



Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the first financial quarter ended 30 September 2020

(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-20	30-Sep-19	30-Sep-20	30-Sep-19
	RM'000	RM'000	RM'000	RM'000
Revenue	156,004	183,963	156,004	183,963
Cost of sales	(143,579)	(173,835)	(143,579)	(173,835)
Gross profit	12,425	10,128	12,425	10,128
Operating expenses	(6,566)	(7,907)	(6,566)	(7,907)
Other operating income	361	217	361	217
Net foreign exchange gain/(loss)	167	(190)	167	(190)
Profit from operations	6,387	2,248	6,387	2,248
Finance income	131	417	131	417
Finance costs	(1,159)	(1,638)	(1,159)	(1,638)
Profit before tax	5,359	1,027	5,359	1,027
Tax	(1,474)	(594)	(1,474)	(594)
Profit for the period	3,885	433	3,885	433
Other comprehensive income				
- Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-
Total profit and other comprehensive income for the period	3,885	433	3,885	433
Earnings per share attributable to owners of the Company (sen):				
- Basic	1.19	0.13	1.19	0.13
- 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 2020).

**Condensed Consolidated Statements of Financial Position as at 30 September 2020**

(The figures have not been audited)

	As at 30-Sep-20 RM'000	As at 30-Jun-20 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	309,955	311,212
Right-of-use assets	32,234	33,082
Intangible assets	20,000	20,000
	<u>362,189</u>	<u>364,294</u>
Current Assets		
Inventories	97,793	157,128
Trade and other receivables	80,543	75,495
Amount owing by related companies	1	45
Tax recoverable	104	374
Derivative financial assets	61	2,123
Cash and bank balances	41,813	34,555
	<u>220,315</u>	<u>269,720</u>
Less: Current Liabilities		
Borrowings	51,032	45,458
Trade and other payables	75,808	138,598
Amount owing to holding company	15	8
Amount owing to related companies	840	1,462
Tax payable	634	23
Lease liabilities	2,899	2,857
Derivative financial liabilities	1,664	8
	<u>132,892</u>	<u>188,414</u>
Net Current Assets	<u>87,423</u>	<u>81,306</u>
Non-Current Liabilities		
Borrowings	29,101	28,518
Deferred tax liabilities	22,914	22,630
Lease liabilities	7,857	8,597
	<u>59,872</u>	<u>59,745</u>
	<u>389,740</u>	<u>385,855</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	30,703	30,711
Retained earnings	139,620	135,727
Total Equity	<u>389,740</u>	<u>385,855</u>
Net assets per share attributable to owners of the Company	<u>RM1.19</u>	<u>RM1.18</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 2020).



Condensed Consolidated Statements of Cash Flows for the first financial quarter ended 30 September 2020

(The figures have not been audited)

	(3 months) 30-Sep-20 RM'000	(3 months) 30-Sep-19 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	5,359	1,027
Adjustments for :		
- Depreciation	4,452	4,375
- Loss/(gain) on disposal of plant and equipment	-	7
- Impairment on property, plant and equipment	300	108
- Net unrealised (gain)/loss on foreign exchange	(277)	35
- Interest income	(131)	(417)
- Interest expense	1,159	1,638
Operating profit before changes in working capital	10,862	6,773
Changes in working capital :		
- Inventories	59,336	28,383
- Trade and other receivables	(2,983)	(13,577)
- Trade and other payables	(60,857)	(6,623)
- Intercompanies balances	(572)	143
Tax paid	(309)	(572)
Net cash flows generated from operating activities	5,477	14,527
CASH FLOWS FROM INVESTING ACTIVITIES		
- Purchase of property, plant and equipment	(2,650)	(5,133)
- Proceeds from disposal of property, plant and equipment	-	62
- Interest received	131	417
Net cash flows used in investing activities	(2,519)	(4,654)
CASH FLOWS FROM FINANCING ACTIVITIES		
- Interest paid	(1,159)	(1,638)
- Proceeds from bank borrowings	49,690	45,690
- Repayment of bank borrowings	(43,533)	(55,245)
- Payment of lease liabilities	(698)	(659)
Net cash flows generated from/(used in) financing activities	4,300	(11,852)
Net change in cash and cash equivalents	7,258	(1,979)
Cash and cash equivalents at beginning of the financial year	34,555	50,178
Cash and cash equivalents at end of the financial year	41,813	48,199

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2020).

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2020****Condensed Consolidated Statements of Changes in Equity for the first financial quarter ended 30 September 2020**

(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
3 months ended 30 September 2020					
At 1 July 2020	217,677	1,740	30,711	135,727	385,855
Comprehensive income for the financial period					
- Profit for the financial period	-	-	-	3,885	3,885
Other comprehensive income for the financial period					
- Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	3,885	3,885
As at 30 September 2020	<u>217,677</u>	<u>1,740</u>	<u>30,711</u>	<u>139,612</u>	<u>389,740</u>
3 months ended 30 September 2019					
At 1 July 2019	217,677	1,740	30,108	146,372	395,897
Effects from adoption of MFRS 16	-	-	-	(109)	(109)
Comprehensive income for the financial period					
- Profit for the financial period	-	-	-	433	433
Other comprehensive income for the financial period					
- 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>

(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 2020).



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 2020 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 preceding financial year ended 30 June 2020.

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 2020, except for the following new amendments to the MFRS (“standards”) effective from 1 January 2020 which the Group has only adopted since the commencement of the current financial year on 1 July 2020:

- Changes to the Conceptual Framework for Financial Reporting (Revised 2018). This entails a number of changes which provide clarifications, new definition, and emphasis of entrenched concepts.
- Amendments to MFRS 101 “Presentation of Financial Statements” and MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors”. These amendments clarify the definition of ‘materiality’ and the consistency of definition application throughout the financial reporting.
- Amendments to MFRS 3 ‘Definition of a Business’ (effective 1 January 2020). These amendments revised the definition of a ‘business’ in an acquisition.

The adoption of the above did not have any material impact on the Group’s financial statements to-date.

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.

Effective for financial year beginning after 1 July 2022.

- Amendments to MFRS 116 “Proceeds before Intended Use”
- Amendments to MFRS 3 “Reference to the Conceptual Framework”
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 9 “Fees in the ‘10 per cent’ test for Derecognition of Financial Liabilities”

Effective for financial year beginning after 1 July 2023.

- Amendments to MFRS 101 “Classification of liabilities as current or non-current”

These amendments to published standards will be adopted on the respective effective dates.

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 2020 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.

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134
A4 Unusual items

Over the current financial quarter, the Group received wage subsidy under the Government COVID-19 stimulus & aid program totaling RM401 thousands. The Group's entitlement for the program ended in September 2020.

A unit of the Group's steel operations had an equipment failure incident which resulted in interruption and incremental outlay over the current financial quarter. The problem has since been rectified, and the subsidiary has initiated insurance recovery on its machine breakdown and consequential loss coverage in relation to the aforementioned incident.

Besides the above, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

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 2020	30 Jun 2020
Total interest bearing debts in RM' million	80.3	100.3
Adjusted Shareholders' funds in RM' million	392.7	389.7
Absolute Gearing Ratio	0.20	0.26

Of the total interest bearing debts as at 30 September 2020, around RM59.5 million is represented by the respective debenture at its steel-tube and cold-rolled subsidiaries, whilst RM0.2 million is represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries. (See Note B10). Debts of RM20.6 million is secured against a fixed charge on a property and other specific assets to-which the 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 2020 except for the Cold Rolled subsidiary's Debt Service Cover Ratio which includes nine months of data relating to the preceding financial year. As the current financial year progresses, the said the covenant would likely be met.

A7 Dividend paid

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



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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	99,774	62,359	854	162,987
Inter segment	(6,129)	-	(854)	(6,983)
External revenue	<u>93,645</u>	<u>62,359</u>	<u>-</u>	<u>156,004</u>
Pre-tax profit/(loss)	<u>1,749</u>	<u>3,538</u>	<u>72</u>	<u>5,359</u>
Segment assets	<u>376,429</u>	<u>204,531</u>	<u>1,379</u>	<u>582,339</u>
	<u>RM'000</u>			
Segment assets	582,339			
Derivative assets	61			
Tax recoverable	104			
	<u>582,504</u>			

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 2020 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 2020:

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

	Fair Value RM'000		
	Level 1	Level 2	Level 3
<u>Recurring fair value measurement</u>			
Foreign Currency Forwards			
as Assets (not hedge accounted)	0	7.4	0
as Assets (hedge accounted)	0	53.7	0
as Liabilities (not hedge accounted)	0	0	0
as Liabilities (hedge accounted)	0	(1,664.1)	0
Total	0	(1,603.0)	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

Besides the equipment breakdown incident disclosed in Note A4, there were no other significant events and transactions for the current financial quarter affecting the Group's financial position and performance of its entities.

A12 Subsequent material events

The Government reintroduced the Conditional Movement Control Order (CMCO) due to the resurgence of COVID-19 infections with effect from 14 October 2020, which covers key states where the Group's domestic operations and markets are located.

Besides the above, there are no other 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 RM9.4 million. From this amount, RM7.2 million has been committed for the construction of a new Acid Regeneration Plant (ARP) and RM2.2 million for the revamp of Continuous Pickling Line (CPL). Whilst the revamped CPL has started running towards the end of the previous financial quarter, the progress of the ARP has been disrupted by the MCO. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM1.5 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 30/9/2020	Preceding Year Corresponding Quarter 30/9/2019			Current Year To-date 30/9/2020	Preceding Year Corresponding Period 30/9/2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	156,004	183,963	(27,959)	-15%	156,004	183,963	(27,959)	-15%
Operating Profit	6,387	2,248	4,139	184%	6,387	2,248	4,139	184%
Profit Before Interest and Tax	6,387	2,248	4,139	184%	6,387	2,248	4,139	184%
Profit Before Tax	5,359	1,027	4,332	422%	5,359	1,027	4,332	422%
Profit After Tax	3,885	433	3,452	797%	3,885	433	3,452	797%
Profit Attributable to Ordinary Equity Holders of the Parent	3,885	433	3,452	797%	3,885	433	3,452	797%

For the 1st quarter ended 30 September 2020, the Group registered a 15% lower total revenue of RM156.0 million (compared to RM184.0 million achieved in the preceding year's corresponding quarter) mainly due to lower sales volume for the Cold Rolled segment coupled with the lower average selling price for both the Cold Rolled and the Steel Tube segments. At segment level, the average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segment is down 9% and 7% respectively compared with the preceding year corresponding quarter.

The Group recorded a higher pre-tax profit of RM5.4 million for the current quarter as compared to a pre-tax profit of RM1.0 million in the preceding year's corresponding quarter mainly due to higher gross profit from the Steel Tube segment as a result of better gross margin spreads. Consequently, the Group recorded a higher after-tax profit of RM3.9 million compared to the preceding year's corresponding quarter after-tax profit of RM0.4 million.

The Group recorded a higher quarterly EBITDA of RM10.4 million compared to the preceding year's corresponding quarter of RM5.9 million.

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

	Current Quarter 30/9/2020	Immediate Preceding Quarter 30/6/2020	Changes	
	RM'000	RM'000	RM'000	%
Revenue	156,004	92,221	63,783	69%
Operating Profit/(Loss)	6,387	(2,119)	8,506	401%
Profit/(Loss) Before Interest and Tax	6,387	(4,532)	10,919	241%
Profit/(Loss) Before Tax	5,359	(5,774)	11,133	193%
Profit/(Loss) After Tax	3,885	(4,386)	8,271	189%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,885	(4,386)	8,271	189%



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 RM156.0 million for the current 1st financial quarter is around RM63.8 million higher than the immediate preceding quarter at RM92.2 million. The higher revenue for the current quarter is mainly due to the resumption of business and sales volume recovery following the preceding financial quarter's 4 weeks of operational shutdown due to the MCO.

The Group registered a pre-tax profit of RM5.4 million compared with the immediate preceding quarter's pre-tax loss of RM5.8 million. The Group's net-tax profit for the current financial quarter is higher at RM3.9 million compared to the immediate preceding quarter net-tax loss of RM4.4 million.

The Group recorded a higher quarterly EBITDA of RM10.4 million compared to RM2.3 million recorded in the immediate preceding quarter.

B3 Prospects for the remaining financial year

The Country's recovery from the COVID-19 pandemic continues to be weighted-down by the resurgence of infection and the reintroduction of the Conditional Movement Control Order (CMCO) from 14 October 2020. With the various restrictions under CMCO, the Country's 4th fiscal quarter GDP would likely continue with the contraction trend as recorded over the 2nd and 3rd fiscal quarters at negative 17.1% and 2.7% respectively.

Despite the Country's economic contraction, the Group recorded a net profit performance of RM3.9 million for its 1st financial quarter largely due to the contribution of its steel tube segment. The Group attributes its performance to the ramifications of the pandemic, and the diverse application of its steel produces. On the demand-side, the pandemic pushed robust steel consumption in the production of healthcare and home equipment, furniture and fixtures. The Government's fiscal stimulus spending also flowed into the various infrastructural projects, sustaining demand for steel. On the supply-side, the pandemic disruption on global/ regional steel supply-chain resulted in market tightness and upward pricing trend amid the economic recovery in China- which inevitably contributed to brisk domestic demand and better margins for the Group's steel businesses. The trade-authority's initiation of administrative review of anti-dumping duties on CRC alloy and non-alloy steel imports from Vietnam on 28 July 2020 has slowed the inflow of the aforementioned, which translated to improved margins for the Cold Rolled unit over the current financial quarter

These conditions are expected to flow into the next financial quarter, supporting a positive outlook on the steel market and on the Group's performance. The signing of the Regional Comprehensive Economic Partnership (RCEP) on 15 November 2020 is a significant milestone in promoting free trade amongst the participating 15 nations and should augurs well for Malaysia. Nevertheless, the RCEP is not expected to have any significant impact on domestic steel players as tariff and duty barriers remain. On the contrary, the Group's Cold Rolled unit is expected to step up effort to assist on-going anti-dumping investigations against remaining loopholes. Moving into the 2nd half of the financial year in 2021, the possibility of pandemic containment and eventual normalcy looks increasingly probable with the recent reported successes of late-stage vaccination trials for a number of candidates. Under such a scenario, the 2nd half outlook should be brighter with the reopening of borders, investment flows, and the return to normalcy on economic multipliers. Regardless, the Group's current on-going projects in SOLAR power (for both the Steel Tube and Cold Rolled factories) and a new acid-regeneration plant (for the Cold Rolled operation) are scheduled to come on-stream in the 2nd half which would contribute to lower production cost and better bottom-line performance. In this regard and barring further deterioration of the pandemic or rise in geopolitical risks, the Group's outlook for the remaining financial year is cautiously positive bias.

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 2020 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2019 RM'000	Current Year To Date Ended 30 Sep 2020 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2019 RM'000
Depreciation:				
- property, plant and equipment	3,602	3,526	3,602	3,526
- right-of-use assets	849	849	849	849
Finance income	(131)	(417)	(131)	(417)
Finance costs on:				
- borrowings	995	1,436	995	1,436
- lease liabilities	164	202	164	202
FX differences (gain)/loss	(3,353)	1,758	(3,353)	1,758
FX derivatives loss/(gain)	3,186	(1,568)	3,186	(1,568)



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

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 30 Jun 2020 RM'000	Preceding Year Corresponding Quarter Ended 30 Jun 2019 RM'000	Current Year To Date Ended 30 Jun 2020 RM'000	Preceding Year Corresponding Period Ended 30 Jun 2019 RM'000
Current tax (expense)/credit				
Current period	(1,190)	(405)	(1,190)	(405)
Deferred tax (expense)/income				
Current period	(284)	(189)	(284)	(189)
	(1,474)	(594)	(1,474)	(594)

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

B9 Status of corporate proposals

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

**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 2020, which are denominated entirely in Ringgit Malaysia, are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Secured	51,032
<u>Long-term borrowings:</u>	
Secured	29,101
Total borrowings	<u>80,133</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 2020	73,976
<u>Cash Flows:</u>	
Inflows from new debts	49,690
Outflows on repayment	(43,533)
Closing balance as at 30 September 2020	<u>80,133</u> =====

Based on the above, the Group's bank-gearing ratio is around 0.20 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 RM0.2 million. Inclusive of that, the Group's absolute-gearing ratio as at 30 September 2020 is also around 0.20 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 2020 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	150	463	7.4	-

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	37,782	159,191	53.7	1,664.1	Matching	37,782	n.a.	1,664.1	53.7

Besides the above unrealized positions, the Group has recorded a total realized net loss of around RM1.6 million from its FX Forward Contracts as hedging instruments with corresponding realized net gain of around RM1.5 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 RM4.5 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 RM77.2 million as at 30 September 2020.

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 2020.

B15 Earnings per share

- (i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2020	Preceding Year Corresponding Quarter Ended 30 Sep 2019	Current Year To Date Ended 30 Sep 2020	Preceding Year Corresponding Period Ended 30 Sep 2019
Profit attributable to owners (RM'000)	3,885	433	3,885	433
Weighted average number of ordinary shares in issue ('000)	327,058	327,058	327,058	327,058
Basic earnings per share (sen)	1.19	0.13	1.19	0.13



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 2020