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 2017 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 2017.

1.1 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 2017 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2018:

Description	***Effective for 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
MFRS 9: Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018

The adoption of the above standards does not have a major impact expect for the adoption of the following MFRSs below:

NOTES TO THE FINANCIAL STATEMENTS:-

1)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.

The Group has concluded that the initial application of MFRS 15 does not have any material financial impacts to the current period and prior period financial statements of the Group.

2)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.

In order to measure the consequences of this new standard, the Group has reviewed of the business model corresponding to the different portfolios of financial assets and of the characteristics of these financial assets.

In repect of impairment of financial assets, MFRS 9 replaces the 'incurred loss' model in MFRS 139 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments.

On the date of initial application, MFRS 9 did not affect the classification and measurement assets and financial liabilities, except that has impaired by RM1.103 million as at 1 January 2018 as a result of applying the ECL model on trade receivables.

2 Auditors' Report on Preceding Annual Financial Statements

The audited financial statements of the Group for the year ended 31 December 2017 contained a paragraph on material uncertainty related to going concern.

As at 31 December 2017, the current liabilities of the Group exceeded it current assets by RM64,363,207 (2016: RM54,188,909). 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 profitability, continued support from the financial institutions as well as from a substantial shareholder, who is also a major supplier. The Auditors' opinion was not modified in respect of this matter.

The Group has implemented certain business turnaround plans which are currently in progress and are continuingly exploring various options to address the net current liabilities position, amongst which,

(i) Increase production efficiency with view of achieving better production yield and lower production cost, which include realignment of produt mix, production scheduling and staff redeployment exercise;

(ii) Streamline non-profitable production line and to further develop and strengthen its profitable downstream business; and

(iii) On-going programme of disposal of non-core assets to raise funding for working capital and other purposes for which completed transactions have raised approximately RM51 million to-date.

3 *Seasonality or Cyclicality of interim operations*

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

4 *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 a derivative loss of RM0.96 million arising from the fair valuation of forward foreign exchange contracts and an unrealised gain of RM4.09 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.

5 *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.

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

For the current quarter under review, the Company issued 390,000 new ordinary shares at exercise price of RM0.23 pursuant to the Employee Share Option Scheme ("ESOS").

Save as disclosed above, 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.

7 *Dividends*

There were no dividends paid during the financial quarter.

8 *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
1st Quarter 2018				
Revenue from external customers	31,550	65,863	-	97,413
Inter-segment	-	2,095	(2,095)	-
	31,550	67,958	(2,095)	97,413
1st Quarter 2017				
Revenue from external customers	32,009	68,615	-	100,624
Inter-segment	-	25,703	(25,703)	-
	32,009	94,318	(25,703)	100,624

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.

9 *Valuation of property, plant and equipment*

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

NOTES TO THE FINANCIAL STATEMENTS:-

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

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

11 ***Changes in composition of the Group***

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

12 ***Changes in contingent liabilities or contingent assets***

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

13 ***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 Mar 2018	31 Mar 2017			31 Mar 2018	31 Mar 2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	97,413	100,624	(3,211)	-3%	97,413	100,624	(3,211)	-3%
Operating Profit	7,870	7,007	863	12%	7,870	7,007	863	12%
Profit Before Interest and Tax	6,581	2,600	3,981	153%	6,581	2,600	3,981	153%
Profit Before Tax	4,382	447	3,935	880%	4,382	447	3,935	880%
Profit After Tax	4,143	81	4,062	5,015%	4,143	81	4,062	5,015%
Profit Attributable to Ordinary Owner of the Company	4,143	81	4,062	5,015%	4,143	81	4,062	5,015%

The Group's total revenue for the quarter under review decreased by 3.19% or RM3.21 million to RM97.41 million as compared to RM100.62 million in the corresponding quarter. The decrease in the revenue is due to low sales volume by about 12.2% as a result of soft demand in the current quarter under review.

The Group reported a profit before tax of RM4.38 million compared to RM0.45 million in the corresponding quarter aided by the gain from unrealized foreign exchange of RM4.09 million.

During the quarter under review, the Group has classified certain non-current assets to assets held for sale. The total value transferred amounting to RM222.14 million.

NOTES TO THE FINANCIAL STATEMENTS:-

14 ***Variation of results against preceding quarter***

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter	**Immediate Preceding Quarter**	**Changes (%)**
	31 Mar 2018	**31 Dec 2017**	
	RM'000	**RM'000**	**%**
Revenue	97,413	94,975	3
Operating Profit/(Loss)	7,870	(4,798)	264
Profit/(Loss) Before Interest and Tax	6,581	(4,374)	250
Profit/(Loss) Before Tax	4,382	(6,972)	163
Profit/(Loss) After Tax	4,143	(6,624)	163
Profit/(Loss) Attributable to Ordinary Owner of the Company	4,143	(6,624)	163

For the quarter under review, the Group recorded a pretax profit of RM4.38 million as compared to pretax loss of RM6.97 million in the previous quarter. The profit in the current quarter was mainly derived from the unrealized gain on the foreign exchange as a result of the appreciation of Ringgit against the US dollar. The Group's registered a higher turnover of 3% for the current quarter due to higher selling price despite lower sales quantity.

15 ***Current Year Prospects***

(a) The flat steel market is still sluggish and challenging. The Group is committed to carry out its plan to restructure the coil business and to focus on the downstream business.

(b) There was no announcement or disclosure published in a public document on any revenue or financial estimate, forecast, projection or internal targets as at the date of this announcement.

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

The Group did not make any announcement or disclosure in any public document on any revenue or financial estimate, forecast, projection or profit guarantee as at the date of this announcement.

17 ***Profit forecast***

No profit forecast was published.

18 ***Income tax expense***

The income tax expense is derived as below:	Current Quarter RM'000	Financial Year-To-Date RM'000
Current tax expense - current year	239	239
Total	239	239

NOTES TO THE FINANCIAL STATEMENTS:-

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.

19 Profit for the period

	Current quarter ended 31 Mar		Cumulative period ended 31 Mar	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	1,289	4,407	1,289	4,407
Property, plant and equipment written off	-	558	-	558
Realised foreign exchange loss	-	222	-	222
Derivative loss on forward foreign exchange contracts	96	2,852	96	2,852
And after crediting:				
Gain on disposal of property, plant and equipment	-	2	-	2
Finance income	312	395	312	395
Realised foreign exchange gain	58	-	58	-
Unrealised gain on foreign exchange	4,085	-	4,085	-
Derivative gain on forward foreign exchange contracts	-	3,073	-	3,073

20 *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 19 October 2017, the Company 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. Subsequently, on 17 April 2018, the Company announced that it is in the midst of discussing the terms of the joint venture arrangement with Ajiya Berhad. The Company will make the necessary announcement(s) in compliance with its obligations under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad once the joint venture arrangement has been finalised.

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

21 ***Borrowing and debt securities***

The Group's borrowings from lending institution as at 31 March 2018, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As st 31 March 2018		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	21,432	20,306	41,738
Unsecured	234	101,832	102,066
Total	21,666	122,138	143,804

Based on the above, the Group's bank-gearing ratio is around 0.79 times.

22 ***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	9,385	9,289

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

23 ***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 the orginal trial dates of 11 and 12 April 2018 have been rescheduled to 13, 14, 27 and 28 August 2018.

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

NOTES TO THE FINANCIAL STATEMENTS:-

Save as disclosed above, there are no material litigations during the period under review.

24 ***Proposed dividend***

The Board of Directors has not recommended any interim dividend for the financial quarter ended 31 March 2018.

25 ***Earnings per share***

	Quarter ended 31 Mar		Period ended 31 Mar	
	2018 ('000)	2017 ('000)	2018 ('000)	2017 ('000)
Basic earnings per ordinary share				
Profit attributable to owners of the Company (RM'000)	4,143	81	4,143	81
Number of ordinary shares in issue at the weighted average of period	348,360.0	348,337.6	348,360.0	348,337.6
Basic earnings per ordinary share (sen)	1.19	0.02	1.19	0.02
Diluted earnings per ordinary share				
Profit attributable to owners of the Company (RM'000)	4,143	81	4,143	81
Number of ordinary shares in issue at the weighted average of period	348,360.0	348,360.0	348,360.0	348,360.0
Adjustment for share options	2,772.2	-	2,772.2	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	351,132.2	348,360.0	351,132.2	348,360.0
Diluted earnings per ordinary share (sen)	1.18	0.02	1.18	0.02

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.