

YKGI HOLDINGS BERHAD (Company No. 032939-U)
UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 31 DECEMBER 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*

On 8 October 2020, the Company allotted and issued 70,136,836 ordinary shares, being 20% of the total number of issued shares of YKGI, to the identified investors through a private placement at RM0.10 per share. The total issued shares is now 420,821,016 ordinary shares and 21,726,100 redeemable convertible preference shares.

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>4th Quarter 2020</u>				
Revenue from external customers	35,839	19,652	-	55,491
Inter-segment	18,489	3,244	(21,733)	-
	<u>54,328</u>	<u>22,896</u>	<u>(21,733)</u>	<u>55,491</u>
<u>4th Quarter 2019</u>				
Revenue from external customers	41,962	13,229	-	55,191
Inter-segment	784	425	(1,209)	-
	<u>42,746</u>	<u>13,654</u>	<u>(1,209)</u>	<u>55,191</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*

The Company had received a written notification from Marubeni Itochu Steel Inc. (“MISI”) dated 26th February 2021 on the intention of MISI to exercise the powers conferred by the share charge pursuant to clause 3.4 of the First Repayment Agreement dated 3rd June 2020 for the settlement of a substantial portion of the amount owing by the YKGI Holdings Berhad (“YKGI”) to MISI as at 31 December 2020 by the Company.

Save as above, there were no material events subsequent to the end of the financial period.

11 *Changes in the composition of the Group*

On 6 November 2020, the Company incorporated a new subsidiary AS Singai Sdn Bhd (“AS Singai”) which is a 51% owned subsidiary of ASTEEL (Sarawak) Sdn Bhd and the principal activities of AS Singai shall be to carry on trading of hardware and building materials.

Save as above, 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		
	31 Dec	31 Dec			31 Dec	31 Dec		
	2020	2019			2020	2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	55,491	55,191	300	1%	184,075	201,205	(17,130)	-9%
Operating profit	2,132	2,739	(607)	-22%	8,795	12,888	(4,093)	-32%
Profit Before Interest and Tax	355	1,315	(960)	-73%	2,248	7,825	(5,577)	-71%
Profit/(Loss) Before Tax	(600)	96	(696)	-728%	(1,101)	4,445	(5,545)	-125%
Profit/(Loss) After Tax	(2,433)	(3,628)	1,194	33%	(5,884)	(7,404)	1,520	21%
Profit/(Loss) Attributable to Ordinary owner of the Company	(2,244)	(3,612)	1,368	38%	(5,708)	(7,566)	1,858	25%

The Group's total revenue for the current quarter increased by 1% or RM0.3 million to RM55.49 million as compared to RM55.19 million in the corresponding quarter last year.

The Group reported a loss before tax of RM0.6 million on its continuing operations compared to a profit before tax of RM0.096 million in the corresponding quarter. The losses was resulted from reclassification of certain continuing expenses from discontinued operations to continuing operation amounted to RM1.9 million ("Reclassification Expenses").

On year-to-year basis, the revenue reduced by RM17 million or 9% to RM184 million. The Group reported losses before tax of RM1.1 million for continuing business as compared to profit before tax of RM4.45 million in the corresponding year. Without the Reclassification Expenses, the continuing business of the Group would register a profit before tax of RM0.86 million. The lower profitability for the quarter under review was caused by the impact of Covid-19 pandemic which affected the businesses worldwide, and the Movement Control Order (MCO) imposed.

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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 Dec 2020	30 Sept 2020	
	RM'000	RM'000	%
Revenue	55,491	56,584	-2%
Operating profit/(loss)	2,130	5,450	-61%
Profit/(Loss) Before Interest and Tax	354	3,558	-90%
Profit/(Loss) Before Tax	(600)	2,611	-123%
Profit/(Loss) After Tax	(2,433)	2,281	-207%
Profit/(Loss) Attributable to Ordinary Owner of the Company	(2,244)	2,283	-198%

For the quarter under review, the Group recorded a pre-tax losses of RM0.6 million as compared to a pre-tax profit of RM2.61 million in the previous quarter. The result was impacted due to Reclassification Expenses during the period concern. Without the Reclassification Expenses, the Group would register a pre-tax profit of RM1.32 million. The occurrence of 3rd wave Covid-19 Pandemic in Malaysia and subsequently reimposed of CMCO affected the business operation which resulted in lower turnover and profitability.

15 Prospects

The recent news on the roll-out of vaccine in Malaysia has provided a platform for the recovery of the economy. The recent rise in the prices of the steel products and other commodity items is a possible indication of better business environment in the coming months.

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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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	979	1,367
- Previous years	75	75
Deferred tax expense		
- Current year	(183)	(299)
Total	861	1,143

The tax expense despite the loss-making result was due to non-recognition of deferred tax assets in loss-making subsidiaries.

19 Loss for the period

	Current quarter ended 31 December		The cumulative period ended 31 December	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit/(Loss) for the period is arrived at after charging:				
Depreciation of property, plant and equipment	2,020	1,708	7,525	6,318
Impairment loss on:				
Trade receivables	-	-	-	-
Property, plant & equipment	-	-	-	-
Property, plant & equipment written off	-	2	83	123
Net foreign exchange (gain)/loss				
- Realised	(57)	300	317	573
- Unrealised	(585)	(52)	(261)	214
And after crediting:				
Gain on disposal of property, plant and equipment	13	21	2	33
Finance income	405	19	832	1,120
Reversal of impairment - trade receivables	375	973	128	649

20 Status of the corporate proposal announced

- (a) There was no corporate proposal announced and pending completion during the quarter under review.

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- (b) The Company has raised RM6.929 million (net of expenses) from the private placement completed on 9 October 2020. The proceeds have been deployed in the intended operation as follows:

Purpose	Proposed utilization (RM'000)	Actual utilization (RM)	Variance
(i) Working capital for ASTEEL Development Sdn Bhd and ASTEEL Ajiya Sdn Bhd	2,000	2,000	Nil
(ii) Working capital for ASTEEL (Sarawak) Sdn Bhd and AS Tiles & Interior Design Sdn Bhd	1,500	1,500	Nil
(iii) Payment to MISI	2,000	2,000	Nil
(iv) Payment to suppliers of YKGI Group	1,429	1,429	Nil
(v) Expenses related to private placement	85	85	n/a
Total proceeds	7,014	7,014	

21 *Borrowing and debt securities*

The Group's borrowings from lending institutions as at 31 December 2020, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 31 December 2020		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	20,845	53,907	74,752
Unsecured	-	88	88
Total	20,845	53,995	74,840

Based on the above, the Group's bank-gearing ratio is around 1.38 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 was no material litigation during the quarter under review.

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24 Proposed dividend

The Board of Directors has not recommended any interim dividend for the financial quarter ended 31 December 2020.

25 Earnings per share

	Quarter ended 31 Dec		Period ended 31 Dec	
	2020	2019	2020	2019
	('000)	('000)	('000)	('000)
Basic Loss per ordinary share				
Loss attributable to owners of the Company (RM'000)	(2,244)	(3,612)	(5,708)	(7,566)
Number of ordinary shares in issue at the beginning period	350,684.2	350,684.2	350,684.2	350,684.2
Effect of shares issued during the quarter	70,136.8	-	17,534.2	-
Weighted average number of ordinary shares issued as at end of period	420,821.0	350,684.2	368,218.4	350,684.2
Basic loss per ordinary share (sen)	(0.53)	(1.03)	(1.55)	(2.16)

	Quarter ended 31 Dec		Period ended 31 Dec	
	2020	2019	2020	2019
	('000)	('000)	('000)	('000)
Diluted Loss per ordinary share				
Loss attributable to owners of the Company (RM'000)	(2,244)	(3,612)	(5,708)	(7,566)
Weighted average number of ordinary shares in issue	420,821.0	350,684.2	368,218.4	350,684.2
Adjustment for share options	-	-	-	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	420,821.0	350,684.2	368,218.4	350,684.2
Diluted loss per ordinary share (sen)	(0.53)	(1.03)	(1.55)	(2.16)

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.