



**Quarterly report on consolidated results for the third financial quarter ended 31 March 2022**

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the third financial quarter ended 31 March 2022**

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>Current Year</u>	<u>Preceding Year</u>	<u>(9 months)</u>	<u>(9 months)</u>
	<u>Quarter</u>	<u>Corresponding</u>	<u>Current</u>	<u>Preceding Year</u>
	<u>31/03/22</u>	<u>31/03/21</u>	<u>Year</u>	<u>Corresponding</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>To date</u>	<u>Period</u>
			<u>31/03/22</u>	<u>31/03/21</u>
			<u>RM'000</u>	<u>RM'000</u>
<b>Continuing operations:</b>				
Revenue	176,602	232,501	578,443	583,865
Cost of sales	(140,036)	(193,372)	(472,103)	(501,324)
Gross profit	36,566	39,129	106,340	82,541
Operating expenses	(14,154)	(12,855)	(36,444)	(33,492)
Other operating income/(expenses), net	182	130	(4,344)	3,647
Net foreign currency loss	(188)	(528)	(234)	(47)
Operating profit	22,406	25,876	65,318	52,649
Gain on disposal of a subsidiary	-	-	-	5,017
Impairment on property, plant and equipment	(3,501)	-	(3,503)	(350)
Impairment on receivables	(849)	(43)	(686)	(21)
Finance income	381	428	1,008	779
Finance cost	(1,214)	(854)	(3,668)	(2,632)
<b>Profit before tax</b>	17,223	25,407	58,469	55,442
Tax expense	(5,818)	(6,643)	(16,792)	(12,822)
<b>Profit for the financial period from continuing operations</b>	11,405	18,764	41,677	42,620
<b>Discontinued operations:</b>				
<b>Loss for the financial period from discontinued operations</b>	-	-	-	(42)
<b>Profit for the financial period</b>	11,405	18,764	41,677	42,578
<b>Other comprehensive income/(loss):</b>				
<b>Item that may be reclassified subsequently to profit or loss:</b>				
Foreign currency translation reserve:				
- Currency translation differences	109	(163)	211	(329)
<b>Total comprehensive income for the financial period</b>	<b>11,514</b>	<b>18,601</b>	<b>41,888</b>	<b>42,249</b>
Total comprehensive income for the financial period attributable to:				
Owners of the Company				
- Continuing operations	8,389	13,752	30,839	32,565
- Discontinued operations	-	-	-	(42)
	8,389	13,752	30,839	32,523
Non-controlling interests	3,125	4,849	11,049	9,726
	11,514	18,601	41,888	42,249
Earnings per share attributable to owners of the Company (sen):				
<u>Basic</u>				
- Continuing operations	2.30	3.87	8.52	9.15
- Discontinued operations	-	-	-	(0.01)
	2.30	3.87	8.52	9.14
<u>Diluted</u>				
- Continuing operations	N/A	3.26	N/A	7.72
- Discontinued operations	N/A	-	N/A	(0.01)
	N/A	3.26	N/A	7.71

(The unaudited Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2021)

**Quarterly report on consolidated results for the third financial quarter ended 31 March 2022****Condensed Consolidated Statement of Financial Position as at 31 March 2022**

(The figures have not been audited)

	<b>As at 31/03/22 RM'000</b>	<b>As at 30/06/21 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	318,518	320,024
Right-of-use assets	84,064	84,183
Deferred tax assets	1,118	838
	<u>403,700</u>	<u>405,045</u>
<b>Current assets</b>		
Inventories	258,450	227,955
Trade receivables	79,757	38,948
Other receivables, deposits and prepayments	6,208	4,456
Contract assets	260	244
Derivative financial asset	173	2,020
Tax recoverable	391	385
Time deposits	77,690	90,085
Cash and bank balances	11,684	10,844
	<u>434,613</u>	<u>374,937</u>
Less:		
<b>Current liabilities</b>		
Trade payables	58,783	107,697
Other payables and provisions	19,766	14,054
Contract liabilities	18,552	23,383
Derivative financial liability	57	3
Short-term borrowings	116,264	59,956
Lease liabilities	332	219
Tax payable	2,147	2,703
	<u>215,901</u>	<u>208,015</u>
<b>Net current assets</b>	<u>218,712</u>	<u>166,922</u>
<b>Non-current liabilities</b>		
Long-term borrowings	24,555	27,465
Lease liabilities	1,846	1,000
Deferred income	5,922	6,036
Deferred tax liabilities	63,546	52,811
	<u>95,869</u>	<u>87,312</u>
<b>Net assets</b>	<u>526,543</u>	<u>484,655</u>
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	250,208	250,208
Other non-distributable capital reserves	76,482	76,271
Retained earnings	74,951	44,323
	<u>401,641</u>	<u>370,802</u>
<b>Non-controlling interests</b>	<u>124,902</u>	<u>113,853</u>
<b>Total equity</b>	<u>526,543</u>	<u>484,655</u>
<b>Net assets per share attributable to owners of the Company (RM)</b>	<u>1.12</u>	<u>1.03</u>

(The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2021)



**Quarterly report on consolidated results for the third financial quarter ended 31 March 2022**

**Condensed Consolidated Statement of Cash Flows for the third financial quarter ended 31 March 2022**

(The figures have not been audited)

	(9 months) 31/03/22 RM'000	(9 months) 31/03/21 RM'000
Profit before tax:		
- Continuing operations	58,469	55,442
- Discontinued operations	-	(42)
	<u>58,469</u>	<u>55,400</u>
Adjustments for:		
- Amortisation of deferred income	(114)	(38)
- Depreciation and amortisation	11,946	12,281
- Gain on disposal of property, plant and equipment	(128)	(100)
- Gain on disposal of financial asset at fair value through profit or loss	(12)	-
- Gain on disposal of a subsidiary	-	(5,017)
- Net unrealised loss on foreign exchange	61	587
- Impairment on property, plant and equipment	3,503	350
- Inventories write off	489	-
- Impairment on receivables	686	21
- Loss provision reversed for onerous contracts	-	(8)
- Interest income	(1,008)	(781)
- Interest expense	3,668	2,634
Operating profit before changes in working capital	<u>77,560</u>	<u>65,329</u>
Changes in working capital:		
- Inventories	(31,000)	24,736
- Trade and other receivables	(41,480)	(33,737)
- Trade and other payables	(43,167)	28,585
- Contract assets	(16)	2,567
- Contract liabilities	(4,831)	601
Tax paid (net)	<u>(6,900)</u>	<u>(1,929)</u>
Net cash (used in)/generated from operating activities	<u>(49,834)</u>	<u>86,152</u>
Investing activities:		
- Purchase of property, plant and equipment	(12,927)	(11,420)
- Proceeds from disposal of property, plant and equipment	380	273
- Proceeds from grant on property, plant and equipment	-	6,100
- Proceeds from disposal of investment property	-	11,870
- Proceeds from disposal of financial asset at fair value through profit or loss	116	-
- Proceeds from disposal of a subsidiary	-	750
- Other net receipts from investing activities	1,008	781
Net cash (used in)/generated from investing activities	<u>(11,423)</u>	<u>8,354</u>
Financing activities:		
- Interest paid	(3,720)	(2,800)
- Proceeds from borrowings	230,409	119,110
- Repayment of borrowings	(177,011)	(100,408)
- Principal payment of lease liabilities	(187)	(158)
- Proceeds from issuance of shares in a subsidiary	-	20
Net cash generated from financing activities	<u>49,491</u>	<u>15,764</u>
Net change in cash & cash equivalents	(11,766)	110,270
Cash & cash equivalents at the beginning of the financial year	100,929	44,267
Currency translation differences	211	(329)
Cash & cash equivalents at the end of the financial period	<u>89,374</u>	<u>154,208</u>

*(The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2021)*



**Quarterly report on consolidated results for the third financial quarter ended 31 March 2022**

**Condensed Consolidated Statement of Changes in Equity for the third financial quarter ended 31 March 2022**

(The figures have not been audited)

	----- Attributable to owners of the Company -----					Non-controlling Interests	Equity	
	----- Non-distributable capital reserves -----							
	Share Capital RM'000	Asset Revaluation Reserve RM'000	Warrant Reserve RM'000	Other Reserves RM'000	Retained Earnings RM'000	Total RM'000	Total RM'000	Total RM'000
<u>9 months ended 31 March 2022</u>								
At 1 July 2021	250,208	72,993	3,568	(290)	44,323	370,802	113,853	484,655
Total comprehensive income for the financial period	-	-	-	211	30,628	30,839	11,049	41,888
At 31 March 2022	250,208	72,993	3,568	(79)	74,951	401,641	124,902	526,543
<u>9 months ended 31 March 2021</u>								
At 1 July 2020	250,208	69,320	3,568	62	2,323	325,481	98,035	423,516
Total comprehensive income for the financial period	-	-	-	(329)	32,852	32,523	9,726	42,249
Realisation of asset revaluation surplus								
upon disposal	-	(5,325)	-	-	5,325	-	-	-
Dividend paid	-	-	-	-	(8,015)	(8,015)	-	(8,015)
Non-controlling interests:								
- change in effective interest	-	-	-	-	(28)	(28)	70	42
At 31 March 2021	250,208	63,995	3,568	(267)	32,457	349,961	107,831	457,792

(The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 30 June 2021)



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 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 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” which provide relevant 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.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

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

**A3 Seasonality or Cyclicalities of Operations**

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

**A4 Unusual Items Affecting Assets, Liabilities, Net Income or Cash Flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current financial quarter ended 31 March 2022.

**A5 Material Changes in Estimates**

There were no material changes in estimates that would have a material effect on the financial results of the Group for the current financial quarter ended 31 March 2022.

**A6 Debts and Equity Securities**

There were no issuances, cancellations, repurchases, or resale of the Company's equity securities during the current financial quarter ended 31 March 2022.

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 1.25 times.

	<u>31/03/2022</u>	<u>30/06/2021</u>
Total interest-bearing debts (RM'million)	142.0	87.4
Adjusted Equity (RM'million)	589.0	536.6
Absolute Gearing Ratio	0.24	0.16

Of the total interest-bearing debts as at 31 March 2022, around RM125.5 million was represented by the respective debenture at its Steel Tube and Cold Rolled subsidiaries, whilst RM1.1 million was represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries (see Note B10). Debts of RM15.4 million was secured against a fixed charge on a property and other specific assets to-which the financing relates. Lease liability classification pursuant to MFRS 16 were 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 31 March 2022.

**A7 Dividends Paid**

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



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

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

**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	Investment <u>Holding</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>					
Total revenue	207,407	404,830	8,848	8,984	630,069
Inter segment	(4,079)	(37,182)	(8,848)	(1,517)	(51,626)
External revenue	203,328	367,648	-	7,467	578,443
Pre-tax profit/(loss)	27,504	42,595	(8,081)	(3,549)	58,469
Segment assets	281,704	467,086	76,777	11,064	836,631

Reconciliation of segment assets to total assets is as follows:

	<u>RM'000</u>
Segment assets	836,631
Deferred tax assets	1,118
Derivative financial asset	173
Tax recoverable	391
Total assets	<u>838,313</u>

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

The valuation of PPE has been brought forward from the audited financial statements for the preceding financial year ended 30 June 2021 and adjusted for the current financial year's depreciation and impairment-provisions 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 were categorised into the following fair value hierarchy and were represented in the next table as at 31 March 2022.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

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

**A10 Fair Value Measurement (continued)**

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 (not hedge accounted)

as Liabilities (hedge accounted)

	Fair Value RM'000		
	Level 1	Level 2	Level 3
	-	0.7	-
	-	172.7	-
	-	(1.2)	-
	-	(55.9)	-
Total	-	116.3	-

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**

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 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 except that its listed subsidiary, Mycron Steel Berhad (MSB)'s indirect equity holding in a dormant wholly owned subsidiary, Silver Victory Sdn. Bhd. (SV), has been restructured to be directly held by MSB with effect from 1 March 2022. Post-restructuring, SV shall spearhead the steel export businesses covering products manufactured from within and outside. This change does not impact the Group's financials.

**A14 Contingent Liabilities or Contingent Assets**

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

**A15 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 RM1.9 million and RM1.2 million respectively for plant-equipment. These capital commitments will be payable over established milestones in the current and next financial year.

The Company has a capital commitment of RM0.3 million for re-roofing one of its buildings, which will be payable within the current financial year.





**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

**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 (3 <sup>rd</sup> quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/03/2022	Preceding Year Corresponding Quarter 31/03/2021			Current Year To-date 31/03/2022	Preceding Year Corresponding Period 31/03/2021		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	176,602	232,501	(55,899)	-24%	578,443	583,865	(5,422)	-1%
Operating Profit	22,406	25,876	(3,470)	-13%	65,318	52,649	12,669	24%
Profit Before Interest and Tax	18,056	25,833	(7,777)	-30%	61,129	57,253	3,876	7%
Profit Before Tax	17,223	25,407	(8,184)	-32%	58,469	55,442	3,027	5%
Profit After Tax	11,405	18,764	(7,359)	-39%	41,677	42,578	(901)	-2%
Profit Attributable to Ordinary Equity Holders of the Parent	8,280	13,915	(5,635)	-40%	30,628	32,852	(2,224)	-7%

The Group's revenue for the third financial quarter ended 31 March 2022 was down by 24% to RM176.6 million from RM232.5 million achieved in the preceding year's corresponding quarter mainly attributed to lower sales volume for both the Cold Rolled and Steel Tube segments. Despite that, the Group's performance for the current financial quarter is commendable considering that the domestic steel market in the current financial quarter remained soft post-pandemic-shutdown (last August) amid tapering steel price trend, labor shortage, and dwindling book orders. In comparison, the preceding year corresponding quarter's steel market was more robust at the trough of the pandemic wave. The outbreak of the Ukraine-conflict after the long Chinese New Year break resulted in momentary surge in steel prices, which helped improve buyers' interest in March (before the damaging Western Sanctions kicked-in). Apart from that, the current financial quarter's revenue also included a negligible contribution of RM2.5 million from the Food Trading businesses.

The Group registered a significantly lower pre-tax profit of RM17.2 million for the current financial quarter versus a pre-tax profit of RM25.4 million in the third quarter last year. The decline in pre-tax profit for the current financial quarter was mainly attributable to lower gross profit from significant reduction in sales volume for both the Cold Rolled and Steel Tube segments. The impairment on property, plant and equipment of RM3.5 million and impairment on receivables of RM0.8 million in the current financial quarter have also adversely impacted the net profit margin. Consequently, the Group recorded a lower after-tax profit of RM11.4 million compared to the preceding year's corresponding quarter after-tax profit of RM18.8 million.

On the year-to-date (YTD) performance, the Group posted a 1% decrease in YTD revenue to RM578.4 million from RM583.9 million in 2021, mainly due to the 6 weeks of pandemic lockdown at the start of the current financial year. Despite the current YTD sales volume was down more than 20% compared to the preceding year, it has yielded a higher gross margin due to better spreads, resulting in a higher YTD pre-tax profit of RM58.5 million versus a pre-tax profit of RM55.4 million.

The Group recorded a lower EBITDA of RM26.4 million for the current financial quarter, compared to the preceding year corresponding quarter's EBITDA of RM33.2 million.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

**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 31/03/2022	Immediate Preceding Quarter 31/12/2021	Changes	
	RM'000	RM'000	RM'000	%
Revenue	176,602	253,616	(77,014)	-30%
Operating Profit	22,406	31,682	(9,276)	-29%
Profit Before Interest and Tax	18,056	31,797	(13,741)	-43%
Profit Before Tax	17,223	30,802	(13,579)	-44%
Profit After Tax	11,405	22,230	(10,825)	-49%
Profit Attributable to Ordinary Equity Holders of the Parent	8,280	16,331	(8,051)	-49%

The Group's revenue for the current 3<sup>rd</sup> financial quarter at RM176.6 million was around 30% lower than the immediate-preceding quarter at RM253.6 million attributed to lower sales volume in conjunction with the long Chinese New Year break (which seasonally renders the 3<sup>rd</sup> quarter a slower period). In general, the steel market was soft in both the 2<sup>nd</sup> and 3<sup>rd</sup> financial quarters with lower new orders as many industries (including our customers) grappled to restart from the prolonged pandemic lockdown amid labor shortage, supply chain interruptions, and absence of stimulus or financial aids. However, the preceding 2<sup>nd</sup> financial quarter's profitability touched a high benchmark driven by surge in post-lockdown sales tied to back-orders secured prior to the pandemic lockdown which entailed better-margins. Despite the sharply lower sale volume in the current 3<sup>rd</sup> financial quarter (due to shorter workdays and low backorders), the Group's steel operations managed to deliver a satisfactory performance from leveraging its market position in a tight steel supply condition. Apart from that, there was also lower revenue contribution from the Food Trading businesses for the current financial quarter of RM2.5 million as against the immediate-preceding quarter's revenue of RM3.1 million.

As a result, the Group registered a significant lower pre-tax profit of RM17.2 million for the current financial quarter, compared with the immediate-preceding quarter's pre-tax profit of RM30.8 million. In addition, the impairment on property, plant and equipment of RM3.5 million and impairment on receivables of RM0.8 million in the current financial quarter have also adversely impacted the bottom line. Correspondingly, the Group's after-tax profit for the current financial quarter was lower at RM11.4 million compared to the immediate-preceding quarter after-tax profit of RM22.2 million.

The Group recorded a lower EBITDA of RM26.4 million for the current financial quarter compared to the immediate-preceding quarter's EBITDA of RM35.6 million.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

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

**B3 Prospects for the next financial year**

The Group's final 4th financial quarter faces a tumultuous period tied to unprecedented multifront external shocks from the Ukraine-conflict & sweeping sanctions, raging inflation, sharp US-rate hikes, reverse-capital-flows, tighten liquidity, and China's Covid shutdowns. Inevitably, these would weigh-down on the Country's economic recovery prospects (i.e. from the reopening of international-borders and business normalization) and would impinge upon the Group's performance.

We anticipate an 8-10% rise in steel production cost (i.e. from higher energy cost, wage rise, imported inflation, weak Ringgit, and higher borrowing cost) – which may not be fully absorbed into selling prices in the short to mid-term, and thus may erode margins. The Ukraine-conflict and sanctions have disrupted global-supply-chain of various commodities, including steel - where the displaced export steel volume from both Russia and Ukraine combined equates to the world 2nd largest, just behind China. The impact on pricing and margins from the disrupted global steel supply is however likely to be muffled by soften steel demand in this region (including Malaysia) due to myriad of issues (attributable to China economic softening, collateral damages from US-NATO's sweeping sanctions, capital outflows, and overall poor sentiment). Evidently, steel prices have begun to ebb in this region.

For food industry, the sustained reopening of the global economy and the revocation of approved permits on certain food imports into Malaysia, which was effective from mid-May this year help bolster food security amid lingering cost pressures. All these trends continue to support the recovery of economy activity but is likely to be slow and gradual.

In conclusion, the Group's prospects outlook for the final financial quarter has become highly challenging. We anticipate the Group's steel operations' sales volume and margins to come under immense pressure. The continued disruption in the global food supply chain will continue to dampen the performances of the Group's food businesses for the remaining financial quarter. Nevertheless, barring any further deterioration of the external shocks (i.e. Ukraine-conflict expansion, COVID resurgence, more geopolitical flare-up), the Group is hopeful to squeeze a positive final quarter to end the financial year higher than the last. Downside risk (from a prolong Ukraine-conflict and the collateral damage on emerging-markets due to the sweeping sanctions) may become more pronounced in our next financial year. At the same time, to stimulate the Group's food businesses for the remaining financial quarter, the Group will ramp up its efforts to optimize revenue opportunities and increase market share by expanding its customer base and adjust its customer structure so as to grow higher business volumes.

**B4 Variance of Actual Profit from Forecast Profit**

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



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

**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>31/03/2022</u> RM'000	Preceding year corresponding quarter <u>31/03/2021</u> RM'000	Current year to-date <u>31/03/2022</u> RM'000	Preceding year corresponding period <u>31/03/2021</u> RM'000
Depreciation and amortisation:				
- property, plant and equipment	(3,653)	(3,680)	(10,657)	(11,054)
- right-of-use assets (leasehold lands)	(363)	(350)	(1,089)	(1,050)
- right-of-use assets (rented properties)	(76)	(58)	(200)	(177)
Finance cost on:				
- borrowings	(1,188)	(834)	(3,604)	(2,571)
- lease liabilities	(26)	(20)	(64)	(63)
Finance income:				
- interest on deposits with financial institutions	381	428	1,008	780
- net investment in subleases	-	-	-	1
Impairment on:				
- property, plant and equipment	(3,501)	-	(3,503)	(350)
- receivables	(849)	(43)	(686)	(21)
Inventories write off	(489)	-	(489)	-
Loss provision reversed on onerous contracts	-	-	-	8
FX differences (loss)/gain	(558)	(7,310)	(54)	1,745
FX derivatives gain/(loss)	370	6,782	(180)	(1,792)
	=====	=====	=====	=====

**B6 Taxation**

Taxation comprises:

	Current year quarter <u>31/03/2022</u> RM'000	Preceding year corresponding quarter <u>31/03/2021</u> RM'000	Current year to date <u>31/03/2022</u> RM'000	Preceding year corresponding period <u>31/03/2021</u> RM'000
Current tax expense				
- Current year	(2,166)	(2,584)	(6,660)	(7,052)
- Over provision in prior year	349	167	349	171
Deferred tax expense				
- Current year	(4,001)	(4,226)	(10,481)	(5,941)
	<u>(5,818)</u>	<u>(6,643)</u>	<u>(16,792)</u>	<u>(12,822)</u>



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

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

**B7 Profit on Sale of Unquoted Investments and / or Properties**

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

**B8 Purchase or Disposal of Quoted Securities**

The Company has disposed 750,000 unit quoted shares in open market amounting to RM0.116 million during 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 31 March 2022 undertaken by its Steel and Food subsidiaries were as follows:

	<u>RM'000</u>
<u>Short-term borrowings</u>	
Secured	116,264
<u>Long-term borrowings</u>	
Secured	24,555
Total borrowings	<u><u>140,819</u></u>

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

	<u>RM'000</u>
Total Borrowings' opening balance at 1 July 2021	87,421
Inflow from drawdown	230,409
Outflow on repayment	(177,011)
Closing balance at 31 March 2022	<u><u>140,819</u></u>

Based on the above, the Group's bank gearing ratio was around 0.24 times. Besides the said borrowings, the Group's Steel Tube subsidiary also draw on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM1.1 million. Inclusive of that, the Group's absolute gearing ratio as at 31 March 2022 was also around 0.24 times.



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

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

**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 31 March 2022 were 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	270	836	0.7	1.2

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	30,723	129,268	172.7	55.9	Matching	30,723	n.a.	55.9	172.7

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

(i) Risk associated with the derivatives

Counter-Party Risk

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

(ii) Cash requirements of the derivatives

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

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

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



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

**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 were bank guarantees issued by its subsidiaries amounting to RM3.9 million as security for inbound supply of goods and services; and corporate guarantees issued by its listed subsidiary, Mycron Steel Berhad to lenders for borrowings extended to its steel subsidiaries amounting to RM140.2 million as at 31 March 2022.

At the Company level, off-balance-sheet financial instruments as at the date of this announcement was a corporate guarantee issued to a supplier as security for inbound supply of goods and services extended to its steel subsidiaries amounting to RM20 million as at 31 March 2022.

**B13 Material Litigation**

At the close of the current financial quarter, there were 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 was 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 31 March 2022.

**B15 Earnings per Share**

(i) Basic Earnings per Ordinary Share

	Current year quarter 31/03/2022	Preceding year corresponding quarter 31/03/2021	Current year to date 31/03/2022	Preceding year corresponding period 31/03/2021
Profit/(loss) attributable to owners of the Company (RM'000)				
- Continuing operations	8,280	13,915	30,628	32,894
- Discontinued operations	-	-	-	(42)
	8,280	13,915	30,628	32,852
Weighted average number of ordinary shares in issue ('000)	359,418	359,418	359,418	359,418
Basic earnings/(loss) per share (sen)				
- Continuing operations	2.30	3.87	8.52	9.15
- Discontinued operations	-	-	-	(0.01)
	2.30	3.87	8.52	9.14



**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2022**

**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

	Current year quarter 31/03/2022*	Preceding year corresponding quarter 31/03/2021	Current year to date 31/03/2022*	Preceding year corresponding period 31/03/2021
Profit/(Loss) attributable to owners of the Company (RM'000)				
- Continuing operations	N/A	13,915	N/A	32,894
- Discontinued operations	N/A	-	N/A	(42)
	N/A	13,915	N/A	32,852
Total number of ordinary shares in issue ('000)	N/A	426,365	N/A	426,365
Diluted earnings/(loss) per share (sen)				
- Continuing operations	N/A	3.26	N/A	7.72
- Discontinued operations	N/A	-	N/A	(0.01)
	N/A	3.26	N/A	7.71

\* No diluted earnings per share was presented in the current financial quarter/period as the issued and listed warrants were in an anti-dilutive position given that its exercisable price (at 40 sen) is above the listed market price of the mother share at the close of the current financial quarter.

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  
31 May 2022