

**YKGI HOLDINGS BERHAD (Company No. 032939-U)**  
**UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL**  
**QUARTER ENDED 31 MARCH 2021**

**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 2020 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 2020.

**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 2020 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>
Amendment to MFRS 16, <i>Leases – Covid-19-Related Rent Concessions</i>	1 June 2020
Amendments to MFRS 9, <i>Financial Instruments</i> , MFRS 139, <i>Financial Instruments: Recognition and Measurement</i> , MFRS 7, <i>Financial Instruments: Disclosures</i> , MFRS 4, <i>Insurance Contracts</i> , and MFRS 16, <i>Leases – Interest Rate Benchmark Reform – Phase 2</i>	1 January 2021

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 2020 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*

On 26 February 2021, the Company had received a written notification from Marubeni Itochu Steel Inc. (“MISI”) 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 3 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. The share transfer was completed on 15 March 2021 with 19.637% of ASTEEL Resources Sdn Bhd (“ARSB”) shares transferred to MISI’s nominee.

With the transfer of ARSB shares, the equity interest of YKGI in ARSB now stood at 80.36%.

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
<b><u>1<sup>st</sup> Quarter 2021</u></b>				
Revenue from external customers	43,611	14,480	-	58,091
Inter-segment	2,254	579	(2,833)	-
	<u>45,865</u>	<u>15,059</u>	<u>(2,833)</u>	<u>58,091</u>

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	East Malaysia RM'000	West Malaysia RM'000	Inter- Segment RM'000	Total RM'000
<b><u>1<sup>st</sup> Quarter 2020</u></b>				
Revenue from external customers	33,452	12,240	-	45,692
Inter-segment	1,643	402	(2,405)	-
	<u>35,095</u>	<u>12,642</u>	<u>(2,045)</u>	<u>45,692</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.

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***

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

**11 *Changes in the composition of the Group***

On 15 January 2021, the Company incorporated a new subsidiary AS Scaffolding Sdn Bhd (“ASCF”) which is a 100% owned subsidiary of ASTEEL Sdn Bhd and the principal activities of ASCF shall be to carry on trading and renting of scaffolding and structural frames.

On 9 April 2021, the Company incorporated a new subsidiary ASTEEL (NZ) Private Limited (“ASNZ”) under the law of New Zealand. ASNZ is a 100% owned subsidiary of ARSB with its principal activities of import and distribution of hardware and building materials in New Zealand.

On 19 April 2021, the Company via its subsidiary ASTEEL (Sarawak) Sdn Bhd acquired 70% shares of AS Trans Paint Sdn Bhd (“ASTP”) from a related party with the remaining 30% held by another related party. ASTP is now a member of YKGI Group with its principal activities of marketing and sale of paint products to projects.

On 15 March 2021, 19.637% shares of ARSB which is a 100% owned subsidiary of YKGI has been disposed pursuant to the Share Charge as disclosed in Note 4 above.

Save as above, there were no other changes in the composition of the Group during the

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quarter under review.

**12 *Changes in contingent liabilities or contingent assets***

There are no contingent liabilities or assets for the current financial period.

**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		
	2021	2020			2021	2020		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	58,091	45,692	12,399	27%	58,091	45,692	12,399	27%
Operating profit	5,145	1,578	3,566	226%	5,145	1,578	3,566	226%
Profit Before Interest and Tax	3,083	157	2,925	1858%	3,083	157	2,925	1858%
Profit/(Loss) Before Tax	2,174	(740)	2,913	394%	2,174	(740)	2,913	394%
Profit/(Loss) After Tax	1,259	(3,020)	4,279	142%	1,259	(3,020)	4,279	142%
Profit/(Loss) Attributable to Ordinary owner of the Company	1,314	(3,157)	4,471	142%	1,314	(3,157)	4,471	142%

The Group's total revenue for the current quarter increased by 27% or RM12.4 million to RM58.09 million as compared to RM45.69 million in the corresponding quarter last year. The increase in revenue was contributed from the higher sales volume by 14.36% coupled with a higher selling price of its steel products by about 11.18%.

The Group reported a profit before tax of RM2.17 million on its continuing operations compared to a loss before tax of RM0.074 million in the corresponding quarter. The positive result was aided by better gross profit margin and a higher revenue.

On year-to-year basis, the Group recorded an increase in revenue by RM12.4 million to RM58.09 million. Profitability improved by 394% for the continuing operations, a much better performance compared to preceding corresponding period. The better result was contributed from a higher gross profit margin and increased sales volume. The Group recorded a profit after tax and minority interest ("PATMI") of RM1.31 million versus a loss after tax and a minority interest of RM3.16 million mainly from the lower losses registered in the discontinued operation.

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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 Mar 2021	31 Dec 2020	
	RM'000	RM'000	%
Revenue	58,091	55,491	4.69%
Operating profit	5,145	2,130	141.53%
Profit Before Interest and Tax	3,083	354	770.81%
Profit/(Loss) Before Tax	2,174	(600)	462.26%
Profit/(Loss) After Tax	1,259	(2,433)	151.75%
Profit/(Loss) Attributable to Ordinary Owner of the Company	1,314	(2,244)	158.57%

For the quarter under review, the Group recorded a pre-tax profit of RM2.17 million as compared to a pre-tax loss of RM0.60 million in the previous quarter for the continuing operations. In terms of operating result, the current quarter registered a higher turnover of 4.69%. The operating profit for the period was RM5.14 million versus RM2.13 million, an improvement of 141.53%. The better result was aided by higher gross margin and higher turnover.

**15** *Prospects*

The steel prices are on the upward trajectory and the shortage of raw materials have affected the price equilibrium in the sector. This situation is expected to persist until the return of normalcy in the supply chain.

**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	904	904
- Previous years	-	-
Deferred tax expense		
- Current year	( 162)	( 162)
<b>Total</b>	<b>742</b>	<b>742</b>

The effective tax rate is higher than the statutory tax rate of 24% due to non-recognition of deferred tax assets in loss-making subsidiaries.

**19 *Loss for the period***

	Current quarter ended 31 March		The cumulative period ended 31 March	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Profit/(Loss) for the period is arrived at after charging:</b>				
Depreciation of property, plant and equipment	2,062	1,661	2,062	1,661
Property, plant & equipment written off	3	83	3	83
Net foreign exchange (gain)/loss				
- Realised	25	157	25	157
- Unrealised	124	1,495	124	1,495
<b>And after crediting:</b>				
Gain on disposal of property, plant and equipment	-	57	-	57
Finance income	84	138	84	138
Reversal of impairment - trade receivables	46	-	46	-

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

There was no corporate proposal announced and pending completion during the quarter under review.

**21 *Borrowing and debt securities***

The Group's borrowings from lending institutions as at 31 March 2021, which are

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denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 31 March 2021		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	19,866	54,683	74,549
Unsecured	-	522	522
Total	19,866	55,205	75,071

Based on the above, the Group's bank-gearing ratio is around 1.37 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.

**24 *Proposed dividend***

The Board of Directors has not recommended any interim dividend for the financial quarter ended 31 March 2021.

**25 *Earnings per share***

	Quarter ended 31 Mar		Period ended 31 Dec	
	2021 (RM'000)	2020 (RM'000)	2021 (RM'000)	2020 (RM'000)
<b><i>Basic Earnings/(Loss) per ordinary share</i></b>				
Profit/(Loss) attributable to owners of the Company (RM'000)	1,314	( 3,156)	1,314	( 3,156)
Number of ordinary shares in issue at the beginning period	420,821.0	350,684.2	420,821.0	350,684.2
Effect of shares issued during the quarter	-	-	-	-
Weighted average number of ordinary shares issued as at end of period	420,821.0	350,684.2	420,821.0	350,684.2
Basic earnings/(loss) per ordinary share (sen)	0.31	(0.90)	0.31	(0.90)

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	Quarter ended 31 Mar		Period ended 31 Mar	
	2021 (‘000)	2020 (‘000)	2021 (‘000)	2020 (‘000)
<b><i>Diluted Earnings/(Loss) per ordinary share</i></b>				
Profit/(Loss) attributable to owners of the Company (RM’000)	1,314	( 3,156)	1,314	( 3,156)
Weighted average number of ordinary shares in issue	420,821.0	350,684.2	420,821.0	350,684.2
Adjustment for share options	14.5	-	14.5	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	420,835.5	350,684.2	420,835.5	350,684.2
Diluted earnings/(loss) per ordinary share (sen)	0.31	(0.90)	0.31	(0.90)