YKGI HOLDINGS BERHAD

REGISTRATION NO. 1977 0100 1682 (032939-U)

2021 ANNUAL REPORT

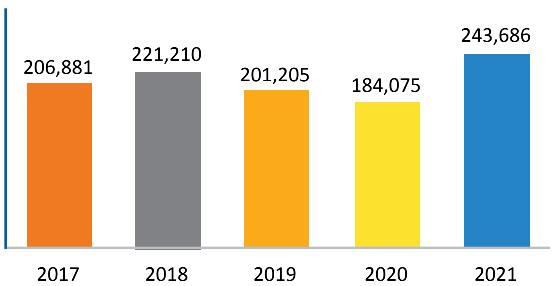
1 FINANCIAL HIGHLIGHTS

(RM'000)		2017 (restated*)	2018	2019	2020	2021**
OPERATING RESULTS						
Revenue		206,881	221,210	201,205	184,075	243,686
Operating Profit /(Loss)		7,309	3,839	4,445	(1,257)	12,229
Profit /(Loss) Before Tax		5,881	3,839	4,445	(1,257)	11,498
Profit /(Loss) Attributable to owners of the Company		(14,736)	(133,614)	(7,566)	(5,791)	6,421
EBITDA		11,212	10,846	12,872	8,833	24,058
Key Balance Sheet Data						
Share Capital		176,128	176,666	38,747	45,675	49,467
Total Borrowing		153,204	126,621	70,359	74,841	87,445
Cash and cash equivalents		42,201	33,275	23,213	18,305	17,105
Ratio Analysis						
Gearing Ratio	Times	0.86	2.82	1.73	1.29	1.07
Gross Profit Margin	%	12.03	11.01	14.54	15.02	19.65

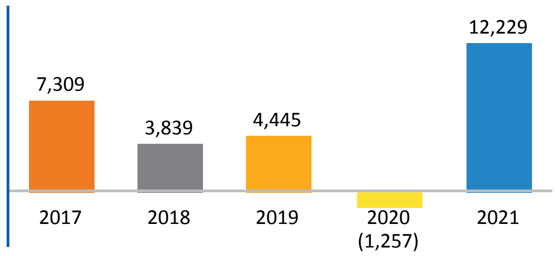
Note

(*) 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.

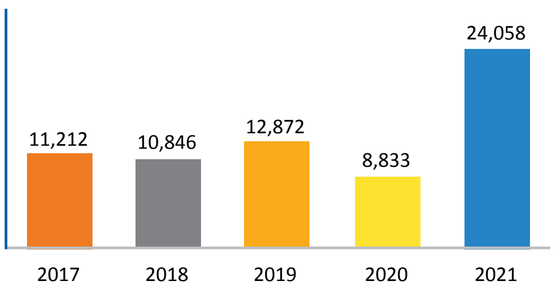
(**) The segment on discontinued business is no longer a major business and is no longer presented for the year 2021. The comparative for 2020 showed in the financial highlights above is not re-presented.



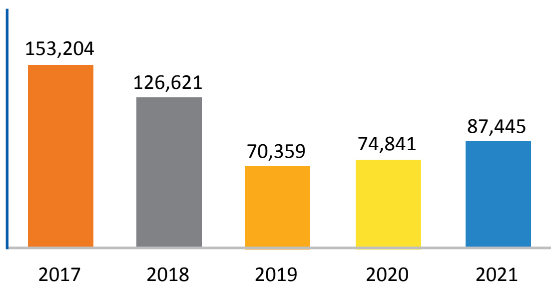
REVENUE (RM'000)



OPERATING PROFIT (RM'000)



EBITDA (RM'000)



TOTAL BORROWINGS (RM'000)

CONTENTS

2 MANAGING DIRECTOR'S MESSAGE

Dato' Sri Victor Hii

Dear Shareholders,

The financial year ended 31 December 2021 ("FY2021") was filled with both trials and triumphs for us at YKGI Holdings Berhad ("YKGI"). While the year marked a successful milestone for us, we deeply empathise for businesses that were badly impacted with many losing their livelihoods. YKGI and its subsidiaries ("YKGI Group") were not spared from the challenges faced by many businesses in terms of reduction in sales and profit margin, uncertain supply chain activities, operating hours, and unstable market demand. Despite the disruption caused by the COVID-19 pandemic, YKGI Group managed to succeed in turbulent times because of the proactive measures taken by our subsidiaries, in particular ASTEEL Group, to mitigate challenges.

Further, the pandemic has spurred the rate of digitalisation and the growth of e-commerce, enabling many companies to conduct their businesses through the web and beyond borders. YKGI Group has also pivoted some of our daily operations online. In addition, we have remained steadfast with our smart manufacturing journey to maintain a positive growth trajectory.

Overview
The Covid-19 pandemic has prompted YKGI Group to adapt to the 'new normal' by thinking without box and finding ways to do business in compliance with new rules and requirements. We conducted a business impact analysis to identify the chain of activities and functions, along with interdependencies (e.g. people, process, technology, data, facilities, and third parties) and related impacts to facilitate the Group on potential mitigation strategies. Our cost-saving measures had enabled us to remain resilient. We are pleased that our initiatives and strategies during the period have aided us to weather through the difficulties.

People
People are YKGI Group's greatest assets. Today, YKGI Group is the employer of choice for over 450 dedicated employees. This is an 8.5 percent increase over the previous year's 415 employees. YKGI Group remained steadfast in providing gainful employment to Malaysians as we expand our business operations and upskilling initiatives to our workforce who in return support the company's competitive advantage and business sustainability.

Education
YKGI Group will continue to collaborate with academic partners such as Universities and higher Learning Institutions to upskill its workforce with relevant future skillsets in order to enhance productivity levels and boost employee confidence and morale. As part of our Group's DNA and lifelong learning culture, we take pride in our succession planning and career path development. We will continue to invest in our learning and development programme as it contributes to the personal and professional advancement of our people and to prepare for our smart manufacturing journey. In the recent past, we have collaboration with University of Malaysia, Sarawak ("UNIMAS") to devise a customised training programme to provide our people with certification for Manufacturing Technology. To date, 40 operators have successfully completed the programme. More of ASTEEL people will be embarking on the programme. For those qualified they will proceed to the next level of Advanced Certificate in Manufacturing, also in collaboration with UNIMAS' Faculty of Engineering. At managerial level, 11 of ASTEEL's managers are currently undergoing an Executive Leadership Development programme with the UNIMAS Business School.

Research & Development

YKGI through ASTEEL Group provides solutions and the right products to our customers. We offer a wide range of building materials ranging from economical to premium grade products while at the same time we design, build and deliver quality and durable housing systems. To achieve our goal of affordable shelter for everyone, we implement continuous improvement, research and development, adapting to market changing needs and trends, and embracing new technology to improve the quality of products, services, and processes. Presently we are working together with UNIMAS to research into products that are both environmental and economically friendly such as Anti-Mosquitoes Paint that utilises local products.

Business Diversification and Expansion

With the restructuring, YKGI's downstream business now includes manufacturing and trading of metal roofing products, to serve as a one-stop building solution provider for roofing and walling, structural decking, and steel framing systems. As part of our expansion plan, YKGI has set up various branches across major cities and towns to enhance our distribution and logistics. Currently, we have branches in Kuching, Sibu, Miri, Bintulu, Mukah, Kota Kinabalu, Tawau, Klang and Johor. We are planning to open more branches in Borneo Island especially in the northern region of Sarawak as we foresee that this area has the potential to achieve rapid progress and development. These branches will be offering roll-forming services and supplying roofing materials to cater to the local customers. ASTEEL Group through its joint venture with Ajiya Berhad is also in the business of processing and trading of tempered and laminated tempered glass in Sarawak and Sabah. The joint venture is also in the business of providing Green Industrialised Building Systems solution known as AGiBS to cater for affordable housing projects, in line with the Government's aspiration of providing housing to all segments of the community. To bring us closer to our customers, Envio Concept Stores (ECS) are set up as retail outlets for building materials in many towns and cities, giving convenience to our customers. One significant milestone for YKGI Group is the penetration into overseas markets; the most recent one is in the Philippines - ASTEEL Group supplied and installed the iconic IKEA Blue claddings at the SM Mall of Asia in Manila (this is the largest IKEA outlet in the whole world). The project was successfully completed in 2021. Although a momentous achievement, our Group is not resting on its laurels, during the year YKGI has established a company in Auckland, New Zealand. We are expanding our network to Pontianak, Kalimantan as we foresee opportunities in this part of Borneo Island especially with the Indonesian Government's plan to shift their nation's capital to Kalimantan. We are also looking at Singapore and the Philippines as the region for expansion.

Way Forward

YKGI believes in developing our workforce as they are the key in driving our strategic initiatives. These efforts will be supported in collaboration with industry and academic partners on research and development and innovation to stay ahead and to navigate future challenges. We continue our efforts to identify more opportunities for business diversification, expansion locally and beyond the shores of Sarawak. We support our Government in the Sustainable Development Goals (SDGs) by reducing our carbon footprint and optimising sustainable development methods, amplifying our efforts through strategic and mutually beneficial partnerships. We remain optimistic that the Financial Year 2022 will see positive changes with the current government's efforts in implementing measures to improve the health of the economy with the re-opening of our borders. We would like to express our sincere appreciation to all our people for their dedication, commitment and positive contribution, to all our shareholders, customers, suppliers, bankers, business associates and government authorities for their loyal support, continued confidence, business and cooperation, and to my fellow Directors for their guidance, commitment and your unwavering trust.

In conclusion, YKGI Group cherishes our strong culture as a home grown Sarawakian company by providing gainful employment to Malaysians and promoting upskilling and reskilling efforts to prepare our people for the Fourth Industrial Revolution (IR 4.0) – all of which is in line with our mission of providing Affordable Shelter For Everyone.

Dato' Sri Victor Hii Lu Thian,
Managing Director
YKGI Holdings Berhad

ASTEEL inks MoU for Affordable Housing Project

3 MANAGEMENT DISCUSSION AND ANALYSIS

GROUP BUSINESS REVIEW

YKGI Group of Companies is involved in the downstream sector of steel and principally involved in the manufacturing and processing of metal roofing, wall cladding & fencing, metal floor decking, light gauge structural components, purlins, and framing systems under the brands of ASTEEL & ASTAR.

Besides that, the Group is also involved in the trading of building materials, both steel and non-steel components. This segment of business contributes less than 12% to the overall revenue of the Group.

YKGI's core business is to provide affordable materials and be a one-stop building solutions provider based on its expertise and technologies.

The Group's main division of products are as follows: -

(i) Metal Roofing

YKGI, through its subsidiary companies, has a network of factories in Sarawak, Selangor, and Johor which manufacture metal roofing systems, metal frame products, structural products, roof tile effect products, architectural products, and light-weight channel products.

In addition, YKGI through a subsidiary has a joint venture business in collaboration with Ajiya Berhad in the business of processing and trading of tempered and laminated safety glass in the region of Sarawak. The joint venture is also involved in providing Industrialised Building System ("IBS") solutions.

The diagram below depicts the range of products under the Group's tag-line of being a one-stop building solution provider.

(ii) Trading of Building Materials

This division is involved in the trading of steel and non-steel components which are mainly used in the construction industry. The main items under this category are steel coils, window frames, mild steel products, and construction materials.

FYE 2021 is another turbulent financial year. The global and domestic economies are facing challenges of the prolonged Covid-19 pandemic. The Malaysian government has enforced multiple lockdowns to contain the spread of the virus which caused the Group to endure disruption of business operation and intermittent low production output.

Despite the difficult year, we are glad to report that FYE 2021 was a stark improvement compared to the last financial year due to the recovery of the steel sector in the second half of FYE 2021. The factors contributing to the better performance are due to higher demand and surged in the steel price caused by (i) outsized fiscal stimulus spending by major countries especially USA and China to revive their economies battered by the pandemic (ii) supply dynamics arising from production lockdowns, border closures, port congestion, and shipping vessel shortage across the globe contributed to tightness in steel supply and (iii) the recovery stimulus outlay into ongoing infrastructure and mass transportation projects in Malaysia supported steel demand and prices.

STRATEGY AND CULTURE

The Group remains committed to pursuing par excellence in its business dealing with various stakeholders. We endeavour to adopt better practices and standards in relation to Environmental, Social, and Governance.

In the work culture, we are instilling togetherness and teamwork in the workplace. Our strategy is to create positive attitudes and actions which lead to positive workplace. In this respect, we foster collaboration and communication and a leadership and management style that encourages teamwork, open and honest communication.

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

The COVID-19 pandemic has impacted the vibrancy of the business environment for almost 2 years. Despite the climate of uncertainty, the Group's performance is still proven steadfast and the strong financial performance of FYE 2021 is a reflection of the benefits gained from the restructuring of the Group's businesses in 2018.

For FYE 2021, the Group performed strongly, with total revenue of RM243.6 million compared to a total of RM184.1 million in the previous year, representing an increase of RM59.6 million or 32.3%. The increase in revenue was due to higher sales volume and higher average unit selling price for steel products.

The Group registered a profit before tax of RM12.0 million in 2021 as compared to a loss before taxation of RM1.26 million in the previous year. The turnaround was due to a higher gross margin achieved coupled with a higher sales revenue. In the second half of 2021, the macro factors such as increasing steel price, lower steel supply arising from the impact of the lockdown which affected the steel production, and the abolishment of the 13% export steel tax rebates announced by the Chinese government in May 2021, have resulted in a better product margin.

For FYE 2021, the Group generated an EBITDA of RM24.1 million, a substantial increase of RM15.3 million or 172% compared to the previous year. Working capital remained positive with a ratio of 1.28 times versus 1.06 times for 2020. As at 31 December 2021, the gearing ratio of the Group stood at 1.07 times (31 December 2020: 1.29).

REVENUE

+32.3%

(FY2020: RM184.1 Million)

RM243.7 Million

PROFIT / (LOSS) AFTER TAX

+235%

{FY2020: (RM6.0 Million)}

RM8.1 Million

WORKING CAPITAL RATIO

+20.7%

(FY2020: 1.06 Times)

1.28 Times

SHAREHOLDERS' EQUITY

+18.1%

(FY2020: RM54.1 Million)

RM63.9 Million

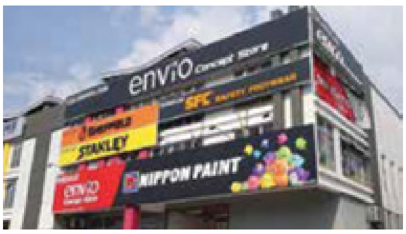
OPERATION REVIEW

The multiple movement control measures introduced by the government of Malaysia to combat Covid-19 have affected the Group's operations in FYE 2021. During the Covid-19 period, Management has taken the steps to counter the challenges. These include stringent cost control and redeployment of resources to improve production efficiency. YKGI has also reviewed its manpower management in the financial year to redeploy personnel in order to optimise the use of human resources.

The Group has also increased scrutiny on the approval of credit sales and instituted more aggressive collection of trade receivables. In this respect for FYE 2021, the average collection period has reduced by 27 days or 31.7% as compared to the previous year.

YKGI operates a network of factories in various locations in Malaysia. Each of the locations serves the need for metal roofing and steel-related materials of that locality. In terms of sales revenue, the branches in East Malaysia contribute more than 70% of the Group's turnover. 8 of its 11 factories are located in East Malaysia.

WEST MALAYSIA



KAPAR, KLANG

TELUK GONG, KLANG

KULAI, JOHOR

EAST MALAYSIA

KUCHING

KUCHING

KUCHING

KIDURONG, BINTULU

MUKAH

MIRI

KOTA KINABALU

TAWAU

In view of the intense competition for personnel in this industry the Group endeavours to provide a competitive remuneration package to its staff as part of its strategy to attract and retain competent staff.

ANTICIPATED OR KNOWN RISKS

Resurgent of New Variant Of COVID-19 Virus

The business of YKGI will be impacted if there is another lockdown due to the resurgent of new strains of the Covid-19 virus. The Group recognises the importance of Health Safety & Environment ("HSE"), and also the risks on operations and the supply chain. Relevant standard operating procedures ("SOP") and stringent Covid -19 SOP such as full vaccination for all employees, weekly self-antigen test, and for all visitors before entering offices and factories, have been implemented to reduce the likelihood of infection within the workplace and the consequential disruption on production and supply.

Economic Uncertainty Risk on Business Sustainability

The geopolitical tension in Europe may escalate into a wider confrontation and tension in Europe. This will bring greater uncertainty in the cost of doing business due to higher energy costs and the risk of supply chain disruption. Though YKGI sourced its raw material mainly from Asian countries it will not be spared from the impact of the geopolitical tension in Europe as steel is a global commodity.

YKGI is vigilant in monitoring the cost of material via an optimum inventory management strategy with the view of lessening the impact of input cost which may affect product margin.

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 under the notes to the financial statements.

PROSPECTS

The Group's journey to transform and revitalize its businesses since 2018 has shown results. The financial performance for FYE 2021 can be considered the strongest compared to the past years' results. It is the pivot point for higher growth in the future given that the cash flow and the level of bank borrowing at a healthier level compared to the past years.

The steel industry in Malaysia is expected to stabilize post-pandemic as the global recovery is ongoing. Malaysia has announced the reopening of the border from 1 April 2022 which will uplift the domestic economy. The decision by China to abolish the 13% export steel tax rebates and the climate control initiatives will reduce the volume of export and soften the aggressive pricing of steel from China. All these would translate to a more stable and protected domestic steel market in the near to mid-term.

The current geopolitical tension in Europe and the rising global inflation are a threat to global economic growth. Barring any adverse events and that there is no major shock to the global and domestic economy, the overall outlook for the next financial year is cautiously optimistic.

IKEA Pasay City Manila - Cladding by ASTEEL

4 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

Dato' Sri Victor Hii Lu Thian, *SSAP DIMP*
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

Alternate Director

Mr Koichiro Nakazawa
(To Mr Toshihiro Tachibana)

Company Secretaries

Ms Voon Jan Moi (MAICSA 7021367)
Practicing Certificate No.: 202008001906

Datuk Ir Michael Hii Ee Sing (LS 0000872)
Practicing Certificate No.: 201908003344

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 5037 6228
Fax : +60 3 5037 6229

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

Alliance Bank Malaysia Berhad
CIMB Bank Berhad
Malayan Banking Berhad
Malaysian Industrial Development Finance Bhd
MBSB Bank Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

Investment Banks

Hong Leong Investment Bank Berhad
KAF Investment Bank Berhad
Public Investment Bank Berhad
UOB Kay Hian Securities (M) Sdn Bhd

Independent Advisor

SIERAC Corporate Advisers Sdn Bhd

Legal Advisors

Allen Loh & Co
Chooi & Company + Cheang & Ariff
J.M. Chong, Vincent Chee & Co.
Lim & Teo Advocates
Ngeh Ling Advocates
Tang & Partners, Advocates

Auditors

KPMG PLT (AF 0758)

Internal Auditors

In House

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 29 April 2022)

YKGI Group

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

- 80.36% — **ASTEEL Resources Sdn Bhd**, Reg. No. 2014 0102 7116 (1103206-T)
  - 100% — ASTEEL Sdn Bhd, Reg. No. 1996 0102 0690 (393042-D)
    - 100% — AS Scaffolding Sdn Bhd, Reg. No. 2021 0100 1789 (1402087-D)
  - 100% — ASTEEL (Sarawak) Sdn Bhd, Reg. No. 2020 0100 7411 (1363731-A)
    - 70% — AS Trans Paint Sdn Bhd, Reg. No. 1992 0100 8265 (239768-D)
    - 70% — AS Tiles & Interior Design Sdn Bhd, Reg. No. 2020 0100 9209 (1365529-M)
    - 51% — AS Singai Sdn Bhd, Reg. No. 2020 0103 5980 (1392301-X)
  - 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)
  - 60% — ASTEEL AJIYA Sdn Bhd, Reg. No. 2018 0101 7853 (1279869-K)
  - 100% — ASTEEL (NZ) Private Ltd, 8167701, NZBN : 9429049224276
- 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% — Star Shine Steel Products Sdn Bhd, Reg. No. 2003 0101 7325 (619745-P)
    - 100% — Star Shine 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 Industries Sdn Bhd, Reg. No. 1996 0100 3887 (376233-T)

BOARD OF DIRECTORS

LIEW JEE MIN @ CHONG JEE MIN
Independent Director / Non-Executive Chairman

TAN SRI DATO' SOH THIAN LAI, *PSM DIMP*
Executive Deputy Chairman

DATO' SRI VICTOR HII LU THIAN, *SSAP DIMP*
Managing Director

FONG YOO KAW @ FONG YEE KOW
Senior Independent Director

YAN YING CHIEH
Independent Director

CHRISTOPHER HII LU MING
Non-Independent / Non-Executive Director

TOSHIHIRO TACHIBANA
Non-Independent / Non-Executive Director

LIEW JEE MIN @ CHONG JEE MIN

(Malaysian, age 63, 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 all eight (8) Board meetings held during the financial year ended 31 December 2021.

PUBLIC COMPANY DIRECTORSHIPS

Jaks Resources Berhad
Hextar Global Berhad
Parkson Holdings Berhad
Rubberex Corporation (M) Berhad

TAN SRI DATO' SOH THIAN LAI, *PSM DIMP*

(Malaysian, age 61, 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 Board Member of Malaysian Qualifications Agency (MQA) Ministry of Education, Council member of Malaysian Steel Council (MSC), Council Member of Malaysian Standard & Accreditation Council, Ministry of Science, Technology & Innovation, Council Member of National Employment Council (NEC), Council member of Majlis TVET Negara, Council Member of National Science Council, Council Member of National Employment Council, Council Member of National TVET Council and Council Member of Economic Action Council chaired by YAB Prime Minister.

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), Vice President of ASEAN Iron & Steel Council (AISC) and Director of South East Asia Iron and Steel Institute (SEAISI). He was the founding member and Director of Malaysian Steel Institute.

He attended all eight (8) Board meetings held during the financial year ended 31 December 2021.

His shareholdings in the Company and the Group are disclosed in the Directors' interest section under the heading "Analysis of Shareholdings" on pages 143 and 144 of this annual report.

PUBLIC COMPANY DIRECTORSHIPS

Federation of Malaysian Manufacturers (FMM)
GS1 Malaysia Berhad
Yayasan PKT

DATO' SRI VICTOR HII LU THIAN, *SSAP DIMP*

(Malaysian, age 47, Male)
Managing Director

BOARD APPOINTMENT

27 February 2006

BOARD COMMITTEES

A Member of ESOS Committee.

EDUCATION AND EXPERIENCE

Dato' Sri Victor Hii holds an Executive Master of Science in Project Management, Master of Business Administration in Management, IME Mini MBA Executive Program in Business Management (Singapore/Denmark), 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), Chairman of FMM Sarawak branch, Member of Pasukan Petugas Khas Pemudah Cara Perniagaan Peringat Negeri Sarawak (SAMUDAH) under State Secretary Sarawak, Chairman of Industry Driven Consultative Committee and Member of Establishment Committee of Sarawak Skills Development Centre, Chairman of Malaysian Iron & Steel Industry Federation (MISIF) Sarawak branch, Advisor/Committee member 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, a member to Board of Management of SJK St. Paul Kuching , Chairman of Kepolisan Komuniti Sarawak and a member of Rotary Club of Kuching Central. He was conferred with the title "Dato' Sri" on 24 October 2018.

He attended all eight (8) Board meetings held during the financial year ended 31 December 2021.

Dato' Sri 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 143 and 144 of this annual report.

PUBLIC COMPANY DIRECTORSHIPS

Federation of Malaysian Manufacturers (FMM)

FONG YOO KAW @ FONG YEE KOW

(Malaysian, age 70, Male)
Senior Independent Director

BOARD APPOINTMENT

3 January 2013

BOARD COMMITTEES

Chairman of the 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 47 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 a Partner of Ernst and Young in 2010. He also sits on the Board of a number of private and other public listed companies.

He attended all eight (8) Board meetings held during the financial year ended 31 December 2021.

PUBLIC COMPANY DIRECTORSHIPS

Pansar Berhad
Sarawak Oil Palms Berhad
DPI Holdings Berhad

YAN YING CHIEH

(Malaysian, age 59, Female)
Independent 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 24 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 eight (8) Board meetings held during the financial year ended 31 December 2021.

CHRISTOPHER HII LU MING

(Malaysian, age 45, 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 all eight (8) Board meetings held during the financial year ended 31 December 2021.

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 143 and 144 of this annual report.

TOSHIHIRO TACHIBANA

(Japanese, age 53, 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, Overseas Steel Sheets Dept. Iron & Steel Div.-II

He attended six (6) out of eight (8) Board meetings held during the financial year ended 31 December 2021.

Notes:
Save as disclosed above, none of the Directors have:
- *any family relationships with any Director of the Company, and/or major shareholders of the Company save for Dato' Sri 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 FY2021.*

PROFILE OF KEY SENIOR MANAGEMENT

TAN SRI DATO' SOH THIAN LAI
(Malaysian, age 61, Male)
Executive Deputy Chairman

Please refer to description under the heading **"Directors' Profile"** on ***Page 13.***

DATO' SRI VICTOR HII LU THIAN
(Malaysian, age 47, Male)
Managing Director

Please refer to description under the heading **"Directors' Profile"** on ***Page 14.***

TAN CHING PDING
(Malaysian, age 57, Male)
Chief Financial Officer – YKGI Group
Joint Managing Director – Starshine Group

Appointment
1 March 2016

Education and Experience
Mr Tan Ching Pding 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 52, Male)
Joint Managing Director - ASTAR Steel 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 51, Female)
Director of Finance – East Malaysia

Appointment

1 July 2015

Education and Experience

Ms Aw Chiew Lan 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.

FOO AI TING
(Malaysian, age 47, Female)
Director for Management Support cum Special Assistant to Executive Deputy Chairman

Appointment
1 July 2017

Education and Experience
Ms Foo Ai Ting 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 and Purchasing and IT Department of Starshine Group of Companies.

FONG FUI YEE

(Malaysian, age 43, Male)

Director of Commercial – 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 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 18 years thus he possessed vast experience in galvanising and coating in the flat product industries. He is responsible for group strategic planning in sales and marketing. He is also 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 47, Male)

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.

CHONG KON YU

(Malaysian, Age 59, Male)

Executive Director cum General Manager – ASTEEL (Sabah) Sdn Bhd

Appointment

1 January 2022

Mr Chong Kon Yu started his career in Accounting and Auditing profession after graduated in 1982. He joined a local accounting firm in 1983 and subsequently in 1988, he joined PricewaterhouseCoopers (formerly known as Coopers & Lybrand), an International Accounting Firm. He gained a broad range of auditing and management skills in various fields of businesses including Banking, Manufacturing, Telecommunication, Hotels, Property Development, Plantation, Trading etc. He left the profession in 1993.

He joined Kemayan Group in 1994 as a Finance Manager, who had oversight of the functions of accounts and finance of the Group in Sabah, which he worked for 8 years. Prior to joining ASTEEL Group, Mr Chong was a Finance Manager of K-STEEL Group, where he oversaw the Roll Forming, Hardware and Building Materials businesses till November 2013.

Mr Chong joined ASTEEL Group in December 2013 as a Senior Manager – Operations, in charge of the Company's operations and businesses in Sabah.

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.*

5 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 2021 ("FY2021") 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. This statement is to be read together with the CG Report 2021 of the Company which is available at website of Bursa Malaysia at https://www.bursamalaysia.com/market_information/announcements/company_announcement.

The year 2021 was a turbulent year caused by the COVID-19 pandemic which has impacted the global economy causing a slowdown in global operations and closure of borders which have created a socio-economic crisis resulting in challenges to the business. The Board recognizes that increasing the awareness of corporate governance ("CG") is essential in building a sustainable business and creating long-term value for the shareholders and stakeholders during the turbulent period. To uphold the commitment in maintaining its high standards of CG throughout the Company and its subsidiaries ("Group"), the Board devotes considerable effort to identify and formalize best CG practices as it believes upholding sound and effective practices is fundamental to the operations of the Group and its ability to increase investors' confidence and protect long-term shareholders and stakeholders' interests.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

(i) 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 and Managing Director who also oversee the Group's operations, develop and implement 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.

(ii) 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.

(iii) 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.

(iv) Anti-Bribery and Anti-Corruption, Code of Conduct and 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. As the Group reinforces its principle towards zero-tolerance approach to bribery and corruption in all its forms, proactive actions have been taken to strengthen the Group's internal processes and practices during the financial year to ensure that it has adequate procedures in place to prevent persons associated with the Group from undertaking corrupt activities.

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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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 2021 Annual General Meeting ("AGM") and at least one (1) Company Secretary attends all Board and Board committee meetings during the FY2021. 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.

(ix) Board Composition and Diversity

The Board currently comprises seven (7) members, with five (5) 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	√				√	√		√	√		
Dato' Sri Victor Hii Lu Thian	√		√			√		√	√		
Mr Fong Yoo Kaw @ Fong Yee Kow	√				√	√				√	
Ms Yan Ying Chieh		√		√		√				√	
Mr Christopher Hii Lu Ming	√		√			√		√			
Mr Toshihiro Tachibana	√			√			√		√		

There is a clear division of role and responsibility between the Independent Chairman, the Executive Deputy Chairman and the Managing Director to ensure a balance of power and accountability for the Board to make well-considered decisions. The Chairman leads and ensures effective and comprehensive Board discussion on strategic issues, business planning, other matters brought to the Board and responsible for the Board's effectiveness and standard of conduct.

The Executive Deputy Chairman together with the Managing Director oversee the business operations and development of the Group as well as implementation of policies and ensures that strategies, policies and matters approved by the Board are effectively implemented. The Executive Deputy Chairman and Managing Director also provide overall oversight, guidance, advice between the Board of Directors and Management.

(x) 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. Eight (8) meetings were held during the FY2021 which were attended by all of the Directors.

Name of Director	Meetings attended	Percentage of attendance (%)
Mr Liew Jee Min @ Chong Jee Min *(Independent Director/Non-Executive Chairman)*	8/8	100%
Tan Sri Dato' Soh Thian Lai *(Executive Deputy Chairman)*	8/8	100%
Dato' Sri Victor Hii Lu Thian *(Managing Director)*	8/8	100%
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director)*	8/8	100%
Ms Yan Ying Chieh *(Independent Director)*	8/8	100%
Mr Christopher Hii Lu Ming *(Non-Independent Non-Executive Director)*	8/8	100%
Mr Toshihiro Tachibana *(Non-Independent Non-Executive Director)*	6/8	75%

Chief Financial Officer ("CFO"), Senior Adviser and Group Advisor were permanent invitees to Board meetings to present reports on matters relating to their areas of responsibility, and to provide insight into reports or recommendations submitted to the Board. The business discussed, considered, deliberated and approved by the Board in FY2021, inter alia, are 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 FY2021, 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 FY2021 were as follows:

Name of Directors	Name of Training Attended
Mr Liew Jee Min@ Chong Jee Min	• Trading Equity Index Futures (FKLI & FM70) Using Technical Analysis • Sustainability & Corporate Liability Training • Career and Trading Opportunities in Derivatives Market • Implementing ESG Practices in The Organisation • Corporate Liability:S17A of the MACC Act - The Ultimate "Vaccine" for Corruption in Private Sector • Guidelines on Conduct of Directors of Listed Corporations and Their Subsidiaries, Issued By Sc, Analysis of Corporate Governance Monitor 2019 & 2020 and Malaysian Code on Corporate Governance (Revised)
Tan Sri Dato' Soh Thian Lai	• FMM-BMCC EU Exit • Business as [Un]Usual • Regional Comprehensive Economic Partnership (RCEP) Round Table Series Seminar • Effective Contact Tracing and Aircon Treatment to Mitigate Covid-19 Spread in your workplace • Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP): Your COVID-19 Business Recovery Tool to Boost Trade • FMM Industrial Linkage Programme Soft Launch • SME Lighthouse • The Twelfth Plan: Developing the Nation in the Spirit of Keluarga Malaysia • Keluarga Malaysia, ACCCIM Prihatin
Dato' Sri Victor Hii Lu Thian	• Webinar on SOCSO Penjana Kerjaya 2.0 • Bank Negara Malaysia's Economic and Monetary Review 2020 • The Great Reset: Towards A Sustainable Recovery • Vimigo Training • InvestMalaysia - MIDA • IR4 consultancy discussion with BOSCH and FMM • Supply of natural gas
Mr Fong Yoo Kaw @ Fong Yee Kow	• The Mandatory Accreditation Programme (MAP) • Corporate Liability Implication on Bribery in Malaysia • Post Budget Power Talk • Portfolio Strategy Put to Work • Budget 2022 Seminar • Cyber Security-How to Mitigate the Impact of Cyber Crime on your Business • Audit Oversight Board Conversation with Audit Committee
Ms Yan Ying Chieh	• 8th MFPC E-Conference on Shariah Wealth Management & Financial Planning 2021 • Growth Hack the PV, PMT and FV of Your Financial Advisory Business • Shariah Investing Virtual Conference 2021 • PhillipCapital 11th Investment Conference 2021 - "Road to Investment: Turning the Corner" • AFA 10th Annual Conference
Mr Christopher Hii Lu Ming	• Environmental, Social, and Governance (ESG): What Matters to You • Labuan Private Foundation: So Much More than Mere Succession Planning • Tricor 2021 Annual Conference - Driving Sustainability Through Digital Governance • SC's Audit Oversight Board Conversation with Audit Committees
Mr Toshihiro Tachibana	• Introduction To Corporate Governance And Global Principles

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.

(xi) Board Committees and Meetings

The Board has delegated specific responsibilities to 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 advisers are invited to attend Board and/or Committee meetings to provide additional insights and professional views, advice and explanation on specific items on the meeting agenda, where necessary.

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

The composition of Committees is as follows:

(a) Audit and Risk Committee

Audit and Risk Committee ("ARC") was formed on 1 July 2019 and 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.

ARC met seven (7) times during FY2021. More information on the functions, duties and activities carried out by the ARC during FY2021 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)*	7/7	100%
Mr Liew Jee Min @ Chong Jee Min *(Independent Director / Member)*	7/7	100%
Ms Yan Ying Chieh *(Independent Director / Member)*	7/7	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 one (1) meeting during FY2021.

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

During FY2021, 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 FY2021 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 Director 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 FY2021, 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 three (3) meetings during FY2021.

Name of RC Members	Meetings attended	Percentage of attendance (%)
Mr Liew Jee Min @ Chong Jee Min *(Independent Director / RC Chairman)*	3/3	100%
Mr Fong Yoo Kaw @ Fong Yee Kow *(Senior Independent Director / Member)*	3/3	100%
Ms Yan Ying Chieh *(Independent Director / Member)*	3/3	*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 2021 is as follows:

Executive Director	Salary	Bonus	EPF	Other Benefits	Total
Tan Sri Dato' Soh Thian Lai	567,000	90,000	31,200	60,000	748,200
Dato' Sri Victor Hii Lu Thian	601,625	286,950	127,727	135,100	1,151,402
Total	**1,168,625**	**376,950**	**158,927**	**195,100**	**1,899,602**

Non Executive Director	Fee	Other Allowances	Total
Mr Liew Jee Min @ Chong Jee Min	55,500	20,000	75,500
Mr Fong Yoo Kaw @ Fong Yee Kow	56,000	20,000	76,000
Ms Yan Ying Chieh	51,500	24,000	75,500
Mr Christopher Hii Lu Ming	31,000	5,000	36,000
Mr Toshihiro Tachibana	30,000	-	30,000
Mr Koichiro Nakazawa	7,500	-	7,500
Total	**231,500**	**69,000**	**300,500**

The Company has identified its top nine (9) Senior Management positions as follows:

- Executive Deputy Chairman
- Managing Director
- Chief Financial Officer
- Executive Director - ASSB
- General Manager - SSM
- Director of Finance - East Malaysia
- Director of Commercial - ASTEEL Group
- Joint Managing Director - ASTAR
- Director of Management Support

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), Dato' Sri 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 FY2021, ESOS Committee had granted 25,650,000 option shares (Offer 4) on 5 April 2021 and 1,925,000 (Offer 5) on 6 July 2021 respectively, both with exercise price of RM0.19 to eligible employees according to the ESOS By-Laws.

During the year ended 31 December 2021, 9,973,500 option shares had been exercised.

The Board of Directors had on 5 August 2021 approved the extension of the ESOS for a further five years to expire on 8 November 2026; and announcement has been made to Bursa Securities in accordance to By-Law 19.3 on the same date.

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

(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 the 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 FY2021, 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 FY2021 by the Company's external auditors, KPMG PLT, and a firm and company affiliated to KPMG PLT are set out below:

	Group RM	Company RM
Audit fees - Statutory Audit	195,000	30,000
Non-audit fees • KPMG PLT • Local affiliate of KPMG PLT	 6,000 30,450	 6,000 6,200

(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:

i. an organisational structure in the Group with formally defined lines of responsibility and delegation of authority;
ii. review and approval of annual business plan and budget of all major business units by the Board. This plan sets out the key business objectives of the respective business units, the major risks and opportunities in the operations and ensuing action plans;
iii. quarterly review of the Group's business performance by the Board, which also covers the assessment of the impact of changes in business and competitive environment;
iv. active participation and involvement by the 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
v. 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 FY2020 is provided in the ARC Report.

PRINCIPAL C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

(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.

Last year, the Financial Statements and reports were circulated to the shareholders well before the AGM date in compliance of the MMLR and Companies Act 2016. 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 together with the Financial Statements and reports will be circulated to shareholders in accordance to the requirements 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.

The Company's 44th AGM held on 23 June 2021 was conducted entirely through live streaming from the Broadcast Venue as part of the Company's effort to curb the spread of COVID-19. During the proceedings of the AGM, the Chairman conducted the meeting in accordance to agenda with interactive participation from the shareholders. The voting by poll was undertaken by the Company by way of online remote voting further underscored the recognition of the principle of one vote one share.

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 FY2021, 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.

(iii) 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 June 2021. 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.

This statement is issued in accordance with a resolution of the Board of Directors dated 29 April 2022.

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STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

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

INTRODUCTION

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

BOARD'S RESPONSIBILITY AND ACCOUNTABILITY

YKGI recognises that effective risk management and a sound system of internal control are fundamental to good corporate governance. The Board acknowledges its responsibility to maintain 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.

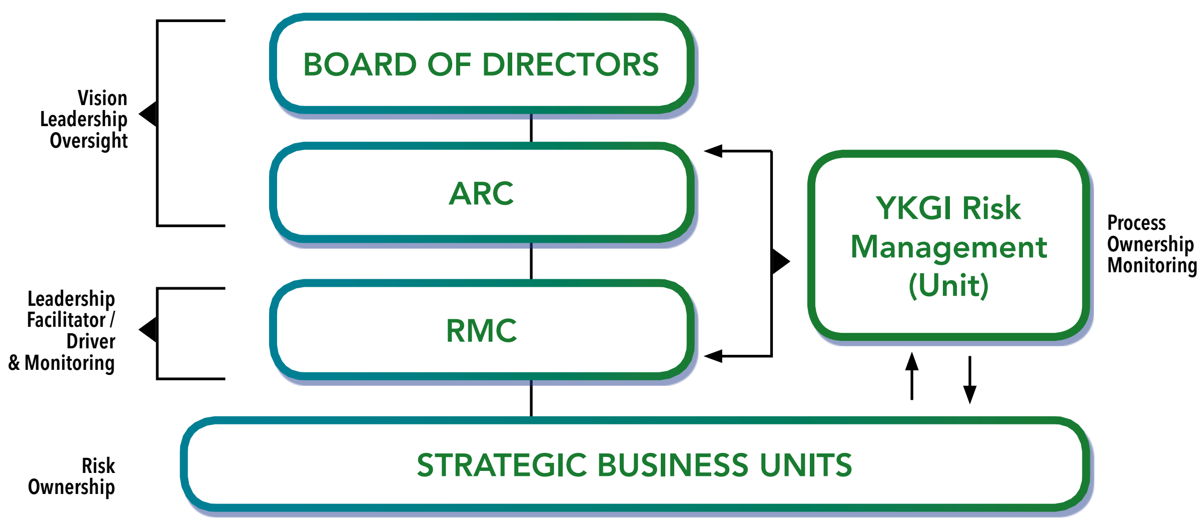
RISK MANAGEMENT

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.

The Audit and Risk Committee ("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 2021, ARC has received the four (4) 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's Internal Audit functions are carried out in-house. During the year 2021, the Internal Audit Team ("Internal Auditors") has carried out 4 assignments and the reports have been presented to ARC.

The Internal Audit programme was drawn up based on the risk identified under the Risk Assessment exercise. ARC reviews the programme proposed by Internal Auditor, its scope, and frequency of work and resources on an annual basis.

The Internal Auditors 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 Auditors 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 seven (7) times in the year 2021.

ARC ensures the Internal Auditors' independence, reviews their scope of work and assesses the adequacy of 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: -

a. Established an organisation structure that clearly defined the line of authority, responsibility and accountability to each strategic business unit and operation unit;
b. 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;
c. 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;
d. 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;
e. Monthly management reports are received and reviewed by the Group Monthly Management ("GMM") 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 GMM members for information and review. During 2021, twelve (12) meetings were held; and
f. 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 2021, 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 29 April 2022.

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REPORT OF AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("ARC") was formed on 1 July 2019 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 2021 ("FY2021") 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 FY2021, 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

All ARC members attended all the 7 meetings held during the FY2021. The Executive Deputy Chairman, Managing Director and Chief Financial Officer were invited to all the meetings while the Company Secretaries were in attendance. Other management personnel attended the meetings as and when requested by ARC for clarification needed on audit issue. This facilitated direct communication and provided first-hand information in relation to the operation of the Company.

The internal auditors further conducted an assessment on the risk profile and criterions for the Group.

ARC also had two private sessions with external auditors, without the presence of management personnel. Matters discussed included management's co-operation with the auditors, results of the audit and any other observations.

Prior notice together with agenda and meeting materials were sent out timely before the 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 7 May 2021, 5 August 2021, 5 November 2021 and 25 February 2022.

b. Reviewed the Company's Audited Financial Statements ("AFS") for FY2021 and to ensure that the AFS are complied, following 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. Discussed with Management and External Auditors that significant matters including Key Audit Matters and critical accounting judgements and key sources of estimation uncertainties made by Management had been evaluated by the External Auditors.

g. 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, objectivity and independence of external auditors and obtained written assurance from the External Auditors, confirming their independence in accordance 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 established an Internal Audit Unit on 1 March 2019. The Internal Audit Unit was headed by Internal Auditor Mr Albert Ngang Chin Chuong (BMS, University of Waikato, New Zealand. CPA Associate member (ASA)). The internal audit function is carried out by our Internal Audit Unit 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 Internal Auditor 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 FY2021:

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 Internal Auditors had confirmed that they are free from any relationships or conflicts of interest which could impair their objectivity and independence in their audit assignment.

The total costs incurred for the internal audit function of the Company in respect of the FY2021 was RM253,865.

This report is issued in accordance with a resolution of the Board of Directors dated 29 April 2022.

SUSTAINABILITY STATEMENT

ABOUT THIS REPORT

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 provides the basis for a clear focus on impacts, policies, and initiatives of the Company and Group for the financial year ended 31 December 2021 in the areas of Economic, Environmental and Social ("EES"). We disclose material information relating to our business activities for the year from 1 January 2021 to 31 December 2021. This report is prepared in accordance with Part III of Practice Note 9 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and guided by the principles and reference to Sustainability Reporting Guide 2018, 2nd Edition and Toolkits issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

SUSTAINABILITY STATEMENT AND GOVERNANCE

At YKGI, all matters related to sustainability are governed and managed across various levels in the organisation. We strive to maintain high standards of corporate governance best suited to the needs and interests of YKGI. Our Board has the ultimate responsibility and works together with the key senior management team to steer the Company's sustainability efforts and performance .

To this end , members across all departments and operational units are to have strategic oversight on the aspects of environmental, social and governance ("ESG") in their activities and to provide risk mitigation solution with the full support of the Board.

We are also establishing and maintaining a culture of ethical behaviour and practices and committed to uphold the highest standards in corporate governance. We strive to strictly comply with the principles and guidelines set out in the Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia. The following are some of the policies serve to embed our commitment towards responsible corporate governance across our operations (i) Board Policies, (ii) Board Charter, (iii) Code of Conduct and Ethics, (v) Anti-Bribery and Anti-Corruption ("ABAC"), and (vi) Whistleblowing Policy & Procedures

STAKEHOLDER ENGAGEMENT

The Group acknowledges that responses from stakeholders are important in planning the roadmap and strategies to strengthen the EES management and through timely and regular engagements, allow us to understand our stakeholders' expectations and concerns in achieving sustainable growth. The key stakeholders are identified as below based on their impact and involvement in our business.

Stakeholders	Material Matters	Method of Engagement
Shareholders	• Profitability • Dividend • Corporate governance and ethical management	• Annual Report • Annual General Meeting • Compant website , announcement • Press release
Customers/ Suppliers	• Product and service quality • Timely delivery of products and services • Payment terms and timeliness • Product innovation	• Face-to-face meeting • Events and site visits • Receive feedback and products quality • Customer satisfaction survey and supplier evaluation form
Regulators/Government Authorities	• Compliance and certification exercises • Certifications/awards • Industry best practices and updates • Safety and health regulations including prevention of COVID-19	• Periodic site visits and audits • Company representation at initiatives/technical working groups • Industry- related intiatives and events

Stakeholders	Material Matters	Method of Engagement
Employees	• Business performance and direction • Career development • Learning opportunities • Welfare and benefits • Health and safety • Working environment	• Departmental meeting • Company intranet • Performance evaluations • Compensations and benefits
Local Community	• Environment impact from operation • Emissions management	• Corporate website and social media platforms • Community engagement programmes • Corporate advertisements

MATERIALITY ASSESSMENT AND KEY SUSTAINABILITY MATTERS

Having taken into consideration the stakeholders' engagements, we have identified the following sustainability matters to be discussed in this sustainability statement in accordance to its level of significance to the Group's economic, environmental and social performance and their value to our stakeholders.

1. 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.

2. 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.

Initiatives made in FY2021 to minimise the impact on the environment:-

Recycling	Steel recycle per tonne of product	9.13 kg
Schedule Waste	Output per tonne	0.47 kg
Electricity Consumption	Consumption per tonne	71.81 KWH
Water Consumption	Consumption per tonne	0.63 m^3

3. SOCIAL

ASTEEL 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.

ASTEEL Management Team

ASTEEL People

COMMUNITY

YKGI continues to support charity programs through donations and volunteering efforts of our employees. The Group supports various communities through advertising and sponsoring events. We also runs practical-training programmes with local technical Institutions to promote work-experience and employability of their students. This is one of the key priorities for YKGI to develop and maintain strong and mutually beneficial relationships with its community.

In the year 2021, following institutions, schools, associations, project and events, amoung others, benifited from ASTEEL's endowment.

- The Sarawak Cheshire Home
- The Salvation Army Childrens Home
- Lembaga Pengurus Sekolah SJK Chung Hua Kranji
- Sponsored Students at University of Malaysia Sabah (UMS)
- 7th Mile Community Association
- Sarawak Koh Yang (Kho Clan) Association
- Rotary Club
- St Peter's Church
- Persatuan Kabajikan Harapan Trinity
- Sarawak Society for Prevention of Cruelty to Animals (SSPCA)
- Klang Chinese Chamber of Commerce and Industry - Flood Victims
- Habitat for Indigenous and Urban Program (HIDUP) Kuching
- Catholic Memorial and Pilgrimage Centre Mount Singai, Bau
- Bodhi Counselling Centre, La Promenade Mall, Kota Samarahan
- Yayasan Jantung Sarawak
- Yayasan Hii Yii Ngiik dan Wong Ai Lang

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ASTEEL AND THE COMMUNITY

The Community is always in the heart of ASTEEL, especially the underprivileged, mentally and physically challenged.

ASTEEL visits the children at the Salvation Army Children's Home, endowing them with Angpows, Oranges and goodies to celebrate Chinese New Year.

ASTEEL supports the Habitat for Indigenous and Urban Program (HIDUP) Kuching.

As part of giving reliefs to those severely affected by the lockdown due to Covid-19, ASTEEL is happy to give Rice and Biscuits.

ASTEEL AND THE COMMUNITY

ASTEEL gives support to the charitable foundation Yayasan Hii Yii Ngiik dan Wong Ai Lang.

The Signing of Memorandum of Understanding (MoU) between Hornbill Networks Consortium Sdn Bhd and ASTEEL Group will provide about a hundred low cost houses to the lower income-group of the community. ASTEEL strives to provide affordable shelters to everyone.

To celebrate the joyous season of Christmas, ASTEEL staff of all religion and race gather for a Gift Exchange and fellowship.

ASTEEL AND THE COMMUNITY

ASTEEL gives back generously to our clients. In appreciation to the patronage of our loyal patrons, a total of 11 prizes worth RM85,000 are given to the lucky customers with the Grand prize of Perodua Ativa.

ASTEEL Group celebrating our 25th Anniversary at a local Restaurant with Guest of Honour Yang Berhormat Dato' Sri Prof. Dr Sim Kui Hian – Deputy Chief Minister, Minister of Public Health, Housing & Local Government.

Long Service Awards to our loyal staff.

ADDITIONAL COMPLIANCE INFORMATION

1. PROPERTIES OWNED BY THE GROUP AS AT 31 DECEMBER 2021

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 Jan 2020	27	21,714
Lot 801 Block 7 Muara Tebas Land District Kuching, Sarawak	Leasehold (60 years) expiring on 1 Sept 2053	1.67 Ha/ 0.55 Ha	Industrial Land and Buildings	Acquired in Aug 2020	25	12,439
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 Jan 2020	15	8,965
PTD102979, Jalan Seelong Jaya 15, Mukim Senai, 81400 Senai, Johor	Freehold	0.805 Ha/ 0.367 Ha	Industrial Land	Acquired in Nov 2010 Revalued in Aug 2020	12	7,035
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	5	1,208
Sublot 15 (Survey Lot 7640) Lots 1392, 1393 & 1394 All of Block 25 Muara Tuang Land District Kuching, Sarawak	Freehold	193 M^2	Double Storey Intermediate Terrace House	Acquired in Aug 2020	2	458
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	5	360

2. MATERIAL CONTRACTS

Apart from the related party transactions as disclosed in Note 28 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 8 July 2021 , YKGI entered into a conditional share subscription agreement with Macquarie Bank Limited (**"Macquarie Bank"** or the **"Investor"**) for the subscription of up to 93,000,000 YKGI Shares which is expected to raise about RM17.205 million ("Proposed Subscription") . For the FY2021, a sum of RM1.881 million (net of expenses) was raised from the Proposed Subscription and the proceeds were used as follows:

Purpose	Proposed utilization (RM'000)	Actual utilization (RM'000)	Variance
(i) Working capital of the Group	16,655	1,881	N/A
(ii) Expenses related to Proposed Subscription	550	103	N/A
Total proceeds	17,205	1,984	

4. EMPLOYEES' SHARE OPTION SCHEME

The Employees' Share Option Scheme ("ESOS") (2016/2021) of the Company was implemented on 9 November 2016 and expire on 8 November 2021. On 5 August 2021 the Board of Directors had approved the extension of the ESOS for a further five years to expire on 8 November 2026.

The total number of options granted, exercised and outstanding under the ESOS, are set out in the table below:-

OPTION	OFFER 1	OFFER 2	OFFER 3	OFFER 4	OFFER 5	TOTAL
Options Granted	**36,350,000**	**2,400,000**	**4,750,000**	**25,650,000**	**1,925,000**	**71,075,000**
Options Exercised	(2,626,600)	(110,000)	(60,000)	(9,370,500)	(153,000)	(12,320,100)
Options lapsed	(14,935,000)	(1,130,000)	(1,750,000)	(425,000)	(75,000)	(18,315,000)
Balance Exercible	**18,788,400**	**1,160,000**	**2,940,000**	**15,854,500**	**1,697,000**	**40,439,900**

During FY2021, ESOS Committee had granted 25,650,000 option shares (Offer 4) on 5 April 2021 and 1,925,000 (Offer 5) on 6 July 2021 respectively, both with exercise price of RM0.19 to eligible employees according to the ESOS By-Laws.

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 2021	Granted	Exercised	Lapsed	31 Dec 2021	%
1	Executive Directors	4,200,000	-	-	-	4,200,000	10.39
2	Non Executive Directors	3,300,000	600,000	(100,000)	-	3,800,000	9.40
3	Senior Management	2,380,000	1,150,000	(940,000)	-	2,590,000	6.40
	Subtotal	**9,880,000**	**1,750,000**	**(1,040,000)**	**-**	**10,590,000**	**26.19**
4	Others	14,108,400	25,825,000	(8,933,500)	(1,150,000)	29,849,900	73.81
	Total	**23,988,400**	**27,575,000**	**(9,973,500)**	**(1,150,000)**	**40,439,900**	**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 2021	Granted	Exercised	Lapsed	31 Dec 2021
1	Fong Yoo Kaw @ Fong Yee Kow	0.23	900,000	-	-	-	900,000
		0.19	-	100,000	(100,000)	-	-
2	Liew Jee Min @ Chong Jee Min	0.23	800,000	-	-	-	800,000
		0.19	-	300,000	-	-	300,000
3	Yan Ying Chieh	0.22	800,000	-	-	-	800,000
		0.19	-	100,000	-	-	100,000
4	Christopher Hii Lu Ming	0.23	800,000	-	-	-	800,000
		0.19	-	100,000	-	-	100,000
	Total	**-**	**3,300,000**	**600,000**	**(100,000)**	**-**	**3,800,000**

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

The significant RRPTs entered into during the financial year ended 31 December 2021 are disclosed in Note 28 to the Financial Statements. A breakdown of the aggregate value of the RRPTs conducted pursuant to the shareholder mandate during the financial year, where the aggregate value is equal to or more than the threshold prescribed under paragraph 10.09 (1) of the Main Market Listing Requirements are set out below :-

Nature of RRPT with YKGI Group	Names of Related Party(ies)	Relationship of Related Party(ies) with YKGI Group	Actual value of RRPT as at 31 December 2021 (RM)
Purchase of YKGI Group Products from YKGI Group	Yung Kong Co Bhd ("YKC")	Major shareholder of YKGI	11,924,163
	Yung Kong Metal Works Co Bhd	Company connected to YKC and certain Directors	44,487
	Yunco Enterprise Sdn Bhd ("YESB")	Company connected to certain Directors	27,420,556
	Yunco Integrated Sdn Bhd ("YIS")	Company connected to certain Directors	27,070
	Yunco Building Systems Sdn Bhd ("YBS")	Company connected to certain Directors	1,651,906
	Chung Huat Industries Sdn Bhd	Company connected to certain Directors	4,708,348
	Milicorp Sdn Bhd	Company connected to certain Directors	4,851,476
	Total		**50,628,006**
Purchase of consumables by YKGI Group	YKC	Major shareholder of YKGI	187,405
	YIS	Company connected to certain Directors	37,579
	Yung Hup (M) Sdn Bhd	Company connected to certain Directors	85,756
	Continental Strength Sdn Bhd	Company connected to certain Directors	716,530
	Total		**1,027,270**

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 2020 (RM)
Purchase of stock by YKGI Group	Aijya Safety Glass Sdn Bhd	Company connected to certain Directors	159,868
	ARI Utara Sdn Bhd	Company connected to certain Directors	299,320
	Asia Roofing Industries Sdn Bhd	Company connected to certain Directors	218,968
	Trans Paint Marketing Sdn Bhd	Company connected to YKC and certain Directors	95,525
	YESB	Company connected to certain Directors	347,193
	YBS	Company connected to certain Directors	74,997
	Yung Kong Versatile Fence Sdn Bhd	Company connected to YKC and certain Directors	239,282
	YKMW	Company connected to YKC and certain Directors	498,766
	Yung Kong Wire Industries Sdn Bhd	Company connected to YKC and certain Directors	20,004
	Total		**1,953,923**
Lease rental paid by YKGI Group	Ajiya Safety Glass Sdn Bhd	Company connected to certain Directors	660,768
	ARI Utara Sdn Bhd	Company connected to certain Directors	924,000
	Total		**1,584,768**

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 5037 6228 Fax: +60 3 5037 6229
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 Scaffolding Sdn Bhd
Reg. No. 2021 0100 1789 (1402087-D)

AS Trans Paint Sdn Bhd
Reg. No. 1992 0100 8265 (239768-D)

Lot 712 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +60 82 433 888 Fax: +60 82 433 889
Website: http://www.asteel.com.my
E-mail: enquiries@asteel.com.my

ASTEEL (Sarawak) Sdn Bhd
Reg. No. 2020 0100 7411 (1363731-A)
Lot 801 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +60 82 433 888 Fax: +60 82 433 889

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 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 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

AS Tiles & Interior Design Sdn Bhd (Kuching Showroom)
Reg, No. 2020 0100 9209 (1365529-M)
Ground Floor of Lot 3037, Lorong 8, Jalan Tun Ahmad
Zaidi Adruce, 93200 Kuching, Sarawak.
Tel : +6016 7020 538

AS Singai Sdn Bhd (Singai)
Reg. No. 2020 0103 5980 (1392301-X)
Lot 145, Block 6, Senggi Poak Land District,
Jalan Singai-Matang 94000 Bau, Sarawak, Malaysia.
Tel: +60 19 889 8660 / +6016-565 7020

envio Concept Store (Demak)
Lot 801 Block 7 Demak Laut Industrial Park
93050 Kuching Sarawak Malaysia
Tel: +60 82 496 868 Fax: +60 82 496 886

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 (Sibu)
Lot 4955, Block 1, Menyan Land District
(Sibu Jaya Industrial Building) 96000 Sibu, Sarawak
Tel: +60 11-1053-0207

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 641045

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 (Sabah)
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

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 5037 6228
Fax: +60 3 5037 6229
Website: http://www.starshinegroup.com
E-mail: ssm@starshinegroup.com

ASTAR Steel 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

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 2021

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

Principal activities

The Company is principally an investment holding company. There is no change in the principal activity during the year.

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	6,421,483	4,662,247
Non-controlling interests	1,682,525	-
	8,104,008	4,662,247

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*	-
Dato' Sri Victor Hii Lu Thian*	-
Christopher Hii Lu Ming*	-
Fong Yoo Kaw @ Fong Yee Kow	-
Liew Jee Min @ Chong Jee Min	-
Yan Ying Chieh	-
Toshihiro Tachibana	Koichiro Nakazawa

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

Directors' report for the year ended 31 December 2021 (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

Datuk 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

Paul Wong Chiew Woen

Rose Wong Ngiik Hwa

Henry Hii Lu Yiin

Chong Kon Yu (appointed on 1 January 2022)

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 1.1.2021**	**Bought**	**Sold**	**At 31.12.2021**
Tan Sri Dato' Soh Thian Lai	12,929,346	-	-	12,929,346
Dato' Sri Victor Hii Lu Thian	5,483,456	7,012,315	-	12,495,771
Christopher Hii Lu Ming	4,283,546	-	-	4,283,546
Fong Yoo Kaw @ Fong Yee Kow	-	100,000	-	100,000
Deemed interests in the Company:				
Tan Sri Dato' Soh Thian Lai	11,576,216	-	-	11,576,216
Dato' Sri Victor Hii Lu Thian	55,820,766	406,000	(1,000,000)	55,226,766
Christopher Hii Lu Ming	55,820,766	406,000	(1,000,000)	55,226,766

Directors' report for the year ended 31 December 2021 (continued)

Directors' interests in shares (continued)

	Number of ESOS options over ordinary shares				
	At 1.1.2021	Granted	Exercised	Lapsed	At 31.12.2021
Interests in the Company					
Tan Sri Dato' Soh Thian Lai	2,200,000	-	-	-	2,200,000
Dato' Sri Victor Hii Lu Thian	2,000,000	-	-	-	2,000,000
Christopher Hii Lu Ming	800,000	100,000	-	-	900,000
Fong Yoo Kaw @ Fong Yee Kow	900,000	100,000	(100,000)	-	900,000
Liew Jee Min @ Chong Jee Min	800,000	300,000	-	-	1,100,000
Yan Ying Chieh	800,000	100,000	-	-	900,000

The other Directors holding office at 31 December 2021 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' 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 28 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 issuance of the Employees Share Option Scheme ("ESOS").

Issue of shares and debentures

On 3 September 2021, a resolution of the proposed subscription of up to 93,000,000 new ordinary shares in the Company by Macquarie Bank Limited was approved by the shareholders via an Extraordinary General Meeting (referred to "the Proposed Subscription"). In the month of September 2021, the Company issued 10,000,000 new ordinary shares to Macquarie Bank Limited under the Proposed Subscription in five tranches with average issue price of RM0.1984 per share and raised a net proceed of RM1,880,785.

During the financial year, the Company also issued 9,973,500 new ordinary shares under the Employees Share Option Scheme and raised RM1,911,165.

Total issued and paid-up share capital of the Company increased from RM45,675,401 to RM49,467,351 by additional issuance of 19,973,500 new ordinary shares pursuant to the above issuances.

Save as disclosed above, 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 the issuance of options pursuant to the ESOS.

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;

Directors' report for the year ended 31 December 2021 (continued)

Options granted over unissued shares (continued)

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 1.1.2021**	**Granted**	**Exercised**	**Forfeited**	**At 31.12.2021**
9.5.2017	RM0.23	19,488,400	-	(350,000)	(350,000)	18,788,400
8.8.2017	RM0.20	1,250,000	-	(40,000)	(50,000)	1,160,000
7.8.2018	RM0.22	3,250,000	-	(60,000)	(250,000)	2,940,000
5.4.2021	RM0.19	-	25,650,000	(9,370,500)	(425,000)	15,854,500
6.7.2021	RM0.19	-	1,925,000	(153,000)	(75,000)	1,697,000
		23,988,400	27,575,000	(9,973,500)	(1,150,000)	40,439,900

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 RM19,090 (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

Directors' report for the year ended 31 December 2021 (continued)
Other statutory information (continued)

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

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

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

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

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

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

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2021 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

The auditors, 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

Dato' Sri Victor Hii Lu Thian
Director

Klang,

Date: 14 April 2022

Statements of financial position as at 31 December 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Assets					
Property, plant and equipment	3	53,599,625	54,022,921	442,130	1,416,168
Right-of-use assets	4	25,734,729	25,360,528	-	-
Investment properties	5	1,666,275	2,318,337	-	-
Investment in subsidiaries	6	-	-	44,054,111	46,803,265
Other investments	7	9,775	9,775	-	-
Trade and other receivables	8	-	-	5,000,000	5,014,384
Total non-current assets		81,010,404	81,711,561	49,496,241	53,233,817
Trade and other receivables	8	42,614,148	36,125,023	7,068,788	4,953,629
Inventories	9	64,876,247	44,300,058	-	-
Contract assets	10	3,009,717	2,283,565	-	-
Deposits and prepayments	11	4,735,215	1,476,773	26,734	18,383
Current tax assets		775,611	547,872	6,225	-
Cash and cash equivalents	12	17,104,874	18,304,660	450,387	4,449,015
		133,115,812	103,037,951	7,552,134	9,421,027
Assets classified as held for sale	13	360,000	360,000	-	-
Total current assets		133,475,812	103,397,951	7,552,134	9,421,027
Total assets		214,486,216	185,109,512	57,048,375	62,654,844
Equity					
Share capital	14.1	49,467,351	45,675,401	49,467,351	45,675,401
Reserves	14.2	14,415,141	8,416,430	5,663,945	824,644
Equity attributable to owners of the Company		63,882,492	54,091,831	55,131,296	46,500,045
Non-controlling interests	6.2	18,052,355	4,059,046	-	-
Total equity		81,934,847	58,150,877	55,131,296	46,500,045
Liabilities					
Loans and borrowings	15	18,481,460	20,343,347	-	-
Lease liabilities	16	4,661,239	4,160,362	-	-
Deferred tax liabilities	17	5,305,400	5,451,300	-	-
Total non-current liabilities		28,448,099	29,955,009	-	-
Trade and other payables	18	27,259,303	38,744,563	1,917,079	16,124,079
Loans and borrowings	15	68,963,082	54,497,301	-	-
Lease liabilities	16	2,000,961	2,327,576	-	-
Current tax payables		1,411,856	809,891	-	30,720
Contract liabilities	10	4,468,068	624,295	-	-
Total current liabilities		104,103,270	97,003,626	1,917,079	16,154,799
Total liabilities		132,551,369	126,958,635	1,917,079	16,154,799
Total equity and liabilities		214,486,216	185,109,512	57,048,375	62,654,844

The notes on pages 67 to 136 are an integral part of these financial statements.

Statements of profit or loss and other comprehensive income
for the year ended 31 December 2021

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Revenue	19	243,685,996	184,075,354	-	-
Cost of sales		(195,810,070)	(156,427,251)	-	-
Gross profit		47,875,926	27,648,103	-	-
Other income		528,460	593,059	6,763,253	-
Selling and distribution expenses		(3,835,095)	(3,403,140)	-	-
Administrative expenses		(29,043,123)	(22,359,586)	(1,839,460)	(1,968,420)
Other operating expenses		(4,461)	(354,681)	-	-
Net gain/(loss) on impairment of financial instruments		469,669	(32,159)	157,798	-
Results from operating activities		15,991,376	2,091,596	5,081,591	(1,968,420)
Other non-operating income	23	103,842	-	133,842	-
Other non-operating expenses	23	(835,082)	(1,919,794)	(835,082)	(1,919,794)
Finance income	20	451,239	832,002	281,896	278,934
Finance costs	20	(4,213,206)	(5,901,132)	-	(1,970,318)
Net finance (cost)/ income		(3,761,967)	(5,069,130)	281,896	(1,691,384)
Profit/(Loss) before tax	21	11,498,169	(4,897,328)	4,662,247	(5,579,598)
Tax expense	22	(3,394,161)	(1,144,474)	-	(67,000)
Profit/(Loss) for the year		8,104,008	(6,041,802)	4,662,247	(5,646,598)
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment and right-of-use leasehold land		-	16,233,740	-	-
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation difference for foreign operation		(580)	-	-	-
Total comprehensive income/ (expenses) for the financial year		8,103,428	10,191,938	4,662,247	(5,646,598)
Profit/(Loss) attributable to:					
Owners of the Company		6,421,483	(5,791,003)	4,662,247	(5,646,598)
Non-controlling interests	6.2	1,682,525	(250,799)	-	-
Profit/(Loss) for the year		8,104,008	(6,041,802)	4,662,247	(5,646,598)
Total comprehensive income/ (expense) attributable to:					
Owners of the Company		6,420,903	10,442,737	4,662,247	(5,646,598)
Non-controlling interests	6.2	1,682,525	(250,799)	-	-
Total comprehensive income/ (expense) for the year		8,103,428	10,191,938	4,662,247	(5,646,598)
Basic/diluted earnings per ordinary share (sen):	24	1.5	(1.6)		

The notes on pages 67 to 136 are an integral part of these financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2021

	Attributable to owners of the Company							
	Non-distributable							
Group	Share capital RM	Revaluation reserve RM	Share option reserve RM	Translation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
At 1 January 2020	38,746,828	4,458,084	50,538	-	(6,533,796)	36,721,654	4,024,945	40,746,599
Loss for the year	-	-	-	-	(5,791,003)	(5,791,003)	(250,799)	(6,041,802)
Realisation of revaluation gain	-	(79,000)	-	-	79,000	-	-	-
Revaluation gain	-	16,233,740	-	-	-	16,233,740	-	16,233,740
Total comprehensive income for the year	-	16,154,740	-	-	(5,712,003)	10,442,737	(250,799)	10,191,938
Contributions by and distributions to owners of the company								
- Share-based payment transactions	-	-	(1,133)	-	-	(1,133)	-	(1,133)
- Issuance of ordinary shares	6,928,573	-	-	-	-	6,928,573	-	6,928,573
- Issuance of shares by subsidiaries	-	-	-	-	-	-	284,900	284,900
Total transactions with owners of the Company	6,928,573	-	(1,133)	-	-	6,927,440	284,900	7,212,340
At 31 December 2020/ 1 January 2021	45,675,401	20,612,824	49,405	-	(12,245,799)	54,091,831	4,059,046	58,150,877

Consolidated statement of changes in equity
for the year ended 31 December 2021 (continued)

Group	Note	Share capital RM	Revaluation reserve RM	Share option reserve RM	Translation reserve RM	Accumulated losses RM	Total RM	Non-controlling interests RM	Total equity RM
		Attributable to owners of the Company							
		Non-distributable							
At 31 December 2020/ 1 January 2021		45,675,401	20,612,824	49,405	-	(12,245,799)	54,091,831	4,059,046	58,150,877
Profit for the year		-	-	-	-	6,421,483	6,421,483	1,682,525	8,104,008
Realisation of revaluation gain		-	(907,276)	-	-	907,276	-	-	-
Foreign currency translation difference for foreign operation		-	-	-	(580)	-	(580)	-	(580)
Total comprehensive income for the year		-	(907,276)	-	(580)	7,328,759	6,420,903	1,682,525	8,103,428
Contributions by and distributions to owners of the company									
- Share-based payment transactions		-	-	127,649	-	49,405	177,054	-	177,054
- Issuance of ordinary shares		3,791,950	-	-	-	-	3,791,950	-	3,791,950
- Issuance of shares by subsidiaries		-	-	-	-	-	-	2,240,100	2,240,100
- Changes in ownership interests in a subsidiary	6	-	-	-		(553,046)	(553,046)	10,058,518	9,505,472
- Acquisition of a subsidiary	31	-	-	-	-	-	-	42,966	42,966
- Dividend paid to minority shareholder		-	-	-	-	(46,200)	(46,200)	(30,800)	(77,000)
Total transactions with owners of the Company		3,791,950	-	127,649	-	(549,841)	3,369,758	12,310,784	15,680,542
At 31 December 2021		49,467,351	19,705,548	177,054	(580)	(5,466,881)	63,882,492	18,052,355	81,934,847
		(Note 14.1)	(Note 14.2)	(Note 14.2)	(Note 14.2)			(Note 6.2)	

Consolidated statement of changes in equity
for the year ended 31 December 2021 (continued)

	Attributable to owners of the Company			
	Non-distributable			
Company	Share capital RM	Share option reserve RM	Retained earnings RM	Total RM
At 1 January 2020	38,746,828	50,538	6,421,837	45,219,203
Loss and total comprehensive loss for the year	-	-	(5,646,598)	(5,646,598)
Contributions by and distributions to owners of the Company				
- Share-based payment transactions	-	(1,133)	-	(1,133)
- Issuance of ordinary shares	6,928,573	-	-	6,928,573
Total transactions with owners of the Company	6,928,573	(1,133)	-	6,927,440
At 31 December 2020/1 January 2021	45,675,401	49,405	775,239	46,500,045
Profit and total comprehensive income for the year	-	-	4,662,247	4,662,247
Contributions by and distributions to owners of the Company				
- Share-based payment transactions	-	127,649	49,405	177,054
- Issuance of ordinary shares	3,791,950	-	-	3,791,950
Total transactions with owners of the Company	3,791,950	127,649	49,405	3,969,004
At 31 December 2021	49,467,351	177,054	5,486,891	55,131,296
	(Note 14.1)	(Note 14.2)	(Note 14.2)	

The notes on pages 67 to 136 are an integral part of these financial statements.

Statements of cash flows for the year ended 31 December 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Cash flows from operating activities					
Profit/(Loss) before tax		11,498,169	(4,897,328)	4,662,247	(5,579,598)
Adjustments for:					
Depreciation of property, plant and equipment	3	6,685,787	5,661,499	974,038	978,585
Depreciation of right-of-use assets	4	2,068,915	1,840,411	-	-
Amortisation of investment properties	5	43,263	32,564	-	-
Finance income	20	(451,239)	(832,002)	(281,896)	(278,934)
Finance costs	20	4,213,206	5,901,132	-	1,970,318
Gain on disposal of:					
- property, plant and equipment		(85,999)	(1,707)	(30,000)	-
- right-of-use assets		(67,519)	-	-	-
- investment properties		(21,200)	-	-	-
Impairment loss/(Reversal of impairment loss) on:					
- inventories		216,741	69,116	-	-
- trade receivables		(469,669)	(321,939)	(157,798)	(354,098)
Goodwill written off	31	545	-	-	-
Property, plant and equipment written off		4,461	82,740	-	-
Gain on disposal of shares in a subsidiary	6	-	-	(6,756,318)	-
Loss arising from revaluation		-	154,693	-	-
Unrealised foreign exchange loss/(gain)		74,900	(260,846)	74,900	(260,846)
Equity settled share-based payment transactions		177,054	(1,133)	177,054	(1,133)
Operating profit/(loss) before changes in working capital		23,887,415	7,427,200	(1,337,773)	(3,525,706)
Changes in inventories		(20,792,930)	12,071,435	-	-
Change in contract assets		(726,152)	(257,433)	-	-
Change in contract liabilities		3,843,773	190,758	-	-
Changes in trade and other receivables, deposits and prepayments		(9,294,020)	4,314,930	(1,951,328)	13,521,087
Changes in trade and other payables		(11,020,704)	(19,064,422)	(14,281,900)	(17,130,066)
Cash (used in)/generated from operations		(14,102,618)	4,682,468	(17,571,001)	(7,134,685)
Net taxes paid		(3,165,835)	(1,774,615)	(36,945)	(34,775)
Interest paid		(2,460,564)	(4,395,783)	-	(1,970,318)
Interest received		120,525	207,763	-	33,589
Net cash used in operating activities		(19,608,492)	(1,280,167)	(17,607,946)	(9,106,189)

Statements of cash flows for the year ended 31 December 2021 (continued)

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment and right-of-use leasehold land [Note (i)]		(4,350,453)	(5,482,580)	-	-
Proceeds from disposal of property, plant and equipment, right-of-use assets and investment properties [Note (ii)]		1,066,800	989,151	30,000	800,000
Proceeds from disposal of shares in a subsidiary	6	9,505,472	-	9,505,472	-
Interest received		330,714	624,239	281,896	245,345
Acquisition of subsidiary, net of cash and cash equivalents acquired	31	(99,836)	-	-	-
Movement in pledged deposits placed with licensed banks		(2,767,966)	2,728,458	-	-
Net cash from/(used in) investing activities		3,684,731	(1,140,732)	9,817,368	1,045,345
Cash flows from financing activities					
Net drawdown/(repayment) of loan and borrowings		9,333,184	(2,680,319)	-	-
Interest paid		(1,752,642)	(1,505,349)	-	-
Payment of lease liabilities		(2,513,793)	(1,965,203)	-	-
Proceed from issuance of share to non-controlling interest by subsidiaries	6	2,240,100	284,900	-	-
Proceeds from issuance of shares, net of expenses	14.1	3,791,950	6,928,573	3,791,950	6,928,573
Dividend paid to non-controlling interest		(77,000)	-	-	-
Net cash from financing activities		11,021,799	1,062,602	3,791,950	6,928,573
Net decrease in cash and cash equivalents		(4,901,962)	(1,358,297)	(3,998,628)	(1,132,271)
Cash and cash equivalents at beginning of year		9,158,379	10,516,676	4,449,015	5,581,286
Cash and cash equivalents at end of year [Note (iv)]		4,256,417	9,158,379	450,387	4,449,015

Statements of cash flows for the year ended 31 December 2021 (continued)

Notes

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

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

	Note	Group 2021 RM	Group 2020 RM
Paid in cash		4,350,453	5,482,580
In the form of hire purchase facilities	(iii)	1,916,500	1,791,400
In the form of term loan	(iii)	-	6,192,000
Total additions		6,266,953	13,465,980
Addition to property, plant and equipment	3	6,266,953	8,568,981
Addition to right-of-use leasehold land	4	-	4,897,000
Total additions		6,266,953	13,465,980

(ii) ***Proceeds from disposal of property, plant and equipment, right-of-use assets and investment properties***

During the year, the Group and the Company disposed the following and received in cash:

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Property, plant and equipment	86,000	989,151	30,000	800,000
Right-of-use assets	350,800	-	-	-
Investment properties	630,000	-	-	-
Received in cash	1,066,800	989,151	30,000	800,000

Statements of cash flows for the year ended 31 December 2021 (continued)

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

	At 1 January 2020 RM	Net change from financing cash flows RM	Drawdown of term loan RM	Acquisition of hire purchase RM	Acquisition of new leases RM	At 31 December 2020 RM
Group						
Term loans						
- secured	13,641,190	(184,722)	6,192,000	-	-	19,648,468
- unsecured	-	500,000	-	-	-	500,000
	13,641,190	315,278	6,192,000	-	-	20,148,468
Bankers' acceptance and revolving credits						
- secured	48,668,093	(980,427)	-	-	-	47,687,666
Hire purchase facilities						
- secured	6,081,246	(2,015,170)	-	1,791,400	-	5,857,476
Lease liabilities	6,611,412	(1,965,203)	-	-	1,841,729	6,487,938
Total liabilities from financing activities	75,001,941	(4,645,522)	6,192,000	1,791,400	1,841,729	80,181,548

	At 31 December 2020 / 1 January 2021 RM	Net change from financing cash flows RM	Drawdown of term loan RM	Acquisition of hire purchase RM	Acquisition of new leases RM	At 31 December 2021 RM
Term loans						
- secured	19,648,468	(2,485,952)	-	-	-	17,162,516
- unsecured	500,000	(100,000)	-	-	-	400,000
	20,148,468	(2,585,952)	-	-	-	17,562,516
Bankers' acceptance						
- secured	47,687,666	7,553,674	-	-	-	55,241,340
Hire purchase facilities						
- secured	5,857,476	(2,333,586)	-	2,336,500^	-	5,860,390
Revolving credit						
- secured	-	6,699,048	-	-	-	6,699,048
Lease liabilities	6,487,938	(2,513,793)	-	-	2,688,055	6,662,200
Total liabilities from financing activities	80,181,548	6,819,391	-	2,336,500	2,688,055	92,025,494

^ Included in the acquisition of hire purchase during the financial year is an amount of RM420,000 for assets acquired in the previous financial year.

Statements of cash flows for the year ended 31 December 2021 (continued)

Notes

(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	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash in hand and at banks (Note 12)	6,337,665	10,305,417	450,387	4,449,015
Less: Bank overdrafts (Note 15)	(2,081,248)	(1,147,038)	-	-
	4,256,417	9,158,379	450,387	4,449,015

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Included in net cash from operating activities				
Interest paid in relation to lease liabilities	441,723	336,572	-	-
Included in net cash from financing activities				
Payment of lease liabilities	2,513,793	1,965,203	-	-
Total cash outflows for leases	2,955,516	2,301,775	-	-

The notes on pages 67 to 136 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 2021 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 2021 do not include other entities.

The Company is principally an investment holding company. The principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 14 April 2022.

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
Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*	1 January 2022
Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*	1 January 2022
Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018−2020)*	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018−2020)*	1 January 2022
Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets − Onerous Contracts − Cost of Fulfilling a Contract*	1 January 2022
Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018−2020)*	1 January 2022
MFRS 17, *Insurance Contracts*	1 January 2023
Amendments to MFRS 17, *Insurance Contract – Initial application of MFRS 17 and MFRS 9 – Comparative information*	1 January 2023
Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies*	1 January 2023
Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*	1 January 2023

Notes to the financial statements (continued)

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS/Amendment/Interpretation	**Effective Date**
Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
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 2022 for the accounting standard that is effective for annual periods beginning on or after 1 April 2021 and 1 January 2022, which are currently assessed as applicable to the Group and the Company except for Amendments to MFRS 1 and Amendments to MFRS 141 which are assessed as presently not applicable to the Group and the Company; and

- from the annual period beginning on 1 January 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and Amendments to MFRS 17 which are assessed as presently 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:

- Note 3, impairment assessment of property, plant and equipment;
- Note 4, extension options and incremental borrowing rate in relation to leases;
- Notes 8.4 and 25.3(a), impairment assessment of trade receivables and measurement of expected credit loss ("ECL"); and
- Note 9, valuation of inventories.

Notes to the financial statements (continued)

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.

(a) Basis of consolidation

(i) Subsidiaries

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

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

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

(ii) Business combinations

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

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

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

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

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

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

(iii) Acquisitions of non-controlling interests

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

(iv) 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.

Notes to the financial statements (continued)

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

(a) **Basis of consolidation** (continued)

(v) ***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.

(vi) ***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.

(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.

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") (continued)

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, 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.

Amortised cost

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

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

All financial assets are subject to impairment assessment [see Note 2(k)(i)].

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

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

Financial liabilities

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

Amortised cost

Other financial liabilities not categorised 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.

(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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(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.

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

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(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.

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

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) 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 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.

Notes to the financial statements (continued)

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

(e) **Leases** (continued)

(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.

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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(e) Leases (continued)

(ii) Recognition and initial measurement (continued)

(b) As a lessor (continued)

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.

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)).

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

A contract liability is stated at cost and represents the obligation of the Group 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) Cash and cash equivalents

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

(k) Impairment

(i) Financial assets

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

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

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

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

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

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

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

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

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(k) Impairment (continued)

(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.

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

(l) Equity instruments

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

(i) Issue expenses

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

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Preference share capital

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

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

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(m) Employee benefits

(i) Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group or the Company 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 and the Company'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.

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.

Notes to the financial statements (continued)

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

(m) **Employee benefits** (continued)

(iv) ***Share-based payment transactions*** (continued)

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.

(n) **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.

Notes to the financial statements (continued)

2. Significant accounting policies (continued)

(n) Revenue and other income (continued)

(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.

(o) Borrowing costs

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

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

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

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

(p) Income tax

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

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

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

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

Notes to the financial statements (continued)

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

(p) **Income tax** (continued)

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.

(q) **Discontinued operations**

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

(r) **Earnings per ordinary share**

The Group presents basic and diluted earnings per share 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.

(s) **Operating segments**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(t) **Fair value measurements**

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	Buildings	Plant and machinery	Office equipment, furniture and fittings, equipment and tools	Subtotal
	RM	RM	RM	RM	RM
Cost/Valuation					
At 1 January 2020	3,465,000	26,584,808	59,656,964	6,077,913	95,784,685
Additions	-	3,800,541	3,316,213	354,268	7,471,022
Disposals	-	(246,605)	(2,837,042)	(335)	(3,083,982)
Written off	-	-	(60,998)	(52,082)	(113,080)
Revaluation of assets (Note 3.4)	-	2,627,543	-	-	2,627,543
At 31 December 2020/1 January 2021	3,465,000	32,766,287	60,075,137	6,379,764	102,686,188
Additions	-	880,927	867,104	616,596	2,364,627
Disposals	-	-	(52,000)	-	(52,000)
Written off	-	-	-	(10,563)	(10,563)
Reclassification	-	2,471,321	-	-	2,471,321
At 31 December 2021	3,465,000	36,118,535	60,890,241	6,985,797	107,459,573
Representing items at:					
Cost	-	6,642,147	60,890,241	6,985,797	74,518,185
Directors' valuation	3,465,000	29,476,388	-	-	32,941,388
	3,465,000	36,118,535	60,890,241	6,985,797	107,459,573

Notes to the financial statements (continued)

3. Property, plant and equipment (continued)

Group (continued)	Subtotal RM	Motor vehicles RM	Assets under construction RM	Total RM
At 1 January 2020	95,784,685	8,652,583	912,187	105,349,455
Additions	7,471,022	410,606	687,353	8,568,981
Disposals	(3,083,982)	(239,765)	-	(3,323,747)
Written off	(113,080)	-	-	(113,080)
Revaluation of assets (Note 3.4)	2,627,543	-	-	2,627,543
At 31 December 2020 / 1 January 2021	102,686,188	8,823,424	1,599,540	113,109,152
Additions	2,364,627	2,006,342	1,895,984	6,266,953
Disposals	(52,000)	(505,417)	-	(557,417)
Written off	(10,563)	-	-	(10,563)
Reclassification	2,471,321	-	(2,471,321)	-
At 31 December 2021	107,459,573	10,324,349	1,024,203	118,808,125
Representing items at:				
Cost	74,518,185	10,324,349	1,024,203	85,866,737
Directors' valuation	32,941,388	-	-	32,941,388
	107,459,573	10,324,349	1,024,203	118,808,125

Notes to the financial statements (continued)

3. Property, plant and equipment (continued)

Group	Freehold land	Buildings	Plant and machinery	Office equipment, furniture and fittings, equipment and tools	Subtotal
	RM	RM	RM	RM	RM
Depreciation/impairment					
At 1 January 2020	-	16,200,113	46,101,438	4,179,583	66,481,134
Depreciation for the year	-	1,491,424	2,887,134	478,978	4,857,536
Disposals	-	(146,672)	(1,971,856)	(5,386)	(2,123,914)
Written off	-	-	(12,711)	(17,629)	(30,340)
Revaluation of assets (Note 3.4)	-	(16,473,907)	-	-	(16,473,907)
At 31 December 2020/1 January 2021	-	1,070,958	47,004,005	4,635,546	52,710,509
Depreciation for the year	-	2,229,862	2,912,659	568,615	5,711,136
Disposals	-	-	(52,000)	-	(52,000)
Written off	-	-	-	(6,102)	(6,102)
At 31 December 2021	-	3,300,820	49,864,664	5,198,059	58,363,543

Notes to the financial statements (continued)

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

Group (continued)	Subtotal RM	Motor vehicles RM	Assets under construction RM	Total RM
Depreciation/impairment (continued)				
At 1 January 2020	66,481,134	5,784,149	-	72,265,283
Depreciation for the year	4,857,536	803,963	-	5,661,499
Disposals	(2,123,914)	(212,390)	-	(2,336,304)
Written off	(30,340)	-	-	(30,340)
Revaluation of assets (Note 3.4)	(16,473,907)	-	-	(16,473,907)
At 31 December 2020/1 January 2021	52,710,509	6,375,722	-	59,086,231
Depreciation for the year	5,711,136	974,651	-	6,685,787
Disposals	(52,000)	(505,416)	-	(557,416)
Written off	(6,102)	-	-	(6,102)
At 31 December 2021	58,363,543	6,844,957	-	65,208,500

Group	Freehold land RM	Buildings RM	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Motor vehicles RM	Assets under construction RM	Total RM
Carrying amounts							
At 31 December 2020/ 1 January 2021	3,465,000	31,695,329	13,071,132	1,744,218	2,447,702	1,599,540	54,022,921
At 31 December 2021	3,465,000	32,817,715	11,025,577	1,787,738	3,479,392	1,024,203	53,599,625

Notes to the financial statements (continued)

3. Property, plant and equipment (continued)

Company	Plant and machinery RM	Office equipment, furniture and fittings, equipment and tools RM	Motor vehicles RM	Total RM
Cost/Valuation				
At 1 January 2020	13,265,270	1,129,842	1,385,836	15,780,948
Disposals	(2,685,018)	-	-	(2,685,018)
At 31 December 2020/ 1 January 2021	10,580,252	1,129,842	1,385,836	13,095,930
Disposals	-	-	(97,900)	(97,900)
At 31 December 2021	10,580,252	1,129,842	1,287,936	12,998,030
Representing items at:				
Cost	10,580,252	1,129,842	1,287,936	12,998,030
Depreciation				
At 1 January 2020	10,555,054	969,527	1,061,614	12,586,195
Depreciation for the year	793,519	78,913	106,153	978,585
Disposals	(1,885,018)	-	-	(1,885,018)
Accumulated depreciation	3,225,514	1,048,440	1,167,767	5,441,721
Accumulated impairment loss	6,238,041	-	-	6,238,041
At 31 December 2020/ 1 January 2021	9,463,555	1,048,440	1,167,767	11,679,762
Depreciation for the year	793,519	75,671	104,848	974,038
Disposals	-	-	(97,900)	(97,900)
Accumulated depreciation	4,019,033	1,124,111	1,174,715	6,317,859
Accumulated impairment loss	6,238,041	-	-	6,238,041
At 31 December 2021	10,257,074	1,124,111	1,174,715	12,555,900
Carrying amounts				
At 31 December 2020/ 1 January 2021	1,116,697	81,402	218,069	1,416,168
At 31 December 2021	323,178	5,731	113,221	442,130

Notes to the financial statements (continued)

3. Property, plant and equipment (continued)

3.1 Impairment review of property, plant and equipment

In the previous year, the Group and the Company have evaluated whether certain idle 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 RM6,238,041 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	
Group	**2021 RM**	**2020 RM**
Fixed legal charges		
Freehold land	3,465,000	3,465,000
Buildings	28,980,810	28,047,590

3.3 Plant and equipment under hire purchase facilities

The carrying amounts of the property, plant and equipment under hire purchase facilities are as follows:

	Group	
	2021 RM	**2020 RM**
Plant and machinery	3,762,564	4,737,749
Motor vehicles	2,705,856	1,686,641
Total	6,468,420	6,424,390

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

3.4 Property, plant and equipment under the revaluation model

In the previous year, the Group has applied the revaluation model for the entire asset class on its buildings. The revaluation was performed by independent professional valuers, Jones Lang Wootton and TD Aziz Sdn Bhd using the comparison method. Following the exercise, revaluation surplus of RM14,634,143 (net of deferred tax liability) were taken up in the revaluation reserve accounts of the Group.

The buildings of the Group are stated at revalued amount according to the Group's revaluation accounting policy [Note 2(d)(i)]. Had the buildings 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 year are as follows:

	Group	
	2021 RM	**2020 RM**
Carrying Amount		
Buildings	9,903,028	10,481,161

Notes to the financial statements (continued)

4. Right-of-use assets - Group

	Leasehold land RM	Buildings RM	Machinery RM	Total RM
Cost				
At 1 January 2020	12,112,000	4,787,765	4,527,388	21,427,153
Addition	4,897,000	1,841,729	-	6,738,729
Revaluation of assets (Note 4.3)	1,443,000	-	-	1,443,000
At 31 December 2020/ 1 January 2021	18,452,000	6,629,494	4,527,388	29,608,882
Addition	-	2,762,512	-	2,762,512
Disposal	(286,960)	(74,457)	-	(361,417)
At 31 December 2021	18,165,040	9,317,549	4,527,388	32,009,977
Representing items at:				
Cost	-	9,317,549	4,527,388	13,844,937
Directors' valuation	18,165,040	-	-	18,165,040
	18,165,040	9,317,549	4,527,388	32,009,977
Accumulated depreciation				
At 1 January 2020	504,892	2,090,263	474,385	3,069,540
Depreciation for the year	324,529	1,063,143	452,739	1,840,411
Revaluation of assets (Note 4.3)	(661,597)	-	-	(661,597)
At 31 December 2020/ 1 January 2021	167,824	3,153,406	927,124	4,248,354
Depreciation for the year	484,045	1,132,130	452,740	2,068,915
Disposal	(3,679)	(38,342)	-	(42,021)
At 31 December 2021	648,190	4,247,194	1,379,864	6,275,248
Carrying amount				
At 31 December 2020	18,284,176	3,476,088	3,600,264	25,360,528
At 31 December 2021	17,516,850	5,070,355	3,147,524	25,734,729

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. Lease payments are increased every two to five years to reflect current market rentals. The Group also has three parcels of lands of which the lease term expire in 2052, 2053 and 2098 respectively.

4.1 Extension options

The lease of buildings contains 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.

Notes to the financial statements (continued)

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

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.

In the previous financial year, the Group had revalued its leasehold lands. The revaluation was performed by independent professional valuers, Jones Land Wootton and TD Aziz Sdn Bhd using the comparison method. Following the exercise, revaluation surplus of RM1,599,597 (net of deferred tax liability) were taken up in the revaluation reserve accounts of the Group.

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:

	2021 RM	2020 RM
Carrying amounts		
Short-term leasehold land	2,042,755	2,106,117
Long-term leasehold land	3,507,297	3,562,059
	5,550,052	5,668,176

4.4 Security

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

	Carrying amounts	
Group	**2021 RM**	**2020 RM**
Fixed legal charges		
Leasehold land	17,516,850	18,284,176

5. Investment properties - Group

	Buildings RM
At cost	
At 1 January 2020	1,277,170
Addition	1,088,000
At 31 December 2020/1 January 2021	2,365,170
Disposal	(630,000)
At 31 December 2021	1,735,170
Accumulated amortisation	
At 1 January 2020	14,269
Charge for the year	32,564
At 31 December 2020/1 January 2021	46,833
Charge for the year	43,263
Disposal	(21,200)
At 31 December 2021	68,896

Notes to the financial statements (continued)

5. Investment properties - Group (continued)

	Buildings RM
Carrying amount	
At 31 December 2020/1 January 2021	2,318,337
At 31 December 2021	1,666,275
Fair value	
At 31 December 2020/1 January 2021	2,588,000
At 31 December 2021	1,980,000

5.1 Fair value information

Fair value of investment properties is categorised as follows:

	Level 3	
	2021 RM	2020 RM
Buildings	1,980,000	2,588,000

Level 3 fair value

The Level 3 fair value of investment properties, determined for disclosure purposes, is generally ascertained by the management with reference to valuation reports, issued by an external independent property valuer, who has appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

	RM
At 1 January 2020	1,277,170
Additions	1,310,830
At 31 December 2020/1 January 2021	2,588,000
Disposal	(608,000)
At 31 December 2021	1,980,000

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Notes to the financial statements (continued)

6. Investment in subsidiaries - Company

	Company	
	2021 RM	2020 RM
Unquoted shares, at cost	44,054,111	46,803,265

Changes in ownership interests in an existing subsidiary

In the prior year, the Company has received a written notice from a corporate shareholder of their intention to exercise the share charged on ASTEEL Resources Sdn. Bhd. ("ARSB") of 19.64% equity interest, as a form of settlement of debts due to the corporate shareholder, which is equivalent to a total consideration of RM9,505,472. On 15 March 2021, the Company has completed the share transfer of 19.64% of ARSB's shares, which was previously a 100% owned subsidiary. The resultant equity interest held by the Company in ARSB decreased from 100% to 80.36%.

The change in the ownership interest was accounted for as an equity transaction between the Group and non-controlling interests. The change in the Group's share of net assets of RM553,046 was adjusted against the retained earnings account. The Group also recognised an increase in non-controlling interests of RM10,058,518.

Following the shares transferred, the Company has also recognised a gain on disposal of subsidiary of RM6,756,318, after deducting the cost of investment of RM2,749,154.

Incorporation and subscription of new and existing indirect subsidiaries

On 15 January 2021, AS Scaffolding Sdn. Bhd. was incorporated in Malaysia with total share capital of RM10,000 and held by an indirect subsidiary ASTEEL Sdn. Bhd..

On 19 January 2021, an indirect subsidiary, ASTEEL (Sarawak) Sdn. Bhd. has subscribed to additional 249,900 ordinary shares in an existing indirect subsidiary, AS Singai Sdn. Bhd. for a total cash consideration of RM249,900 while the minority shareholders subscribed to an additional 240,100 new ordinary shares in AS Singai Sdn. Bhd. for a cash consideration of RM240,100.

On 9 April 2021, ASTEEL (NZ) Private Limited was incorporated in New Zealand with total share capital of NZD100 held by a direct subsidiary ASTEEL Resources Sdn. Bhd..

On 19 April 2021, an indirect subsidiary, ASTEEL (Sarawak) Sdn. Bhd. acquired 140,000 ordinary shares of Huadar Paiting & Contractor Sdn. Bhd., now known as AS Trans Paint Sdn. Bhd. ("ASTP"), representing 70% shares, for a cash consideration of RM100,800.

Issuance of Redeemable Cumulative Preference Shares ("RCPS") of an indirect subsidiary

On 8 January 2021, the Company's indirect subsidiary, ASTEEL Ajiya Sdn. Bhd. ("AASB") and a related party, Asia Roofing Industries Sdn. Bhd. ("ARISB") had completed a subscription agreement to subscribe to 2,000,000 RCPS for a total cash consideration of RM2,000,000. ARISB is a subsidiary company of the minority shareholder of AASB. The RCPS are not convertible and do not have any voting rights. The RCPS holder is entitled to receive dividends as declared from time to time.

This transaction was accounted for as an equity transaction between the Group and non-controlling interests.

Notes to the financial statements (continued)

6. Investment in subsidiaries - Company (continued)

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 2021 %	2020 %
Direct			
ASTEEL Resources Sdn. Bhd. ("ARSB")	Investment holding	80.36	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.	Inactive	100	100
Starshine Industries Sdn. Bhd.	Inactive	100	100
Indirect through SSM			
Starshine Resources Sdn. Bhd.	Inactive	100	100
ASTAR Steel Sdn. Bhd.	Processors and distributors of iron and steel and roofing supply and installation	51.41	51.41
Star Shine Steel Products Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building	100	100
Indirect through ARSB			
ASTEEL Sdn. Bhd. ("ASB")	Manufacture and sale of metal roofing, coated steel products and related products	100	100
ASTEEL (Sabah) Sdn. Bhd.	Manufacture and sale of metal roofing and related products and trading in building materials and hardware	100	100

Notes to the financial statements (continued)

6. Investment in subsidiaries - Company (continued)

6.1 Details of the subsidiaries (continued)

Subsidiary	Principal activities	Effective ownership interest/Voting interest 2021 %	2020 %
Indirect through ARSB (continued)			
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 and industrialised building systems products	60	60
ASTEEL Works Sdn. Bhd.	Processing and supply of façade products and metal fabrication	100	100
ASTEEL Dynamic Sdn. Bhd.	Inactive	100	100
ASTEEL Synergy Sdn. Bhd.	Manufacture and sale of metal roofing, coated steel products and related products	100	100
ASTEEL (Sarawak) Sdn. Bhd. ("ASWK")	Manufacture and sale of metal roofing, coated steel products and related products	100	100
ASTEEL (NZ) Private Limited^^	Inactive	100	-
Indirect through ASWK			
AS Tiles & Interior Design Sdn. Bhd.	Trading of flooring products, interior design and renovation works	60	60
AS Singai Sdn. Bhd.	Trading of hardware and building materials	51	51
AS Trans Paint Sdn. Bhd.	Trading of paint products	70	-
Indirect through ASB			
AS Scaffolding Sdn Bhd	Inactive	100	-

^^ Not audited by member firms of KPMG PLT

Notes to the financial statements (continued)

6. Investment in subsidiaries - Company (continued)

6.2 Non-controlling interests in subsidiaries

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

	2021		
	ASTAR Steel Sdn. Bhd. RM	ASTEEL Resources Sdn. Bhd. and its subsidiaries RM	Total RM
NCI percentage of ownership interest and voting interest	48.59%	19.64%	
Carrying amount of NCI	3,205,007	14,847,348	18,052,355
Profit allocated to NCI	22,162	1,660,363	1,682,525

	2020				
	ASTAR Steel Sdn. Bhd. RM	ASTEEL Ajiya Sdn. Bhd. RM	AS Tiles & Interior Design Sdn. Bhd. RM	AS Singai Sdn. Bhd. RM	Total RM
NCI percentage of ownership interest and voting interest	48.59%	40%	40%	49%	
Carrying amount of NCI	3,182,845	816,996	54,305	4,900	4,059,046
(Loss)/Profit allocated to NCI	(285,529)	60,425	(25,695)	-	(250,799)

Summarised financial information before intra-group elimination

	2021	
	ASTAR Steel Sdn. Bhd. RM	ASTEEL Resources Sdn. Bhd. and its subsidiaries RM
As at 31 December		
Non-current assets	10,011,488	71,108,345
Current assets	15,802,072	102,174,679
Non-current liabilities	(4,319,070)	(23,913,878)
Current liabilities	(14,860,470)	(87,022,305)
Net assets	6,634,020	62,346,841
Revenue	20,094,380	198,958,339
Profit for the financial year	45,610	9,642,839
Cash flows (used in)/from operating activities	(110,662)	379,906
Cash flows used in investing activities	(20,284)	(5,394,080)
Cash flows (used in)/ from financing activities	(492,181)	5,472,987
Net (decrease)/increase in cash and cash equivalents	(623,127)	458,813

Notes to the financial statements (continued)

6. Investment in subsidiaries - Company (continued)

6.2 Non-controlling interests in subsidiaries (continued)

Summarised financial information before intra-group elimination (continued)

	2020			
	ASTAR Steel Sdn. Bhd. RM	**ASTEEL Ajiya Sdn. Bhd. RM**	**AS Tiles & Interior Design Sdn. Bhd. RM**	**AS Singai Sdn. Bhd. RM**
As at 31 December				
Non-current assets	10,360,019	4,428,895	112,845	-
Current assets	13,534,614	2,623,265	2,193,594	61,811
Non-current liabilities	(4,920,738)	(1,524,535)	(22,645)	-
Current liabilities	(12,385,485)	(3,485,136)	(2,148,031)	(51,811)
Net assets	6,588,410	2,042,489	135,763	10,000
Revenue	27,145,674	5,864,502	1,716,133	-
(Loss)/Profit for the financial year	(432,937)	151,061	(64,237)	-
Cash flows from/(used in) operating activities	823,198	923,414	(313,650)	-
Cash flows used in investing activities	(280,567)	(30,515)	(57,318)	-
Cash flows (used in)/from financing activities	(1,570,575)	(1,016,045)	673,601	10,000
Net (decrease)/increase in cash and cash equivalents	(1,027,944)	(123,146)	302,633	10,000

7. Other investments - Group

	Group	
	2021 RM	**2020 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 2021, the fair value of the quoted investment is RM15,400 (2020: RM24,200).

Notes to the financial statements (continued)

8. Trade and other receivables

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Non-current					
Non-trade					
Subsidiary	8.1	-	-	5,000,000	5,014,384
Current					
Trade					
Trade receivables from contracts with customers	8.2	45,455,707	39,261,754	207,239	417,643
Less: Allowance for impairment losses	8.4	(3,541,475)	(4,011,144)	(207,239)	(365,037)
		41,914,232	35,250,610	-	52,606
Non-trade					
Subsidiaries	8.3	-	-	7,019,551	4,859,970
Other receivables		2,219,580	2,394,077	1,568,901	1,560,717
Less: Allowance for impairment losses	8.4	(1,519,664)	(1,519,664)	(1,519,664)	(1,519,664)
		699,916	874,413	49,237	41,053
		699,916	874,413	7,068,788	4,901,023
		42,614,148	36,125,023	7,068,788	4,953,629
Total		42,614,148	36,125,023	12,068,788	9,968,013

8.1 Advance to a subsidiary is interest-bearing at 3.5% (2020: 3.5%) per annum and due within 4 years (2020: 5 years).

8.2 Included in the trade receivables of the Group as at 31 December 2021 is amount due from ten (2020: ten) related parties amounting to RM5,084,879 (2020: RM4,056,565), with credit term of 7 days to 60 days.

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

8.4 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)

9. Inventories - Group

	Note	2021 RM	2020 RM
At cost			
Raw materials		32,889,772	19,097,818
Work-in-progress		12,828,463	8,606,287
Manufactured inventories		6,784,590	6,928,500
Trading products		11,342,358	8,953,053
Consumables		460,649	472,867
Subtotal		64,305,832	44,058,525
At net realisable value			
Raw materials		-	211,912
Trading products		570,415	29,621
Subtotal	9.1	570,415	241,533
Total		64,876,247	44,300,058

Recognised in profit or loss:

	2021 RM	2020 RM
Inventories recognised as cost of sales	195,593,329	156,427,251
Write-down to net realisable value	216,741	69,116
Total recognised in profit or loss	195,810,070	156,496,367

9.1 The Group 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 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.

10. Contract with customers - Group

	2021 RM	2020 RM
Contract assets	3,009,717	2,283,565
Contract liabilities	4,468,068	624,295

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.

Notes to the financial statements (continued)

11. Deposits and prepayments

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Deposits	4,371,719	1,242,089	2,800	7,450
Prepayments	363,496	234,684	23,934	10,933
	4,735,215	1,476,773	26,734	18,383

Included in deposits of the Group is an amount of RM1,628,329 (2020: Nil) and RM975,803 (2020: Nil) paid in advance to suppliers for the purchase of machineries and raw materials respectively.

12. Cash and cash equivalents

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash in hand and at banks	12.1	6,337,665	10,305,417	450,387	4,449,015
Deposits placed with licensed banks	12.2	10,767,209	7,999,243	-	-
		17,104,874	18,304,660	450,387	4,449,015

12.1 In the prior year, the bank balances of the Group and the Company consist of RM4,051,308 which were held under Escrow account related to deposit paid by buyer in connection with the disposal of coated coil assets. The Group and the Company have fulfilled the remaining conditions of the disposal and the full amount has been released in the current financial 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 - Group

	Group	
	2021 RM	2020 RM
Assets classified as held for sale		
Arising from a debt settlement arrangement	380,250	380,250
	380,250	380,250
Less:		
- impairment loss	(20,250)	(20,250)
	360,000	360,000

In the prior years, 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.

Notes to the financial statements (continued)

14. Capital and reserves

14.1 Share capital

	Group and Company			
	Amount		Number of shares	
	2021 RM	2020 RM	2021 RM	2020 RM
Issued and fully paid shares with no par value classified as equity instruments:				
Ordinary shares				
Opening balances	32,843,470	25,914,897	420,821,016	350,684,180
Issued for cash under Private Placement	1,880,785	6,928,573	10,000,000	70,136,836
Issued for cash under ESOS	1,911,165	-	9,973,500	-
Closing balances	36,635,420	32,843,470	440,794,516	420,821,016
Redeemable convertible preference shares				
Opening balances and closing balances	12,831,931	12,831,931	21,726,100	21,726,100
Total	49,467,351	45,675,401	462,520,616	442,547,116

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.

On 3 September 2021, a resolution of the proposed subscription of up to 93,000,000 new ordinary shares in the Company was approved by the shareholders via an Extraordinary General Meeting (referred to "the Proposed Subsription") by Macquarie Bank Limited. In the month of September 2021, the Company issued 10,000,000 new ordinary shares to Macquarie Bank Limited under the Proposed Subscription in five tranches with average issue price of RM0.1984 per share and raised a net proceed of RM1,880,785.

During the financial year, the Company also issued 9,973,500 new ordinary shares under the Employees Share Option Scheme and raised RM1,911,165.

Total issued and paid-up share capital of the Company increased from RM45,675,401 to RM49,467,351 by additional issuance of 19,973,500 new ordinary shares pursuant to the above issuances.

On 8 October 2020, the Company issued 70,136,836 ordinary shares through private placement for cash consideration of RM6,928,573 after net off transaction cost.

Notes to the financial statements (continued)

14. Capital and reserves (continued)

14.1 Share capital (continued)

Redeemable convertible preference shares ("RCPS")

All outstanding RCPS may be redeemed by the Company at its option at any time after the tenth (10PthP) 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.

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.

Notes to the financial statements (continued)

14. Capital and reserves (continued)

14.1 Share capital (continued)

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

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.

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.

Employee share option reserve

	Group and Company	
	2021 RM	**2020 RM**
At 1 January	49,405	50,538
Recognition/(Reversal) of share options reserve	127,649	(1,133)
At 31 December	177,054	49,405

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

As at 31 December 2021, the remaining outstanding ESOS is 40,439,900 (2020: 23,988,400) (see Note 29).

Translation reserve

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

Notes to the financial statements (continued)

15. Loans and borrowings - Group

	2021 RM	2020 RM
Non-current		
Term loans		
- secured	14,535,581	16,643,070
Hire purchase facilities		
- secured	3,945,879	3,700,277
	18,481,460	20,343,347
Current		
Term loans		
- secured	2,626,935	3,005,398
- unsecured	400,000	500,000
	3,026,935	3,505,398
Hire purchase facilities - secured	1,914,511	2,157,199
Bankers' acceptances - secured	55,241,340	47,687,666
Revolving credits – secured	6,699,048	-
Bank overdrafts - secured	2,081,248	1,147,038
	68,963,082	54,497,301
Total	87,444,542	74,840,648

(i) Security

Bank overdrafts, term loans and bankers' acceptances

- Secured by a pledge of term deposits (see Note 12).
- 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 RM3,824,132 (2020: RM5,857,476) are jointly and severally guaranteed by certain Directors of the Group and of the Company.

Revolving credits

The revolving credits of the Group is secured by corporate guarantee of the Company and certain long-term leasehold land of the Group (see Note 4).

(ii) Significant covenants on loans and borrowings

The Group is required to maintain a gearing ratio not exceeding 2.00 times (2020: 2.00 times) respectively in respect of the banking facilities granted by a licensed bank to the Group. This gearing ratio is to be reverted back to 1.50 times by financial year 2023.

Notes to the financial statements (continued)

15. Loans and borrowings - Group (continued)

(iii) Hire purchase facilities

Hire purchase facilities are payable as follows:

	Payment RM	Interest RM	Principal RM
Group			
2021			
Less than one year	2,267,852	353,341	1,914,511
Between one and five years	4,155,289	521,477	3,633,812
More than 5 years	356,125	44,058	312,067
	6,779,266	918,876	5,860,390
2020			
Less than one year	2,541,518	384,319	2,157,199
Between one and five years	3,824,152	518,726	3,305,426
More than 5 years	471,625	76,774	394,851
	6,837,295	979,819	5,857,476

16. Lease liabilities - Group

	Group	
	2021 RM	2020 RM
Non-current		
Lease liabilities	4,661,239	4,160,362
Current		
Lease liabilities	2,000,961	2,327,576
Total lease liabilities	6,662,200	6,487,938

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

Notes to the financial statements (continued)

17. Deferred tax

Recognised deferred tax

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 2021 RM	Assets 2020 RM	Liabilities 2021 RM	Liabilities 2020 RM	Net 2021 RM	Net 2020 RM
Property, plant and equipment	-	-	(308,000)	(24,000)	(308,000)	(24,000)
Revaluation reserve	-	-	(5,717,000)	(6,004,000)	(5,717,000)	(6,004,000)
Trade and other payables	719,600	576,700	-	-	719,600	576,700
Tax assets/(liabilities)	719,600	576,700	(6,025,000)	(6,028,000)	(5,305,400)	(5,451,300)
Set off of tax	(719,600)	(576,700)	719,600	576,700	-	-
Net tax liabilities	-	-	(5,305,400)	(5,451,300)	(5,305,400)	(5,451,300)

Movements in deferred tax during the year are as follows:

Group	At 1.1.2020 RM	Revaluation of assets RM	Recognised in profit or loss RM	At 31.12.2020/ 1.1.2021 RM	Recognised in profit or loss RM	At 31.12.2021 RM
Property, plant and equipment	(372,000)	-	348,000	(24,000)	(284,000)	(308,000)
Revaluation reserve	(902,000)	(5,127,000)	25,000	(6,004,000)	287,000	(5,717,000)
Trade and other payables	630,000	-	(53,300)	576,700	142,900	719,600
	(644,000)	(5,127,000)	319,700	(5,451,300)	145,900	(5,305,400)
			(Note 22)		(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	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Foreign exchange gains	(75,000)	261,000	(75,000)	261,000
Property, plant and equipment	249,000	1,392,000	424,000	1,133,000
Capital allowances carried forward	(112,255,000)	(112,976,000)	(91,317,000)	(91,282,000)
Tax losses carried forward	(47,625,000)	(47,515,000)	(36,860,000)	(35,984,000)
Provisions	(121,000)	(665,000)	-	-
Reinvestment allowances carried forward	(132,552,000)	(132,552,000)	(116,400,000)	(116,400,000)
Infrastructure allowance carried forward	(83,000)	(83,000)	(83,000)	(83,000)
	(292,462,000)	(292,138,000)	(244,311,000)	(242,355,000)
Deferred tax assets	(70,191,000)	(70,113,000)	(58,635,000)	(58,165,000)

Pursuant to the Finance Act 2021, tax losses carried forward from a year of assessment can only be carried forward up to 10 consecutive years of assessment. Capital allowance carried forward do not expire under the current tax legislation. 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 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.

Reinvestment allowances and tax losses carried forward will expire in the respective Year of Assessment shown below:

Expiring in Year of Assessment	**Group RM**	**Company RM**
Reinvestment allowances carried forward		
2025	116,400,000	116,400,000
2026	16,152,000	-
Total	132,552,000	116,400,000
Tax losses carried forward		
2025	10,759,000	-
2026	31,653,000	31,653,000
2027	4,331,000	4,331,000
2031	882,000	876,000
Total	47,625,000	36,860,000

Notes to the financial statements (continued)

18. Trade and other payables

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Trade				
Trade payables	20,285,834	33,267,350	1,369,979	15,188,843
Non-trade				
Subsidiaries	-	-	1,249	2,847
Other payables	2,209,230	1,634,726	132,530	541,786
Accrued expenses	4,694,037	3,817,266	413,321	390,603
SST payable	70,202	25,221	-	-
Sub-total	6,973,469	5,477,213	547,100	935,236
Total	27,259,303	38,744,563	1,917,079	16,124,079

Trade payables of the Group and Company include an amount of RM1,364,523 (2020: RM15,093,024) denominated in USD due to a substantial foreign shareholder of the Company. This amount in the prior year bome interest of 1.249% per annum. The balance as at 31 December 2021 relates to the outstanding interest portion.

19. Revenue

	2021 RM	2020 RM
Group		
Revenue from contracts with customers		
At point in time		
- Sale of coil related products	101,002,676	67,443,337
- Slitting and shearing services	250,155	170,671
- Sale of roll-formed product	98,718,878	68,583,421
- Hardware, building material and roll-formed trading	31,913,717	35,435,749
- Roofing supply and installation	5,961,492	5,952,235
Over time		
- Roofing supply and installation	5,839,078	6,489,941
	243,685,996	184,075,354

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.

Notes to the financial statements (continued)

19. Revenue (continued)

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
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 and 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.
Sale of 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	Revenue is recognised overtime by using the input method based on actual cost incurred to the estimated total contract costs.	Credit period from 30 to 60 days from invoice date.

Notes to the financial statements (continued)

19. Revenue (continued)

19.2 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	Within 1 year RM	More than 1 year RM	Total RM
Roofing supply and installation			
- 2021	3,021,957	18,477,967	21,499,924
- 2020	23,722,029	24,696,942	48,418,971

20. Finance income and costs

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Finance income				
Interest income of financial assets calculated using effective interest method that are at amortised cost	451,239	832,002	281,896	278,934
Finance costs				
Interest expenses of financial liabilities that are not at fair value through profit or loss				
- term loans	856,107	744,344	-	-
- overdrafts	83,871	81,744	-	-
- bankers' acceptance	2,255,292	2,299,119	-	-
- hire purchase	454,812	444,035	-	-
- lease liabilities	441,723	336,572	-	-
- other finance costs	121,401	1,995,318	-	1,970,318
	4,213,206	5,901,132	-	1,970,318

Notes to the financial statements (continued)

21. Profit/(Loss) before tax

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before tax is arrived at after charging/(crediting):					
Auditors' remuneration:					
Audit fees					
KPMG PLT					
- Statutory audit		195,000	180,000	30,000	30,000
- Non-statutory audit		-	40,000	-	-
Non-audit fees					
- KPMG PLT		6,000	6,000	6,000	6,000
- Local affiliates of KPMG PLT		30,450	56,150	6,200	39,150
- Others		24,800	23,500	-	-
Material expense/(income)					
Amortisation of investment properties	5	43,263	32,564	-	-
Depreciation of property, plant and equipment	3	6,685,787	5,661,499	974,038	978,585
Depreciation of right-of-use assets	4	2,068,915	1,840,411	-	-
Foreign exchange loss realised		260,050	415,840	254,934	415,840
Property, plant and equipment written off	3	4,461	82,740	-	-
Inventories written down	9	216,741	69,116	-	-
Personnel expenses (including key management personnel):					
- contributions to state plans		2,287,939	2,089,355	47,967	135,024
- wages, salaries and others		22,803,738	17,001,691	729,100	909,944
Gain on disposal of:					
- property, plant and equipment		(85,999)	(1,707)	(30,000)	-
- right-of-use assets		(67,519)	-	-	-
- investment properties		(21,200)	-	-	-
Expenses/(income) arising from leases					
Expenses relating to short-term leases		-	4,620	-	-
Income from subleasing right-of-use assets		(85,577)	(264,650)	-	-
Net (gain)/loss on impairment of financial instruments					
Financial assets at amortised cost		(311,871)	32,159	-	-

Notes to the financial statements (continued)

22. Tax expense

Recognised in profit or loss

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Income tax expense				
Malaysian - current year	3,787,000	1,430,005	67,000	67,000
- prior years	(246,939)	34,169	(67,000)	-
	3,540,061	1,464,174	-	67,000
Deferred tax expense/ (income) (Note 17)				
- Under/(Over) provision in prior year	204,100	(19,000)	-	-
- Reversal of temporary difference	(350,000)	(300,700)	-	-
Total deferred tax recognised in profit or loss	(145,900)	(319,700)	-	-
Total tax expense	3,394,161	1,144,474	-	67,000

Reconciliation of tax expense

	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Profit/(Loss) for the year	8,104,008	(6,041,802)	4,662,247	(5,646,598)
Total tax expense	3,394,161	1,144,474	-	67,000
Profit/(Loss) excluding tax	11,498,169	(4,897,328)	4,662,247	(5,579,598)
Income tax calculated using Malaysian tax rate of 24% (2020: 24%)	2,760,000	(1,175,000)	1,119,000	(1,339,000)
Non-deductible expenses	894,000	1,044,300	100,000	388,000
Non-taxable income	(8,000)	(10,995)	(1,622,000)	-
Effect of deferred tax assets not recognised (Note 17)	78,000	1,296,000	470,000	1,018,000
Realisation of revaluation reserve	(287,000)	(25,000)	-	-
	3,437,000	1,129,305	67,000	67,000
(Over)/Under-provision in prior years	(42,839)	15,169	(67,000)	-
Total tax expense	3,394,161	1,144,474	-	67,000

Notes to the financial statements (continued)

23. Other non-operating income and expenses

Other non-operating expenses were mainly in relation to depreciation of property, plant and equipment, foreign exchange losses and finance cost arising from the previous coated coil business disposed. Other non-operating income mainly relates to the income from sale of scraps following the disposal.

24. Earnings/(Loss) per ordinary share - Group

Basic and diluted earnings/(loss) per ordinary share

The calculation of basic and diluted earnings/(loss) per ordinary share at 31 December 2021 was based on the (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2021 RM	**2020 RM**
Profit/(Loss) for the year attributable to ordinary shareholders	6,421,483	(5,791,003)
Weighted average number of ordinary shares	430,159,916	368,218,389
	2021 Sen	**2020 Sen**
Basic and diluted earnings/(loss) per ordinary share	1.5	(1.6)

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Notes to the financial statements (continued)

25. Financial instruments

25.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as Amortised Cost ("AC"):

Financial assets/(liabilities)	Carrying amount RM	AC RM
2021		
Group		
Other investments	9,775	15,400
Trade and other receivables	42,614,148	42,614,148
Deposits	4,371,719	4,371,719
Cash and cash equivalents	17,104,874	17,104,874
Loans and borrowings	(87,444,542)	(87,444,542)
Trade and other payables*	(27,189,101)	(27,189,101)
Company		
Trade and other receivables	12,068,788	12,068,788
Deposits	2,800	2,800
Cash and cash equivalents	450,387	450,387
Trade and other payables	(1,917,079)	(1,917,079)
2020		
Group		
Other investments	9,775	24,200
Trade and other receivables	36,125,023	36,125,023
Deposits	1,242,089	1,242,089
Cash and cash equivalents	18,304,660	18,304,660
Loans and borrowings	(74,840,648)	(74,840,648)
Trade and other payables*	(38,719,342)	(38,719,342)
Company		
Trade and other receivables	9,968,013	9,968,013
Deposits	7,450	7,450
Cash and cash equivalents	4,449,015	4,449,015
Trade and other payables	(16,124,079)	(16,124,079)

** Excluding amount payables from Royal Malaysian Custom Department.*

25.2 Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Net (losses)/gains on:				
Financial assets at amortised cost	700,019	549,676	439,694	633,032
Financial liabilities at amortised cost	(3,771,483)	(5,303,713)	-	(1,709,472)
	(3,071,464)	(4,754,037)	439,694	(1,076,440)

Notes to the financial statements (continued)

25. Financial instruments (continued)

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.

(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.

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

Exposure to credit risk, credit quality and collateral (continued)

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.

Concentration of credit risk

As at the end of the reporting period, there are no significant concentrations of credit risk other than a trade receivable of RM52,606 of the Company in the previous financial year.

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
2021			
Current (not past due)	21,665,527	-	21,665,527
0-30 days past due	10,082,112	-	10,082,112
31-60 days past due	4,220,804	-	4,220,804
61-90 days past due	1,807,081	-	1,807,081
Credit impaired			
More than 90 days past due	5,096,529	(960,748)	4,135,781
Individually impaired	2,583,654	(2,580,727)	2,927
	45,455,707	(3,541,475)	41,914,232
2020			
Current (not past due)	19,265,972	-	19,265,972
0-30 days past due	5,837,268	-	5,837,268
31-60 days past due	4,052,628	-	4,052,628
61-90 days past due	2,272,006	-	2,272,006
Credit impaired			
More than 90 days past due	3,704,837	(1,029,543)	2,675,294
Individually impaired	4,129,043	(2,981,601)	1,147,442
	39,261,754	(4,011,144)	35,250,610

Company	Gross carrying amount RM	Loss allowance RM	Net balance RM
2021			
Credit impaired			
More than 90 days past due	-	-	-
Individually impaired	207,239	(207,239)	-
	207,239	(207,239)	-
2020			
Credit impaired			
More than 90 days past due	106,574	(53,968)	52,606
Individually impaired	311,069	(311,069)	-
	417,643	(365,037)	52,606

The movements in the allowance for impairment in respect of trade receivables during the year are in the ensuing page.

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 2020	1,450,871	3,068,358	4,519,229
Net remeasurement of loss allowance	(421,328)	99,389	(321,939)
Addition	-	(186,146)	(186,146)
Balances at 31 December 2020/ 1 January 2021	1,029,543	2,981,601	4,011,144
Net remeasurement of loss allowance	(162,602)	(307,067)	(469,669)
Balances at 31 December 2021	866,941	2,674,534	3,541,475

Company	Lifetime ECL RM	Credit impaired RM	Total RM
Balances at 1 January 2020	457,036	262,099	719,135
Net remeasurement of loss allowance	(403,068)	48,970	(354,098)
Balances at 31 December 2020/ 1 January 2021	53,968	311,069	365,037
Net remeasurement of loss allowance	(53,968)	(103,830)	(157,798)
Balances at 31 December 2021	-	207,239	207,239

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 to subsidiaries are not secured by any collateral or supported by any other credit enhancements.

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:

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(a) Credit risk (continued)

Recognition and measurement of impairment loss (continued)

- 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.

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 a former subsidiary of the Group and the Company.

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.

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 amounts to RM78,733,723 (2020: RM59,478,862), representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

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
2021							
Trade and other payables	27,189,101	-	27,189,101	27,189,101	-	-	-
Loans and borrowings							
- hire purchase facilities	5,860,390	2.15 - 6.50	6,779,266	2,267,853	1,534,344	2,620,945	356,124
- bankers' acceptances	55,241,340	3.35 - 7.15	55,241,340	55,241,340	-	-	-
- revolving credits	6,699,048	3.90 - 5.00	6,699,048	6,699,048	-	-	-
- term loans	17,162,516	3.94 - 5.51	21,703,020	3,299,569	2,783,115	7,790,267	7,830,069
- term loan - unsecured	400,000	12.00	400,000	400,000	-	-	-
- bank overdrafts	2,081,248	6.57 - 7.07	2,081,248	2,081,248	-	-	-
Lease liabilities	6,662,200	6.00	7,915,345	2,392,380	1,437,080	2,412,986	1,672,899
	121,295,843		128,008,368	99,570,539	5,754,539	12,824,198	9,859,092

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

Group (continued)	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
2020							
Trade and other payables							
- interest free	23,626,318	-	23,626,318	23,626,318	-	-	-
- interest bearing	15,093,024	1.249	15,093,024	15,093,024	-	-	-
Loans and borrowings							
- hire purchase facilities	5,857,476	2.39 - 6.50	6,837,295	2,541,518	1,740,244	2,083,908	471,625
- bankers' acceptances	47,687,666	3.35 - 7.15	47,687,666	47,687,666	-	-	-
- term loans	19,648,468	3.51 - 5.51	24,874,401	3,792,874	4,406,463	7,202,933	9,472,131
- term loan - unsecured	500,000	12.00	560,000	560,000	-	-	-
- bank overdrafts	1,147,038	6.90	1,147,038	1,147,038	-	-	-
Lease liabilities	6,487,938	6.00	7,436,609	2,625,464	1,938,005	1,972,680	900,460
	120,047,928		127,262,351	97,073,902	8,084,712	11,259,521	10,844,216

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
2021							
Trade and other payables	1,917,079	-	1,917,079	1,917,079	-	-	-
Financial guarantees*	-	-	122,793,619	122,793,619	-	-	-
	1,917,079		124,710,698	124,710,698	-	-	-
2020							
Trade and other payables							
- interest free	1,031,055	-	1,031,055	1,031,055	-	-	-
- interest bearing	15,093,024	1.249	15,093,024	15,093,024	-	-	-
Financial guarantees*	-	-	90,469,222	90,469,222	-	-	-
	16,124,079		106,593,301	106,593,301	-	-	-

** Being corporate guarantees granted for banking facilities of certain subsidiaries, 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	
	2021 RM	**2020 RM**
Denominated in USD		
Balances recognised in the statement of financial position		
Trade payables	(1,364,523)	(13,806,035)

Currency risk sensitivity analysis

A 10% (2020: 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	
	2021 RM	**2020 RM**
In USD		
Group and Company	103,700	1,049,200

A 10% (2020: 10%) weakening of RM against USD at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.3 Financial risk management (continued)

(c) Market risk (continued)

(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 18).

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**	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Fixed rate instruments				
Financial assets	10,767,209	7,999,243	5,000,000	5,014,384
Financial liabilities	(76,352,298)	(81,708,868)	(1,364,523)	(15,093,024)
	(65,585,089)	(73,709,625)	3,635,477	(10,078,640)
Floating rate instruments				
Financial liabilities	(19,118,967)	(14,712,742)	-	-

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

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

Notes to the financial statements (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

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		
- 2021	(145,000)	145,000
- 2020	(112,000)	112,000

(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 (2020: RM9,775) (see Note 7).

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		
2021	**Level 1 RM**	**Level 2 RM**	**Total RM**	**Level 3 RM**	**Total fair value RM**	**Carrying amount RM**
Group						
Financial assets						
Quoted shares	15,400	-	15,400	-	15,400	9,775
Financial liabilities						
Secured term loans - secured	-	-	-	21,703,020	21,703,020	17,162,516
Hire purchase facilities - secured	-	-	-	6,779,266	6,779,266	5,860,390
	-	-	-	28,482,286	28,482,286	23,022,906
2020						
Group						
Financial assets						
Quoted shares	24,200	-	24,200	-	24,200	9,775
Financial liabilities						
Secured term loans - secured	-	-	-	24,874,401	24,874,401	19,648,468
Hire purchase facilities - secured	-	-	-	6,837,295	6,837,295	5,857,476
	-	-	-	31,711,696	31,711,696	25,505,944

Notes to the financial statements (continued)

25. Financial instruments (continued)

25.4 Fair value information (continued)

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

Derivatives

The fair value of forward foreign exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. 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 (2019: 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 is required to maintain a gearing ratio not exceeding 2.00 times (2020: 2.00 times) respectively in respect of the banking facilities granted by a licensed bank to the Group. This gearing ratio is to be reverted back to 1.50 times by financial year 2023.

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Total loans and borrowings	87,444,542	74,840,648	-	-
Total equity	81,934,847	58,150,877	55,131,296	46,500,045
Debt-to-equity ratio	1.07	1.29	-	-

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Group 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 Group has complied with this requirement.

27. Capital expenditure commitments

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Property, plant and equipment				
Contracted but not provided for	1,145,015	3,338,000	-	-

28. 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 negotiated basis. The significant related party transactions of the Group and the Company are shown below. The balances due from and to subsidiaries are shown in Notes 8 and 18.

Notes to the financial statements (continued)

28. Related parties (continued)

Significant related party transactions (continued)

Transactions with subsidiaries

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Nature of transactions				
Interest received	-	-	(131,065)	-
Sale of property, plant and equipment	-	-	(30,000)	(800,000)

Transactions with substantial shareholders of the Company

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Nature of transactions				
Purchase of consumables	187,405	344,785	-	-
Discount received	-	-	-	(410,559)
Freight and handling charges	153,211	108,394	-	-
Sale of galvanised and other steel products	(11,924,163)	(6,390,269)	-	-

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	
	2021 RM	2020 RM	2021 RM	2020 RM
Nature of transactions				
Insurance premium paid	821,464	672,854	6,914	77,988
Purchase of consumables		561,823	-	-
Purchase of stocks	2,880,260	2,741,831	-	-
Sale of galvanised and other steel products	(40,558,772)	(28,953,144)	-	-
Sale of glass products	(23,361)	(12,668)	-	-
Purchase of property, plant and equipment	210,099	-	-	-
Sale of property, plant and equipment	(25,000)	-	-	-
Purchase of packing, material and services	607,114	262,112	-	-
Rental of premises and land	274,000	281,400	-	-
Income from rental of premises	(31,050)	(25,200)	-	-
Repayment of hire purchase facilities for acquisition of property, plant and equipment	2,074,514	1,699,258	-	-
Lease payment of property, plant and equipment	1,584,768	1,020,768	-	-
Rental of vehicle	-	280	-	-
Transportation fee received	(8,235)	-	-	-
Endorsement fee paid	30,350	31,200	-	-
Hire purchase facilities	845,000	1,200,000	-	-

Notes to the financial statements (continued)

28. Related parties (continued)

Significant related party transactions (continued)

Transactions with key management personnel

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Nature of transactions				
Compensations to key management personnel:				
Directors of the Company				
Director fee	273,000	315,500	231,500	254,000
- Contribution to state plans	218,447	203,804	32,847	117,120
- Wages, salaries and others	1,809,675	1,581,741	378,075	876,780
	2,301,122	2,101,045	642,422	1,247,900
Directors of subsidiaries				
- Director fee	79,000	97,750	-	-
- Contribution to state plans	248,230	306,485	-	-
- Wages, salaries and others	2,124,350	2,520,893	-	-
	2,451,580	2,925,128	-	-
Other key management personnel				
- Contribution to state plans	86,152	48,806	15,120	-
- Wages, salaries and others	729,650	516,985	108,113	-
	815,802	565,791	123,233	-
Total	5,568,504	5,591,964	765,655	1,247,900

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

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

Certain key management personnel of the Group and of the Company are entitled to Employee Share Option Scheme ("ESOS") offered by the Group (see Note 29).

Notes to the financial statements (continued)

28. Related parties (continued)

Significant related party transactions (continued)

Transactions with key management personnel (continued)

The amount due from/to subsidiaries is disclosed in Notes 8 and 18 to the financial statements. The outstanding balances with other related parties are as follows:

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Amount due from	5,084,879	4,056,565	-	-
Amount due to	(5,795,972)	(4,338,847)	(1,364,523)	(15,093,024)

29. 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 ("ESOS") approved by the shareholders of the Company on 30 June 2016. On 5 April 2021 and 6 July 2021, the Group has further offered share options to eligible under its existing ESOS Directors and employees. The expiring ESOS granted in the years 2017 and 2018 have been extended for a further five years to expire on 8 November 2026.

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

	2021 RM	**2020 RM**
Share price at the following grant dates (RM):		
- 9 May 2017	0.245	0.245
- 8 August 2017	0.20	0.20
- 7 August 2018	0.22	0.22
- 5 April 2021	0.230	-
- 6 July 2021	0.215	-
Expected volatility (%)	54	53
Expected life (years)	5	5
Risk free rate (%)	3.90	3.83

29. 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.

		Movements during the year					
	Outstanding 1 January	Granted	Exercised	Forfeited and other adjustments	Expired	Outstanding 31 December	Exercisable 31 December
2021							
2021 options	23,988,400	27,575,000	(9,973,500)	(1,150,000)	-	40,439,900	40,439,900
WAEP (RM)	0.222	0.190	0.192	0.209		0.211	0.211
2020							
2020 options	24,538,400	-	-	(550,000)	-	23,988,400	18,358,400
WAEP (RM)	0.227	-	-	0.222	-	0.222	0.222

Notes to the financial statements (continued)

29. Employee benefits (continued)

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

Grant date	WAEP RM	Exercise period
9 May 2017	0.23	09.05.2017 – 08.11.2026
8 August 2017	0.2	08.08.2017 – 08.11.2026
7 August 2018	0.22	07.08.2018 – 08.11.2026
5 April 2021	0.19	05.04.2021 – 08.11.2026
6 July 2021	0.19	06.07.2021 – 08.11.2026

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
2021			
Options grant to key management and employee during the year	27,575,000	Remain as employee of the Company over the contracted life of options	5.5 years
2020			
Options grant to key management and employee during the year	-	Remain as employee of the Company over the contracted life of options	5 years

30. Operating segments

The Group has two 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.

Geographical segments and major customers

Group sales were mostly to customers in Malaysia and there were very limited export sales. There is one (2020: one) major customer contributing to more than 10% of the Group's revenue with total sales amount of RM27,420,556 (2020: RM19,977,551).

Segment assets and liabilities

Segment assets and liabilities information are neither included in the internal management reports nor provided regularly to the Managing Director. Hence no disclosure is made.

Notes to the financial statements (continued)

30. Operating segments (continued)

2021	ASTEEL RM	STARSHINE RM	Inter-segment RM	Total RM
Revenue				
External customers	193,940,989	49,745,007	-	243,685,996
Inter-segment	5,017,350	591,054	(5,608,404)	-
	198,958,339	50,336,061	(5,608,404)	243,685,996
Segment profit/(loss)	12,700,446	921,794	-	13,622,240
Unallocated expenses:				
- Corporate expenses				(1,611,028)
- Others				(513,043)
Tax expense (Note 22)				(3,394,161)
Profit for the year				8,104,008
Non-controlling interests				(1,682,525)
Total comprehensive income attributable to owners of the Company				6,421,483
Included in the measure of segment loss are:				
Depreciation and amortisation	(8,046,385)	(751,580)	-	(8,797,965)
Finance costs	(3,679,219)	(665,052)	131,065	(4,213,206)
Finance income	363,215	219,089	(131,065)	451,239
Inventories written down/written off	-	(216,741)	-	(216,741)
Net gain/(loss) on impairment of financial instruments	161,088	308,581	-	469,669
Property, plant and equipment written off	(4,461)	-	-	(4,461)
Realised foreign exchange gain/(loss)	(186,085)	(63,733)	-	(249,818)
Unrealised foreign exchange loss	(56,175)	(18,725)	-	(74,900)

Notes to the financial statements (continued)

30. Operating segments (continued)

2020	ASTEEL RM	STARSHINE RM	Inter-segment RM	Total RM
Revenue				
External customers	141,602,180	42,473,174	-	184,075,354
Inter-segment	3,794,748	823,116	(4,617,864)	-
	145,396,928	43,296,290	(4,617,864)	184,075,354
Segment profit/(loss)	2,124,152	(1,441,882)	-	682,270
Unallocated expenses:				
- Corporate expenses				(1,939,653)
- Others				(3,639,945)
Tax expense (Note 22)				(1,144,474)
Profit for the year				(6,041,802)
Non-controlling interests				250,799
Total comprehensive expense attributable to owners of the Company				(5,791,003)
Included in the measure of segment loss are:				
Depreciation and amortisation	(6,429,566)	(1,104,908)	-	(7,534,474)
Finance costs	(4,662,849)	(1,267,050)	28,767	(5,901,132)
Finance income	467,174	393,595	(28,767)	832,002
Inventories written down/written off	(69,116)	-	-	(69,116)
Net gain/(loss) on impairment of financial instruments	225,964	95,975	-	321,939
Property, plant and equipment written off	(2)	(82,738)	-	(82,740)
Realised foreign exchange gain/(loss)	7,834	(57,704)	-	(49,870)
Unrealised foreign exchange loss	195,634	65,212	-	260,846

Notes to the financial statements (continued)

31. Acquisition of a subsidiary

Acquisition of AS Trans Paint Sdn. Bhd. (formerly known as Huadar Painting & Contractor Sdn. Bhd.)

On 19 April 2021, the Group via ASTEEL (Sarawak) Sdn. Bhd., an indirect subsidiary of the Company, acquired 140,000 ordinary shares representing 70% shareholdings in Huadar Painting & Contractor Sdn. Bhd., now known as AS Trans Paint Sdn. Bhd. ("ASTP"), for a consideration sum of RM100,800, settled in cash. ASTP's principal activity is marketing and sale of paint products to projects.

In the 8 months to 31 December 2021, the subsidiary contributed revenue of RM65,689 and loss of RM144. For the 12-month results, the subsidiary achieved a revenue of RM65,689 and loss and total comprehensive expenses for the year of RM1,008. If the acquisition had occurred on 1 January 2021, there is no material impact to the consolidated revenue of the Group, 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 2021.

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 2021 RM
Settlement of pre-existing relationship	100,800

Identifiable assets acquired and liabilities assumed

	Note	Group 2021 RM
Trade and other receivables		142,257
Cash and cash equivalents		964
Total identifiable net assets		143,221

Net cash flow arising from acquisition of a subsidiary

	Group 2021 RM
Purchase consideration settled in cash	(100,800)
Cash and cash equivalents acquired	964
Net cash inflow from acquisition of a subsidiary	(99,836)

Gain on bargain purchase

Goodwill was recognised as a result of the acquisition as follows:

	Group 2021 RM
Total consideration transferred	100,800
Fair value of identifiable net assets	(143,221)
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	42,966
Goodwill written off	545

Recognition of non-controlling interests ("NCI")

Upon the acquisition of ASTP the Group recognised a carrying amount of NCI amounting to RM42,966 based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree.

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 57 to 136 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 2021 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

……………………………………………

Dato' Sri Victor Hii Lu Thian
Director

Klang,

Date: 14 April 2022

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 57 to 136 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 14 April 2022.

……………………………………………

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 2021 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 57 to 136.

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 2021, and of their financial performance and their 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 auditors' 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 Accountant's *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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 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 2(q) – significant accounting policies: Revenue from contracts with customers, Note 19 Revenue from contracts with customers.	
Revenue recognition The Group 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. During the financial year ended 31 December 2021, the Group recorded revenue of RM243.7 million. Revenue recognition is key audit matter because of the risk that revenue might be misstated either intentionally or unintentionally due to fraud or error.	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, *Revenue from Contracts with Customers;* • We verified the sales invoices selected on a sampling basis to the underlying supporting documents; • We obtained direct confirmations on outstanding balances as at year end from selected customers based on sampling basis; • We assessed the sales transactions 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, *Revenue from Contracts with Customers*.

Key Audit Matters	How the matter was addressed in our audit
Refer to Note 2(g) – significant accounting policies: Inventories and Note 9 Inventories.	
Valuation of manufactured and trading inventories The Group holds significant inventories balance of RM64.9 million, representing 30% of total assets as at 31 December 2021. 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 inventories; • 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 inventories; 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) – significant accounting policies: Impairment and Note 8 Trade and other receivables.	
Valuation of trade receivables As at 31 December 2021, the trade receivables of the Group stood at RM41.9 million, representing 20% 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 statements. 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 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, *Financial Instruments*.

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

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 the Directors either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 6 to the financial statements.

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

Tai Yoon Foo
Approval Number: 02948/05/2022 J
Chartered Accountant

Kuching,

Date: 14 April 2022

7 ADDITIONAL INVESTOR INFORMATION

Analysis of Shareholdings as at 31 March 2022

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 3,414.
There is only one (1) RCPS holder.

DISTRIBUTION SCHEDULE OF ORDINARY SHARES

Size of Holdings	No. of Holders	%	No. of Shares	%
1 - 99	108	3.16	5,213	0.00
100 - 1,000	329	9.63	126,562	0.03
1,001 - 10,000	1,286	37.67	7,827,506	1.78
10,001 - 100,000	1,402	41.07	48,714,935	11.05
100,001 - 22,039,724 (*)	286	8.38	220,944,797	50.12
22,039,725 AND ABOVE (**)	3	0.09	163,175,503	37.02
Total	3,414	100.00	440,794,516	100.00

Remark : * - Less than 5 % of Issued Shares   * * - 5 % and Above of Issued Shares

THIRTY LARGEST ORDINARY SHARES ACCOUNTS HOLDERS

	Accounts Holders	No. of Ordinary Share	Percentage
1	Cartaban Nominees (Asing) Sdn Bhd Marubeni-Itochu Steel Inc.	80,655,361	18.30
2	Yung Kong Co Bhd	51,019,800	11.57
3	Hii Wi Sing	31,500,342	7.15
4	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account - Ambank (M) Berhad for Diong Tak Chong @ Tiong Tak Chong (SMART)	15,821,200	3.59
5	"Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh Thian Lai"	12,584,678	2.85
6	Victor Hii Lu Thian	11,641,141	2.64
7	"Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Soh TL Holdings Sdn Bhd (MX3613)"	11,039,616	2.50
8	Alam Mantap Development Sdn Bhd	8,005,836	1.82
9	"Kenanga Nominees (Tempatan) Sdn Bhd Andrew Yap Hoong Yee (021)"	7,530,000	1.71
10	Hu Ik Ming @ Rose Hii Ik Ming	6,540,205	1.48
11	Mt Sungai Sdn Bhd	5,837,905	1.32
12	Wong Toh Sing	5,778,400	1.31
13	Hii Ngo Sing	5,540,000	1.26
14	Ting Kee Wei	4,371,500	0.99
15	Alexander Hii Lu Kwong	4,271,636	0.97
16	Christopher Hii Lu Ming	4,037,686	0.92
17	Amsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tiong Siew Ing	4,000,000	0.91
18	Ting Chuo Kiew	3,909,859	0.89
19	Arthur Hii Lu Choon	3,853,036	0.87
20	Kenanga Nominees (Tempatan) Sdn Bhd Christine Yap Nian Ci	3,674,009	0.83
21	Philip Yong Ching Boon	3,107,000	0.70
22	Sim Chay Nging	2,556,010	0.58
23	Michael Hii Ee Sing	2,418,587	0.55
24	Chan Duan Kee @ Chan Kheng Kee	2,179,400	0.49
25	Aw Hun Leong	1,664,700	0.38
26	HLIB Nominees (Tempatan) Sdn Bhd Hong Leong Bank Bhd For Teh Shiou Cherng	1,500,000	0.34
27	Tiong Chee Wong	1,500,000	0.34
28	Hii Hua Sing	1,343,376	0.30
29	Lee Chuang Ki	1,328,300	0.30
30	Chan Luan Hiang	1,295,100	0.29
	Total	**300,504,683**	**68.17**

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 31 March 2022 are as follows :

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1	Marubeni-Itochu Steel Inc.	80,655,361	18.30	-	-
2	Yung Kong Co Bhd	51,019,800	11.57	-	-
3	Dato' Hii Ngo Sing	5,540,000	1.26	54,910,766 (1)	12.46%
4	Datuk Seri Dr Hii Wi Sing	31,500,342	7.15	55,226,766 (2)	12.53%
5	Arthur Hii Lu Choon	3,853,036	0.87	55,226,766 (2)	12.53%
6	Datuk Ir Michael Hii Ee Sing	2,768,587	0.63	61,893,271 (3)	14.04%
7	Dato' Sri Victor Hii Lu Thian	12,495,771 (4)	2.83	55,226,766 (2)	12.53%
8	Francis Hii Lu Sheng	-	-	54,910,766 (1)	12.46%
9	Alexander Hii Lu Kwong	5,123,036 (5)	1.16	55,226,766 (2)	12.53%
10	Christopher Hii Lu Ming	4,283,546 (6)	0.97	55,226,766 (2)	12.53%
11	Tan Sri Dato' Soh Thian Lai	12,929,346 (7)	2.93	11,039,616 (8)	2.50%

Notes
(1) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Venture Sdn Bhd, Yung Lieng Sdn Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.
(2) Deemed interested by virtue of their substantial interests in Yung Kong Co Bhd, Yung Venture Sdn Bhd, Yung Lieng Sdn Bhd, Yunco Enterprise Sdn Bhd, Yung Hup (M) Sdn Bhd and Kwong Yung Co Pte Ltd.
(3) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Venture Sdn Bhd, Yung Lieng Sdn Bhd, Yunco Enterprise Sdn Bhd, Mt Sungai Sdn Bhd, Meshes Holding Sdn Bhd and Kwong Yung Co Pte Ltd.
(4) 854,630 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.
(5) 851,400 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.
(6) 245,860 ordinary shares were registered in the name of JF Apex Nominees (Tempatan) Sdn Bhd.
(7) 12,584,678 ordinary shares were registered in the name of AMSEC Nominees (Tempatan) Sdn Bhd.
(8) Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd.

DIRECTORS' INTEREST

The directors' interests in shares in the Company and its related corporations as per the Register of Directors' Shareholdings as at 31 March 2022 are as follows:

In The Company

		No. of Ordinary Shares			
		Direct	%	Indirect	%
1	Tan Sri Dato' Soh Thian Lai	12,929,346 (5)	2.93	11,876,216 (1)	2.69
2	Dato' Sri Victor Hii Lu Thian	12,495,771 (3)	2.83	90,636,967 (2)	20.56
3	Christopher Hii Lu Ming	4,283,546 (4)	0.97	90,636,967 (2)	20.56
4	Liew Jee Min @ Chong Jee Min	-	-	-	-
5	Fong Yoo Kaw @ Fong Yee Kow	100,000	0.02	-	-
6	Yan Ying Chieh	-	-	-	-
7	Toshihiro Tachibana	-	-	-	-
8	Koichiro Nakazawa (Alternate to Toshihiro Tachibana)	-	-	-	-

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

Notes
(1) Deemed interested by virtue of his substantial interests in Soh TL Holdings Sdn Bhd and the interest of his spouse and child in the Company.
(2) Deemed interested by virtue of his substantial interests in Yung Kong Co Bhd, Yung Venture Sdn Bhd, Yung Lieng Sdn Bhd, Yunco Enterprise Sdn Bhd, Yung Hup (M) Sdn Bhd, Kwong Yung Co Pte Ltd and in the interest of their parents in the company.
(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 45TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting ("45th AGM") of YKGI Holdings Berhad ("YKGI" or "the Company") will be conducted entirely through live streaming from the broadcast venue at Online Meeting Platform via TIIH Online website at *https://tiih.online* provided by Tricor Investor & Issuing House Services Sdn. Bhd. on Friday, 24 June 2022 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 2021 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 RM231,500.00 for the Non-Executive Directors for the financial year ended 31 December 2021.	**Resolution 1**
3.	To approve other benefits payable to the Non-Executive Directors up to RM100,000.00 for the period from 25 June 2022 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) Dato' Sri Victor Hii Lu Thian; and	**Resolution 3**
	ii) Mr Toshihiro Tachibana.	**Resolution 4**
5.	To re-appoint 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 5**

AS SPECIAL BUSINESS

6. To consider and, if thought fit, pass the following ordinary resolution:

- **Continuation in office as Independent Director pursuant to Practice 5.3 of the Malaysian Code on Corporate Governance 2021** — **Resolution 6**

  "THAT, approval be and is hereby given to Mr Fong Yoo Kaw @ Fong Yee Kow who had served for more than nine (9) years on the Board as an Independent Director of the Company, to continue in office as an Independent Director of the Company."

7. To consider and, if thought fit, pass the following ordinary resolution:

- **Continuation in office as Independent Director pursuant to Practice 5.3 of the Malaysian Code on Corporate Governance 2021** — **Resolution 7**

  "THAT, approval be and is hereby given to Mr Liew Jee Min @ Chong Jee Min who had served for more than nine (9) years on the Board as an Independent Director of the Company, to continue in office as an Independent Director of the Company."

8. To consider and, if thought fit, pass the following Ordinary Resolution:

- **Authority to issue shares pursuant to Section 76 of the Companies Act 2016** — **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 10% of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval for the listing and quotation of the additional shares so issued on the Bursa Malaysia Securities Berhad AND FURTHER THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF 45TH ANNUAL GENERAL MEETING (continued)

9. To consider and, if thought fit, pass the following Ordinary Resolution:

- **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) of the Circular to Shareholders dated 29 April 2022, 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 Companies Act 2016 (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Companies Act 2016); 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."

10. 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

DATUK 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: 29 April 2022

NOTICE OF 45TH 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, which requires the Chairman of the meeting to be present at the main venue of the 45th AGM. Members will NOT be physically present at the Broadcast Venue on the day of the 45th AGM;

2. Members are to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, "participate") remotely at the 45th 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 45th AGM via RPV may appoint not more than two (2) proxies to attend and vote instead of the Member at the 45th 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 45th AGM via RPV shall have the same rights as the Member to speak at the 45th 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 45th AGM or any adjournment thereof;

10. A Member who has appointed a proxy or authorised representative to attend, participate, speak and vote at the 45th 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 16 June 2022 shall be regarded as a Member of the Company entitled to attend the 45th 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 Companies Act 2016 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 and 4 who are also the Members of the Company will abstain from voting on the resolutions in respect of their re-election at the 45th AGM;

NOTICE OF 45TH ANNUAL GENERAL MEETING (continued)

14. The proposed Resolutions No. 6 and No. 7 are to seek shareholders' approval to retain Mr Fong Yoo Kaw @ Fong Yee Kow and Mr Liew Jee Min @ Chong Jee Min, whose tenure as Independent Directors of the Company have exceed the tenure limit of nine (9) years. The Board of Directors and the Nomination Committee have assessed them and thereby recommended that they continue in office as Independent Directors of the Company based on the justification that their experience, expertise and networking have significant contribution to the operation and performance of the Group, they actively participated in deliberations at Board meetings by providing unbiased and independent views, expressing disagreements and standing up for their independent points of view for the best interest of the Group, shareholders, employees and other stakeholders as a whole and they fulfilled the criteria as Independent Directors stipulated in the Listing Requirements and therefore can be entrusted to discharge their duties impartially and constructively;

15. The Company had, at its 44th AGM held on 23 June 2021, obtained its shareholders' approval for the 20% general mandate for issuance of shares pursuant to the Section 76 of the Companies Act 2016. As at the date of this AGM Notice, a total of 10 million ordinary shares have been subscribed and allotted to Macquarie Bank Limited under the proposed subscription of up to 93,000,000 placement shares by Macquarie Bank Limited in accordance with the terms of the conditional subscription agreement dated 8 July 2021 entered into between of YKGI and Macquarie Bank Limited ("Proposed Subscription").

    The total proceeds of RM1.984 million raised from the Proposed Subscription has been utilised for working capital of YKGI Group and repayment to suppliers.

    The proposed Resolution 8, if passed, will grant a renewed 10% general mandate to empower the Directors to issue shares pursuant to Section 76 of the Companies Act 2016. It 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). This would eliminate any delay arising from and cost involved in convening a general meeting to obtain approval of the shareholders for such issuance of shares.

    The Board of Directors of YKGI, having considered the current economic climate arising from the global Covid-19 pandemic and future financial needs of YKGI Group, was of the opinion that this 10% general mandate is in the best interests of the Company and its shareholders; and

16. 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.

    Please refer to the Circular to Shareholders dated 29 April 2022 for further details.

STATEMENT ACCOMPANYING NOTICE OF 45th 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 45th AGM.

FORM OF PROXY

YKGI HOLDINGS BERHAD

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

No. 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/or Proxy 2 (if any) ______________________________(NRIC No.: ______________)
(Full Name In Capital Letters)

of ____
(Full Address)

or failing him/her/them, the CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us and on *my/our behalf at the 45th Annual General Meeting of the Company to be conducted entirely through live streaming from the broadcast venue at Online Meeting Platform via TIIH Online website at *https://tiih.online* provided by Tricor Investor & Issuing House Services Sdn. Bhd. on Friday, 24 June 2022 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 RM231,500 for the Non-Executive Directors for the financial year ended 31 December 2021		
RESOLUTION 2	To approve other benefits payable to the Non-Executive Directors up to RM100,000 for the period from 25 June 2022 until the conclusion of the next Annual General Meeting of the Company		
RESOLUTION 3	To re-elect Dato' Sri Victor Hii Lu Thian as Director		
RESOLUTION 4	To re-elect Mr Toshihiro Tachibana as Director		
RESOLUTION 5	To re-appoint KPMG PLT (AF 0758) as Auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration		
RESOLUTION 6	To retain Mr Fong Yoo Kaw @ Fong Yee Kow as Independent Director		
RESOLUTION 7	To retain Mr Liew Jee Min @ Chong Jee Min as Independent Director		
RESOLUTION 8	Authority for Directors 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 of a revenue or trading nature		

*Strike out whichever is 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 2022

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

Fold this flap for sealing

Then fold here

AFFIX
STAMP

To: The Poll Administrator

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

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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 45th AGM. Members will NOT be physically present at the Broadcast Venue on the day of the 45th AGM;
2. Members are to attend, speak (including posing questions to the Board of Directors via real time submission of typed texts) and vote (collectively, "participate") remotely at the 45th 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 45th AGM via RPV may appoint not more than two (2) proxies to attend and vote instead of the Member at the 45th 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 45th AGM via RPV shall have the same rights as the Member to speak at the 45th 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 45th AGM or any adjournment thereof;
10. A Member who has appointed a proxy or authorised representative to attend, participate, speak and vote at the 45th 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 16 June 2022 shall be regarded as a Member of the Company entitled to attend the 45th 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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No.2 Jalan Setia Prima S U13/S, Seksyen U13,
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Selangor Darul Ehsan.
Tel: +603 5037 6228   Fax: +603 5037 6229

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