

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

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>4th Quarter 2021</u>				
Revenue from external customers	49,880	21,642	-	71,522
Inter-segment	2,314	41	(2,201)	-
	<u>52,194</u>	<u>21,683</u>	<u>(2,355)</u>	<u>71,522</u>

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	East Malaysia RM'000	West Malaysia RM'000	Inter- Segment RM'000	Total RM'000
<u>4th Quarter 2020</u>				
Revenue from external customers	38,076	17,415	-	55,491
Inter-segment	1,352	290	(1,642)	-
	<u>39,428</u>	<u>17,705</u>	<u>(1,642)</u>	<u>55,491</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*

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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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		
	2021	2020			2021	2020		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	71,521	55,491	16,031	29%	243,686	184,075	59,611	32%
Operating profit	6,734	2,091	4,643	222%	24,630	6,864	17,767	259%
Profit Before Interest and Tax	4,559	198	4,360	2197%	15,837	2,093	13,744	657%
Profit/(Loss) Before Tax	3,503	(757)	4,260	563%	12,011	(1,257)	13,269	1055%
Profit/(Loss) After Tax	3,003	(2,591)	5,594	216%	8,122	(6,041)	14,163	234%
Profit/(Loss) Attributable to Ordinary owner of the Company	2,184	(2,327)	4,511	194%	6,441	(5,791)	12,232	211%

The Group's total revenue for the current quarter increased by 29% or about RM16.0 million to RM71.52 million as compared to RM55.49 million in the corresponding quarter last year ("4Q20"). The increase in revenue was mainly due to higher steel price despite a lower sales volume.

The Group reported an operating profit before interest tax of RM6.73 million from its continuing operations compared to RM2.09 million in 4Q20, an increase of 222%. The better profitability was the result of higher gross profit margin due to better selling price albeit a slightly lower sales quantity registered in the current quarter.

On a year-to-year basis, the Group's revenue increased by RM59.61 million to RM243.69 million. Profitability improved by 1055% 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 RM8.12 million versus a loss after tax and minority interest of RM6.04 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 Sept 2021	30 Sept 2021	
	RM'000	RM'000	%
Revenue	71,521	53,519	33.64%
Operating profit	6,734	6,237	7.96%
Profit Before Interest and Tax	4,559	4,062	12.22%
Profit Before Tax	3,503	3,204	9.36%
Profit After Tax	3,003	2,057	46.02%
Profit Attributable to Ordinary Owner of the Company	2,184	1,546	41.30%

For the quarter under review, the Group recorded a pre-tax profit of RM3.50 million as compared to a pre-tax profit of RM3.20 million in the previous quarter for the continuing operations. In terms of operating results, the current quarter registered a higher turnover of 33.6%. The operating profit for the period was RM6.73 million versus RM6.24 million, an increase of 8.0%. The sales volume during the quarter was lower by 8.0% but the impact was mitigated by a better average selling price of its products.

15 *Prospects*

The global steel industry has performed well last year with the recovery from the severe impact of Covid-19. The supply chain disruption coupled with geopolitical tension in Europe may affect steel prices going forward. Malaysia's economy is expected to be on the road to recovery. This may improve demand for steel products in the next financial year. However, steel prices will continue to be influenced by international market forces.

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	1,055	3,714
- Previous years	(158)	(158)
Deferred tax expense		
- Current year	(199)	(380)
- Previous years	199	199
Total	897	3,375

19 Profit for the period

	Current quarter ended 31 Dec		The cumulative period ended 31 Dec	
	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	2,432	2,020	8,793	7,525
Property, plant & equipment written off	2	-	7	83
Net foreign exchange (gain)/loss				
- Realised	218	(57)	255	317
- Unrealised	(82)	(585)	75	(261)
And after crediting:				
Gain on disposal of property, plant and equipment	146	13	153	2
Finance income	156	405	451	832
Reversal of impairment on trade receivables	533	375	473	128

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 Proposed Subscription was approved by the shareholders of YKGI in an EGM carried out on 3 September 2021 and all regulatory approvals have been duly obtained. As at end of current quarter under review, a total of 10.0 million shares have been subscribed and

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allotted to Macquarie Bank Limited under the Proposed Subscription with net proceeds of RM1.903 million.

21 *Borrowing and debt securities*

The Group's borrowings from lending institutions as at 31 December 2021, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 31 December 2021		
	Long Term	Short Term	Total Borrowings
	RM'000	RM'000	RM'000
Secured	18,335	68,385	86,720
Unsecured	-	400	400
Total	18,335	68,785	87,120

Based on the above, the Group's bank-gearing ratio is around 1.06 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 December 2021.

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25 Earnings per share

	Quarter ended 31 Dec		Period ended 31 Dec	
	2021 (‘000)	2020 (‘000)	2021 (‘000)	2020 (‘000)
<i>Basic Earnings/(Loss) per ordinary share</i>				
Profit/(Loss) attributable to owners of the Company (RM’000)	2,184	(2,327)	6,441	(5,791)
Number of ordinary shares in issue at the beginning period	440,794.5	350,684.2	420,821.0	350,684.2
Effect of shares issued during the quarter	-	70,136.8	9,338.9	17,534.2
Weighted average number of ordinary shares issued as at end of period	440,794.5	420,821.0	430,159.9	368,218.4
Basic earnings/(loss) per ordinary share (sen)	0.50	(0.55)	1.50	(1.55)

	Quarter ended 31 Dec		Period ended 31 Dec	
	2021 (‘000)	2020 (‘000)	2021 (‘000)	2020 (‘000)
<i>Diluted Earnings/(Loss) per ordinary share</i>				
Profit/(Loss) attributable to owners of the Company (RM’000)	2,184	(2,327)	6,441	(5,791)
Weighted average number of ordinary shares in issue	440,794.5	420,821.0	430,159.9	368,218.4
Adjustment for share options	-	-	3,762.1	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	440,794.5	420,821.0	433,922.0	368,218.4
Diluted earnings/(loss) per ordinary share (sen)	0.50	(0.55)	1.48	(1.55)