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 2016 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 2016.

2 *Changes in Accounting Framework*

2.1 Adoption of Standards, Amendments and IC interpretations

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 2016 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2017:

Amendments to MFRS 12, Disclosure of Interests in Other Entities *(Annual Improvements 2014-2016 Cycle)*
Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
Amendments to MFRS 112, Income Taxes, Recognition on Deferred Tax Assets for unrealized losses

The adoption of the above standards does not have a major impact on the financial statement of the Group, except as disclosed below:

2.2 Amendments to MFRS 107: Disclosure Initiative

The amendments to MFRS 107 Statement of Cash Flows requires an entity to provide disclosures that enable of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of this amendment, entities are not required to provide comparative information for preceding periods. The amendements affect presentation and disclosure in financial statements only and have no impact on the Group's financial position or performance.

2.3 Standards, Amendments and Annual Improvements issued but not yet effective

The Group has not adopted the following pronouncements that have been issued but not yet effective:

NOTES TO THE FINANCIAL STATEMENTS:-

Description	***Effective for annual Periods beginning on or after***
Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014 – 2016 Cycle)	1 January 2018
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Trasactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128: Investment in Associates and Joint Ventures (Annual Improvements to MFRSs 2014 – 2016 Cycle)	1 January 2018
Amendments to MFRS 140: Transfers of Investment property	1 January 2018
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to MFRS 3 Business Combinations (Annual Improvements to MFRSs 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11: Joint Arrangements (Annual Improvements to MFRSs 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 112: Income Taxes (Annual Improvements to MFRSs 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 123: Borrowings Costs (Annual Improvements to MFRSs 2015 – 2017 Cycle)	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
MFRS 16: Leases	1 January 2019
IC Interpretation 23: Uncetainty over Income Tax Treatments	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The adoption of the above pronouncements is not expected to have material impact on the financial statements in the period of initial application, except as disclosed below:

MFRS 15 Revenue from Contracts with Customers

MFRS 15 establishes a new five-step model that will apply to revenue arising from contarcts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognize revenue which depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e when “control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required fro annual periods beginning on or after 1 January 2018 with early adoption permitted.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 15.

MFRS 16 Leases

MFRS 16 will replace MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, IC Interpretation 115 Operating Lease-Incentives and IC Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lesses to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning or or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full restropective or a modified restospective approach.

The Group is currently assessing the impact of MFRS 16.

MFRS 9 Financial Instrucments

MFRS 9 replaces the guidance in MFRS 139, Financial Instructments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

3 Auditors' Report on Preceding Annual Financial Statements

The annual financial statements of the Group for the year ended 31 December 2016 contained a statement on material uncertainty related to going concern.

As at 31 December 2016, the current liabilities of the Group exceeded it current assets by RM54,188,909 (2015: RM40,036,776). These conditions as set forth in Note 1(b) of the Annual Financial Statements indicate that the appropriateness of reporting the financial statements on a going concern basis is dependent upon the successful execution of the action plans mentioned in Note 1(b) and the achievement of future profitable operations by the Group as well as the continued support of the shareholders and major suppliers. The Auditors' opinion was not modified in respect of this matter.

In relation to the above, the Company has taken the following steps:-

(i) YKGI is continuously addressing its net current liabilities. In early February 2017, the Company completed the disposal of an asset which brought in net proceeds of RM23.263 million. The Company will continue to pursue the implementation of business turnaround plan.

(ii) YKGI Group is continuously improving its production efficiency with the view of achieving better production yield and lower production cost. To achieve that, the Group is doing realignment of product mix, production scheduling and staff redeployment exercise.

(iii) As a broad based business strategy, YKGI is exploring options to streamline its non-profitable production lines and to further develop and strengthen its profitable downstream business.

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 recognised the derivative loss of RM5.99 million arising from the fair valuation of forward foreign exchange contracts and an unrealized gain of RM8.48 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 a material effect on the current quarter's results.

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

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial period to-date under review.

NOTES TO THE FINANCIAL STATEMENTS:-

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:

	East Malaysia RM'000	West Malaysia RM'000	Inter-segment RM'000	Total RM'000
4th Quarter 2017				
Revenue from external customers	35,529	59,446	-	94,975
Inter-segment	-	2,845	(2,845)	-
	35,529	62,291	(2,845)	94,975
4th Quarter 2016				
Revenue from external customers	35,270	70,593	-	105,863
Inter-segment	-	3,081	(3,081)	-
	35,270	73,674	(3,081)	105,863

East Malaysia: Manufacture and sale of Pre-painted, Galvanised Iron, Roll-formed products and trading in hardware and building materials in East Malaysia.

West Malaysia: Manufacture and sale of galvanized and coated steel products, pickled and oiled hot rolled coils and cold rolled coils in West Malaysia.

For decision making and resources allocation, the Deputy Executive Chairman together with the Managing Director review the statements of financial position of the respective subsidiaries.

10 ***Valuation of property, plant and equipment***

During the financial year, the Group has reviewed the latest valuation reports dated 17 Oct 2017, 20 Dec 2017 and 8 Jan 2018 in respect of 3 parcels of freehold and leasehold land of the Group and has adopted the revised valuation based on valuation performed by independent professional valuers which give rise to a revaluation gain of RM2.96 million.

The valuation of buildings was brought forward without amendment from the previous financial period. Lands are revalued periodically, at least once in every three years. Surplus arising from the revaluation are recognized in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surplus, are recognized in profit and loss.

NOTES TO THE FINANCIAL STATEMENTS:-

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*

Financial review for current quarter and financial year to date

	Individual Period		**Changes**		**Cumulative Period**		**Changes**	
	Current Year Quarter	**Preceding Year Corresponding Quarter**			**Current Year To-date**	**Preceding Year Corresponding Period**		
	31 Dec	**31 Dec**			**31 Dec**	**31 Dec**		
	2017	**2016**			**2017**	**2016**		
	RM'000	**RM'000**	**RM'000**	**%**	**RM'000**	**RM'000**	**RM'000**	**%**
Revenue	94,975	105,863	(10,888)	-10%	378,801	399,617	(20,816)	-5%
Operating (Loss)/Profit	(4,798)	(4,162)	(636)	15%	(5,361)	13,066	(18,427)	-141%
(Loss)/Profit Before Interest and Tax	(4,374)	(13,443)	9,069	-67%	(4,045)	13,739	(17,784)	-129%
(Loss)/Profit Before Tax	(6,972)	(16,344)	9,372	-57%	(13,987)	2,091	(16,078)	-769%
Loss After Tax	(6,624)	(16,241)	9,617	-59%	(14,736)	(9,957)	(4,779)	48%
Loss Attributable to Ordinary Owner of the Company	(6,624)	(16,241)	9,617	-59%	(14,736)	(9,957)	(4,779)	48%

The Group's total revenue for the quarter under review decreased by 10.28% or RM10.89 million to RM94.98 million as compared to RM105.86 million in the corresponding quarter. The decrease in the revenue is due to low sales volume by about 26.6% and impacted by soft demand in the current quarter under review.

The Group reported a loss before tax of RM6.97 million compared to a loss before tax of RM16.24 million (or a loss of RM6.99 million before one-off non-operating expenses of RM9.35 million) in the corresponding quarter. During the current quarter , the Group incurred higher expenses arising from the impairment loss on fixed assets, impairment loss on trade and other receivables and share option expenses. The Group's financial performance during the current quarter is impacted by rising cost of raw material, low production output and low gross margin.

NOTES TO THE FINANCIAL STATEMENTS:-

15 *Variation of results against preceding quarter*

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31 Dec 2017	30 Sept 2017	
	RM'000	RM'000	%
Revenue	94,975	101,716	(7)
Operating Loss	(4,798)	(1,003)	(378)
Loss Before Interest and Tax	(4,374)	(833)	(425)
Loss Before Tax	(6,972)	(3,224)	(116)
Loss After Tax	(6,624)	(3,532)	(87)
Loss Attributable to Ordinary Owner of the Company	(6,624)	(3,532)	(87)

For the quarter under review, the Group recorded a pretax loss of RM6.97 million as compared to RM3.22 million in the previous quarter. The losses in the current quarter was mainly due to higher provision for impairment loss on fixed assets, trade and other receivables and share option expenses. The Group's financial is also impacted by the lower turnover despite registering a higher selling price. For the current quarter, the total sales value decreased by about 7% compared to preceding quarter.

16 *Current Year Prospects*

(a) There are still challenges ahead for the steel market in Malaysia. New steel mills are coming on stream within ASEAN countries taking advantage of easy access to markets within ASEAN countries under the ASEAN Free Trade Agreement. The demand and price volatility continue to persist for the coming months. The product margin to a large extent has been impacted by these volatilities. For the financial year ending 31 December 2018, the Group will evaluate its business revenue segment to cut down unprofitable operations and focus on the downstream business. To this effect, the Group is currently reorganizing and restructuring its coil business.

(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*

NOTES TO THE FINANCIAL STATEMENTS:-

The taxation is derived as below:	Current Quarter RM'000	Financial Year-To-Date RM'000
Current tax expense		
- current year	474	1,457
- under/(over) provision in prior year	(84)	(80)
Real property gain tax		
- prior year	-	126
Deferred tax expense		
- current year	(738)	(738)
- prior year	-	(16)
Total	(348)	749

The tax income for the current quarter and the tax expense for the year to date were attributable to the taxable profit earned by the subsidiary companies and provision for deferred tax held by a holding company and its subsidiaries.

20 Profit for the period

	Current quarter ended 31 Dec		Cumulative period ended 31 Dec	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	4,012	4,709	17,411	18,671
Impairment loss on:-				
Property, plant & equipment	1,631	-	1,631	-
Trade receivables	378	515	378	515
Other receivables	1,519	-	1,519	-
Property, plant and equipment written off	-	1,649	557	1,649
Bad debt written off	144	-	144	-
Inventories written down	336	550	336	550
Loss on disposal of property held for sale	-	9,353	-	9,353
Net foreign exchange loss	-	658	-	1,033
Unrealized loss on foreign exchange	-	4,324	-	5,606
Derivative loss on forward foreign exchange contracts	443	-	5,994	-
And after crediting:				
Gain on disposal of property, plant and equipment	24	176	24	176
Finance income	424	61	1,316	673
Net foreign exchange gain	2,152	-	3,159	-

Unrealized gain on foreign exchange	1,411	-	8,484	-
Derivative gain on forward foreign exchange contracts	-	3,913	-	6,027

21 ***Status of corporate proposal announced***

(A) 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.

On 23 January 2017, Public Investment Bank Berhad has been appointed as the Principal Adviser on the MOU. On 19 October 2017, the Company has entered into a letter of extension with Ajiya Berhad to mutually agree to extend the validity period of the MOU by 12 months, commencing from 21 October 2017 to 20 October 2018.

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***

The Group's borrowings from lending institution as at 31 December 2017, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As st 31 December 2017		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	20,843	20,393	41,236
Unsecured	234	111,734	111,968
Total	21,077	132,127	153,204

Based on the above, the Group's bank-gearing ratio ia round 0.86 times.

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	Fair Value

NOTES TO THE FINANCIAL STATEMENTS:-

	(RM'000)	(RM'000)
Foreign Exchange Contracts (in US Dollar) - Less than 1 year	31,052	29,895

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

24 ***Changes in material litigation***

A Writ of Summons dated 13 April 2017 was filed by Dataprenuer Sdn Bhd ("Plaintiff") against YKGI for the claim of RM1,172,700 relating to the supply, installation and commissioning of ERP system pursuant to the License Agreement, YKGI denied categorically that the ERP system is fully functional as the Plaintiff failed to deliver a functional ERP system and the system acceptance had yet to be determined. YKGI's position is that the Plaintiff's termination of the License Agreement is unlawful and amounts to a repudiatory breach. YKGI had through its solicitors filed a Counterclaim against the Plaintiff for unlawful termination of the License Agreement.

The legal case had gone through case management with the court and barring any changes, the trial for the case shall begin on 11 April 2018.

Our solicitor is of the opinion that YKGI has an arguable case and reasonable defense and counterclaim against the Plaintiff.

Save as disclosed above, 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 2017.

26 ***Earnings per share***

	Quarter ended 31 Dec		Period ended 31 Dec	
	2017 ('000)	2016 ('000)	2017 ('000)	2016 ('000)
Basic earnings per ordinary share				
Loss attributable to owners of the Company (RM'000)	(6,624)	(16,241)	(14,736)	(9,957)
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 loss per ordinary share (sen)	(1.90)	(4.66)	(4.23)	(2.86)

NOTES TO THE FINANCIAL STATEMENTS:-

There were no diluted earnings per share as there were no potentially 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.