

YKGI HOLDINGS BERHAD (Company No. 032939-U)
UNAUDITED REPORT ON CONSOLIDATED RESULTS FOR THE FINANCIAL
QUARTER ENDED 30 SEPTEMBER 2022

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 2021 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 2021.

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 2021 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 April 2021 and 1 January 2022:

<i>Description</i>	<i>Effective for Periods beginning on or after</i>
Amendment to MFRS 16, <i>Leases – Covid-19-Related Rent Concessions beyond 30 June 2021</i>	1 April 2021
Amendments to MFRS 3, <i>Business Combinations – Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 9, <i>Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)</i>	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16, <i>Leases (Annual Improvements to MFRS Standards 2018-2020)</i>	1 January 2022
Amendments to MFRS 116, <i>Property, Plant and Equipment – Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137, <i>Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022

The adoption of the above standards does not have a significant impact 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 2021 were reported without any qualification.

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3 *Seasonality or Cyclicity of interim operations*

The Group's operations are not subject to seasonal or cyclical factors.

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 4th August 2022, the Company issued 9,000,000 new ordinary shares to Macquarie Bank Limit pursuant to the mandate under Section 75 and 76 of the Companies' Act 2016 which was obtained during the Annual General Meeting held on 24 June 2022. The total shares issued represented 2% of the total issued share capital of the Company.

Save as above, 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>3rd Quarter 2022</u>				
Revenue from external customers	50,995	17,544	-	68,539
Inter-segment	1,045	17	(1,062)	-
	<u>52,040</u>	<u>17,561</u>	<u>(1,062)</u>	<u>68,539</u>

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	East Malaysia RM'000	West Malaysia RM'000	Inter- Segment RM'000	Total RM'000
<u>3rd Quarter 2021</u>				
Revenue from external customers	43,869	9,650	-	53,519
Inter-segment	2,195	6	(2,201)	-
	<u>46,064</u>	<u>9,656</u>	<u>(2,201)</u>	<u>53,519</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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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		
	2022	2021			2022	2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	68,539	53,519	15,019	28%	202,409	172,164	30,244	18%
Operating (loss)/profit	(1,319)	6,070	(7,389)	-122%	7,461	17,639	(10,179)	-58%
(Loss)/Profit Before Interest and Tax	(3,655)	3,895	(7,550)	-194%	705	11,278	(10,574)	-94%
(Loss)/Profit Before Tax	(5,179)	3,054	(8,233)	-270%	(3,031)	8,508	(11,538)	-136%
(Loss)/Profit After Tax	(4,719)	2,056	(6,776)	-330%	(3,339)	6,030	(9,369)	-155%
(Loss)/Profit Attributable to Ordinary owner of the Company	(4,279)	1,546	(5,824)	-377%	(3,676)	5,119	(8,795)	-172%

The Group's total revenue for the current quarter increased by RM15.0 million to RM68.5 million as compared to RM53.5 million in the corresponding quarter last year ("3Q21"). The increase in revenue was mainly due to higher steel price and higher sales volume.

The Group reported an operating loss before interest and tax of RM3.6 million compared to operating profit of RM3.9 million in 3Q21, a decrease of 194%. The high loss registered in the current quarter was primarily due to much lower gross profit margin arising from increased cost of sales.

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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 September 2022	30 June 2022	
	RM'000	RM'000	%
Revenue	68,539	75,711	-9%
Operating (loss)/profit	(1,319)	6,109	-122%
(Loss)/Profit Before Interest and Tax	(3,655)	3,926	-193%
(Loss)/Profit Before Tax	(5,179)	2,939	276%
(Loss)/Profit After Tax	(4,719)	2,328	303%
(Loss)/Profit Attributable to Ordinary Owner of the Company	(4,279)	1,416	402%

For the quarter under review, the Group recorded a pre-tax loss of RM5.18 million as compared to a pre-tax profit of RM2.94 million in the previous quarter. In terms of operating results, the current quarter registered a lower turnover of 9%. The operating loss for the period was RM1.32 million versus an operating profit of RM6.11 million, a reduction of 122%. The poor performance in 3Q22 was mainly due to the rapid and substantial decrease in the average selling price of steel products which resulted in the fall of gross profit margin by more than 10% compared to the preceding quarter. Further, the financial result is accentuated by lower sales as the steel sector turned cautions with the downturn in steel price.

15 Prospects

Economists are predicting a slower growth to the world's economy in the coming months and expecting recession to hit certain developed countries due to high inflation and high interest rate. Concerning this, the steel price has tumbled from its peak, reversing the bullish developments which prevailed in the steel sector over the last year. Given the current scenario, the Group is pessimistic on its performance for the rest of the year.

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	478	1,243
- Prior year	62	62
Deferred tax expense		
- Current year	(1,000)	(997)
Total	(460)	308

There was tax liabilities despite a loss-making position due to non-recognition of deferred tax assets by certain loss-making subsidiaries.

19 Results for the period

	Current quarter ended 30 September		The cumulative period ended 30 September	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Results for the period is arrived at after charging:				
Depreciation of property, plant and equipment	2,183	2,175	2,237	6,361
Property, plant & equipment written off	-	2	-	5
Impairment on trade receivables	180	42	152	60
Net foreign exchange (gain)/loss				
- Realised	-	-	21	37
- Unrealised	-	26	-	157
And after crediting:				
Gain on disposal of property, plant and equipment	-	-	-	7
Finance income	168	191	129	295
Reversal of impairment on trade receivables	-	-	-	-

20 Status of the corporate proposal announced

- (i) 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

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(“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 allotted to Macquarie Bank Limited under the Proposed Subscription with net proceeds of RM1.881 million.

On 2 September 2022, the Company announced that the Subscription Agreement had expired on the even date, marking the completion of the Proposed Subscription. The investor had subscribed total 19,000,000 YKGI shares pursuant to the Subscription Agreement, including the 9,000,000 shares as stated in (ii) below.

- (ii) On 20 July 2022, the Company announced a proposed private placement of up to 10% of the total number of issued shares of the Company to third party investor(s) to be identified at an issue price to be determined in accordance to the general mandate pursuant to Sections 75 and 76 of the Act.

On 4 August 2022, the Company announced that it had received a subscription notice from Macquarie Bank for the subscription of 9,000,000 shares at a subscription price of RM0.1130. This subscription price represented a discount of approximately 9.74% to volume weighted average price of the shares during the 5 consecutive trading days up to and including 3 August 2022 of RM0.1252.

21 *Borrowing and debt securities*

The Group’s borrowings from lending institutions as at 30 September 2022, which are denominated entirely in Ringgit Malaysia, are as follows:-

Denominated in Ringgit Malaysia	As at 30 September 2022		
	Long Term	Short Term	Total Borrowings
	RM’000	RM’000	RM’000
Secured	20,154	86,208	106,362
Unsecured	-	900	900
Total	20,154	87,108	107,262

Based on the above, the Group’s bank-gearing ratio is around 1.35 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.

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NOTES TO THE FINANCIAL STATEMENTS:-

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 September 2022.

25 Earnings per share

	Quarter ended 30 Sept		Period ended 30 Sept	
	2022	2021	2022	2021
	('000)	('000)	('000)	('000)
Basic Earnings/(Loss) per ordinary share				
(Loss)/Profit attributable to owners of the Company (RM'000)	(4,278)	1,546	(3,676)	4,256
Number of ordinary shares in issue at the beginning period	440,794.5	428,703.3	440,794.5	420,821.0
Effect of shares issued during the quarter	6,000.0	4,270.9	2,000.0	5,794.0
Weighted average number of ordinary shares issued as at end of period	446,794.5	432,974.2	442,794.5	426,615.0
Basic (loss)/earnings per ordinary share (sen)	(0.96)	0.36	(0.83)	1.00

	Quarter ended 30 Sept		Period ended 30 Sept	
	2022	2021	2022	2021
	('000)	('000)	('000)	('000)
Diluted Earnings/(Loss) per ordinary share				
(Loss)/Profit attributable to owners of the Company (RM'000)	(4,278)	1,546	(3,676)	4,256
Weighted average number of ordinary shares in issue	446,794.5	432,974.2	442,794.5	426,615.0
Adjustment for share options	-	1,693.7	-	4,052.2
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	446,794.5	434,667.9	442,794.5	430,667.2
Diluted (loss)/earnings per ordinary share (sen)	(0.96)	0.36	(0.83)	0.99

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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.