

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

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*

During the quarter, the Company issued 7,882,300 ordinary shares via its Employee Share Option Scheme (ESOS) to the ESOS grantees, for total proceeds of RM1.506 million.

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 2021</u>				
Revenue from external customers	46,000	14,554	-	60,554
Inter-segment	4,208	163	(4,371)	-
	<u>50,208</u>	<u>14,717</u>	<u>(4,371)</u>	<u>60,554</u>

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	East Malaysia RM'000	West Malaysia RM'000	Inter- Segment RM'000	Total RM'000
<u>2nd Quarter 2020</u>				
Revenue from external customers	19,620	6,689	-	26,309
Inter-segment	786	1,740	(2,526)	-
	<u>20,406</u>	<u>8,429</u>	<u>(2,526)</u>	<u>26,309</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.

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 8 July 2021, the Company announced a private placement exercise to be carried out via a proposed subscription of up to 93,000,000 new ordinary shares in YKGI, representing up to approximately 21.69% of the existing total number of issued shares of YKGI by Macquarie Bank Limited (“Proposed Subscription”). An Extraordinary General Meeting will be convened to seek shareholders’ approval on the Proposed Subscription.

Save as above, 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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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		
	2021	2020			2021	2020		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	60,554	26,309	34,246	130%	118,645	72,000	46,645	65%
Operating profit/ (loss)	6,257	(402)	6,658	1658%	11,402	3,399	8,003	235%
Profit/ (loss) Before Interest and Tax	4,133	(1,823)	5,955	327%	7,216	(1,664)	8,880	534%
Profit/(Loss) Before Tax	3,130	(2,372)	5,502	232%	5,304	(3,111)	8,415	270%
Profit/(Loss) After Tax	1,804	(2,709)	4,513	167%	3,063	(5,731)	8,794	153%
Profit/(Loss) Attributable to Ordinary owner of the Company	1,396	(2,590)	3,987	154%	2,710	(5,747)	8,457	147%

The Group's total revenue for the current quarter increased by 130% or RM34.2 million to RM60.55 million as compared to RM26.31 million in the corresponding quarter last year ("2Q20"). The increase in revenue was mainly due to a higher sales quantity which increased by about 98% compared to 2Q20 coupled with a higher average selling by about 16%.

The Group reported a profit before tax of RM3.13 million on its continuing operations compared to a loss before tax of RM2.37 million in the corresponding quarter. The turnaround was the result of higher gross profit margin and strong revenue growth due to the global recovery in the steel sector as the world's economy is recovering from the Covid-19 pandemic.

On a year-to-year basis, the Group recorded an increase in revenue by RM46.6 million to RM118.65 million. Profitability improved by 534% for the continuing operations, a turnaround from the losses incurred in the preceding corresponding period. The improvement was due to the strong revenue growth and a higher gross profit margin. The Group recorded a profit after tax and minority interest ("PATMI") of RM2.71 million versus a loss after tax and minority interest of RM5.75 million mainly from the lower losses registered in the discontinued operation and higher profitability registered by the continuing operations.

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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 (%)
	30 Jun 2021	31 Mar 2021	
	RM'000	RM'000	%
Revenue	60,554	58,091	4.24%
Operating profit	6,257	5,145	21.62%
Profit Before Interest and Tax	4,133	3,083	34.07%
Profit Before Tax	3,130	2,174	44.03%
Profit After Tax	1,804	1,259	43.30%
Profit Attributable to Ordinary Owner of the Company	1,396	1,314	6.24%

For the quarter under review, the Group recorded a pre-tax profit of RM3.13 million as compared to a pre-tax profit of RM2.17 million in the previous quarter for the continuing operations. In terms of operating results, the current quarter registered a higher turnover of 4.24%. The operating profit for the period was RM6.26 million versus RM5.14 million, an improvement of 21.62%. The better result was due to higher revenue generated from better average selling price and a lower administration cost.

15 *Prospects*

In view of the global uncertainty due to Covid-19 pandemic and disruption of the supply chain caused by the shortage of containers that had increased the shipping costs drastically. We therefore, expect steel prices will continue on an upward trend. Currently iron and steel sector are still not in full operation due to lockdown measures by the Government which has put pressure on the demand for steel products.

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	757	1,661
- Previous years	-	-
Deferred tax expense		
- Current year	(19)	(181)
Total	738	1,480

19 Profit for the period

	Current quarter ended 30 June		The cumulative period ended 30 June	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(Loss) for the period is arrived at after charging:				
Depreciation of property, plant and equipment	2,124	1,716	4,186	1,661
Impairment loss on trade receivables	64	369	18	369
Property, plant & equipment written off	-	-	3	83
Net foreign exchange (gain)/loss				
- Realised	12	(9)	37	148
- Unrealised	7	(267)	131	1,228
And after crediting:				
Gain on disposal of property, plant and equipment	7	-	7	57
Finance income	20	168	104	306

20 Status of the corporate proposal announced

On 8 July 2021, the Company announced a private placement exercise to be carried out via a proposed subscription of up to 93,000,000 new ordinary shares in YKGI, representing up to approximately 21.69% of the existing total number of issued shares of YKGI by Macquarie Bank Limited (“Proposed Subscription”). The draft circular to shareholders of YKGI and the additional listing application for the Proposed Subscription have been submitted to Bursa for approval on 13 July 2021. An Extraordinary General Meeting will be convened to seek shareholders’ approval for the Proposed Subscription.

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21 *Borrowing and debt securities*

The Group's borrowings from lending institutions as at 30 June 2021, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 30 June 2021		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	20,469	61,094	81,563
Unsecured	-	500	500
Total	20,469	61,594	82,063

Based on the above, the Group's bank-gearing ratio is around 1.42 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 30 June 2021.

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25 Earnings per share

	Quarter ended 30 June		Period ended 30 June	
	2021	2020	2021	2020
	('000)	('000)	('000)	('000)
<i>Basic Earnings/(Loss) per ordinary share</i>				
Profit/(Loss) attributable to owners of the Company (RM'000)	1,396	(2,590)	2,710	(5,747)
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	5,228.9	-	2,614.5	-
Weighted average number of ordinary shares issued as at end of period	426,049.9	350,684.2	423,435.5	350,684.2
Basic earnings/(loss) per ordinary share (sen)	0.33	(0.74)	0.64	(1.64)

	Quarter ended 30 June		Period ended 30 June	
	2021	2020	2021	2020
	('000)	('000)	('000)	('000)
<i>Diluted Earnings/(Loss) per ordinary share</i>				
Profit/(Loss) attributable to owners of the Company (RM'000)	1,396	(2,590)	2,710	(5,747)
Weighted average number of ordinary shares in issue	426,049.9	350,684.2	423,435.5	350,684.2
Adjustment for share options	5,937.9	-	4,077.3	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	431,987.8	350,684.2	427,502.8	350,684.2
Diluted earnings/(loss) per ordinary share (sen)	0.32	(0.74)	0.63	(1.64)