



Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the first financial quarter ended 30 September 2019

(The figures have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>(3 months)</u>		<u>(3 months)</u>	
		Preceding year		Preceding year
	Current year	Corresponding	Current year	Corresponding
	Quarter	Quarter	To date	Period
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	RM'000	RM'000	RM'000	RM'000
Revenue	183,963	196,711	183,963	196,711
Cost of sales	(173,835)	(184,447)	(173,835)	(184,447)
Gross profit	10,128	12,264	10,128	12,264
Operating expenses	(7,907)	(8,388)	(7,907)	(8,388)
Other operating income/(expense)	217	149	217	149
Net foreign exchange gain/(loss)	(190)	(248)	(190)	(248)
Profit from operations	2,248	3,777	2,248	3,777
Finance income	417	213	417	213
Finance costs	(1,638)	(1,600)	(1,638)	(1,600)
Profit before tax	1,027	2,390	1,027	2,390
Tax	(594)	(941)	(594)	(941)
Profit for the period	433	1,449	433	1,449
Other comprehensive income				
Asset revaluation reserves:				
- revaluation surplus on property, plant and equipment, net of tax	-	760	-	760
Total Profit and other comprehensive income for the period	433	2,209	433	2,209
Earnings per share attributable to owners of the Company (sen):				
- Basic	0.13	0.50	0.13	0.50
- Diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019).

**Condensed Consolidated Statements of Financial Position as at 30 September 2019**

(The figures have not been audited)

	As at 30-Sep-19 RM'000	As at 30-Jun-19 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	319,151	317,815
Right-of-use assets	13,849	-
Intangible assets	20,000	20,000
	<u>353,000</u>	<u>337,815</u>
Current Assets		
Inventories	159,108	187,491
Trade and other receivables	102,580	89,429
Amount owing by holding company	30	15
Amount owing by related companies	746	746
Tax recoverable	594	424
Derivative financial assets	771	800
Cash and bank balances	48,199	50,178
	<u>312,028</u>	<u>329,083</u>
Less: Current Liabilities		
Borrowings	79,940	88,464
Trade and other payables	129,304	135,816
Amount owing to holding company	44	-
Amount owing to related companies	1,136	1,023
Tax payable	31	29
Lease liabilities	2,736	-
Derivative financial liabilities	154	230
	<u>213,345</u>	<u>225,562</u>
Net Current Assets	<u>98,683</u>	<u>103,521</u>
Non-Current Liabilities		
Borrowings	20,644	21,675
Deferred tax liabilities	24,063	23,764
Lease liabilities	10,755	-
	<u>55,462</u>	<u>45,439</u>
	<u>396,221</u>	<u>395,897</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	217,677	217,677
Warrant reserves	1,740	1,740
Asset revaluation reserve	30,108	30,108
Retained earnings	146,696	146,372
Total Equity	<u>396,221</u>	<u>395,897</u>
Net assets per share attributable to owners of the Company	<u>RM1.21</u>	<u>RM1.21</u>

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019).

**Condensed Consolidated Statements of Cash Flows for the first financial quarter ended 30 September 2019**

(The figures have not been audited)

	(3 months) 30-Sep-19 RM'000	(3 months) 30-Sep-18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,027	2,390
Adjustments for :		
- Depreciation	4,375	3,709
- Loss on disposal of plant and equipment	7	24
- Impairment loss on property, plant and equipment	108	-
- Impairment of receivables	-	107
- Net unrealised loss/(gain) on foreign exchange	35	(39)
- Interest income	(417)	(213)
- Interest expense	1,638	1,600
Operating profit before changes in working capital	6,773	7,578
Changes in working capital :		
- Inventories	28,383	53,590
- Trade and other receivables	(13,577)	7,699
- Trade and other payables	(6,623)	(44,274)
- Intercompanies balances	143	2,088
Cash flows generated from operations	15,099	26,681
- Interest paid	(1,638)	(1,600)
- Interest received	417	213
- Tax paid	(572)	(777)
Net cash flows generated from operating activities	13,306	24,517
CASH FLOWS FROM INVESTING ACTIVITIES		
- Purchase of property, plant and equipment	(5,133)	(8,671)
- Proceeds from disposal of property, plant and equipment	62	60
Net cash flows used in investing activities	(5,071)	(8,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
- Proceeds from bank borrowings	45,690	34,100
- Repayment of bank borrowings	(55,245)	(64,102)
- Payment of lease liabilities	(659)	-
Net cash flows used in financing activities	(10,214)	(30,002)
Net change in cash and cash equivalents	(1,979)	(14,096)
Cash and cash equivalents at beginning of the financial year	50,178	51,023
Cash and cash equivalents at end of the financial year	48,199	36,927

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019).

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2019****Condensed Consolidated Statements of Changes in Equity for the first financial quarter ended 30 September 2019**

(The figures have not been audited)

	----- Attributable to owners of the Company -----				
	----- Non-distributable -----				
	Share	Warrant	Asset	Retained	
	Capital	Reserves	Revaluation	Earnings	Total
	RM'000	RM'000	Reserve	RM'000	RM'000
<u>3 months ended 30 September 2019</u>					
At 1 July 2019	217,677	1,740	30,108	146,372	395,897
Effects from adoption of MFRS 16	-	-	-	(109)	(109)
	<u>217,677</u>	<u>1,740</u>	<u>30,108</u>	<u>146,263</u>	<u>395,788</u>
Comprehensive income for the financial period					
- Profit for the financial period	-	-	-	433	433
Other comprehensive income for the financial period					
Asset revaluation reserves:					
- revaluation surplus on					
property, plant and equipment, net of tax	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	433	433
As at 30 September 2019	<u>217,677</u>	<u>1,740</u>	<u>30,108</u>	<u>146,696</u>	<u>396,221</u>
<u>3 months ended 30 September 2018</u>					
At 1 July 2018	206,364	-	26,851	158,357	391,572
Comprehensive income for the financial period					
- Profit for the financial period	-	-	-	1,449	1,449
Other comprehensive income for the financial period					
Asset revaluation reserves:					
- revaluation surplus on					
property, plant and equipment, net of tax	-	-	760	-	760
Total comprehensive income for the financial period	-	-	760	1,449	2,209
As at 30 September 2018	<u>206,364</u>	<u>-</u>	<u>27,611</u>	<u>159,806</u>	<u>393,781</u>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019).



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation & Significant Accounting Policies

This Quarterly Report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard (“MFRS”) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements. In addition, the financial statements comply with IFRS as issued by IASB. The report should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2019 which was prepared in accordance with the MFRS.

The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2019.

The significant accounting policies and methods adopted for this unaudited interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 30 June 2019, except for the following new amendments to the MFRS (“standards”) effective from 1 January 2019 which the Group has only adopted since the commencement of the current financial year on 1 July 2019:

- MFRS 16 “Leases” supersedes MFRS 117 “Leases” and the related interpretations.
- IC Interpretation 23 “Uncertainty over Income Tax Treatments” provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Amendments to MFRS 9 ‘Prepayment features with negative compensation’ allow companies to measure some prepayable financial assets with negative compensation at amortised cost.
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3 ‘Business Combinations’
 - Amendments to MFRS 112 ‘Income Taxes’
 - Amendments to MFRS 123 ‘Borrowing Costs’

The adoption of the above did not have any material impact on the Group’s financial statements to-date, other than some reclassifications and adjustments to the Statement of Financial Position pursuant to MFRS 16 as outlined hereinafter.

- MFRS 16

MFRS 16 eliminates the classification of leases either by finance lease (on balance sheet) or operating lease (off balance sheet) by the lessee, and requires the lessee to recognize both the “rights” and “obligations” of the underlying lease on balance sheet. The lease “rights” is depreciated in accordance with the principles in MFRS116 whilst the lease liability is accreted over time with interest expense recognized in profit or loss. Lessor’s accounting of leases under MFRS 16 retains most of the requirements of MFRS 117.

The Group adopted MFRS 16 retrospectively from 1 July 2019 using the simplified transition approach and has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balances of the Statement of Financial Position as at 1 July 2019. The Group’s adoption of MFRS 16 mainly involved its non-cancellable operating rental lease commitments on factories and buildings as lessee. The Group does not have any assets leased-out to account as a lessor.



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation & Significant Accounting Policies (continued)

The table below shows the impact of changes to the condensed consolidated Statement of Financial Position of the Group resulting from the adoption of MFRS 16 as at 1 July 2019:

	As at 30 June 2019	Effects of adoption of MFRS 16	As at 1 July 2019
	RM'000	RM'000	RM'000
<u>Non-current assets</u>			
Right-of-use assets	-	14,604	14,604
<u>Current assets</u>			
Trade and other receivables	89,429	(454)	88,975
<u>Current liabilities</u>			
Lease liabilities	-	2,696	2,696
<u>Non-current liabilities</u>			
Lease liabilities	-	11,454	11,454
Deferred tax liabilities	23,764	109	23,873
<u>Shareholders' equity</u>			
Retained earnings	146,372	(109)	146,263

The Group has not adopted the following new standards, amendments to standards and interpretations that have been issued but not yet effective for the current financial year.

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The initial adoption of the above pronouncement, in the next financial year is not expected to have any significant impact on the financial statements of the Group.

A2 Declaration of audit qualification

The audit report of the Group and the Company in respect of the annual financial statements for the financial year ended 30 June 2019 was not subject to any audit qualification.

A3 Seasonality or cyclicity of operations

The business of the Group is generally neither cyclical nor seasonal except for decreased activities during the Ramadan and Chinese New Year festive months.

A4 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 Changes in estimates

In the current financial quarter, there were no changes in estimates that had a material effect on the financial results.

A6 Debts and equity securities

There were no issuances, cancellations, repurchases, or resale of equity securities during the current financial quarter.

The Group has a policy to maintain its' Gearing Ratio (measured as interest bearing debts over shareholders' equity adjusted for the exclusion of intangibles) at below 1.5 times.

	30 Sep 2019	30 Jun 2019
Total interest bearing debts in RM'million	119.2	119.6
Adjusted Shareholders' funds in RM'million	400.3	399.5
Absolute Gearing Ratio	0.30	0.30

Of the total interest bearing debts as at 30 September 2019, around RM75.8 million is represented by the respective debenture at its steel-tube and cold-rolled subsidiaries, whilst RM18.6 million is represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries. (See Note B10). Debts of RM24.8 million is secured against a fixed charge on a property and some plant and equipment to-which the acquisition-financing relates. Lease liability classification pursuant to MFRS 16 are excluded from the ratio computation as these are contractually non-interest bearing.

Debt covenants where applicable are in full compliance for the current financial quarter ended 30 September 2019 except for the Cold Rolled subsidiary's Debt Service Cover Ratio due to its preceding financial year's operating loss position which cuts into the rolling 12 months. However, the subsidiary is expected to comply with the said covenant by the current financial year end.

A7 Dividend paid

During the current financial quarter, no dividend was paid by the Company.

A8 Segmental reporting

The Group's year-to-date segmental information by nature-of-business is as follows:

	<u>Cold Rolled</u> RM'000	<u>Steel Tube</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>				
Total revenue	131,693	59,952	744	192,389
Inter segment	(7,682)	-	(744)	(8,426)
External revenue	124,011	59,952	-	183,963
Pre-tax profit/(loss)	564	355	108	1,027
Segment assets	432,681	223,764	7,218	663,663

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134
A8 Segmental reporting (continued)

	RM'000
Segment assets	663,663
Derivative assets	771
Tax recoverable	594
	665,028

The businesses of the Group are carried out entirely in Malaysia.

A9 Valuation of Property, Plant and Equipment (PPE)

The valuation on PPE has been brought forward from the audited financial statements for the preceding financial year ended 30 June 2019 and adjusted for the current financial year's depreciation where appropriate to reflect the current period's ending net carrying value.

A10 Fair Value Measurement

Except for the financial instruments disclosed below which are fair valued, the carrying value of short-term maturity financial instruments like cash deposits and bank balances, receivables, and short-term borrowings and payables approximate their fair values.

Financial instruments subjected to fair valuation are categorised into the following fair value hierarchy and are represented in the table below as at 30 September 2019:

Level 1: based on unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: based on observable inputs not included within level 1

Level 3: based on unobservable inputs

<u>Recurring fair value measurement</u>	Fair Value RM'000		
	Level 1	Level 2	Level 3
Foreign Currency Forwards			
as Assets (not hedge accounted)	0	6.6	0
as Assets (hedge accounted)	0	764.8	0
as Liabilities (not hedge accounted)	0	-	0
as Liabilities (hedge accounted)	0	(154.0)	0
Total	0	617.4	0

The Foreign Currency Forwards are fair valued by way of marking-to-market using reference bank's published forward rates.



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 Significant events and transactions

The Steel Tube subsidiary has incepted two additional trade lines facilities of RM10 million and RM15 million respectively from two local financial institutions in the current financial quarter. Both trade facilities incorporate a fixed and floating charge against the present and future assets of the said subsidiary (with the exception of its acquired leasehold land and building which is separately charged to the mortgage lender) and are secured against corporate guarantees from the Company.

A12 Subsequent material events

There are no known material subsequent events up-till the date of this report which may affect the Group's financial position and performance of its entities.

A13 Changes in the composition of the Group

There were no changes to the composition of the Group during the current financial quarter.

A14 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the end of the reporting quarter.

A15 Changes in Financial Year End Date

There were no changes to the financial year end date during the current financial quarter.

A16 Capital Commitments

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around RM16.7 million. From this amount, RM3.7 million has been committed for the construction of a new Acid Regeneration Plant and RM13.0 million for the revamp of Continuous Pickling Line. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM2.2 million for plant-equipment. These capital commitments will be payable over established milestones in the current financial year.

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)
B1 Review of the performance of the Company and its principal subsidiaries

	Individual Period (1st quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 30/9/2019	Preceding Year Corresponding Quarter 30/9/2018			Current Year To-date 30/9/2019	Preceding Year Corresponding Period 30/9/2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	183,963	196,711	(12,748)	-6%	183,963	196,711	(12,748)	-6%
Operating Profit	2,248	3,777	(1,529)	-40%	2,248	3,777	(1,529)	-40%
Profit Before Interest and Tax	2,248	3,777	(1,529)	-40%	2,248	3,777	(1,529)	-40%
Profit Before Tax	1,027	2,390	(1,363)	-57%	1,027	2,390	(1,363)	-57%
Profit After Tax	433	1,449	(1,016)	-70%	433	1,449	(1,016)	-70%
Profit Attributable to Ordinary Equity Holders of the Parent	433	1,449	(1,016)	-70%	433	1,449	(1,016)	-70%

For the 1st quarter ended 30 September 2019, the Group registered a 6% lower total revenue of RM184.0 million (compared to RM196.7 million achieved in the preceding year's corresponding quarter) mainly due lower average selling price and lower sales volume for the Steel Tube segment. At segment level, the average unit selling price for the current quarter for both Cold Rolled and Steel Tube segment is down 6% compared with the preceding year corresponding quarter, while sales volume is up 13% for the Cold Rolled segment and down 18% for the Steel Tube segment.

The Group recorded a pre-tax profit of RM1.0 million for the current quarter as compared to a pre-tax profit of RM2.4 million in the preceding year's corresponding quarter. The weaker performance for the current quarter compared to the preceding year's corresponding quarter is mainly attributed to the lower gross profit achieved of RM10.1 million (preceding year's corresponding quarter gross profit: RM12.3 million) due to lower price spread and sales volume in the Steel Tube segment. Consequently, the Group recorded an after-tax profit of RM0.4 million for the current quarter as compared to the preceding year's corresponding quarter after-tax profit of RM1.4 million.

The Group recorded a lower quarterly EBITDA of RM6.6 million compared to the preceding year's corresponding quarter of RM7.5 million.

B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter

	Current Quarter 30/9/2019	Immediate Preceding Quarter 30/6/2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue	183,963	152,369	31,594	21%
Operating Profit	2,248	1,680	568	34%
Profit Before Interest and Tax	2,248	487	1,761	362%
Profit/(Loss) Before Tax	1,027	(981)	2,008	205%
Profit/(Loss) After Tax	433	(4,870)	5,303	109%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	433	(4,870)	5,303	109%



PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter (continued)

The Group's revenue at RM184.0 million for the current 1st financial quarter is around RM31.6 million higher than the immediate preceding quarter at RM152.4 million. The higher revenue for the current quarter is mainly due to higher sales volume for the Cold Rolled segment. The average unit selling price for the current quarter for the Cold Rolled segment is down 1% and the Steel Tube segment is down 3% whilst the sales volume is up by around 35% for the Cold Rolled and about unchanged for the Steel Tube.

The Group registered a higher pre-tax profit of RM1.0 million compared with the immediate preceding quarter's pre-tax loss of RM1.0 million mainly due to the higher gross profit margin for the Cold Rolled segment. The Group's net-tax profit at RM0.4 million is materially better than the immediate preceding quarter's net-tax loss of RM4.9 million (which was exacerbated by the derecognition of allowable deferred-tax-asset amounting to around RM3.4 million due a 2019 tax law limiting the eligible carrying forward period on tax losses and reinvestment allowance to 7 years).

The Group recorded a marginally higher quarterly EBITDA of RM6.6 million compared to RM5.5 million recorded in the immediate preceding quarter.

B3 Prospects for the remaining financial year

The Nation's 3rd fiscal quarter of 2019 (which correspond with the Group's 1st financial quarter for the financial year 2020) grew marginally lower again at 4.4% quarter-on-quarter (compared to the 2nd and 1st quarters at 4.9% and 4.5% respectively). Growth continued to be driven primarily by private consumption supported by healthy labor-market conditions, as 'investment' declined for the 8th consecutive quarters to a new low whilst 'export' felled for the first time since Q3 2016 across sectors attributed to the deteriorated global economy resulting from the prolonged USA-China trade conflict and rise in trade protectionism. Business confidence remains weak with an emerging cycle of subdued corporate performance and contraction of capital investment.

In tandem with the weak market conditions, the steel industry remained difficult over the 1st financial quarter ended 30th September 2019. Declining investment in asset structures coupled with the property overhang continue to weigh down steel demand, whilst the announced revival of major infrastructural projects are still far from kicking-in. However, the Group's Cold Rolled recorded a mild rebound for the 1st financial quarter with a small net profit of around RM0.4 million - bucking the preceding financial year's four consecutive quarters of losses – as higher anti-dumping duties on specific exporters kicked in from May 2019 onwards. The marginally upward trending raw coil prices in July and August had supported profits in those months but was significantly cut-back with sharp price declines in September. The whiplash negative price movement amid a skittishly soft market had resulted in a visibly poor performance by the Group's Steel Tube subsidiary for the current financial quarter compared to the preceding quarters.

Performance outlook for the next two financial quarters is expected to remain weak taking into consideration of the following:

- continuing subdued market conditions
- planned line-shutdown for four weeks for capital asset project implementation at the Cold Rolled operation
- seasonal festive period's lows

The later part on the 2nd half of the financial year may offer some respite on back of the following:

- expected positive contribution from the capital asset projects
- possible easing of global trade-conflicts and resulting better market conditions
- possible kicking-in of higher steel demand from those revived major infrastructural projects
- possible positive outcome on existing efforts to close-off remaining loopholes on product dumping from abroad particularly Vietnam and China



PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B4 Variance of actual profit from forecast profit

This is not applicable to the Group.

B5 Profit before taxation

Profit before taxation is stated after charging/ (crediting):

	Current Year Quarter Ended 30 Sep 2019 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2018 RM'000	Current Year To Date Ended 30 Sep 2019 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2018 RM'000
Depreciation	4,375	3,709	4,375	3,709
Interest income	(417)	(213)	(417)	(213)
Interest expense	1,638	1,600	1,638	1,600
FX differences loss/(gain)	1,758	3,966	1,758	3,966
FX derivatives (gain)/loss	(1,568)	(3,718)	(1,568)	(3,718)

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 30 Sep 2019 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2018 RM'000	Current Year To Date Ended 30 Sep 2019 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2018 RM'000
Current tax (expense)/credit				
Current period	(405)	(1,581)	(405)	(1,581)
Deferred tax (expense)/income				
Current period	(189)	640	(189)	640
	(594)	(941)	(594)	(941)



PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B7 Profit on sale of unquoted investments and / or properties

The Group did not engage in any sales of unquoted investments and / or properties in the current financial quarter.

B8 Purchase or disposal of quoted securities

There are no purchases or disposals of quoted securities in the current financial quarter.

B9 Status of corporate proposals

There are no outstanding corporate proposals as at the date of this announcement.

The Company completed its Rights Issue with Warrant exercise on 31 January 2019, and raised RM13,053,643.20 ('Rights Proceeds') in the preceding financial year. Details on the utilisation of the Rights Proceeds as at the date of this report are as follows:

<u>Areas of Approved Utilization</u>	RM'000		
	Proposed Use	Actual Use	Balance to Use
a) Capital expenditure	10,100	4,425	5,575
b) Working capital	2,254	2,245	0
c) Estimated expenses in relation to the Rights Issue exercise	700	809	0
Total	13,054	7,479	5,575

Footnote

- i. The actual expenses incurred for the Rights Issue exercise exceeded the approved estimate by around RM109 thousand, and this difference is adjusted against the capital expenditure (reduced RM100 thousand) and working capital (reduced RM9 thousand).
- ii. The 'Balance to Use' on capital expenditure relates to the Cold-Rolled subsidiary's process line upgrade and acid regeneration plant project which would be used in accordance with the scheduled implementation progress, and within 12 months from the completed Rights Issue date. In this regard, the 'balance' is expected to be fully utilized by 31 January 2020.



PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B10 Group borrowings and debt securities

The Group's borrowings from lending institutions as at 30 September 2019, which are denominated entirely in Ringgit Malaysia, are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Secured	79,940
<u>Long-term borrowings:</u>	
Secured	20,644
Total borrowings	<u>100,584</u> =====

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' on a year-to-date basis is outlined below:

	<u>RM'000</u>
Total Borrowings' opening balance as at 1 July 2019	110,139
<u>Cash Flows:</u>	
Inflows from new debts	45,690
Outflows on repayment	(55,245)
Closing balance as at 30 September 2019	<u>100,584</u> =====

Based on the above, the Group's bank-gearing ratio is around 0.25 times. Besides the said borrowings, the Group's Steel Tube subsidiary also draws on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM18.6 million. Inclusive of that, the Group's absolute-gearing ratio as at 30 September 2019 is around 0.30 times.

B11 Outstanding Derivatives

The Group has entered into forward foreign currency exchange contracts (FX forwards) to manage its foreign currency exchange exposure arising from purchases of raw materials denominated in US Dollar ("USD") and certain sales denominated in Singapore Dollar ("SGD"). In this regard, the Group covers its USD exposure at the range of 80% to 90% depending on the length of the forward period and the availability of FX facilities.

The Group designates eligible hedge relations on FX forwards incepted to cover its USD and/or SGD exposure for the purpose of hedge accounting. These are designated as fair value hedges with the arising mark-to-market foreign currency fair value gain/ (loss) of both the hedging instruments (i.e. FX Forwards) and the hedged items (i.e. forward purchases of raw material and or accounts payables in USD or accounts receivables in SGD) being charged to the Statement of Profit or Loss.



PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B11 Outstanding Derivatives (continued)

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 30 September 2019 are outline below:

Non-designated

FX Forward Contracts (SGD/RM) as non-designated hedging instrument				
	Notional Value '000		Fair Value RM'000	
Maturity	Short SGD	Long RM	Financial Asset	Financial Liability
Less than 1 year	480	1,463	6.6	-

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value '000		Fair Value RM'000			Notional Value '000		Fair Value RM'000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability	Maturity	Short USD	n.a.	Financial Asset	Financial Liability
Less than 1 year	38,646	161,769	764.8	154.0	Matching	38,646	n.a.	154.0	764.8

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM1.0 million from its FX Forward Contracts as hedging instruments with corresponding realized net loss of around RM1.1 million from its hedged items over the current financial year.

- (i) Risk associated with the derivatives

Counter-Party Risk

The Forward FX contracts are entered into with domestic licensed financial institutions which have extended FX lines to the Group. The associated Counter-Party risk is negligible.

- (ii) Cash requirements of the derivatives

There is no cash movement from the Group to the counterparties when the Forward FX contracts are incepted. Upon maturity of the Forward FX contracts, domestic currency is exchanged for the foreign currency at the contracted rate to meet its obligations.

- (iii) Policies in place for mitigating or controlling the risk associated with the derivatives

The Group uses derivative financial instruments to hedge specific risk exposures of the underlying hedge items and does not enter into derivative financial instruments for speculative purposes. The Group monitors the fluctuations in foreign currency exchange rates closely with the objective to minimise potential adverse effects on the financial performance of the Group. The Board of Directors regularly reviews the risk and approves the policy for managing the risk.



PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B12 Off balance sheet financial instruments and commitments

Off balance sheet financial instruments as at the date of this announcement are bank guarantees issued by its principal subsidiaries amounting to RM3.6 million as security for inbound supply of goods and services; and corporate guarantees issued to lenders for borrowings extended to its principal subsidiaries amounting to RM95.2 million as at 30 September 2019.

B13 Material litigation

The Group is not engaged in any on-going material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group; and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group.

B14 Dividend

The Company did not declare any dividend for the financial period ended 30 September 2019.

B15 Earnings per share

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2019	Preceding Year Corresponding Quarter Ended 30 Sep 2018	Current Year To Date Ended 30 Sep 2019	Preceding Year Corresponding Period Ended 30 Sep 2018
Profit attributable to owners (RM'000)	433	1,449	433	1,449
Weighted average number of ordinary shares in issue ('000)	327,058	290,708	327,058	290,708
Basic earnings per share (sen)	0.13	0.50*	0.13	0.50*

* Basic EPS for the comparative periods which was previously stated at 0.51 and 0.51 sens respectively has been restated for the effects of the 'Rights Issue with free Warrant' concluded in the 3rd quarter of the preceding financial year.



PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)

B15 Earnings per share (continued)

(ii) Diluted earnings per ordinary share

No diluted earnings per share is presented since the issued and listed warrants are in an anti-dilutive position given that its exercisable price (at 60 sens) is above the listed market price of the mother share at the close of the current financial quarter.

These interim financial statements have been authorized for issue by the Board of Directors on the date set-forth below.

By order of the Board
LILY YIN KAM MAY (MAICSA 0878038)

Secretary
Kuala Lumpur
26 November 2019