

NOTES TO THE FINANCIAL STATEMENTS:-

1 *Basis of Preparation*

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Malaysian Financial Reporting Standard (MFRS) 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements as at and for the year ended 31 December 2014 which were prepared in compliance with MFRS. These explanatory notes attached to the interim financial statement provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2014.

2 *Changes in Accounting Framework*

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2014 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2015:

Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*

Amendments to MFRS 124, *Related Parties Disclosures (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

The adoption of the above standards does not have major impact to the financial statement of the Group.

3 *Declaration of audit qualification*

The annual financial statements of the Group for the year ended 31 December 2014 were reported on without any qualification.

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4 *Seasonality or Cyclical of interim operations*

The Group's operations are not subject to seasonal or cyclical factors.

5 *Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence*

During the financial quarter, the Group reversed derivative gain of RM7.56 million recognized in the previous quarter which was arising from the fair valuation of forward foreign exchange contracts, and reversed unrealized forex loss of RM7.33 million on foreign currency payables.

The derivative gain has been included in other income, whereas the unrealized forex loss was included in the administrative expenses.

During the financial period, the Group reclassified one unit of land & building from non-current assets to current asset being held for sale with a carrying amount of RM 59.67 million.

Save as disclosed above, there were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.

6 *Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, which give a material effect in the current interim period*

There were no changes in estimates that have had material effect in the current quarter's results.

7 *Issuances, cancellations, repurchases, resale and repayments of debt and equity securities*

There was no issuance, cancellation, repurchase, resale and repayments of debt and equity securities during the interim period under review.

8 *Dividends*

There were no dividends paid during the financial quarter.

9 *Segmental reporting*

Segmental information for the Group's business segments is as follows:

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	SBU 1	SBU 2	SBU 3	Inter- segment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2015 4Q					
Revenue from external customers	28,253	52,505	27,046	-	107,804
Inter-segment	-	20,473	50	(20,523)	-
	<u>28,253</u>	<u>72,978</u>	<u>27,096</u>	<u>(20,523)</u>	<u>107,804</u>
2014 4Q					
Revenue from external customers	29,373	60,645	54,154	-	144,171
Inter-segment	-	30,225	18	(30,243)	-
	<u>29,373</u>	<u>90,870</u>	<u>54,172</u>	<u>(30,243)</u>	<u>144,171</u>

SBU 1: Manufacture and sale of galvanized and coated steel products in East Malaysia.

SBU 2: Manufacture galvanized, coated and uncoated steel products in West Malaysia and overseas.

SBU 3: Trading of galvanized, coated and uncoated steel products in West Malaysia, and manufacture and sale of steel tubes, pipes, as well as trading of other building and construction materials in West Malaysia.

For decision making and resources allocation, the Chief Executive Officer reviews the statements of financial position of respective subsidiaries.

10 *Valuation of property, plant and equipment*

The valuation of land and buildings was brought forward without amendment from the previous financial period.

11 *Material events subsequent to the end of the interim period*

There were no material events subsequent to the end of the interim period.

12 *Changes in composition of the Group*

There were no changes in the composition of the Group during the quarter under review.

13 *Changes in contingent liabilities or contingent assets*

There are no contingent liabilities or assets for the current financial year to date.

14 *Review of performance*

The Group's total revenue for the quarter under review decreased by 25% or RM36.4 million to RM107.8 million as compared to RM144.2 million in the corresponding period of the

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preceding year. The Group reported a pretax loss of RM4.8 million, an improvement as compared to pretax loss of RM17.8 million reported in the corresponding period of the previous year. This is mainly attributable to cheaper raw materials incurred in the current quarter under review. The decrease in revenue was due to weaker market and lower demand of the Group's products.

15 *Variation of results against preceding quarter*

For the quarter under review, the Group recorded a pretax loss of RM4.8 million as compared to pretax loss of RM4.5 million reported in the previous quarter. The increase in losses was due to impairment on inventories and impairment on trade receivables amounted to RM0.6 million and RM0.5 million respectively.

16 *Prospects for the financial year ending 31 December 2016*

- (a) The Steel market conditions remain challenging and competitive with the weak ringgit. This condition is expected to remain uncertain.

However, with the trade measures being introduced recently, prices will hopefully stabilize.

- (b) There were no announcements or disclosures published in a public document of any revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

17 *Statement of the Board of Directors' opinion on achievement of forecast*

Not applicable to the Group as no announcements or disclosures were published in a public document of any revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

18 *Profit forecast*

Not applicable as no profit forecast was published.

19 *Income tax expense*

The taxation is derived as below:	Current Quarter RM'000	Financial Year-To-Date RM'000
Current tax expense		
- current year	101	273
Deferred tax expense		
- current year	81	(3,540)
Total	182	(3,267)

The reversal of the tax against the pretax losses is at a rate lower than the statutory tax rate of 25% due to the adding back of non-deductible expenses and non-recognition of deferred tax assets in the loss-making subsidiaries.

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20 Profit for the period

	Current quarter ended 31 Dec		Cumulative period ended 31 Dec	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	4,951	4,963	19,798	20,140
Impairment loss:-				
- Trade Receivables	500	1,223	500	1,223
- Properties plant and equipment	182	-	182	-
Inventories written down	613	1,032	613	1,032
Loss on disposal of property, plant and equipment	2	74	2	74
Foreign exchange loss:-				
- Realised	525	138	1,670	275
- Unrealised	-	2,685	298	2,685
- Reversal of derivative gain	7,560	-	-	-
And after crediting:				
Gain on disposal of property, plant and equipment	-	127	77	220
Reversal of impairment loss on trade receivables	-	-	-	960
Finance income	315	203	1,099	1,013
Income from Derivative gain on forward foreign exchange contracts	-	-	488	-
Reversal of unrealized loss in foreign exchange	7,334	-	-	-

21 Status of corporate proposal announced

- (a) There were no corporate exercise announced during the quarter under review.
- (b) There were no proceeds raised from any corporate exercise during the quarter under review.

22 Borrowing and debt securities

As at 31 December 2015	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	37,761	35,413
Unsecured	125,241	6,701
Total	163,002	42,114

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23 Financial derivative instruments

Forward foreign exchange contracts are used to hedge foreign exchange risks associated with certain purchase transactions.

As at end of the current quarter under review, the outstanding forward foreign currency exchange contracts are as follows:

Type of Derivatives	Contract/Notional Value (RM'000)	Fair Value (RM'000)
Foreign Exchange Contracts (in US Dollar)	117,185	117,673
- Less than 1 year		

The fair value changes have been recognized in the financial statements.

24 Changes in material litigation

There are no material litigations during the period under review.

25 Proposed dividend

The Board of Directors has not recommended any interim dividend for the financial quarter ended 31 December 2015.

26 Earnings per share

	Quarter ended 31 Dec		Period ended 31 Dec	
	2015	2014	2015	2014
	('000)	('000)	('000)	('000)
Basic earnings per ordinary share				
(Loss)/Profit attributable to owners of the Company (RM'000)	(4,999)	(14,548)	(16,504)	(26,642)
Number of ordinary shares in issue at the beginning period and end of period	348,337.6	348,337.6	348,337.6	348,337.6
Basic earnings/(loss) per ordinary share (sen)				
From continuing operation	(1.44)	(4.18)	(4.74)	(7.65)
From discontinued operation	-	-	-	-
	(1.44)	(4.18)	(4.74)	(7.65)

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There were no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at the end of the reporting period and the corresponding period of the preceding year.

The exercise price of the outstanding Warrant 2013/2020 issued on 29 May 2013 is higher than the average market price of the ordinary shares of the Company for the period under review. As the warrants are anti-dilutive in nature, they have been ignored for the purposes of the computation of the diluted earnings per share.

27 Breakdown of realised and unrealised profit or losses

The breakdown of the retained profits of the Group into realized and unrealized profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 31 Dec 2015 RM'000	As at 31 Dec 2014 RM'000
Total accumulated losses of the Group		
- Realised	(51,430)	(31,122)
- Unrealised	13,960	10,114
Add: Consolidated adjustments	449	491
Total accumulated losses	<u>(37,021)</u>	<u>(20,517)</u>