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 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 explain 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 Transactions	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 significant impact except 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 contracts 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 recognizes 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 Instruments

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

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 the characteristics of these financial assets.

In respect 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 have 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.

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 recognized an unrealized gain of RM3.804 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***

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:

NOTES TO THE FINANCIAL STATEMENTS:-

	East Malaysia RM'000	West Malaysia RM'000	Inter-segment RM'000	Total RM'000
4th Quarter 2018				
Revenue from external customers	37,222	50,024	-	87,246
Inter-segment	-	-	-	-
	37,222	50,024	-	87,246
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

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.

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

On 2 November 2018, the Company and Starshine Marketing Sdn Bhd had entered into a conditional assets and business sale and purchase agreement with NS BlueScope (Malaysia) Sdn Bhd for the proposed disposal of manufacturing assets and the business of marketing, selling and trading operations of mid-stream steel products in respect of pickled and oiled hot rolled coils, cold rolled coils, galvanised iron coils and pre-painted galvanised iron coils in West Malaysia as a going-concern for a total cash consideration of RM125,000,000 ("**Proposed Disposal**").

In addition, the Company also **proposed** to undertake a capital reduction exercise pursuant to Section 117 of the Companies Act 2016 by reducing and cancelling the share capital of the Company which is lost or unrepresented by available assets, equivalent to the entire accumulated losses of the Company to offset the credit arising against such accumulated losses ("**Proposed Capital Reduction**").

The Proposed Disposal is still pending completion whilst the Proposed Capital Reduction is effective since 1 February 2019. Following the completion of the Proposed Capital Reduction, the issued share capital of the Company is RM38,746,828 comprising 350,684,180 ordinary shares and 21,726,000 shares in Redeemable Convertible Preference Shares.

11 ***Changes in the 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***

<u>Financial review for the current quarter and financial year to date</u>

	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		
	2018	2017			2018	2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	87,246	94,975	(7,729)	-8%	337,434	378,801	(41,367)	-11%
Operating Loss	(11,204)	(4,798)	(6,406)	-133%	(13,854)	(5,361)	(8,493)	-158%
Loss Before Interest and Tax	(120,554)	(4,374)	(116,180)	-2656%	(122,657)	(4,045)	(118,612)	-2932%
Loss Before Tax	(122,855)	(6,972)	(115,860)	-1662%	(132,525)	(13,987)	(118,514)	-847%
Loss After Tax	(122,911)	(6,624)	(116,268)	-1755%	(133,512)	(14,736)	(118,776)	-806%
Loss Attributable to Ordinary Owner of the Company	(122,969)	(6,624)	(116,326)	-1756%	(133,615)	(14,736)	(118,859)	-807%

The Group's total revenue for the current quarter decreased by 8.14% or RM7.73 million to RM87.25 million as compared to RM94.98 million in the corresponding quarter. The decrease in revenue compared to previous year corresponding quarter was caused by low sales volume by about 10.73% due to the overall soft market conditions.

NOTES TO THE FINANCIAL STATEMENTS:-

The Group reported a loss before tax of RM122.86 million compared to RM6.97million in the corresponding quarter which was substantially due to impairment loss on property, plant and equipment relating to the assets held for sale totaling RM107.44 million and impairment loss of RM7.38 million on the idle machines, trade receivables and inventory.

On 2 November 2018, the Company had entered into a conditional assets and business sale and purchase agreement with NS Bluscope (Malaysia) Sdn Bhd for the proposed disposal of the land and building, plant and machinery and the business of its coated coil business in Klang for a cash consideration of RM125.0 million. In relation thereon, the Company has provided an impairment loss of RM107.44 million on the assets to be sold in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operation.*

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

<u>Financial review for the current quarter compared with the immediately preceding quarter</u>

	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31 December 2018	30 September 2018	
	RM'000	RM'000	%
Revenue	87,246	86,808	1
Operating Loss	(11,204)	(4,262)	-163
Loss Before Interest and Tax	(120,554)	(4,191)	-2776
Loss Before Tax	(122,855)	(6,518)	-1785
Loss After Tax	(122,911)	(6,892)	-1683
Loss Attributable to Ordinary Owner of the Company	(122,969)	(6,933)	-1674

For the quarter under review, the Group recorded a pretax loss of RM122.86 million as compared to RM6.52 million in the previous quarter. The higher losses incurred in the current quarter was substantially due to impairment loss on property, plant and equipment relating to assets held for sale and the idle machines, trade receivables and inventory.

15 ***Prospects***

The Company had on 2 November 2018 announced the disposal of its coil business in West Malaysia. With the exit from the said business, the Group will concentrate, develop and expand its downstream business in East Malaysia. The Company also intends to expand the downstream business to West Malaysia via acquisitions or joint ventures.

16 ***Statement of the Board of Directors' opinion on the 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.

NOTES TO THE FINANCIAL STATEMENTS:-

17 ***Profit forecast***

No profit forecast was published.

18 ***Income tax expense***

The income tax expense derived as below:	Current Quarter RM'000	Financial Year-To-Date RM'000
Current tax expense		
- Current year	343	1,299
- (Over)/Under the provision	32	7
Deferred tax expense		
- Current year	(21)	(21)
- Prior year	(298)	(298)
Total	56	987

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 reversal of deferred tax held by a subsidiary company.

19 **Loss for the period**

	Current quarter ended 31 Dec		Cumulative period ended 31 Dec	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Loss for the period is arrived at after charging:				
Depreciation of property, plant and equipment	1,460	4,012	5,501	17,411
Property, plant and equipment:-				
Written off	2	-	2	557
Impairment loss (idle machines)	2,649	1,631	2,649	1,631
Impairment loss (assets held for sales)	107,444	-	107,444	-
Impairment loss on:-				
Trade receivables	1,760	378	1,760	378
Other receivables	-	1,519	-	1,519
Inventories written down	2,975	336	2,975	336
Net foreign exchange loss	460	-	4,340	-
Derivative loss on forward foreign exchange contracts	-	443	-	5,994

NOTES TO THE FINANCIAL STATEMENTS:-

And after crediting:				
Gain on disposal of property, plant and equipment	79	24	82	24
Finance income	744	424	1,291	1,316
Realised foreign exchange gain	-	2,152	-	3,159
Unrealised gain on foreign exchange	3,804	1,411	1,249	8,484

20 ***Status of the corporate proposal announced***

On 2 November 2018, the Company and Starshine Marketing Sdn Bhd had entered into a conditional assets and business sale and purchase agreement with NS BlueScope (Malaysia) Sdn Bhd for the proposed disposal of manufacturing assets and the business of marketing, selling and trading operations of mid-stream steel products in respect of pickled and oiled hot rolled coils, cold rolled coils, galvanised iron coils and pre-painted galvanised iron coils in West Malaysia as a going-concern for a total cash consideration of RM125,000,000.

In addition, the Company also proposes to undertake a capital reduction exercise pursuant to Section 117 of the Companies Act 2016 by reducing and cancelling the share capital which is lost or unpresented by available assets, equilavent to the entire accumulated losses of the Company to offset the credit arising against such accumulated losses.

On 1 February 2019, the Company received the Notice of Confirming the Reduction of Share Capital issued by Registrar of Companies. Pursuant to Section 119(4) of the Companies Act 2016, the Notice shall be conclusive evidence that all the requirements of the Companies Act 2016 with respect to reduction of share capital have been complied. After completion of the proposed capital reduction, the issued share capital of the Company is RM38,746,828 comprising 350,684,180 shares and 21,726,000 shares in Redeemable Convertible Preference Shares.

Save as disclosed above, there were no other corporate proposals during the quarter under review.

21 ***Borrowing and debt securities***

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

Denominated in Ringgit Malaysia	As at 31 December 2018		
	Long Term	Short Term	Total Borrowings
	RM’000	RM’000	RM’000
Secured	14,688	47,083	61,771
Unsecured	-	64,886	64,886
Total	14,688	111,969	126,657

Based on the above, the Group’s bank-gearing ratio is around 2.84 times.

NOTES TO THE FINANCIAL STATEMENTS:-

22 *Financial derivative instruments*

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

As at the end of the current quarter under review, no outstanding of forward foreign currency exchange contracts.

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 trial was completed on 3 October 2018. The counsel for both parties then filed their written submissions and written submissions in reply respectively and had on 24 January 2019 submitted orally before the presiding judge in the Shah Alam High Court. The matter is fixed for decision on 5 March 2019. YKGI's solicitor is of the opinion that YKGI has a reasonable defence against the Plaintiff's claim and a reasonable good ground for our claim against the Plaintiff.

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

24 *Proposed dividend*

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

25 *Earnings per share*

	Quarter ended 31 Dec		Period ended 31 Dec	
	2018 ('000)	2017 ('000)	2018 ('000)	2017 ('000)
Basic loss per ordinary share				
Loss attributable to owners of the Company (RM'000)	(122,969)	(6,624)	(133,615)	(14,736)
Number of ordinary shares in issue at the weighted average of period	350,684.2	348,337.6	350,684.2	348,337.6
Basic loss per ordinary share (sen)	(35.07)	(1.90)	(38.10)	(4.23)

NOTES TO THE FINANCIAL STATEMENTS:-

Diluted loss per ordinary share				
Loss attributable to owners of the Company (RM'000)	(122,969)	(6,624)	(133,615)	(14,736)
Number of ordinary shares in issue at the weighted average of period	350,684.2	348,337.6	350,684.2	348,337.6
Adjustment for share options	(5,036.2)	-	3,098.6	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	345,648	348,337.6	353,782.9	348,337.6
Diluted loss per ordinary share (sen)	(35.58)	(1.90)	(37.77)	(4.23)

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.