

YKGI HOLDINGS BERHAD (Company No. 032939-U)
UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 30 SEPTEMBER 2020

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 2019 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 2019.

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 2019 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2020:

<i>Description</i>	<i>Effective for Periods beginning on or after</i>
Amendments to MFRS 3, <i>Business Combinations – Definition of a Business</i>	1 January 2020
Amendments to MFRS 101, <i>Presentation of Financial Statements</i> and MFRS 108, <i>Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material</i>	1 January 2020
Amendments to MFRS 9, <i>Financial Instruments</i> , MFRS 139, <i>Financial Instruments: Recognition and Measurement</i> and MFRS 7 <i>Financial Instruments: Disclosures – Interest Rate Benchmark Reform</i>	1 January 2020

The adoption of the above standards does not have a significant impacts 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 2019 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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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 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:

Continuing operation	East Malaysia RM'000	West Malaysia RM'000	Inter- segment RM'000	Total RM'000
<u>3rd Quarter 2020</u>				
Revenue from external customers	40,820	15,764	-	56,584
Inter-segment	24,887	495	(25,382)	-
	<u>65,707</u>	<u>16,259</u>	<u>(25,382)</u>	<u>56,584</u>
<u>3rd Quarter 2019</u>				
Revenue from external customers	39,997	8,459	-	48,456
Inter-segment	306	1,163	(1,469)	-
	<u>40,303</u>	<u>9,622</u>	<u>(1,469)</u>	<u>48,456</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 non-coated coils and sale of remaining inventory of the coated coils.

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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 revaluation made in the previous quarter period.

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

On 18 September 2020, The Group announced to undertake a private placement of up to 20% of the total number of issued shares of YKGI based on a shareholders' mandate procured from the shareholders of YKGI pursuant to Section 75 and Section 76 of the Companies Act, 2016 ("Proposed Private Placement").

On 8 October 2020 the Company issued and allotted 70,136,836 ordinary shares to the identified investors of the Proposed Private Placement at RM0.10 per share. The Private Placement Shares were listed on the Main Market of Bursa Securities on 9 October 2020.

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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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 Sept	30 Sept			30 Sept	30 Sept		
	2020	2019			2020	2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	56,584	48,456	8,128	+17%	128,584	146,015	(17,430)	-12%
Operating profit	5,450	2,648	2,801	+106%	3,786	6,508	(2,722)	-42%
Profit Before Interest and Tax	3,558	1,369	2,189	+160%	1,894	6,508	(4,614)	-71%
Profit/(Loss) Before Tax	2,611	543	2,068	+381%	(500)	4,349	(4,849)	-112%
Profit/(Loss) After Tax	2,281	(869)	3,149	+363%	(3,451)	(3,775)	324	-9%
Profit/(Loss) Attributable to Ordinary owner of the Company	2,283	(998)	3,281	+329%	(3,464)	(3,954)	490	-12%

The Group's total revenue for the current quarter increased by 17% or RM8.13 million to RM56.58 million as compared to RM48.46 million in the corresponding quarter last year. The increase in revenue was due to recovery of business during the Recovery Movement Control Order ("RMCO").

The Group reported a profit before tax of RM2.61 million on its continuing operations compared to a profit before tax of RM0.54 million in the corresponding quarter. The better profitability was resulted from improved revenue and the unrealized forex gain of about RM0.904 million

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 Sept 2020	30 June 2020	
	RM'000	RM'000	%
Revenue	56,584	26,309	+115%
Operating profit/(loss)	5,450	(365)	+1594%
Profit/(Loss) Before Interest and Tax	3,558	(1,823)	+295%
Profit/(Loss) Before Tax	2,611	(2,372)	+210%
Profit/(Loss) After Tax	2,281	(2,710)	+184%
Profit/(Loss) Attributable to Ordinary Owner of the Company	2,283	(2,590)	+188%

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For the quarter under review, the Group recorded a pre-tax profit of RM2.61 million as compared to a pre-tax loss of RM2.37 million in the previous quarter. This was mainly due to suspension of operation during Movement Control Order in the preceding quarter. The Group also reported better gross profit margin at 17.8% which directly contributed to the positive bottom line of the Group.

15 *Prospects*

The outlook on the recovery of global economy remains uncertain due to the severe impact of Covid-19 Pandemic. The third wave infections are looming in many countries and business growth had been devastated. We are concerned on the recovery of economy for the rest of the year and business still remains challenging.

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	351	388
Deferred tax expense		
- Current year	(95)	(116)
Total	256	272

There was no tax expense for the current quarter as the Group incurred losses for the quarter under review.

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19 Loss for the period

	Current quarter ended 30 September		The cumulative period ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Loss for the period is arrived at after charging:				
Depreciation of property, plant and equipment	2,128	1,578	5,505	4,610
Impairment loss on:				
Trade receivables	(122)	115	247	324
Property, plant & equipment	-	-	-	-
Property, plant & equipment written off	-	2	83	123
Net foreign exchange (gain)/loss				
- Realised	226	300	374	573
- Unrealised	(904)	(52)	324	214
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And after crediting:				
Gain on disposal of property, plant and equipment	(46)	(3)	11	12
Finance income	121	291	427	1,101
Reversal of impairment				
- trade receivables	-	-	-	-
Unrealised foreign exchange gain	-	-	-	-
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20 Status of the corporate proposal announced

On 18 September 2020, the Group announced to undertake a private placement up to 20% of the total number of issued shares of YKGI based on a shareholders' mandate procured from the shareholders of YKGI pursuant to Section 75 and Section 76 of the Companies Act, 2016 ("Proposed Private Placement").

The Proposed Private Placement was completed on 9 October 2020 following the listing of and quotation of 70,136,836 new shares on the Main Market of Bursa Securities on 9 October 2020.

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21 *Borrowing and debt securities*

The Group's borrowings from lending institutions as at 30 September 2020, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 30 September 2020		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	21,773	51,698	73,471
Unsecured	88	64	152
Total	21,861	51,762	73,623

Based on the above, the Group's bank-gearing ratio is around 1.49 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*

There were no material litigations during the quarter under review.

24 *Proposed dividend*

The Board of Directors has not recommended any interim dividend for the financial quarter ended 30 September 2020.

25 *Earnings per share*

	Quarter ended 30 Sept		Period ended 30 Sept	
	2020	2019	2020	2019
	(^{'000})	(^{'000})	(^{'000})	(^{'000})
<i>Basic loss per ordinary share</i>				
(Loss)/Profit attributable to owners of the Company (RM'000)	2,283	(998)	(3,464)	(3,594)
Number of ordinary shares in issue at the weighted average of period	350,684.2	350,684.2	350,684.2	350,684.2
Basic loss per ordinary share (sen)	0.65	(0.28)	(0.99)	(1.13)

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	Quarter ended 30 Sept		Period ended 30 Sept	
	2020	2019	2020	2019
	('000)	('000)	('000)	('000)
<i>Diluted loss per ordinary share</i>				
(Loss)/Profit attributable to owners of the Company (RM'000)	2,283	(998)	(3,464)	(3,594)
Number of ordinary shares in issue at the weighted average of period	350,684.2	350,684.2	350,684.2	350,684.2
Adjustment for share options	-	-	-	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	350,684.2	350,684.2	350,684.2	350,684.2
Diluted loss per ordinary share (sen)	0.65	(0.28)	(0.99)	(1.13)

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.