

**ASTEEL GROUP BERHAD (Company No. 032939-U)
(FORMERLY KNOWN AS YKGI HOLDINGS BERHAD)
UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 30 JUNE 2023**

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 2022 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 2022.

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 2022 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2023:

<i>Description</i>	<i>Effective for Periods beginning on or after</i>
Amendments to MFRS 101, <i>Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112, <i>Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023

The adoption of the above standards does not have a significant impact to the current financial period.

2 *Auditors' Report on Preceding Annual Financial Statements*

The audited financial statements of the Group for the year ended 31 December 2022 were reported without any qualification.

3 *Seasonality or Cyclicity of interim operations*

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

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QUARTER ENDED 30 JUNE 2023

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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*

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence during the quarter under review.

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, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter 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:

Continuing operation	East Malaysia RM'000	West Malaysia RM'000	Inter- segment RM'000	Total RM'000
<u>2nd Quarter 2023</u>				
Revenue from external customers	38,034	15,308	-	53,342
Inter-segment	923	598	(1,520)	-
	<u>38,957</u>	<u>15,906</u>	<u>(1,520)</u>	<u>53,342</u>

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QUARTER ENDED 30 JUNE 2023

NOTES TO THE FINANCIAL STATEMENTS:-

	East Malaysia RM'000	West Malaysia RM'000	Inter- Segment RM'000	Total RM'000
<u>2nd Quarter 2022</u>				
Revenue from external customers	55,860	19,851	-	75,711
Inter-segment	748	37	(785)	-
	<u>56,608</u>	<u>19,888</u>	<u>(785)</u>	<u>75,711</u>

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 roll-formed products, trading of coated and non-coated coils, hardware and building materials.

For decision making and resources allocation, the Deputy Executive Chairman together with the Group 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 revaluation made in the previous quarter period.

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

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

11 *Changes in the composition of the Group*

There were no other 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 period.

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QUARTER ENDED 30 JUNE 2023

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		
	30 Jun	30 Jun			30 Jun	30 Jun		
	2023	2022			2023	2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	53,342	75,711	(22,369)	-29.5%	118,614	133,869	(15,256)	-11%
Operating profit	3,397	6,236	(2,839)	-46%	7,808	17,073	(9,264)	-54%
Profit Before Interest and Tax	942	3,927	(2,985)	-76%	2,910	10,317	(7,406)	-72%
(Loss)/Profit Before Tax	(869)	2,939	(3,809)	-130%	(393)	7,597	(7,991)	-105%
(Loss)/Profit After Tax	(618)	2,328	(2,947)	-127%	(327)	5,120	(5,447)	-106%
(Loss)/Profit Attributable to Ordinary owner of the Company	(732)	1,416	(2,147)	-152%	(570)	5,119	(5,690)	-111%

The Group's total revenue for the current quarter decreased by RM22.4 million or 29.5% to RM53.3 million as compared to RM75.7 million in the corresponding quarter last year ("2Q22"). The lower sales revenue was due to weak market sentiment and competition from imported materials.

The Group reported loss before tax of RM0.87 million compared to profit before tax of RM2.94 million in 2Q22, a drop of 130%. The lower profit in 2Q23 was due to lower revenue generated for the quarter under review and higher financing cost by 64%.

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QUARTER ENDED 30 JUNE 2023**

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	
	30 June 2023	31 March 2023	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	53,342	65,271	(11,929)	-18.3%
Operating profit	3,397	4,424	(1,026)	-23%
Profit/(Loss) Before Interest and Tax	942	1,969	(1,026)	-52%
Profit/(Loss) Before Tax	(869)	476	(1,345)	-283%
Profit/(Loss) After Tax	(618)	291	(910)	-312%
Profit/(Loss) Attributable to Ordinary Owner of the Company	(732)	161	(893)	-554%

For the quarter under review, the Group's revenue decreased by 18% or RM12 million as compared to RM65.3 million recorded in the previous quarter. The lower sales revenue was due to weak market sentiment and competition from imported materials. As a result, profit before tax also reduced in tandem from pre-tax profit of RM0.48 million to pre-tax loss of RM0.87 million, a reduction of 283%. The operating profit for the period was RM3.4 million versus an operating profit of RM4.42 million, a reduction of 23%.

15 *Prospects*

Steel prices continued to be volatile and the market still sluggish under the influence of high interest rate and low demand. The recently launched Madani Economy with supportive measures is anticipated to boost our country's economic growth with expected increase in Foreign as well as Domestic Direct Investments and higher tourism activity. This would spur business activities, improve consumer confidence and increase demand for building materials. We foresee that such encouraging development may not immediately impact the Group results in the third quarter 2023, however, positive effects is expected in the fourth quarter of the year.

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.

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UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 30 JUNE 2023

NOTES TO THE FINANCIAL STATEMENTS:-

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	99	284
Deferred tax expense		
- Current year	(350)	(350)
Total	(251)	(66)

The effective tax rate for the current quarter was lower than the statutory tax rate due to non-tax-deductible expenses and non-recognition of deferred tax assets by certain loss-making subsidiaries.

19 Results for the period

	Current quarter ended 30 June		The cumulative period ended 30 June	
	2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Results for the period is arrived at after charging:				
Depreciation of property, plant and equipment	2,443	2,183	4,898	4,420
Impairment on trade receivables	-	180	-	152
Impairment on inventories	-	-	-	-
Net foreign exchange (gain)/loss				
- Realised	-	-	(108)	21
- Unrealised	-	-	-	-
And after crediting:				
Gain on disposal of property, plant and equipment	113	-	113	-
Finance income	81	168	156	129
Reversal of impairment on trade receivables	154	-	154	-

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QUARTER ENDED 30 JUNE 2023

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20 *Status of the corporate proposal announced*

- (i) On 20 February 2023, the Company announced that ASTEEL Development Sdn Bhd (“ADSB”), a 80.36% owned indirect subsidiary, had on 20 February 2023, accepted the terms and conditions offered by Housing Development Corporation, Sarawak (“HDC”) to undergo the property development project to develop affordable houses and apartments on Phases 3, 5 and part of Phase 4 of Lot 37-43 and 45-47 (New Lot 2488 - 3298) Block 7, Matang Land District, Sungai Tengah, Kuching, Sarawak (“Proposed Development”). The formal agreement in respect of Proposed Development will be executed between ADSB and HDC in due course.

On 5 May 2023, the Company announced that the Company intends to diversify the Existing Business Operations of the YKGI Group to include the following business activities:-

- (a) Construction Business; and
 (b) Property Development Business.

In view of the above, the Company anticipates that, barring any unforeseen circumstances, the Construction Business and Property Development Business will potentially contribute 25% or more to the net profits or net assets (“NA”) of YKGI Group, respectively and/or result in a diversion of more than 25% of the NA of YKGI Group, respectively. Pursuant thereto, the Company proposes to seek the approval from the shareholders of YKGI for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements.

The Shareholders in an Extraordinary General Meeting held on 23 June 2023 have approved the above Proposal.

21 *Borrowing and debt securities*

The Group’s borrowings from lending institutions as at 30 June 2023, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 30 June 2023		
	Long Term	Short Term	Total Borrowings
	RM’000	RM’000	RM’000
Secured	17,677	86,925	104,602
Unsecured	-	900	900
Total	17,677	87,825	105,502

Based on the above, the Group’s bank-gearing ratio is around 1.30 times.

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QUARTER ENDED 30 JUNE 2023

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, there was no outstanding forward foreign currency exchange contracts.

23 *Changes in material litigation*

There was no material litigation during the quarter under review.

24 *Proposed dividend*

The Board of Directors has not recommended any interim dividend for the financial quarter ended 30 June 2023.

25 *Earnings per share*

	Quarter ended 30 June		Year ended 30 June	
	2023	2022	2023	2022
	('000)	('000)	('000)	('000)
<i>Basic Earnings/(Loss) per ordinary share</i>				
(Loss)Profit attributable to owners of the Company (RM'000)	(731)	1,416	(570)	603
Number of ordinary shares in issue at the beginning period	484,869.5	440,794.5	484,869.5	440,794.5
Effect of shares issued during the quarter	-	-	-	-
Weighted average number of ordinary shares issued as at end of period	484,869.5	440,794.5	484,869.5	440,794.5
Basic (loss)/earnings per ordinary share (sen)	(0.15)	0.32	(0.12)	0.14

The exercise price of the outstanding ESOS is higher than the average market price of the ordinary shares of the Company for the period under review. As the ESOS are anti-dilutive in nature, they have been ignored for the purposes of the computation of the diluted earnings per share.