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 RM3.91 million arising from the fair valuation of forward foreign exchange contracts, and unrealized loss of RM4.32 million on foreign currency payables.

During the financial period, the Group disposed one unit of land & building from current asset being held for sale with a carrying amount of RM59.67 million which resulted in non-operating loss amounts to RM9.35 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:

	SBU 1	SBU 2	SBU 3	Inter-segment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2016 4Q					
Revenue from external customers	35,270	48,890	21,703	-	105,863
Inter-segment	-	19,509	1	(19,510)	-
	35,270	68,399	21,704	(19,510)	105,863

NOTES TO THE FINANCIAL STATEMENTS:-

2015 4Q					
Revenue from external customers	28,253	52,505	27,046	-	107,804
Inter-segment	-	20,473	50	(20,523)	-
	28,253	72,978	27,096	(20,523)	107,804

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***

Year –on year quarterly performance review

The Group's total revenue for the quarter under review decreased by 1.80% or RM1.94 million to RM105.86 million as compared to RM107.80 million in the corresponding period quarter. The decrease in revenue was due to lower sales volume by about 22% as the pipe mill business has ceased operation in early 2016. However, the impact was mitigated by higher average selling price by about 25% in the current quarter under review.

The Group reported an operating loss of RM6.99 million as compared to operating loss of RM4.86 million in the corresponding quarter. The main contributing factors for the

NOTES TO THE FINANCIAL STATEMENTS:-

higher losses were due to provision for impairment loss on fixed assets arising from the disposal of land and building and the challenging market environment. During the current quarter under review, the Group's businesses have been adversely affected by the rising cost of raw material and rapidly depreciation of the local currency against the US Dollar. These factors have caused the deterioration of product margin from 12.51% in previous quarter to 8.66% for the current quarter.

During the current quarter under review, the Group disposed its land and industrial building ("Property") to TG Medical Sdn Bhd for a cash consideration of RM51.5 million. The disposal has resulted in one-off charge of non-operating expenses of RM9.353 million which is the difference between sale price and the revalued carrying amount of the property. The original cost of investment of the Property was RM45.03 million.

As a result of the one-off non-operating expenses, the Group registered a loss before taxation of RM16.34 million.

Year-to-date performance review

The Group's revenue for Year 2016 was RM399.62 million versus RM491.63 million for Year 2015. The lower turnover was primary due to cessation of pipe mill business since early Year 2016. In terms of profitability, the Group registered an operating profit of RM2.09 million versus an operating loss of RM19.82 million in the previous year. The better result was due to higher product margin registered aided by the trade measures introduced by the Malaysia Government against price dumping by other low cost producer countries.

With the inclusion of one-off non-operating expenses of RM9.35 million arising from the disposal of the Property, the Group registered a loss before taxation of RM7.26 million.

On the earnings before interest, tax, depreciation and amortization ("EBITDA"), the Group registered a much improved EBITDA of RM32.41 million as compared to RM12.97 million in previous year, an increase of 150%. The substantial improvement is due to better financial performance with operating profit of RM2.09 million for Year 2016.

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

For the quarter under review, the Group recorded an operating loss before taxation of RM6.99 million as compared to pretax profit of RM0.57 million as reported in the previous quarter. The financial performance of the current quarter is greatly affected by one-off non-operating expenses of RM9.35 million arising from the disposal of the Property, higher raw material cost and rapidly deterioration of Malaysia Ringgit against the US Dollar. These external factors resulted in the erosion of its product margin by about 30% as compared to the preceding quarter.

The Group recorded a loss before taxation of RM16.34 million as compared to a loss before taxation of RM4.86 million for the previous quarter.

NOTES TO THE FINANCIAL STATEMENTS:-

16 *Prospects for the financial year ending 31 December 2017*

(a) The year ahead will be challenging with greater uncertainty on the performance of Malaysia's economy due to weakness in the Malaysia ringgit. On the global economy, the business environment has become more unpredictable post US Presidential Election. On the local front, the steel industry is affected by volatility of Hot Rolled Coil ("HRC") price which is raw material for our products. The rapid rise in the HRC price has put tremendous pressure on the demand and profitability of our products.

Overall, the Group is cautiously optimistic on the performance of 2017 and it will strive to improve its production and cost efficiency with the view of achieving better profitability

(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	881	2,375
- prior year	(31)	(31)
Real property gains tax	211	211
Deferred tax expense		
- current year	(179)	(179)
- prior year	(985)	319
Total	(103)	2,695

The Group's effective tax rate in the current year to date was higher 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 31 Dec		Cumulative period ended 31 Dec	
	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	4,709	4,951	18,671	19,846
Impairment loss:-				
- Trade Receivables	515	500	515	500
- Properties, plant and equipment	-	182	-	182
Property, plant and equipment written off	1,649	-	1,649	-
Inventories written down	550	613	550	613
Loss on disposal of property, plant and equipment	-	2	-	-
Loss on disposal of property held for sale	9,353	-	9,353	-
Net foreign exchange loss	658	525	1,033	1,670
Unrealized loss on foreign exchange	4,324	7,334	5,606	298
And after crediting:				
Gain on disposal of property, plant and equipment	176	-	176	75
Finance income	61	315	673	1,115
Net foreign exchange gain	-	-	-	-
Derivative gain on forward foreign exchange contracts	3,913	7,560	6,027	488

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")

NOTES TO THE FINANCIAL STATEMENTS:-

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.

(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 has been effective since 9 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 ("SPA") 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"). On 22 November 2016, the Company announced that the resolution as set out in the notice of Extraordinary General Meeting ("EGM") dated 7 November 2016 was duly passed at the EGM held on 22 November 2016 and thus rendering the SPA unconditional.

(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 31 December 2016	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	27,013	20,459
Unsecured	120,376	2,851
Total	147,389	23,310

NOTES TO THE FINANCIAL STATEMENTS:-

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) - Less than 1 year	121,741	127,768

The fair value changes have been recognised 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 2016.

26 *Earnings per share*

	Quarter ended 31 Dec		Period ended 31 Dec	
	2016 ('000)	2015 ('000)	2016 ('000)	2015 ('000)
Basic earnings per ordinary share				
Loss attributable to owners of the Company (RM'000)	(16,241)	(5,047)	(9,957)	(16,552)
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)	(4.66)	(1.45)	(2.86)	(4.75)

NOTES TO THE FINANCIAL STATEMENTS:-

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 2016 RM'000	As at 31 Dec 2015 RM'000
Total retained profit of the Group		
- Realised	(31,252)	(51,668)
- Unrealised	9,352	14,150
Add: Consolidated adjustments	778	449
Total retained earnings	(21,122)	(37,069)