



**Quarterly report on consolidated results for the first financial quarter ended 30 September 2021**

**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 2021 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 the understanding of the changes in the financial position and performance of the Group since the preceding financial year ended 30 June 2021.

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 2021, except for the following new amendments to the MFRS (“standards”) effective from 1 January 2021 which the Group has adopted since the commencement of the current financial year on 1 July 2021:

- Amendments to MFRS 9, MFRS 139, MFRS 7 and MFRS 16 “Interest Rate Benchmark (IBOR) Reform – Phase 2” provide practical expedient allowing entities to update the effective interest rate for instruments measured at amortised cost and lessees applying the temporary exemption from MFRS 9 to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform, such as, the launch of the ‘Malaysia Overnight Rate’ in September 2021 and the discontinue publications of the 2 and 12-months Kuala Lumpur Interbank Offered Rate (KLIBOR) from January 2023.

The Group does not have any financial instruments linked to IBOR reform. 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 and amendments to standards 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 3 “Reference to Conceptual Framework”
- Amendments to MFRS 116 “Proceeds before Intended Use”
- Annual Improvements to MFRS 9 “Fees in the ‘10 per cent’ test for Derecognition of Financial Liabilities”
- Amendments to MFRS 137 “Onerous Contracts – Cost of Fulfilling a Contract”

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 on the respective effective dates.

**A2 Audit qualification**

The audit report of the Group in respect of the annual financial statements for the financial year ended 30 June 2021 was not subject to any audit qualification.



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**A3 Seasonality or cyclical nature of operations**

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

**A4 Unusual items**

In compliance with the Government's multi-states lockdown under its Full Movement Control Order (FMCO)/ National Recovery Plan (NRP) Phase 1 to contain the COVID-19 resurgence, the Group's operations remained shut from 1 July 2021 until 16 August 2021. This had significantly affected the Group's net income and cashflows. The Group recorded a pre-tax loss of around RM5.1 million over the six weeks of business shutdown, with unabsorbed overheads on displaced manufacturing capacity totalling RM5.9 million taken up in the Statement of Profit or Loss. See Notes B1 & B2 on quarterly impact.

Connected with the shutdown order, the Group applied and received wage subsidy under the Government's 'Prihatin Subsidi Upah 4.0 Program' totalling RM0.5 million over the current financial quarter.

The Group also recognised RM0.4 million gain in the current financial quarter on receiving the final insurance claim in-relation to a 'machinery breakdown incident' in 2020, the preceding financial year.

Besides the above, there were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 30 September 2021.

**A5 Changes in estimates**

There were no changes in estimates that would have a material effect on the financial results of the Group for the current financial quarter ended 30 September 2021.

**A6 Debts and equity securities**

There were no issuances, cancellations, repurchases, or resale of the Company's equity securities during the financial period ended 30 September 2021.

The Group has a policy to maintain its Gearing Ratio (measured as interest bearing debts over equity adjusted for the exclusion of intangibles) at below 1.25 times.

	<u>30/09/2021</u>	<u>30/06/2021</u>
Total interest-bearing debts in RM'million	189.3	87.4
Adjusted Equity in RM'million	545.5	536.6
Absolute Gearing Ratio	0.35	0.16

Of the total interest-bearing debts as at 30 September 2021, around RM163.2 million was represented by the respective debenture at its Steel Tube and Cold Rolled subsidiaries (see Note B10). Debts of RM16.6 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 were in full compliance for the current financial quarter ended 30 September 2021. Despite the business shutdown (see Note A4), the Group was able to meet all its financial obligations when due over the current financial quarter without any rescheduling.



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**A7 Dividends paid**

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

**A8 Segmental reporting**

The Group's 'year-to-date' segmental information on its remaining businesses held based on the nature-of-business is as follows:

	<u>Steel Tube</u> RM'000	<u>Cold Rolled</u> RM'000	<u>Investment</u> <u>Holding</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>					
Total revenue	51,627	105,190	2,802	2,195	161,814
Inter segment	(479)	(9,937)	(2,802)	(371)	(13,589)
External revenue	51,148	95,253	-	1,824	148,225
Pre-tax profit/(loss)	7,144	6,382	(2,419)	(663)	10,444
Segment assets	268,533	533,398	81,942	8,229	892,102

Reconciliation of segment assets to total assets is as follows:

	<u>RM'000</u>
Segment assets	892,102
Deferred tax assets	876
Derivative financial asset	263
Tax recoverable	473
	<u>893,714</u>

**A9 Valuation of Property, Plant and Equipment (PPE)**

The valuation of PPE has been brought forward from the audited financial statements for the financial year ended 30 June 2021 and adjusted for depreciation where applicable to reflect the current period's ending net carrying value.



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**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 2021:

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

Recurring fair value measurement

Foreign Currency Forwards

as Assets (not hedge accounted)

as Assets (hedge accounted)

as Liabilities (hedge accounted)

	Fair Value RM'000		
	Level 1	Level 2	Level 3
	-	0.9	-
	-	262.1	-
	-	(68.7)	-
Total	-	194.3	-

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**

Other than the business and operation stoppage as disclosed in Note A4 due to the continuation of the FMCO lockdown from 1 July 2021 to 16 August 2021, there were no further significant events and transactions for the current quarter affecting the Group's financial position and performance of its entities.

**A12 Subsequent material events**

There were 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.



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**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A15 Capital commitments**

At the end of the current reporting quarter, the Group's indirect Cold Rolled subsidiary has an outstanding capital commitment balance of around RM6.5 million, mostly being the tail-end retention sum or final progress payment for the completed Acid Regeneration Plant (ARP) and the revamped Continuous Pickling Line (CPL). New capital commitment of the said sum stands at RM0.6 million for a Gamma-Ray strip thickness measuring system. The Group's indirect Steel Tube subsidiary has an outstanding capital commitment balance of around RM0.9 million for plant-equipment.

These capital commitments will be payable over established milestones in the next financial year.



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**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 (1 <sup>st</sup> quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 30/09/2021	Preceding Year Corresponding Quarter 30/09/2020			Current Year To-date 30/09/2021	Preceding Year Corresponding Period 30/09/2020		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	148,225	155,892	(7,667)	-5%	148,225	155,892	(7,667)	-5%
Operating Profit	11,276	5,618	5,658	101%	11,276	5,618	5,658	101%
Profit Before Interest and Tax	11,276	10,635	641	6%	11,276	10,635	641	6%
Profit Before Tax	10,444	9,781	663	7%	10,444	9,781	663	7%
Profit After Tax	8,042	8,419	(377)	-4%	8,042	8,419	(377)	-4%
Profit Attributable to Ordinary Equity Holders of the Parent	6,017	7,401	(1,384)	-19%	6,017	7,401	(1,384)	-19%

The Group's revenue for the first financial quarter ended 30 September 2021 was down by 5% to RM148.2 million from RM155.9 million achieved in the preceding year's corresponding quarter mainly driven by lower sales volume in both the Cold Rolled and Steel Tube segments by 39% and 47% respectively. The impact from the sharp decline in sales volume was negated by higher average unit selling prices, which was in tandem with higher raw material hot rolled coil prices. The average unit selling price in the current quarter for both the Cold Rolled and the Steel Tube segments were up 71% and 56% respectively, compared with the same quarter in 2021. The current quarter's sales volume was affected by the six weeks of business shutdown under the FMCO and then NRP Phase 1 until mid-August 2021, before operations resumption at around 60% capacity prior to end August 2021. Apart from that, the current financial quarter's revenue also included a negligible contribution of RM1.7 million from the Food Trading businesses.

The Group registered a slightly higher pre-tax profit of RM10.4 million for the current financial quarter versus a pre-tax profit of RM9.8 million in the first quarter last year. Higher pre-tax profit for the current financial quarter was mainly attributable to higher gross profit from better margin spreads in both the Cold Rolled and Steel Tube segments boosted by pre-shutdown orders fulfilment where uptrend was still prevalent. The Group recorded a lower after-tax profit of RM8.0 million compared to the preceding year's corresponding quarter after-tax profit of RM8.4 million.

The Group recorded a higher EBITDA of RM15.0 million for the current financial quarter, compared with EBITDA of RM9.6 million in the first three months of 2021.



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

**B2 Material change in the profit before tax as compared to the immediate preceding quarter**

	Current Quarter 30/09/2021	Immediate Preceding Quarter 30/06/2021	Changes	
	RM'000	RM'000	RM'000	%
Revenue	148,225	154,458	(6,233)	-4%
Operating Profit	11,276	17,615	(6,339)	-36%
Profit Before Interest and Tax	11,276	16,799	(5,523)	-33%
Profit Before Tax	10,444	16,542	(6,098)	-37%
Profit After Tax	8,042	15,829	(7,787)	-49%
Profit Attributable to Ordinary Equity Holders of the Parent	6,017	11,874	(5,857)	-49%

The Group's revenue for the current financial quarter at RM148.2 million was 4% lower compared to the immediate-preceding quarter at RM154.5 million. The lower revenue for the current quarter was mainly due to lower sales volume by both the Cold Rolled and Steel Tube segments at 12% and 26% respectively, following six weeks of FMCO shutdown period as compared to only four weeks in the immediate-preceding quarter.

The Group registered a weaker pre-tax profit of RM10.4 million for the current financial quarter compared to the pre-tax profit of RM16.5 million in the immediate-preceding quarter. The lower pre-tax profit for the current quarter was mainly due to lower gross margin of 17.7% for both the Cold Rolled and Steel Tube segments as well as higher charge-out of unabsorbed overheads at RM5.9 million (compared to RM3.7 million in the comparative period). Consequently, the Group posted a lower after-tax profit of RM8.0 million for the current financial quarter, as against the immediate-preceding quarter after-tax profit of RM15.8 million.

The Group recorded a lower EBITDA of RM15.0 million for the current financial quarter compared to the immediate-preceding quarter's EBITDA of RM21.6 million.



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

**B3 Prospects for the next financial year**

The accelerated completed-vaccination rate beyond 90% for the adult population and the gradual easing of pandemic curbs under the NRP transition should improve prospects in the domestic front for the remaining financial year as the nation emerges from the prolonged economic trough. To boost recovery, the Government lifted the nation's debt ceiling to 65% of GDP to facilitate an expansionary fiscal budget which should support growth into 2022. On top of that, the renewal of anti-dumping duties against CRC alloy and non-alloy in October 2021 for another five years adds to the optimism.

Nevertheless, the steel market has turned cautious with recent volatility in regional steel prices and rising production costs, and disruptions from climate-goals pursuits. Whilst China's climate-goals driven steel production cuts and export-rebate elimination in the preceding periods had favorable impact, its recent efforts to tame inflationary pressure and other-deemed-excessiveness (i.e. in iron-ore & coal prices, and in credit & property) have negative rippling effect on regional steel prices. Consequently, this may weigh-on the Group's prospects for the remaining period. Another concern is the creeping inflationary pressure spurred by global supply-chain tightness and the persistently weak Ringgit– which may soften domestic economic recovery and/or lead to interest-rates hike (i.e. higher borrowing cost) in tandem with major economies entering into the 'tapering phase'.

Following the gradual resumption of economic activities and anticipated pent-up consumer demand over the remaining quarters, the Group has worked towards achieving greater market penetration for food businesses through sustainably broadening its revenue sources as well as expanding its footprint to other country as part of the planned investments for the year.

Overall, on the assumption of a pandemic-recovery trajectory and the reopening of borders by early 2022, the prospects outlook for the Group in the remaining financial year should be moderately better, but possibly bumpy.

**B4 Variance of actual profit from forecast profit**

The Group did not issue any profit forecast or profit guarantee.





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

**B5 Profit before tax**

The following expenses have been (charged)/credited in arriving at profit before tax:

	Current year quarter <u>30/09/2021</u> RM'000	Preceding year corresponding quarter <u>30/09/2020</u> RM'000	Current year to-date <u>30/09/2021</u> RM'000	Preceding year corresponding period <u>30/09/2020</u> RM'000
Depreciation and amortisation:				
- property, plant and equipment	(3,439)	(3,684)	(3,439)	(3,684)
- right-of-use assets (leasehold lands)	(363)	(350)	(363)	(350)
- right-of-use assets (rented properties)	(59)	(61)	(59)	(61)
Finance cost on:				
- borrowings	(1,072)	(995)	(1,072)	(995)
- lease liabilities	(18)	(23)	(18)	(23)
Finance income:				
- interest on deposits				
with financial institutions	258	162	258	162
- net investment in subleases	-	1	-	1
Loss provision reversed				
on onerous contracts	-	8	-	8
FX differences (loss)/gain	(432)	3,349	(432)	3,349
FX derivatives gain/(loss)	297	(3,185)	297	(3,185)
	=====	=====	=====	=====

**B6 Taxation**

Taxation comprises:

	Current year quarter <u>30/09/2021</u> RM'000	Preceding year corresponding quarter <u>30/09/2020</u> RM'000	Current year to date <u>30/09/2021</u> RM'000	Preceding year corresponding period <u>30/09/2020</u> RM'000
Current tax expense				
- Current year	(1,662)	(1,410)	(1,662)	(1,410)
- Over provision in prior year	-	4	-	4
Deferred tax (expense)/ income				
- Current year	(740)	86	(740)	86
	<u>(2,402)</u>	<u>(1,320)</u>	<u>(2,402)</u>	<u>(1,320)</u>



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**B7 Profit on sale of unquoted investments and / or properties**

The Group did not engage in any sale 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.

**B10 Group borrowings and debt securities**

The Group's borrowings, denominated entirely in Ringgit Malaysia from lending institutions as at 30 September 2021 undertaken by its Steel and Food subsidiaries were as follows:

	<u>RM'000</u>
<u>Short-term borrowings</u>	
Secured	153,723
<u>Long-term borrowings</u>	
Secured	26,532
Total borrowings	<u>180,255</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 at 1 July 2021	87,421
Inflow from drawdown	121,327
Outflow on repayment	(28,493)
Closing balance at 30 September 2021	<u>180,255</u>

Based on the above borrowings, the Group's gearing ratio was around 0.33 times. The Group's indirect Steel Tube subsidiary also draw on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM9.0 million as at 30 September 2021. Inclusive of these interest-bearing trade credits, the Group's absolute gearing ratio as at 30 September 2021 was around 0.35 times.



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**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.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 30 September 2021 are outlined 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	30	93	0.9	-

**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	33,245	139,612	262.1	68.7	Matching	33,245	n.a.	68.7	262.1

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM0.1 million from its FX Forward Contracts as hedging instruments with corresponding realised net loss of around RM0.3 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.



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

**B12 Off balance sheet financial instruments and commitments**

At the Group level, off-balance-sheet financial instruments as at the date of this announcement are bank guarantees issued by its indirect subsidiaries amounting to RM9.9 million as security for inbound supply of goods and services; and corporate guarantees issued by its listed Mycron Steel Bhd to lenders for borrowings extended to the steel subsidiaries amounting to RM179.0 million as at 30 September 2021.

At the Company level, off-balance-sheet financial instruments as at the date of this announcement is a corporate guarantee issued to a supplier as security for inbound supply of goods and services extended to the steel subsidiaries amounting to approximately RM20.9 million (USD5 million) as at 30 September 2021.

**B13 Material litigation**

At the close of the current financial quarter, there are no material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group. 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 as at the date of this report.

**B14 Dividend**

The Company did not declare any dividend for the financial period ended 30 September 2021.

**B15 Earnings per share**

(i) Basic earnings per ordinary share

	Current year quarter 30/09/2021	Preceding year corresponding quarter 30/09/2020	Current year to date 30/09/2021	Preceding year corresponding period 30/09/2020
Profit/(loss) attributable to owners of the Company (RM'000)				
- Continuing operations	6,017	7,443	6,017	7,443
- Discontinued operations	-	(42)	-	(42)
	6,017	7,401	6,017	7,401
Weighted average number of ordinary shares in issue ('000)	359,418	359,418	359,418	359,418
Basic earnings per share (sen)				
- Continuing operations	1.67	2.07	1.67	2.07
- Discontinued operations	-	(0.01)	-	(0.01)
	1.67	2.06	1.67	2.06



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**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

The market price of the listed Company closed at 41 sens- or 1 sens above the exercisable price (40 sens) of its 66,947,418 outstanding listed warrants - at the end of the current financial quarter. Assuming that these warrants are exercised, the diluted earnings per share of the Group are as follows:

	Current year quarter 30/09/2021	Preceding year corresponding quarter 30/09/2020*	Current year to date 30/09/2021	Preceding year corresponding period 30/09/2020*
Profit attributable to owners of the Company (RM'000)				
- Continuing operations	6,017	N/A	6,017	N/A
- Discontinued operations	-	N/A	-	N/A
	6,017	N/A	6,017	N/A
Total number of ordinary shares in issue ('000)	426,365	N/A	426,365	N/A
Diluted earnings per share (sen)				
- Continuing operations	1.41	N/A	1.41	N/A
- Discontinued operations	-	N/A	-	N/A
	1.41	N/A	1.41	N/A

\* In the preceding year's corresponding quarter, there was no diluted earnings per share presented as the issued and listed warrants were in an anti-dilutive position.

This interim financial report has been authorised 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  
25 November 2021