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 2018 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 2018.

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 2018 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2019:

Description	***Effective for Periods beginning on or after***
MFRS 16, *Leases*	1 January 2019
IC Interpretation 23, *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*	1 January 2019
Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long Term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 3, *Business Combinations – Definition of a Business*	1 January 2019

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:-

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on balance sheet lease accounting model for lessees. A lessee recognised a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and lease of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group plans to adopt MFRS 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 January 2019.

On the adoption of MFRS 16, the Group will measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply MFRS 16 to all contracts that were previously identified as leases;

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 January 2019; and

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

On the adoption of MFRS 16, the Group has recognised additional right-of-use assets and lease liabilities for its leases previously classified as operating leases by RM2.13 million and RM2.2 million respectively.

2 *Auditors' Report on Preceding Annual Financial Statements*

The audited financial statements of the Group for the year ended 31 December 2018 were reported without any qualification.

3 *Seasonality or Cyclicality of interim operations*

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

NOTES TO THE FINANCIAL STATEMENTS:-

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 carried out a capital reduction where accumulated losses of RM137.919 million has been offset against the share capital of the Company.

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 except for the capital reduction as disclosed in Note 4 above.

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:

Continuing operation	East Malaysia RM'000	West Malaysia RM'000	Inter-segment RM'000	Total RM'000
1st Quarter 2019				
Revenue from external customers	37,054	14,231	-	51,285
Inter-segment	-	1,370	(1,370)	-
	37,054	15,601	(1,370)	51,285
1st Quarter 2018				
Revenue from external customers	31,387	24,035	-	55,422
Inter-segment	163	81	(244)	-
	31,550	24,116	(244)	55,422

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, trading of hardware and building materials in West Malaysia. For the quarter under review, the financial result is derived from the continuing operations which is principally manufacuturing and sale of roll-formed products and trading of coated coils.

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 Star Shine Marketing Sdn Bhd 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”).

The Proposed Disposal was completed on 16 April 2019 following the receipt of the balance disposal consideration from NS Bluescope (Malaysia) Sdn Bhd.

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 were no contingent liabilities nor contingent assets for the current financial year to date.

NOTES TO THE FINANCIAL STATEMENTS:-

13 *Review of performance*

Financial review for the current quarter and financial year to date

Continuing operations	Individual Period		Changes		Cumulative Period		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter			Current Year To-date	Preceding Year Corresponding Period		
	31 Mar	31 Mar			31 Mar	31 Mar		
	2019	2018			2019	2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	51,285	55,422	(4,137)	-7%	51,285	55,422	(4,137)	-7%
Operating profit	2,054	1,561	493	+32%	2,054	1,561	493	+32%
Profit Before Interest and Tax	3,225	2,400	825	+34%	3,225	2,400	825	+34%
Profit Before Tax	1,365	810	555	+69%	1,365	810	555	+69%
(Loss)/profit After Tax and total comprehensive expense	(2,555)	4,143	(6,698)	-162%	(2,555)	4,143	(6,698)	-162%
(Loss)/Profit Attributable to Ordinary Owner of the Company	(2,563)	4,143	(6,706)	-162%	(2,563)	4,143	(6,706)	-162%

The Group's total revenue for the current quarter decreased by 7.5% or RM4.14 million to RM51.29 million as compared to RM55.42 million in the corresponding quarter. The decrease in revenue compared to previous year corresponding quarter was due to decline in the trading of coated coil by a subsidiary company as the manufacturing business of the said products was scaled down pending disposal.

The Group reported a profit before tax of RM1.36 million for its continuing operations compared to RM0.81 million in the corresponding quarter. The higher profit was contributed by increased profitability of its downstream business. The gross margin for the quarter under review improved by about 26% compared to the corresponding quarter.

NOTES TO THE FINANCIAL STATEMENTS:-

14 *Variation of results against preceding quarter*

Financial review for the current quarter compared with the immediately preceding quarter

Continuing operations	Current Quarter	Immediate Preceding Quarter	Changes (%)
	31 March 2019	31 December 2018	
	RM'000	RM'000	%
Revenue	51,285	61,426	-17
Operating profit	2,054	1,084	+89
Profit Before Interest and Tax	3,225	1,989	+64
Profit Before Tax	1,365	240	+469
Profit After Tax and total comprehensive expense	(2,555)	(122,911)	+98
Loss Attributable to Ordinary Owner of the Company	(2,563)	(122,969)	+98

For the quarter under review, the Group recorded a pretax profit of RM1.36 million as compared to RM0.24 million in the previous quarter. The higher profit generated in the current quarter was substantially due to better gross profit margin and higher interest income recorded for the quarter.

15 *Prospects*

On, 16 April 2019, the Company completed the disposal of its coated coil business in West Malaysia and the proceeds were used to repay its borrowing. The Group is no longer saddled with the financial losses of its coated coil business. Moving forward, the focus will be to expand its downstream business in East Malaysia and to develop the similar business in West Malaysia.

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.

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	383	383
Deferred tax expense		
- Current year	5	5
Total	388	388

The tax expense for the current quarter were attributable to the taxable profit earned by the subsidiary companies.

19 Loss for the period

	Current quarter ended 31 Mar		Cumulative period ended 31 Mar	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loss for the period is arrived at after charging:				
Depreciation of property, plant and equipment	1,528	1,289	1,528	1,289
Impairment loss on:-				
Trade receivables	-	-	-	-
Inventories written down	-	-	-	-
Net foreign exchange loss	460	-	460	-
Derivative loss on forward foreign exchange contracts	-	96	-	96
And after crediting:				
Gain on disposal of property, plant and equipment	2	-	2	-
Finance income	323	312	323	312
Realised foreign exchange gain	-	58	-	58
Unrealised gain on foreign exchange	1,635	4,085	1,635	4,085

20 *Status of the corporate proposal announced*

On 2 November 2018, the Company and Star Shine Marketing Sdn Bhd 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.

The Company obtained the approval from the shareholders for the abovementioned disposal at the extraordinary general meeting on 20 February 2019 to dispose of the Coated Coil Business and assets. On 16 April 2019, the disposal was completed following the receipt of the balance disposal consideration from the buyer.

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

NOTES TO THE FINANCIAL STATEMENTS:-

21 ***Borrowing and debt securities***

The Group's borrowings from lending institutions as at 31 March 2019, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 31 March 2019		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	13,959	43,924	57,883
Unsecured	-	45,664	45,664
Total	13,959	89,588	103,547

Based on the above, the Group's bank-gearing ratio is around 2.47 times.

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, there was no outstanding 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.

On 12 April 2019, The Selangor High Court ("High Court") delivered the following decisions:

(a) The plaintiff claim against the Company is dismissed and therefore the Company is not liable to pay the sum claimed by the plaintiff; and

(b) The claim filed by the Company is allowed and the High Court has granted the following :
   (i) Declaration that Dataprenuer has breached the License Agreement dated 2 November 2014;
   (ii) The plaintiff to refund total sum of RM887,125 which had already been paid by the Company;
   (iii) Additional cost in the sum of RM45,580 for data migration charges incurred by the Company;
   (iv) Interest at the rate of 5% from the date of judgment till realisation; and

NOTES TO THE FINANCIAL STATEMENTS:-

(v) Total cost of RM30,000 subject to allocator fee.

24 *Proposed dividend*

The Board of Directors has not recommended any interim dividend for the financial quarter ended 31 March 2019.

25 *Earnings per share*

	Quarter ended 31 Mar		Period ended 31 Mar	
	2019 ('000)	2018 ('000)	2019 ('000)	2018 ('000)
Basic loss per ordinary share				
(Loss)/Profit attributable to owners of the Company (RM'000)	(2,563)	4,143	(2,563)	4,143
Number of ordinary shares in issue at the weighted average of period	350,684.2	348,467.6	350,684.2	348,467.6
Basic loss per ordinary share (sen)	(0.73)	1.19	(0.73)	1.19
Diluted loss per ordinary share				
(Loss)/Profit attributable to owners of the Company (RM'000)	(2,563)	4,143	(2,563)	4,143
Number of ordinary shares in issue at the weighted average of period	350,684.2	348,467.6	350,684.2	348,467.6
Adjustment for share options	-	2,404.6	-	2,404.6
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	350,684.2	350,881.2	350,684.2	350,881.2
Diluted loss per ordinary share (sen)	(0.73)	1.18	(0.73)	1.18

The exercise price of the outstanding Warrant 2013/2020 issued on 29 May 2013 and the ESOS 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.