768	(719,135)	20,050,633

	Gross carrying amount RM	Loss allowance RM	Net balance RM
2018			
Current (not past due)	7,388,449	-	7,388,449
0-30 days past due	5,455,796	-	5,455,796
31-60 days past due	8,418,793	-	8,418,793
61-90 days past due	6,259,853	-	6,259,853
Credit impaired			
More than 90 days past due	2,855,463	(68,164)	2,787,299
Individually impaired	3,016,363	(1,754,472)	1,261,891
	33,394,717	(1,822,636)	31,572,081

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

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

Recognition and measurement of impairment loss (continued)

Group	Lifetime ECL RM	Credit impaired RM	Total RM
Balances at 1 January 2018	1,102,691	1,427,873	2,530,564
Net remeasurement of loss allowance	(275,396)	-	(275,396)
Addition	-	2,035,379	2,035,379
Balances at 31 December 2018/1 January 2019	827,295	3,463,252	4,290,547
Net remeasurement of loss allowance	-	(394,894)	(394,894)
Addition	623,576	-	623,576
Balances at 31 December 2019	1,450,871	3,068,358	4,519,229

Company	Lifetime ECL RM	Credit impaired RM	Total RM
Balances at 1 January 2018	68,164	-	68,164
Addition	-	1,754,472	1,754,472
Balances at 31 December 2018/1 January 2019	68,164	1,754,472	1,822,636
Net remeasurement of loss allowance	-	(1,492,373)	(1,492,373)
Addition	388,872	-	388,872
Balances at 31 December 2019	457,036	262,099	719,135

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

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

Recognition and measurement of impairment loss

Generally, the Group does not specifically monitor the ageing of the loans and receivables to subsidiaries. There is no indication that the loans and advances due from subsidiaries are not recoverable as at the end of the reporting period.

Exposure to credit risk, credit quality and collateral

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

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

Cash and cash equivalents

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

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

Other receivables

Credit risks on other receivables are mainly arising from deposits paid.

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

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Other receivables (continued)

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

Financial guarantees

Risk management objectives, policies and processes for managing the risk

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

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk from unsecured financial guarantees to banks amounts to RM55,639,857 (2018: RM58,596,830), representing the outstanding banking facilities of subsidiaries guaranteed by the Company as at the end of the reporting period.

Recognition and measurement of impairment loss

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

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

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

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

(b) Liquidity risk

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

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.

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

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 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
2019							
Trade and other payables							
- interest free	25,403,832	-	25,403,832	25,403,832	-	-	-
- interest bearing	32,665,998	2.78	32,665,998	32,665,998	-	-	-
Loans and borrowings							
- hire purchase facilities	6,081,246	4.22 – 11.68	7,192,073	2,411,287	2,179,833	2,013,828	587,125
- bankers' acceptances and revolving credits	48,668,093	1.80 - 8.40	48,668,093	48,668,093	-	-	-
- term loans	13,641,190	3.46 – 7.01	16,387,221	2,734,396	4,449,207	3,900,261	5,303,357
- bank overdrafts	1,968,855	7.82 - 8.40	1,968,855	1,968,855	-	-	-
Lease liabilities	6,611,412	6.00	7,320,320	2,077,726	2,332,818	2,689,776	220,000
	135,040,626		139,606,392	115,930,187	8,961,858	8,603,865	6,110,482

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1-2 years RM	2-5 years RM	More than 5 years RM
2018							
Trade and other payables							
- interest free	36,781,882	-	36,781,882	36,781,882	-	-	-
- interest bearing	122,255,515	2.78	122,255,515	122,255,515	-	-	-
Loans and borrowings							
- finance lease liabilities	9,534,036	4.22 - 11.68	10,998,655	3,170,538	2,928,413	4,899,704	-
- bankers' acceptances and revolving credits	105,373,200	4.67 - 5.81	105,504,858	105,504,858	-	-	-
- term loans	10,053,420	4.90 - 6.85	12,395,759	2,359,472	1,543,792	5,630,805	2,861,690
- bank overdrafts	1,660,525	7.65 - 8.35	1,660,525	1,660,525	-	-	-
	285,658,578		289,597,194	271,732,790	4,472,205	10,530,509	2,861,690

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
2019							
Trade and other payables							
- interest free	848,993	-	848,993	848,993	-	-	-
- interest bearing	32,665,998	2.78	32,665,998	32,665,998	-	-	-
Financial guarantees*	-		81,437,613	81,437,613	-	-	-
	33,514,991		114,952,604	114,952,604	-	-	-

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 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
2018							
Trade and other payables							
- interest free	20,811,124	-	18,108,766	18,108,766	-	-	-
- interest bearing	122,255,515	2.78	122,255,515	122,255,515	-	-	-
Loans and borrowings							
- finance lease liabilities	1,283,497	2.22 - 6.55	1,400,307	785,794	614,513	-	-
- bankers' acceptances and revolving credits	63,192,000	4.73 - 5.80	63,192,000	63,192,000	-	-	-
- term loans	702,477	4.90 - 6.17	714,632	714,632	-	-	-
- bank overdrafts	991,645	7.35 - 8.60	991,645	991,645	-	-	-
Financial guarantees*	-		58,596,830	58,596,830	-	-	-
	209,236,258		265,259,695	264,645,182	614,513	-	-

* *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 (continued)

25. Financial instruments (continued)

25.3 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 and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD") and Japanese Yen ("JPY").

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 forward 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.

Exposure to foreign currency risk

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

	Group and Company	
	2019 RM	**2018 RM**
Denominated in USD		
Balances recognised in the statement of financial position		
Trade payables	(32,748,272)	(122,255,515)

Currency risk sensitivity analysis

A 10% (2018: 10%) strengthening of the RM against USD at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit or loss	
	2019 RM	**2018 RM**
In USD		
- Group and Company	2,494,728	9,291,419

A 10% (2018: 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.

(ii) Interest rate risk

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

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

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 carrying amounts as at the end of the reporting period are as follow:

	Group		Company	
	2019 RM	**2018 RM**	**2019 RM**	**2018 RM**
Fixed rate instruments				
Financial assets	10,727,702	13,893,635	-	5,210,214
Financial liabilities	(94,026,749)	(237,162,751)	(32,665,998)	(186,731,012)
	(83,299,047)	(223,269,116)	(32,665,998)	(181,520,798)
Floating rate instrument				
Financial liabilities	(15,610,045)	(11,713,945)	-	(1,694,122)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

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

	Profit or loss	
Group	**100bp increase RM**	**100bp decrease RM**
Floating rate instruments		
- 2019	(119,000)	119,000
- 2018	(89,000)	89,000

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

Company	Profit or loss 100bp increase RM	Profit or loss 100bp decrease RM
Floating rate instruments		
- 2019	-	-
- 2018	(13,000)	13,000

(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 portfolio basis.

The carrying amount of quoted investments as at the end of the reporting period is RM9,775 (2018: 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.

25.4 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.

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.4 Fair value information (continued)

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

	Fair value of financial instruments carried at fair value			Fair value of financial instrument not carried at fair value		
2019	**Level 1 RM**	**Level 2 RM**	**Total RM**	**Level 3 RM**	**Total fair value RM**	**Carrying amount RM**
Group						
Financial assets						
Quoted shares	15,275	-	15,275	-	15,275	9,775
Financial liabilities						
Secured term loans - secured	-	-	-	13,641,190	13,641,190	11,696,168
Hire purchase facilities - secured	-	-	-	6,081,246	6,081,246	4,114,153
	-	-	-	19,722,436	19,722,436	15,810,321

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.4 Fair value information (continued)

2018	Fair value of financial instruments carried at fair value Level 1 RM	Level 2 RM	Total RM	Fair value of financial instrument not carried at fair value Level 3 RM	Total fair value RM	Carrying amount RM
Group						
Financial assets						
Quoted shares	11,500	-	11,500	-	11,500	9,775
Financial liabilities						
Secured term loans	-	-	-	9,350,944	9,350,944	8,192,659
Finance lease liabilities	-	-	-	10,998,655	10,998,655	6,665,631
	-	-	-	20,349,599	20,349,599	14,858,290

2018	Fair value of financial instruments carried at fair value Level 2 RM	Total RM	Fair value of financial instrument notcarried at fair value Level 3 RM	Total fair value RM	Carrying amount RM
Company					
Financial liabilities					
Finance lease liabilities	-	-	1,283,497	1,283,497	574,426

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 (continued)

25. Financial instruments (continued)

25.4 *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. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

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 (2018: No transfers in either directions).

Level 3 fair value

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

Financial instruments not carried at fair value

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

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

Notes to the financial statements (continued)

26. Capital management

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

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Total loans and borrowings	70,359,384	126,621,181	-	66,169,619
Total equity	40,746,599	44,519,293	45,219,203	56,702,431
Debt-to-equity ratio	1.73	2.84	-	1.17

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.

27. Capital expenditure commitments

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Property, plant and equipment				
Contracted but not provided for	350,000	440,618	-	-

28. Contingent liabilities

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Contingent liabilities not considered remote				
Corporate guarantees favouring banks for facilities granted to:				
- holding company	-	95,330	-	95,330
- subsidiaries	-	-	55,639,857	58,509,797
	-	95,330	55,639,857	58,605,127

The Directors are of the opinion that provision is not required in respect of the above corporate guarantees as it is not probable as at the end of the reporting period that a future sacrifice of economic benefits will be required.

Notes to the financial statements (continued)

29. 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 10 and 18.

Transactions with subsidiaries

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Nature of transactions				
Purchase of steel related products	-	-	5,078	158,897
Purchase of scrap	-	-	1,335	-
Sale of property, plant and equipment	-	-	(237,747)	(26,337)
Sales of scrap	-	-	-	(13,412)
Sale of galvanised and other steel products	-	-	(16,426,213)	(84,473,640)
Waiver of interest-in-suspense	-	-	233,887	-

Transactions with substantial shareholders of the Company

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Nature of transactions				
Purchase of consumables	124,282	65,424	-	-
Purchase of raw materials	-	146,684,449	-	146,684,449
Freight and handling charges	120,313	110,107	-	-
Sale of galvanised and other steel products	(7,221,964)	(6,862,426)	-	-

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Nature of transactions				
Insurance premium paid	509,800	732,125	92,710	405,095
Purchase of consumables	611,346	1,552,399	47,707	311,628

Notes to the financial statements (continued)

29. 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)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
<u>Nature of transactions</u> (continued)				
Purchase of stocks	3,119,925	1,339,160	-	-
Sale of galvanised and other steel products	(33,193,097)	(58,161,770)	(595,588)	(10,485,013)
Sale of glass products	(63,728)	(12,606)	-	-
Purchase of property, plant and equipment	58,815	8,635	-	-
Purchase of packing, material and services	409,282	675,759	-	-
Rental of premises and land	288,000	199,660	-	-
Income from rental of premises	(25,200)	(38,000)	-	-
Repayment of hire purchase facilities for acquisition of property, plant and equipment *	785,867	-	717,177	-
Repayment of finance leases for acquisition of property, plant and equipment *	-	1,976,933	-	605,772
Lease payment of property, plant and equipment	804,768	-	-	-
Lease rental of property, plant and equipment	-	385,448	-	-
Handling and transportation fee	-	116,622	-	-
Rental of vehicle	3,780	4,900	-	-
Stamping fee & workmanship	-	1,000	-	-
Hire purchase facilities	240,000	-	-	-
Hire purchase loan	-	1,970,000	-	-

* *Interest is charged at fixed rates ranging from 2.90% to 6.50% (2018: 2.90% to 6.50%) flat per annum.*

Notes to the financial statements (continued)

29. Related parties (continued)

Significant related party transactions (continued)

Transactions with key management personnel

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
<u>Nature of transactions</u>				
Compensations to key management personnel:				
Directors of the Company				
- Director fee	276,500	286,750	241,500	251,750
- Contribution to state plans	250,480	250,480	117,120	117,120
- Wages, salaries and others	1,811,532	2,030,164	909,956	1,167,104
	2,338,512	2,567,394	1,268,576	1,535,974
Directors of subsidiaries				
- Director fee	80,000	50,000	-	-
- Contribution to state plans	292,862	119,808	-	-
- Wages, salaries and others	1,887,458	852,221	-	-
	2,260,320	1,022,029	-	-
Other key management personnel				
- Contribution to state plans	151,031	374,099	42,087	270,395
- Wages, salaries and others	1,121,379	2,326,393	254,855	1,641,418
	1,272,410	2,700,492	296,942	1,911,813
Total	5,871,242	6,289,915	1,565,518	3,447,787

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

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

Notes to the financial statements (continued)

29. Related parties (continued)

Significant related party transactions (continued)

Transactions with key management personnel (continued)

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 13) and Employee Share Option Scheme ("ESOS") offered by the Group (see Note 29).

The amount due from/to subsidiaries is disclosed in Notes 10 and 18 to the financial statements. The outstanding balances with other related parties are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Amount due from	2,142,678	2,521,594	143,369	90,301
Amount due to	(41,369,923)	(129,121,206)	(32,665,998)	(122,307,842)

30. Employee benefits

Employee Share Option Scheme ("ESOS")

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

The fair value of share options measured at granted date and the assumptions are as follows:

	2019	**2018**
	RM	**RM**
Share price at the following grant dates (RM):		
- 9 May 2017	-	0.23
- 8 August 2017	-	0.20
- 7 August 2018	-	0.22
Weighted average share price (RM)	-	0.22
Weighted average exercise price (RM)	-	0.215
Expected volatility (%)	3.50	3.50
Expected life (years)	5	5
Risk free rate (%)	3.83	3.83
Expected dividend yield (%)	-	-

Notes to the financial statements (continued)

30. Employee benefits (continued)

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

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

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

	Outstanding 1 January	Movements during the year Granted	Exercised	Forfeited and other adjustments	Expired	Outstanding 31 December	Exercisable 31 December
2019							
2019 options	36,623,400	-	-	(12,085,000)	-	24,538,400	13,648,400
WAEP (RM)	0.227	-	-	0.228	-	0.227	0.227
2018							
2018 options	37,950,000	4,750,000	(2,346,600)	(3,730,000)	-	36,623,400	12,291,400
WAEP (RM)	0.215	0.22	0.229	0.266	-	0.227	0.228

Notes to the financial statements (continued)

30. 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 – 08.11.2021
2017	0.20	08.08.2017 – 08.11.2021
2018	0.22	07.08.2018 – 08.11.2021

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
2019			
Options grant to key management and employee during the year	-	Remain as employee of the Company over the contracted life of options	5 years
2018			
Options grant to key management and employee on 7 August 2018	4,750,000	Remain as employee of the Company over the contracted life of options	5 years

31. 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, trading of hardware and building materials in Sabah and Sarawak, East Malaysia.
- STARSHINE:
  Trading of galvanised, coated and non-coated steel products, building and construction materials;
- YKGI:
  Manufacture and sale of galvanised, coated and non-coated steel products in West Malaysia. The segment disposed of its property, plant and equipment in April 2019. Since then, it became an investment holding company while continuing to sell its remaining inventories.

Geographical segments and major customers

Group sales were mostly to customers in Malaysia and there were very limited export sales. There is no major customer contributing to more than 10% of the Group's revenue. In the previous year, revenue from one (1) major customer totalling RM42,790,840 (YKGI: RM42,775,846; STARSHINE: RM14,993) contributed to more than 10% of the Group's revenue.

Notes to the financial statements (continued)

31. **Operating segments** (continued)

2019	Continued ----- operation ----- ASTEEL RM	STARSHINE RM	Discontinued operation YKGI RM	Inter-segment RM	Total RM
Revenue					
External customers	163,484,804	37,720,700	15,300,143	-	216,505,647
Inter-segment	1,133,837	4,497,837	16,426,213	(22,057,887)	-
	164,618,641	42,218,537	31,726,356	(22,057,887)	216,505,647
Segment profit/(loss)	5,562,020	(989,295)	(9,848,989)	(7,855)	(5,284,119)
Taxation (Note 22)					(2,282,234)
Loss for the year					(7,566,353)
Non-controlling interests					162,621
Total comprehensive expense attributable to owners of the Company					(7,403,732)
Included in the measure of segment loss are:					
Depreciation and amortisation	(4,312,189)	(750,488)	(1,270,047)	-	(6,332,724)
Finance costs	(3,446,727)	(497,281)	(700,095)	-	(4,644,103)
Finance income	143,367	421,501	321,192	233,887	1,119,947
Inventories written down/written off	26,040	-	(200,000)	-	(173,960)
Net gain/(loss) on impairment of financial instruments	(382,621)	(71,684)	1,103,502	-	649,197
Property, plant and equipment written off	(1,539)	-	(121,500)	-	(123,039)
Impairment loss on property, plant and equipment	-	-	(4,172,483)	-	(4,172,483)
Realised foreign exchange loss	(4,905)	-	(776,200)	-	(781,105)
Unrealised foreign exchange gain	-	-	672,356	-	672,356

Notes to the financial statements (continued)

31. Operating segments (continued)

2018	Continued ----- operation ----- ASTEEL RM	STARSHINE RM	Discontinued operation YKGI RM	Inter-segment RM	Total RM
Revenue					
External customers	140,231,791	80,978,110	116,224,639	-	337,434,540
Inter-segment	-	868,187	84,314,743	(85,182,930)	-
	140,231,791	81,846,297	200,539,382	(85,182,930)	337,434,540
Segment profit/(loss)	3,230,143	886,856	(136,512,850)	(231,000)	(132,626,851)
Taxation (Note 22)					(987,408)
Loss for the year					(133,614,259)
Non-controlling interests					102,534
Total comprehensive expense attributable to owners of the Company					(133,511,725)
Included in the measure of segment loss are:					
Depreciation and amortisation	(3,309,782)	(288,962)	(1,901,913)	-	(5,500,657)
Finance costs	(3,197,293)	(735,188)	(5,957,366)	-	(9,889,847)
Finance income	47,073	477,308	766,538	-	1,290,919
Inventories written down/written off	(30,380)	(55,088)	(2,920,247)	-	(3,005,715)
Impairment loss on receivables	(177,164)	(103,743)	(1,754,472)	-	(2,035,379)
Property, plant and equipment written off	-	-	(1,657)	-	(1,657)
Impairment loss on property, plant and equipment	-	-	(2,649,270)	-	(2,649,270)
Realised foreign exchange loss	-	-	(4,340,000)	-	(4,340,000)
Unrealised foreign exchange gain	-	-	1,248,583	-	1,248,583
Realised derivatives loss on forward foreign exchange contracts	-	-	(95,842)	-	(95,842)

Notes to the financial statements (continued)

32. Acquisition of a subsidiary

Acquisition of ASTAR Steel Sdn Bhd (formerly known as Acesteel Industries Sdn Bhd)

On 1 August 2019, the Group acquired 51.4% of the shares in Acesteel Industries Sdn Bhd, now known as ASTAR Steel Sdn Bhd ("ASTAR") for a consideration sum of RM3,499,999, settled via a debt settlement for the debt owed by ASTAR to one of the subsidiaries, Star Shine Marketing Sdn Bhd ("SSM"). The subsidiary's principal activities are manufacture and sale of metal roofing and related products and trading in building materials and hardware. In the 5 months to 31 December 2019, the subsidiary contributed revenue of RM12,388,850 and loss of RM200,127. For the 12-month results, the subsidiary achieved a revenue of RM28,693,549 and loss and total comprehensive expenses for the year of RM726,745. If the acquisition had occurred on 1 January 2019, the management estimates that consolidated revenue would have been RM230,389,528, and consolidated loss attributable to the owners of the Company for the financial year would have been RM9,958,415. In determining these amounts, the management has assumed that fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2019.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Fair value of consideration transferred

	Group 2019 RM
Settlement of pre-existing relationship	3,499,999

On 17 July 2019, the Board of Directors of YKGI Holdings Berhad (“YKGI”) announced that its wholly-owned subsidiary, SSM has agreed with ASTAR to enter into a debt settlement arrangement for the debt owing by ASTAR to SSM totalling RM3,499,999 via the issuance of 1,428,571 new ordinary shares representing 51.41% of the enlarged share capital of ASTAR.

Identifiable assets acquired and liabilities assumed

	Note	Group 2019 RM
Property, plant and equipment	3	9,428,313
Investment properties	5	1,277,170
Inventories		4,803,706
Trade and other receivables		7,545,370
Deposit and prepayment		147,893
Cash and cash equivalents		3,198,024
Current tax recoverable		47,600
Loans and borrowings		(10,853,741)
Deferred tax liabilities		(430,503)
Trade and other payables		(7,825,168)
Total identifiable net assets		7,338,664

Net cash flow arising from acquisition of a subsidiary

	Group 2019 RM
Cash and cash equivalents acquired	3,198,024
Net cash inflow from acquisition of a subsidiary	3,198,024

Notes to the financial statements (continued)

32. Acquisition of a subsidiary (continued)

Gain on bargain purchase

Gain on bargain purchase was recognised as a result of the acquisition as follows:

	Group 2019 RM
Total consideration transferred	3,499,999
Fair value of identifiable net assets	(7,338,168)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	3,565,616
Gain on bargain purchase	(272,553)

Recognition of non-controlling interests ("NCI")

Upon the acquisition of ASTAR, the Group recognised a carrying amount of NCI amounting to RM3,565,616 based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree.

33. Significant changes in accounting policies

During the year, the Group entities adopted MFRS 16, *Leases* on their financial statements, using the modified retrospective approach. The Group entities generally applied the requirements of these accounting standards retrospectively.

33.1 Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for a consideration. On transition to MFRS 16, the Group entities reassessed all contracts to determine whether the contracts are, or contain a lease at the date of initial application.

(ii) As a lessee

Where the Group entities are a lessee, the Group entities applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied is 6%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group entities used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease; and

Notes to the financial statements (continued)

33. Significant changes in accounting policies (continued)

33.2 Impacts on financial statements

Since the Group entities applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period presented.

The following table explains the difference between operating lease commitments disclosed applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the statement of financial position at 1 January 2019.

	RM
Operating lease commitments at 31 December 2018 as disclosed in the Group's consolidated financial statements	-
Other operating lease commitments as at 31 December 2018	3,867,320
Discounted using the incremental borrowing rate at 1 January 2019	3,314,426
Recognition exemption for short-term leases	(46,477)
Lease liabilities recognised at 1 January 2019	3,267,949

34. Events after reporting period

(i) Repayment agreement with a major shareholder

In the month of July 2019, the Company (hereinafter referred to as "YKGI") commenced negotiating with Marubeni-Itochu Steel ("MISI"), an existing major shareholder of YKGI, to reschedule the amount owing to MISI arose from trade purchases of raw materials and consumables. As at 31 December 2019, the balance amount owing to MISI amounted to USD8,004,234 (RM32,665,998).

On 30 January 2020, the Group and the Company (hereinafter referred to as "YKGI") had entered into a Repayment Agreement ("Agreement") of the amount owing by the Company to Marubeni-Itochu Steel Inc ("MISI"), who is a major shareholder of YKGI, with the terms and conditions contained in the Agreement. Pursuant to the repayment schedule in the Agreement, YKGI shall settle in cash by the respective dates the debts owing to MISI totalling USD8,004,234 (RM32,665,998) ("MISI Debt").

Pursuant to the Agreement, the final payment for the MISI Debt shall be 30 April 2020. Further, the Agreement allows time extension for the payment up to 31 December 2020 at the discretion of MISI subject to a proper notice to be given.

On 30 March 2020, the Company had sought an extension on the repayment of debt outstanding totalling USD6,695,684 (RM28,829,665) as a result of the COVID-19 pandemic which impacted on the timing for the realisation of some of the current assets. On 30 April 2020, MISI has agreed to consider not to declare an event of default pursuant to the Agreement.

As an integral part of the Agreement, YKGI agreed to provide security charge of 49% of the total issued share capital in its wholly owned subsidiary, ASTEEL Resources Sdn. Bhd in favour of MISI as security for the repayment of MISI Debt. The security charge shall require the approval to be obtained from the non-interested shareholders of YKGI. The security charge is immediately enforceable, among others, failure of YKGI to pay the entire amount owing by YKGI to MISI by 31 December 2020.

(ii) Impact from COVID-19

On 11 March 2020, World Health Organisation declared the coronavirus (COVID-19) outbreak a global pandemic since it has affected various countries around the world including Malaysia since early 2020. The widespread of the virus has resulted lockdowns in many countries and the Government of Malaysia has announced a Movement Control Order ("MCO"), which began on 18 March 2020. The COVID-19 pandemic has resulted in disruptions to businesses and various macro-economic impacts, which weakening the global economic outlook.

The Group considers the COVID-19 outbreak to be a non-adjusting events after the reporting period as the effect of the on-going COVID-19 pandemic is not fully known yet as at the reporting date. As such, the financial statement balances and accounts for the financial year ended 31 December 2019 did not take into account any impact of the COVID-19.

As at the date the financial statements are authorised for issuance, the current situation is still very unpredictable. As a result, it is not practicable for the Group to estimate the financial effect of this outbreak at this juncture. If the situation does not improve over time, the Group anticipates that the assumptions used to estimate the recoverable amount for property, plant and equipment will have to be reassessed to reflect current conditions. If the COVID-19 pandemic persists for a longer period, the Group anticipates that the level of revenue will be affected and the achievement of profitability will be eroded which leads to tightening of liquidity. The Group will also need to assess the recoverable amount of its assets and account balances.

Statement by Directors pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 49 to 145 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 2019 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:

……………………………………………

Tan Sri Dato' Soh Thian Lai
Director

……………………………………………

Victor Hii Lu Thian
Director

Klang,

Date: 28 May 2020

Statutory declaration pursuant to Section 251(1)(b) of the Companies Act 2016

I, Tan Ching Pding, the officer primarily responsible for the financial management of YKGI Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 49 to 145 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Tan Ching Pding, NRIC: 641021-08-5657, MIA CA 9741, at Klang in the State of Selangor Darul Ehsan on 28 May 2020.

……………………………………………

Tan Ching Pding

Before me:

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF YKGI HOLDINGS BERHAD

Registration No: 197701001682 (032939-U)
(Incorporated in Malaysia)

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 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 49 to 145.

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 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Key Audit Matters (continued)

Key Audit Matters	How the matter was addressed in our audit
Refer to Note 1(d) – Use of estimates and judgements	
Use of going concern basis in the preparation of financial statements The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions that may cast significant doubt on their ability to continue as a going concern as outlined in Note 1(d). The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements, and the Directors have concluded that the range of possible outcomes considered in arriving at this judgement does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern. We critically assessed the levels of uncertainty, as it related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following: • the Group's planned levels of operational and capital expenditures, and the ability of the Group to manage cash outflows within available funding, particularly in light of the obligation by the Group to fulfill its repayment amounting to USD6,695,684 (RM28,829,665) as at 1 May 2020 to a major shareholder by 31 December 2020 pursuant to the Repayment Agreement; • the Group's ability to meet its financing commitments and covenants. This included nature of planned methods to achieve this, feasibility and the Group's ability to continue to obtain support from its lenders on the existing financial facilities; and • the Group's ability to obtain the shareholders' approval for the pledging of share charge of ASTEEL Resources Sdn Bhd by 30 June 2020 or such other date to be extended to its major shareholder pursuant to the Repayment Agreement. In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.	Our audit procedures included, amongst others: i) We analysed the cash flow projections by: • Evaluating the underlying data used to generate the projections. We specifically looked for their consistency with those used by the Directors, and tested by us, their consistency with the Group's intentions, as outlined in Directors minutes and their comparability to past practices; • Analysing the impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were informed from our test results of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions; • Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, particularly in light of the Group's commitment to fulfill its repayment to a major shareholder pursuant to the Repayment Agreement, and our understanding of the business, industry and economic conditions of the Group; • We considered the ability of the Group and of the Company to continue as going concern and meet their obligations for the next twelve months from the date of financial statements based on the budgeted cash flows prepared by management for the said period, by evaluating the management's plans for future actions. ii) We have assessed the availability of financing facilities to the Group to support its operations. iii) We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow assessment, the Group's plans to address those events or conditions, and accounting standard requirements.

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

Key Audit Matters (continued)

Key Audit Matters	How the matter was addressed in our audit
Refer to Note 2(q) – Revenue accounting policy, Note 19 and Note 23 – Revenue and discontinued operation of the financial statements.	
Revenue recognition The Group and the Company derived the revenue from the manufacture and sale of galvanised and coated steel products, pickled and oiled, cold rolled coils, metal roofing, building materials and hardware. As at 31 December 2019, the Group and the Company recorded revenue of RM217 million and RM32 million respectively. Revenue recognition is key audit matter as there is a risk that the revenue may be overstated.	Our audit procedures included, amongst others: • We evaluated the sales and order management control process and tested the design and effectiveness of those controls; • We inspected new significant contracts entered with customers to determine whether the Group has appropriately accounted the contracts in accordance with MFRS 15; • We verified the sales invoices selected on a sampling basis to the underlying supporting documents such as delivery orders; • We obtained direct confirmations on outstanding balances as at year end from selected customers based on sampling basis; • We assessed the sales transaction occurring prior and subsequent to the year-end on a sampling basis and inspected the relevant underlying documents for goods delivered and checked that these transactions were recognised in the correct financial year; • We verified journal entries for revenue and revenue related accounts based on specific high risk criteria set to ascertain whether they are any unusual, unauthorised or unsupported entries made against revenue; and • We assessed the completeness, accuracy and appropriateness of disclosures as required by MFRS 15.

Key Audit Matters	How the matter was addressed in our audit
Refer to Note 2(g) – Inventories accounting policy and Note 8 – Inventories of the financial statements.	
Valuation of manufactured and trading inventories The Group holds significant inventories balance of RM56 million, representing 32% of total assets as at 31 December 2019. The inventories are required to be measured at the lower of cost and net realisable value. The management applies judgement in assessing the adequacy of the allowances based upon a detail analysis of the stock aging profile, inventory level and future market demand of the products. This is a key audit matter as significant judgement is required to assess the appropriate level of allowance provided for the inventories.	Our audit procedures included, amongst others: • We challenged the management's assumption on the valuation of inventories for slow moving and obsolete inventories held at year end and obtained an understanding of the process for measuring the amount of allowance required; • We attended inventory count at various locations in Malaysia to observe any slow moving and obsolete inventory; • We performed inquiry with management to identify any slow moving inventory lines and we assessed whether appropriate allowances or write-offs has been established for slow moving and obsolete inventory; and • We have considered the adequacy of write down provided by verifying selected inventories on a sampling basis to the actual sales achieved, contracted purchase order subsequent to year end and the actual selling prices.

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

Key Audit Matters (continued)

Key Audit Matters	How the matter was addressed in our audit
Refer to Note 2(l) – Impairment accounting policy and Note 10 –Trade and other receivables of the financial statements.	
Valuation of trade receivables As at 31 December 2019, the trade receivables of the Group and the Company stood at RM38 million and RM20 million respectively, representing 21% and 26% of total assets. The recoverability of the trade receivables and the level of allowance for impairment losses of doubtful receivables are considered to be key audit matter due to the pervasive nature of these balances to the financial statement. The level of allowance of impairment losses is based upon the individual debtor's credit risk evaluation, historical payment trends, subsequent to year end collections and the existence of collaterals. The evaluation is however inherently judgemental and requires material estimates, including the loss rate used in the calculation of Expected Credit Loss. There is a risk that the management assessment of the level of these allowances is insufficient or inaccurate.	Our audit procedures included, amongst others: • We evaluated the processes for trade receivables and credit control, including the allowance for impairment losses and cash receipts; • We checked the accuracy of trade receivables ageing selected on a sampling basis and verified to the past payment patterns, credit history, existence of collaterals and disputes with customers; • We assessed the adequacy of the allowance for impairment losses by assessing the assumptions made by the Group and the Company with reference to the profile of aged debts at the reporting date and post year-end payment records; • 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; and • We assessed the completeness, accuracy and relevance of the transition disclosures as required by MFRS 9.

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

We have determined that there is no key audit matter in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation and presentation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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.
- 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: 03102/03/2022 J
Chartered Accountant

Kuching,

Date: 28 May 2020

6. ADDITIONAL INVESTOR INFORMATION

Analysis of Shareholdings as at 15 May 2020

Class of Shares : (1) Ordinary Share
(2) Redeemable Convertible Preference Share ("RCPS")

Voting rights is one (1) vote per ordinary share.
Total number of ordinary shareholders is 2,162.
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

No. of Holders	Size of Holdings	Total Holdings	Percentage of Issued Capital
87	Less than 100 shares	4,106	0.00*
238	100 - 1,000 shares	74,164	0.02
817	1,001 - 10,000 shares	4,544,602	1.30
832	10,001 - 100,000 shares	28,088,230	8.01
185	100,001 to less than 5% of issued shares	145,075,260	41.37
3	5% and above of issued shares	172,897,818	49.30
Total 2,162		**350,684,180**	**100.00**

* less than 0.01%

THIRTY LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

	Accounts Holders	No. of Ordinary Share	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	93,279,991	26.60
2	Yung Kong Co Bhd	50,929,800	14.52
3	Hii Wi Sing	28,688,027	8.18
4	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai	12,584,678	3.59
5	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh TL Holdings Sdn Bhd (MX3613)	11,039,616	3.15
6	Hii Ngo Sing	5,540,000	1.58
7	Mt Sungai Sdn Bhd	5,337,865	1.52
8	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Quek See Kui	5,184,800	1.48
9	Victor Hii Lu Thian	4,628,826	1.32
10	Alexander Hii Lu Kwong	4,271,636	1.22
11	Hu Ik Ming @ Rose Hii Ik Ming	4,240,205	1.21
12	Christopher Hii Lu Ming	4,037,686	1.15
13	Ting Chuo Kiew	3,909,859	1.11
14	Arthur Hii Lu Choon	3,853,036	1.10
15	Alam Mantap Development Sdn Bhd	3,200,000	0.91
16	Chan Wah Kiang	3,200,000	0.91
17	Kenanga Nominees (Tempatan) Sdn Bhd Andrew Yap Hoong Yee (021)	3,080,000	0.88
18	Michael Hii Ee Sing	2,418,587	0.69
19	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tiang Chiin Yew	1,500,000	0.43
20	M & A Nominee (Tempatan) Sdn Bhd Pledged Securities Account for Chew Hun Seng (M&A)	1,334,800	0.38
21	Olive Lim Swee Lian	1,328,500	0.38
22	Zamri Bin Mohamad	1,300,000	0.37
23	JF Apex Nominees (Tempatan) Sdn Bhd AISB for Louis Hii Lu Yik (STA 3)	1,245,000	0.36
24	Yung Venture Sdn Bhd	1,210,000	0.35
25	Yong Ai Ting	1,207,800	0.34
26	Hii Lu Foong	1,186,900	0.34
27	Elizabeth Hii Lu Yen	1,103,555	0.31
28	Jane Hii Lu Yea	1,006,276	0.29
29	Yung Venture Sdn Bhd	1,000,920	0.29
30	Chong Ying Choy	1,000,000	0.29
	Total	**263,848,363**	**75.24**

REDEEMABLE CONVERTIBLE PREFERENCE SHARES ACCOUNT HOLDER

	Account Holder	No. of RCPS	Percentage
1	Nippon Steel Corporation (formerly known as 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 15 May 2020 are as follows :

		No. of Ordinary Shares of RM0.10 each			
		Direct	%	Indirect	%
1	Marubeni-Itochu Steel Inc.	93,279,991	26.60	-	-
2	Yung Kong Co Bhd	50,929,800	14.52	-	-
3	Dato' Hii Ngo Sing	5,540,000	1.58	55,820,766 (1)	15.92%
4	Dato' Dr Hii Wi Sing	28,688,027	8.18	55,820,766 (1)	15.92%
5	Arthur Hii Lu Choon	3,853,036	1.10	55,820,766 (1)	15.92%
6	Ir Michael Hii Ee Sing	2,768,587	0.79	62,487,271 (2)	17.82%
7	Victor Hii Lu Thian	5,483,456 (3)	1.56	55,820,766 (1)	15.92%
8	Francis Hii Lu Sheng	-	-	55,820,766 (1)	15.92%
9	Alexander Hii Lu Kwong	5,123,036 (4)	1.46	55,820,766 (1)	15.92%
10	Christopher Hii Lu Ming	4,283,546 (5)	1.22	55,820,766 (1)	15.92%
11	Tan Sri Dato' Soh Thian Lai	12,929,346 (6)	3.69	11,039,616 (7)	3.15%

Notes

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

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

(3) 854,630 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(4) 851,400 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(5) 245,860 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

(6) 12,584,678 ordinary shares were registered in the name of AMSEC Nominees (Tempatan) Sdn Bhd.

(7) Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd.

DIRECTORS' INTEREST

The directors' interests in warrants in the Company as per the Register of Directors' Warrant Holdings as at 15 May 2020 are as follows:

In The Company

		No. of Ordinary Shares of RM0.10 each			
		Direct	%	Indirect	%
1	Tan Sri Dato' Soh Thian Lai	12,929,346 (5)	3.69	11,666,216 (1)	3.33
2	Victor Hii Lu Thian	5,483,456 (3)	1.56	55,820,766 (2)	15.92
3	Christopher Hii Lu Ming	4,283,546 (4)	1.22	55,820,766 (2)	15.92
4	Liew Jee Min @ Chong Jee Min	-	-	-	-
5	Fong Yoo Kaw @ Fong Yee Kow	-	-	-	-
6	Yan Ying Chieh	-	-	-	-
7	Koichiro Nakazawa	-	-	-	-
8	Toshihiro Tachibana	-	-	-	-
9	Nobuyoshi Kariya (Alternate to Toshihiro Tachibana)	-	-	-	-
10	Keisuke Yamanishi (Alternate to Koichiro Nakazawa)	-	-	-	-

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

Notes

(1) Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd and the interest of his spouse in the Company.

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

(3) 854,630 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.

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

(5) 12,584,678 ordinary shares were registered in the name of AMSEC Nominees (Tempatan) Sdn Bhd.

NOTICE OF 43RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 43rd Annual General Meeting ("43rd AGM") of YKGI Holdings Berhad ("YKGI" or "the Company") will be conducted entirely through live streaming from the broadcast venue at YKGI, Suite 27-1, Setia Avenue, No.2 Jalan Setia Prima S U13/S, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia on Friday, 10 July 2020 at 2:00 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 2019 together with the Reports of the Directors and the Auditors thereon. **(Please refer to Note 12)**

2. To approve the payment of Directors' fees of RM241,500 for the Non-Executive Directors for the financial year ended 31 December 2019. **Resolution 1**

3. To approve other benefits payable to the Directors up to RM100,000 for the period from 11 July 2020 until the conclusion of the next Annual General Meeting of the Company. **Resolution 2**

4. To re-elect the following Directors, who retire in accordance with Article 123(1) of the Company's Constitution and, being eligible, offer themselves for re-election:

i) Tan Sri Dato' Soh Thian Lai; and **Resolution 3**
ii) Mr Fong Yoo Kaw @ Fong Yee Kow. **Resolution 4**

5. To re-elect the following Directors, who retire in accordance with Article 128 of the Company's Constitution and, being eligible, offer themselves for re-election:

i) Mr Koichiro Nakazawa; and **Resolution 5**
ii) Mr Toshihiro Tachibana. **Resolution 6**

6. To re-appoint Messrs KPMG PLT (AF 0758) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

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

- **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016 ("ACT")** **Resolution 8**

  "THAT pursuant to Section 76 of the Companies Act 2016, and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company from time to time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 20% of the total number of issued shares of the Company for the time being AND THAT the Directors be and are hereby empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND FURTHER THAT that such authority shall continue in force until the conclusion of the next annual general meeting of the Company."

NOTICE OF 43RD ANNUAL GENERAL MEETING (continued)

- **PROPOSED RENEWAL OF AND NEW SHAREHOLDER MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE** **Resolution 9**

  "THAT approval be and is hereby given to YKGI Group ("the Group") to enter into and to give effect to specified recurrent related party transactions or trading nature with the Related Parties as stated in item 3(b) (pages 3 to 12) of the Circular to Shareholders dated 12 June 2020, which are necessary for its day-to-day operations, to be entered into by the Group on the basis that these transactions are entered into on terms which are not more favourable to the Related Parties involved than generally available to the public and are not detrimental to the minority shareholders of the Company ("Proposed Shareholder Mandate");

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS

IR MICHAEL HII EE SING (LS 0000872)
SSM Practicing Certificate No.: 201908003344
VOON JAN MOI (MAICSA 7021367)
SSM Practicing Certificate No.: 202008001906

Company Secretaries

Kuching, Sarawak
Dated: 12 June 2020

NOTICE OF 43RD ANNUAL GENERAL MEETING (continued)

NOTES:

1. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 ("Act"), which requires the Chairman of the meeting to be present at the main venue of the 43rd AGM. Members will NOT be physically present at the Broadcast Venue on the day of the 43rd AGM;
2. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 43rd AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide;
3. A proxy or attorney or a duly authorised representative may, but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy;
4. A Member of the Company who is entitled to attend and vote at the 43rd AGM via RPV may appoint not more than two (2) proxies to attend and vote instead of the Member at the 43rd AGM;
5. Where a Member of the Company is an authorised nominee as defined in the Depositories Act, which is exempted from compliance with the provisions of subsection 25A(1) of the Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds;
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. Where a member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies;
8. A proxy appointed to attend and vote at the 43rd AGM via RPV shall have the same rights as the Member to speak at the 43rd AGM;
9. To be valid, the duly completed Form of Proxy must be deposited at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or by electronic lodgement via TIIH Online website at https://tiih.online not less than 48 hours before the time set for holding the 43rd AGM or any adjournment thereof;
10. A Member who has appointed a proxy or authorised representative to attend, participate, speak and vote at the 43rd AGM via RPV must request his/her proxy or authorized representative to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in Administrative Guide;
11. A depositor whose name appears in the Record of Depositors as at 30 June 2020 shall be regarded as a Member of the Company entitled to attend the 43rd AGM via RPV or appoint a proxy to attend, speak and vote on his behalf;
12. 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;
13. All the Directors of the Company who are Members of the Company will abstain from voting on Resolutions 1 and 2, where applicable. The Directors as referred to in Resolutions 3 to 6 who are also the Members of the Company will abstain from voting on the resolutions in respect of their re-election at the 43rd AGM;
14. 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 42nd AGM of the Company held on 23 May 2019 ("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 fundraising activities, including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition(s); and
15. 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 YKGI Group which are transacted from time to time with the specified classes of related parties, provided that they are carried out on an arm's length basis and on the Group's normal commercial terms and are not prejudicial to the shareholders on the terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

STATEMENT ACCOMPANYING NOTICE OF 43RD 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 43rd AGM.

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YKGI HOLDINGS BERHAD
[Registration No.: 197701001682 (032939-U)]
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares Held	
CDS Account No.	

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

or failing him/her/them, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the 43rd Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at YKGI Holdings Berhad, Suite 27-1, Setia Avenue, No.2 Jalan Setia Prima S U13/S, Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia on Friday, 10 July 2020 at 2:00 pm and at any adjournment thereof.

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

		FOR	AGAINST
RESOLUTION 1	To approve the payment of Directors' fees of RM241,500 for the Non-Executive Directors for the financial year ended 31 December 2019.		
RESOLUTION 2	To approve other benefits payable to the Directors up to RM100,000 for the period from 11 July 2020 until the conclusion of the next Annual General Meeting of the Company.		
RESOLUTION 3	To re-elect Tan Sri Dato' Soh Thian Lai as Director.		
RESOLUTION 4	To re-elect Mr Fong Yoo Kaw @ Fong Yee Kow as Director.		
RESOLUTION 5	To re-elect Mr Koichiro Nakazawa as Director.		
RESOLUTION 6	To re-elect Mr Toshihiro Tachibana as Director.		
RESOLUTION 7	To re-appoint Messrs KPMG PLT (AF 0758) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.		
RESOLUTION 8	Authority to issue shares pursuant to Section 76 of the Companies Act 2016.		
RESOLUTION 9	Proposed renewal of and new Shareholder Mandate for Recurrent Related Party Transactions.		

*Strike out whichever not applicable.

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

First named proxy	
Second named proxy	

Dated this day of 2020.

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

Fold here for sealing

Fold along this line (1)

Affix
Stamp
Here

The Company Secretary

YKGI HOLDINGS BERHAD
Registration No. 1977 0100 1682 (032939-U)

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

Fold along this line (2)

YKGI HOLDINGS BERHAD
[Registration No.: 197701001682 (032939-U)]
(Incorporated in Malaysia)

FORM OF PROXY (cont'd)

Notes:

1. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016, which requires the Chairman of the meeting to be present at the main venue of the 43rd AGM. Members will NOT be physically present at the Broadcast Venue on the day of the 43rd AGM;
2. Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 43rd AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Guide;
3. A proxy or attorney or a duly authorised representative may, but need not be a Member of the Company. There shall be no restriction as to the qualification of the proxy;
4. A Member of the Company who is entitled to attend and vote at the 43rd AGM via RPV may appoint not more than two (2) proxies to attend and vote instead of the Member at the 43rd AGM;
5. Where a Member of the Company is an authorised nominee as defined in the Depositories Act, which is exempted from compliance with the provisions of subsection 25A(1) of the Depositories Act, it may appoint not more than two (2) proxies in respect of each securities account it holds;
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. Where a Member or the authorised nominee appoints two (2) proxies, or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies;
8. A proxy appointed to attend and vote at the 43rd AGM via RPV shall have the same rights as the Member to speak at the 43rd AGM;
9. To be valid, the duly completed Form of Proxy must be deposited at 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 or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or by electronic lodgement via TIIH Online website at https://tiih.online not less than 48 hours before the time set for holding the 43rd AGM or any adjournment thereof;
10. A Member who has appointed a proxy or authorised representative to attend, participate, speak and vote at the 43rd AGM via RPV must request his/her proxy or authorized representative to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in Administrative Guide; and
11. A depositor whose name appears in the Record of Depositors as at 30 June 2020 shall be regarded as a Member of the Company entitled to attend the 43rd AGM via RPV or appoint a proxy to attend, speak and vote on his behalf.

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REGISTERED ADDRESS

Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia.
Tel: +6082 433 888 Fax: +6082 433 889

CORPORATE OFFICE/BUSINESS ADDRESS

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