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 2015 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 2015.

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 2015 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2016:

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 2015 were reported on without any qualification.

NOTES TO THE FINANCIAL STATEMENTS:-

4 ***Seasonality or Cyclicality 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 period, the Group recognized derivative gain of RM 2.94 million arising from the fair valuation of forward foreign exchange contracts, and unrealized loss of RM 2.34 million on foreign currency payables.

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:

	SBU 1	SBU 2	SBU 3	Inter-segment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2016 3Q					
Revenue from external customers	28,437	45,209	15,685	-	89,331
Inter-segment	-	19,261	9	(19,270)	-
	28,437	64,470	15,694	(19,270)	89,331
2015 3Q					
Revenue from external customers	27,233	47,363	35,587	-	110,183
Inter-segment	7,567	17,786	264	(25,617)	-
	34,800	65,149	35,851	(25,617)	110,183

NOTES TO THE FINANCIAL STATEMENTS:-

SBU 1: Manufacture and sale of galvanized, roll-formed products and trading in hardware and building materials in East Malaysia.
SBU 2: Manufacture and sale of galvanized, coated and uncoated steel products in West Malaysia.
SBU 3: Trading of galvanized, coated and uncoated steel products and 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 18.92% or RM20.85 million to RM89.33 million as compared to RM110.18 million in the corresponding period of the preceding year. The Group reported a pretax profit of RM0.57 million as compared to pretax loss of RM4.47 million reported in the corresponding period of the previous year. The decrease in revenue was due to cessation of pipe manufacturing business in the early of 2016, softer market in current quarter and short production cycle in the month of July 2016 due to revamping exercise being carried out on the continuous galvanizing line.

Notwithstanding the lower revenue, the Group is able to register a higher gross profit margin as compared to the corresponding period of the preceding year. The better margin was attributed to continuous cost rationalization measures and more stabilize steel environment due to the trade measures being implemented.

NOTES TO THE FINANCIAL STATEMENTS:-

15 ***Variation of results against preceding quarter***

For the quarter under review, the Group recorded a pretax profit of RM0.57 million as compared to pretax profit of RM8.17 million as reported in the previous quarter. The financial performance of the current quarter is affected by lower product margin impacted from the higher raw material price which has increased by 23% per metric ton compared to preceding quarter.

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

(a) The global steel market conditions remain challenging and competitive against an uncertain economy. The Company will strive to improve its production efficiency in order to stay competitive. Despite the global oversupply situation, the imposition of trade measures by Government of Malaysia has stabilized the supply and pricing equilibrium of the steel products on the local front.

(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	630	1,494
Deferred tax expense		
- current year	(300)	1,304
Total	330	2,798

The Group's effective tax rate in the current year to date was lower than the statutory tax rate applicable for the current financial year due to non-deductible expenses and non-recognition of deferred tax assets in the loss-making subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS:-

20 Profit for the period

	Current quarter ended 30 Sept		Cumulative period ended 30 Sept	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	4,608	4,917	13,905	14,847
Net foreign exchange loss	436	64	891	1,145
Unrealized loss on foreign exchange	2,341	7,632	1,283	7,632
And after crediting:				
Gain on disposal of property, plant and equipment	(1)	22	488	77
Finance income	162	374	601	784
Net foreign exchange gain	-	-	-	-
Derivative gain on forward foreign exchange contracts	2,940	8,048	2,114	8,048

21 *Status of corporate proposal announced*

(A) (i) On 10 May 2016, the Company announced that the Company is proposing to undertake the followings:-

(a) Proposed reduction of the issued and paid-up share capital of the Company pursuant to Section 64 of the Companies Act, 1965, involving the cancellation of RM0.40 from the par value of every existing ordinary share of RM0.50 each in YKGI ("Proposed Par Value Reduction");

(b) Proposed amendments to the Memorandum and Articles of Association of the Company to facilitate the Proposed Par Value Reduction

(Hereinafter referred to as " Proposals")

On 30 June 2016, the shareholders of the Company in an Extraordinary General Meeting ("EGM") approved the Proposals. On 6 October 2016, the Company announced that the sealed order of the High Court of Malaya in Kuala Lumpur for the Proposed Par Value Reduction had been lodged with the Companies Commission of Malaysia and effectively the par value of the existing ordinary share in YKGI has been reduced from RM0.50 to RM0.10 each.

NOTES TO THE FINANCIAL STATEMENTS:-

(ii) On 20 May 2016, the Company announced to establish an Employee Share Option Scheme ("ESOS") of up to fifteen percent (15%) of the prevailing issued and paid-up share capital of the Company (excluding treasury shares) for the Eligible Employees (including Directors) of the Group. The ESOS scheme will be implemented before mid-November 2016.

(iii) On 30 August 2016, the Company announced that its wholly-owned subsidiary, Star Shine Marketing Sdn Bhd has entered into a conditional sale and purchase agreement with TG Medical Sdn Bhd, for the disposal of a piece of freehold property held under individual title Geran 5237, Lot No 6472, Mukim of Kapar, Daerah of Klang and state of Selangor Darul Ehsan measuring 34,499 square metres in area together with a single storey detached factory property for a cash consideration of RM51.**5** million ("Proposed Disposal"). The Proposed Disposal is subject to the approval of the shareholders of Company in an EGM to be carried out. As at to-date, the transaction is still pending completion.

(iv) On 24 October 2016, the Company announced that the Company had on 21 October 2016 entered into a memorandum of Understanding ("MOU") with Ajiya Berhad ("Ajiya") with the intention of establishing a long-term strategic business partnership between YKGI and Ajiya in East Malaysia by synergising and optimising both parties' manufacturing resources and enhancement of revenue and profitability via joint venture, business combination or any other form of business arrangement to be mutually agreed upon. As at to-date, there is no new development on the MOU.

(B) There were no proceeds raised from any corporate proposal during the quarter under review.

22 ***Borrowing and debt securities***

As at 30 September 2016	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	27,172	35,558
Unsecured	113,955	6,701
Total	141,127	42,259

23 ***Financial derivative instruments***

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

NOTES TO THE FINANCIAL STATEMENTS:-

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) - Less than 1 year	109,127	111,241

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 30 Sept		Period ended 30 Sept	
	2016 ('000)	2015 ('000)	2016 ('000)	2015 ('000)
Basic earnings per ordinary share				
Profit/(Loss) attributable to owners of the Company (RM'000)	242	(3,481)	6,284	(11,505)
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 profit/(loss) per ordinary share (sen)	0.07	(1.00)	1.80	(3.30)

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.

NOTES TO THE FINANCIAL STATEMENTS:-

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 Reguirements, as issued by the Malaysian Institute of Accountants.

	As at 30 Sept 2016 RM'000	As at 31 Dec 2015 RM'000
Total retained profit of the Group		
- Realised	(45,194)	(51,668)
- Unrealised	13,960	14,150
Add: Consolidated adjustments	449	449
Total retained earnings	(30,785)	(37,069)