



Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the second financial quarter ended 31 December 2022

(The figures have not been audited)

| | <u>Individual Quarter</u> | | <u>Cumulative Quarters</u> | |
|--|---------------------------|----------------|----------------------------|----------------|
| | <u>(3 months)</u> | | <u>(6 months)</u> | |
| | | Preceding year | | Preceding year |
| | Current year | Corresponding | Current year | Corresponding |
| | Quarter | Quarter | To date | Period |
| | 31-Dec-22 | 31-Dec-21 | 31-Dec-22 | 31-Dec-21 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 134,179 | 251,082 | 254,247 | 397,962 |
| Cost of sales | (131,905) | (208,675) | (240,344) | (332,984) |
| Impairment on inventories | (9,822) | - | (9,822) | - |
| Gross (loss)/profit | (7,548) | 42,407 | 4,081 | 64,978 |
| Operating expenses | (7,592) | (12,945) | (14,927) | (19,238) |
| Other operating income/(expense), net | 15 | 297 | (123) | (4,576) |
| Net foreign exchange gain/(loss) | 75 | 87 | (120) | 22 |
| (Loss)/Profit from operations | (15,050) | 29,846 | (11,089) | 41,186 |
| Finance income | 228 | 348 | 570 | 578 |
| Finance costs | (1,552) | (1,521) | (3,020) | (2,791) |
| (Loss)/Profit before tax | (16,374) | 28,673 | (13,539) | 38,973 |
| Tax | 2,841 | (7,921) | 1,583 | (10,326) |
| (Loss)/Profit for the period | (13,533) | 20,752 | (11,956) | 28,647 |
| Other comprehensive income | | | | |
| - Revaluation surplus on property, plant and equipment, net of tax | - | - | - | - |
| Total (loss)/profit and other comprehensive income for the period | (13,533) | 20,752 | (11,956) | 28,647 |
| (Loss)/Earnings per share attributable to owners of the Company (sen): | | | | |
| - Basic | (4.14) | 6.35 | (3.66) | 8.76 |
| - 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 2022).

**Condensed Consolidated Statements of Financial Position as at 31 December 2022**

(The figures have not been audited)

| | As at 31-Dec-22 RM'000 | As at 30-Jun-22 RM'000 |
|---|------------------------------|------------------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 311,561 | 312,193 |
| Right-of-use assets | 47,468 | 49,911 |
| Intangible assets | 20,000 | 20,000 |
| | <u>379,029</u> | <u>382,104</u> |
| Current Assets | | |
| Inventories | 178,719 | 275,753 |
| Trade and other receivables | 59,330 | 74,516 |
| Financial assets at fair value through profit or loss | 2,100 | 2,600 |
| Amount owing by related companies | 1 | 1 |
| Tax recoverable | 1,453 | 53 |
| Derivative financial assets | 9 | 4,815 |
| Cash and bank balances | 64,161 | 111,796 |
| | <u>305,773</u> | <u>469,534</u> |
| Less: Current Liabilities | | |
| Trade and other payables | 24,251 | 166,890 |
| Dividend payable | 0 | 9,812 |
| Contract liabilities | 1,313 | 7,437 |
| Amount owing to holding company | 15 | 6 |
| Amount owing to related companies | 418 | 187 |
| Tax payable | 89 | 1,457 |
| Borrowings | 92,748 | 80,135 |
| Lease liabilities | 3,776 | 3,693 |
| Derivative financial liabilities | 138 | 8 |
| | <u>122,748</u> | <u>269,625</u> |
| Net Current Assets | <u>183,025</u> | <u>199,909</u> |
| Non-Current Liabilities | | |
| Deferred tax liabilities | 34,399 | 36,186 |
| Deferred income | 5,808 | 5,884 |
| Borrowings | 18,460 | 22,520 |
| Lease liabilities | 20,681 | 22,761 |
| | <u>79,348</u> | <u>87,351</u> |
| | <u>482,706</u> | <u>494,662</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 | 42,783 | 42,783 |
| Retained earnings | 220,506 | 232,462 |
| Total Equity | <u>482,706</u> | <u>494,662</u> |
| Net assets per share attributable to owners of the Company | <u>RM1.48</u> | <u>RM1.51</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 2022).



Condensed Consolidated Statements of Cash Flows for the second financial quarter ended 31 December 2022

(The figures have not been audited)

| | (6 months) 31-Dec-22 RM'000 | (6 months) 31-Dec-21 RM'000 |
|--|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| (Loss)/Profit before tax | (13,539) | 38,973 |
| Adjustments for : | | |
| - Depreciation | 9,785 | 8,618 |
| - Gain on rental discount | - | (23) |
| - Gain on disposal of plant and equipment | (132) | (18) |
| - Impairment on property, plant and equipment | 9,822 | 2 |
| - Writeback of impairment on receivables | (83) | - |
| - Fair value loss on financial assets at fair value through profit or loss | 500 | - |
| - Amortisation of deferred income | (76) | (76) |
| - Net unrealised gain on foreign exchange | (229) | (140) |
| - Interest income | (570) | (578) |
| - Interest expense | 3,020 | 2,791 |
| Operating profit before changes in working capital | 8,498 | 49,549 |
| Changes in working capital : | | |
| - Inventories | 87,212 | (32,146) |
| - Trade and other receivables | 20,709 | (32,681) |
| - Trade and other payables | (152,092) | 1,175 |
| - Contract liabilities | (6,124) | 16,395 |
| - Intercompanies balances | (260) | 407 |
| - Tax paid | (2,972) | (3,265) |
| Net cash flows (used in)/generated from operating activities | (45,029) | (566) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| - Purchase of property, plant and equipment | (6,711) | (7,394) |
| - Proceeds from disposal of property, plant and equipment | - | 147 |
| - Interest received | 570 | 578 |
| Net cash flows used in investing activities | (6,141) | (6,669) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| - Proceeds from bank borrowings | 142,844 | 151,030 |
| - Repayment of bank borrowings | (134,292) | (120,159) |
| - Payment of lease liabilities | (1,997) | (1,437) |
| - Interest paid | (3,020) | (2,791) |
| Net cash flows generated from financing activities | 3,535 | 26,643 |
| Net change in cash and cash equivalents | (47,635) | 19,408 |
| Cash and cash equivalents at beginning of the financial year | 111,796 | 90,931 |
| Cash and cash equivalents at end of the financial year | 64,161 | 110,339 |

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2022).



Quarterly report on consolidated results for the second financial quarter ended 31 December 2022

Condensed Consolidated Statements of Changes in Equity for the second financial quarter ended 31 December 2022

(The figures have not been audited)

| | ----- Attributable to owners of the Company ----- | | | | |
|--|---|------------------|---------------------|-------------------|----------------|
| | ----- Non-distributable ----- | | | | |
| | Asset | | | | |
| | Share Capital | Warrant Reserves | Revaluation Reserve | Retained Earnings | Total |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>6 months ended 31 December 2022</u> | | | | | |
| At 1 July 2022 | 217,677 | 1,740 | 42,783 | 232,462 | 494,662 |
| Comprehensive income for the financial period | | | | | |
| - Loss for the financial period | - | - | - | (11,956) | (11,956) |
| Other comprehensive income for the financial period | | | | | |
| - Revaluation surplus on property, plant and equipment, net of tax | - | - | - | - | - |
| Total comprehensive loss for the financial period | - | - | - | (11,956) | (11,956) |
| As at 31 December 2022 | <u>217,677</u> | <u>1,740</u> | <u>42,783</u> | <u>220,506</u> | <u>482,706</u> |
| <u>6 months ended 31 December 2021</u> | | | | | |
| At 1 July 2021 | 217,677 | 1,740 | 38,702 | 189,545 | 447,664 |
| Comprehensive income for the financial period | | | | | |
| - Profit for the financial period | - | - | - | 28,647 | 28,647 |
| Other comprehensive income for the financial period | | | | | |
| - Revaluation surplus on property, plant and equipment, net of tax | - | - | - | - | - |
| Total comprehensive income for the financial period | - | - | - | 28,647 | 28,647 |
| As at 31 December 2021 | <u>217,677</u> | <u>1,740</u> | <u>38,702</u> | <u>218,192</u> | <u>476,311</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 2022).



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 2022 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 2022.

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 2022, except for the following new amendments to the MFRS (“standards”) effective for financial year beginning after 1 July 2022 which the Group has adopted since the commencement of the current financial year on 1 July 2022:

- Annual Improvements to MFRS 9 ‘Fees in the 10% test for derecognition of financial liabilities’ clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other’s behalf, are included in the cash flow of the new loan when performing the 10% test.
- Amendments to MFRS 3 ‘Reference to Conceptual Framework’ replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments do not change the current accounting for business combinations on acquisition date. The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 ‘Provisions, contingent liabilities and contingent assets’ and IC Interpretation 21 ‘Levies’ when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.
- Amendments to MFRS 116 ‘Proceeds before intended use’ prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss. The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.
- Amendments to MFRS 137 ‘Onerous Contracts - Cost of Fulfilling a Contract’ clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The adoption of these amendments did not have any impact on the Group’s financial statements for the current period.



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation & Significant Accounting Policies (continued)

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 2023.

- Amendments to MFRS 101 "Classification of liabilities as current or non-current"
- Amendments to MFRS 101 and MFRS Practice Statement 2 on "Disclosure of Accounting Policies"
- Amendments to MFRS 108 on "Definition of Accounting Estimates"
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

These amendments to published standards will be adopted when effective.

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 2022 was not subjected 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**

The declining steel price-trend since April continued into the current financial quarter, with signs of bottoming-out only towards early December. The decline has a lagging-negative-impact on margins and inventory measurement (under MFRS 102 & 110) for both the cold-rolled and steel tube segments due to the nature of its supply & internal value-chain - consistent with the steel industry. In this regard, inventory measurement at the close of the current reporting period adjusted for subsequent events, necessitated inventory write-down amounting to RM3.5 million for the Cold Rolled subsidiary, and RM6.3 million for the Steel Tube subsidiary.

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 in the current financial quarter.

A5 Changes in estimates

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

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, consistent with its bank covenants.

| | 31 Dec 2022 | 30 Jun 2022 |
|--|-------------|-------------|
| Total interest-bearing debts in RM'million | 121.5 | 116.4 |
| Adjusted Shareholders' funds in RM'million | 497.1 | 510.8 |
| Absolute Gearing Ratio | 0.24 | 0.23 |

On the total interest-bearing debts as at 31 December 2022, around RM97.7 million is represented by the respective debenture at its steel-tube and cold-rolled subsidiaries, whilst RM10.3 million is represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries. (See Note B10). Debts of RM13.5 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 as at the close of the current financial quarter.

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 | 127,017 | 154,951 | 3,286 | 285,254 |
| Inter segment | (13,359) | (14,362) | (3,286) | (31,007) |
| External revenue | <u>113,658</u> | <u>140,589</u> | <u>-</u> | <u>254,247</u> |
| | | | | |
| Pre-tax (loss)/profit | <u>(5,624)</u> | <u>(8,244)</u> | <u>329</u> | <u>(13,539)</u> |
| | | | | |
| Segment assets | <u>413,666</u> | <u>266,659</u> | <u>3,015</u> | <u>683,340</u> |
| | RM'000 | | | |
| Segment assets | 683,340 | | | |
| Derivative assets | 9 | | | |
| Tax recoverable | <u>1,453</u> | | | |
| | <u>684,802</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 2022 and adjusted for the current financial year's depreciation and impairment-provisions where appropriate to reflect the current period's ending net carrying value. No impairment provisions on PPE were made in the current financial quarter.

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 31 December 2022:

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 |
| Investment in Quoted Shares | 2,100.0 | 0 | 0 |
| Foreign Currency Forwards | | | |
| as Assets (not hedge accounted) | 0 | 0 | 0 |
| as Assets (hedge accounted) | 0 | 9.2 | 0 |
| as Liabilities (not hedge accounted) | 0 | (53.7) | 0 |
| as Liabilities (hedge accounted) | 0 | (84.0) | 0 |
| Total | 2,100.0 | (128.5) | 0 |



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 Fair Value Measurement (continued)

The Investment in Quoted Shares is fair valued by way of marking-to-market using the quoted closing price on Bursa Malaysia.

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

A11 Significant events and transactions

There were no significant events and transactions for the current financial quarter affecting the Group's financial position and performance of its entities.

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 current financial 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 and Steel Tube subsidiary has an outstanding capital commitment balance of around RM1.7 million and RM1.3 million respectively 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 (2nd quarter) | | Changes | | Cumulative Period | | Changes | |
|---|---------------------------------------|--|-----------|-------|---------------------------------------|---|-----------|-------|
| | Current Year Quarter 31/12/2022 | Preceding Year Corresponding Quarter 31/12/2021 | | | Current Year To-date 31/12/2022 | Preceding Year Corresponding Period 31/12/2021 | | |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 134,179 | 251,082 | (116,903) | -47% | 254,247 | 397,962 | (143,715) | -36% |
| Operating Profit/(Loss) | (15,050) | 29,846 | (44,896) | -150% | (11,089) | 41,186 | (52,275) | -127% |
| Profit/(Loss) Before Interest and Tax | (15,050) | 29,846 | (44,896) | -150% | (11,089) | 41,186 | (52,275) | -127% |
| Profit/(Loss) Before Tax | (16,374) | 28,673 | (45,047) | -157% | (13,539) | 38,973 | (52,512) | -135% |
| Profit/(Loss) After Tax | (13,533) | 20,752 | (34,285) | -165% | (11,956) | 28,647 | (40,603) | -142% |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | (13,533) | 20,752 | (34,285) | -165% | (11,956) | 28,647 | (40,603) | -142% |

For the 2nd financial quarter ended 31 December 2022, the Group registered a 47% lower revenue at RM134.2 million (compared to the preceding year's corresponding quarter at RM251.1 million). The drop in revenue is mainly due to the sharply lower sales volume recorded by the Cold Rolled (CRC) segment - which the management attributes to weak demand coupled with suspected product-dumping from abroad.

Unit-gross-margin-spread for both the segments is also sharply lower over the current financial quarter due to the declining price trend (in-tandem with raw steel prices) coupled with lower throughput volume compared to the preceding year's corresponding quarter. The inventory remeasurement write-down of RM9.8 million at the close of the current financial quarter (see Note A4) turned the Group's gross profit position into a gross loss of RM7.5m (preceding year corresponding quarter's gross profit: RM42.4million).

Besides the significant losses from inventory write-down, the Group's negative performance for the current financial quarter is also attributed to the weak market conditions faced by the domestic steel industry and the downstream industrial steel-consumers. Regional slump (from unrelenting US-rate hikes & inflation; China's property crisis & COVID lockdowns; Ukraine conflict & sanctions fallout) and steel-dumping by net-exporters worsened in the current quarter- further suppressing sales and margins.

As result, the Group recorded a pre-tax loss of RM16.4 million for the current financial quarter compared to a pre-tax profit of RM28.7 million in the preceding year's corresponding quarter. After-tax loss of the Group stood at RM13.5 million compared to the preceding year's corresponding quarter after-tax profit of RM20.8 million.

The Group recorded a negative EBITDA of RM11.3 million compared to the preceding year's corresponding quarter's positive EBITDA of RM35.4 million.



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

| | Current Quarter 31/12/2022 | Immediate Preceding Quarter 30/9/2022 | Changes | |
|--|-------------------------------|---|----------|-------|
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 134,179 | 120,068 | 14,111 | 12% |
| Operating Profit/(Loss) | (15,050) | 3,961 | (19,011) | -480% |
| Profit/(Loss) Before Interest and Tax | (15,050) | 3,961 | (19,011) | -480% |
| Profit/(Loss) Before Tax | (16,374) | 2,835 | (19,209) | -678% |
| Profit/(Loss) After Tax | (13,533) | 1,577 | (15,110) | -958% |
| Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent | (13,533) | 1,577 | (15,110) | -958% |

The Group’s revenue for the current 2nd financial quarter at RM134.2 million is around 12% higher than the immediate-preceding quarter at RM120.1 million due to sharply higher sales volume for the Cold Rolled segment (despite lower unit-selling-price in tandem with the decline in raw HRC steel prices).

The decline in steel prices since April 2022 continued into the current period impacting inventory measurement with a RM9.8 million write-down at closing (see Note A4). As a result, the Group recorded a gross loss of RM7.5 million in the current financial quarter compared to a gross profit of RM11.6 million in the preceding quarter. The preceding quarter did not incur any inventory impairment (despite the declining price trend) due to the write-down already made in Q4 FYE 2022 as ‘subsequent period adjustment’. Losses for the current financial quarter widened to RM16.4 million at pre-tax level (compared with the immediate-preceding quarter’s pre-tax profit of RM2.8 million). After-tax loss of the Group narrowed to RM13.5 million compared to the immediate-preceding quarter’s after-tax profit of RM1.6 million.

The Group recorded a negative EBITDA of RM11.3 million compared to the immediate-preceding quarter’s positive EBITDA of RM7.7 million.

B3 Prospects for the remaining financial year

The 2nd half of the financial year should accord better prospects for the Group compared to the 1st half considering the following factors:

China Factor

China’s pivot from ‘zero-Covid policy’ with the reopening of its borders and economy, and the resuscitation of its property sector are big pluses to its domestic steel market. This in-turn should support regional steel price trend and hopefully mitigate incentive for regional net-steel-producers to ‘dump’ steel products abroad.

Firmer Steel Prices

The falling raw steel prices (since April 2022 which resulted in significant inventory impairment in the steel industry) has plateaued towards November, and turned upward-bias by late December. With a 2 to 3 months lagging impact on our price-cost spread, further inventory-impairment risk should lessen in the remaining period. A scenario of ‘continuing upward price trend’ should uplift the Group’s performance.

The Cold Rolled subsidiary has filed a petition with the relevant Ministry on CRC-product dumping activities from Japan; and the Ministry has since initiated ‘anti-dumping-duty’ probe on the matter in January 2023. This should throw caution on product-dumping activities, and lend to fairer competition.

Cooling Rate Hikes

The intense unrelenting rate hikes in the US in 2022 (affecting the rest-of-the-world) is expected to slow and peak in 2023. Consequentially, pressure on imported-inflation, rate-hikes, and the weak Ringgit (all negatively affecting corporate costs and margins) is also expected to ease.



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

B3 Prospects for the remaining financial year (continued)

Domestic Steel Demand

Domestic steel demand (which has been lagging behind the nation’s strong post-COVID growth) may start to improve with the regularization of various infrastructural projects (i.e. MRT3, ERCL, and those under the 12th Malaysia Plan) and the normalization of foreign-labor supply - in-tandem with the ‘settling-in’ of the newly formed unity government.

Nevertheless, near term risks (i.e. higher than expected US rate-hike peak; worsening geopolitical conflict/ tension in the West and East; and likely recession in the West) persist and remain significant to thwart the economic performance of the Country and of the Group in the remaining period. The remaining period also saddles two major festive breaks (i.e. Chinese New Year in January and Hari-Raya in April) which are seasonal-lows for the steel sector. In summary, the improved outlook in the 2nd half is still frothed with hurdles and may not be sufficiently intensive to turnaround the Group’s full year performance.

B4 Variance of actual profit from forecast profit

This is not applicable to the Group.

B5 Profit/(loss) before taxation

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

| | Current Year Quarter Ended 31 Dec 2022 RM’000 | Preceding Year Corresponding Quarter Ended 31 Dec 2021 RM’000 | Current Year To Date Ended 31 Dec 2022 RM’000 | Preceding Year Corresponding Period Ended 31 Dec 2021 RM’000 |
|---------------------------------|---|--|---|---|
| Depreciation: | | | | |
| - property, plant and equipment | 3,795 | 3,568 | 7,553 | 7,015 |
| - right-of-use assets | 1,116 | 802 | 2,232 | 1,603 |
| Finance income | (228) | (348) | (570) | (578) |
| Finance costs on: | | | | |
| - borrowings | 1,296 | 1,324 | 2,497 | 2,390 |
| - lease liabilities | 256 | 197 | 523 | 401 |
| FX differences (gain)/loss | (3,273) | (1,002) | (253) | (572) |
| FX derivatives loss/(gain) | 3,198 | 915 | 373 | 550 |



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

B6 Taxation

Taxation comprises :

| | Current Year Quarter Ended 31 Dec 2022 RM'000 | Preceding Year Corresponding Quarter Ended 31 Dec 2021 RM'000 | Current Year To Date Ended 31 Dec 2022 RM'000 | Preceding Year Corresponding Period Ended 31 Dec 2021 RM'000 |
|-------------------------------|---|--|---|---|
| Current tax (expense)/credit | | | | |
| Current period | 630 | (2,671) | (204) | (4,121) |
| Deferred tax (expense)/income | | | | |
| Current period | 2,211 | (5,250) | 1,787 | (6,205) |
| | <u>2,841</u> | <u>(7,921)</u> | <u>1,583</u> | <u>(10,326)</u> |

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 31 December 2022, which are denominated entirely in Ringgit Malaysia, are as follows:

| | <u>RM’000</u> |
|-------------------------------|-------------------------|
| <u>Short-term borrowings:</u> | |
| Secured | 92,748 |
| <u>Long-term borrowings:</u> | |
| Secured | 18,460 |
| Total borrowings | <u>111,208</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 2022 | 102,655 |
| <u>Cash Flows:</u> | |
| Inflows from new debts | 142,844 |
| Outflows on repayment | (134,291) |
| Closing balance as at 31 December 2022 | <u>111,208</u> ===== |

Based on the above, the Group’s bank-gearing ratio is around 0.22 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 RM10.3 million. Inclusive of that, the Group’s absolute-gearing ratio as at 31 December 2022 is 0.24 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 31 December 2022 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 | - | - | - | - |

Non-designated

| FX Forward Contracts (USD/RM) as non-designated hedging instrument | | | | |
|--|---------------------|----------|-------------------|---------------------|
| | Notional Value '000 | | Fair Value RM'000 | |
| Maturity | Long USD | Short RM | Financial Asset | Financial Liability |
| Less than 1 year | 701 | 3,132 | - | 53.7 |

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 | 2,234 | 9,924 | 9.2 | 84.0 | Matching | 2,234 | n.a. | 84.0 | 9.2 |

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM2.4 million from its FX Forward Contracts as hedging instruments with corresponding realized net loss of around RM2.7 million from its 'foreign currency obligations & assets' 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 RM4.8 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 RM111.0 million as at 31 December 2022.

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 31 December 2022.

B15 Earnings/(loss) per share

(i) Basic earnings/(loss) per ordinary share

| | Current Year Quarter Ended 31 Dec 2022 | Preceding Year Corresponding Quarter Ended 31 Dec 2021 | Current Year To Date Ended 31 Dec 2022 | Preceding Year Corresponding Period Ended 31 Dec 2021 |
|--|---|--|---|---|
| (Loss)/Profit attributable to owners (RM'000) | (13,533) | 20,752 | (11,956) | 28,647 |
| Weighted average number of ordinary shares in issue ('000) | 327,058 | 327,058 | 327,058 | 327,058 |
| Basic (loss)/earnings per share (sen) | (4.14) | 6.35 | (3.66) | 8.76 |



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

B15 Earnings/(loss) per share (continued)

(ii) Diluted earnings/(loss) per ordinary share

No diluted earnings/(loss) 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
21 February 2023