



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

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

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>Current Year</u>	<u>Preceding Year</u>	<u>(6 months)</u>	<u>(6 months)</u>
	<u>Quarter</u>	<u>Corresponding</u>	<u>Current</u>	<u>Preceding Year</u>
	<u>31/12/22</u>	<u>31/12/21</u>	<u>Year</u>	<u>Corresponding</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>To date</u>	<u>Period</u>
	<u>31/12/22</u>	<u>31/12/21</u>	<u>31/12/22</u>	<u>31/12/21</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	137,037	253,616	258,588	401,841
Cost of sales	(132,908)	(208,543)	(240,794)	(332,067)
Write-down of inventories	(10,829)	-	(10,829)	-
Gross (loss)/profit	(6,700)	45,073	6,965	69,774
Operating expenses	(10,896)	(13,666)	(21,147)	(22,129)
Other operating income/(expenses), net	422	301	272	(4,526)
Net foreign currency (loss)/gain	(35)	89	(223)	(46)
(Loss)/Profit from operations	(17,209)	31,797	(14,133)	43,073
Finance income	240	369	588	627
Finance costs	(1,338)	(1,364)	(2,584)	(2,454)
(Loss)/Profit before tax	(18,307)	30,802	(16,129)	41,246
Tax credit/(expense)	2,796	(8,572)	1,592	(10,974)
Net (loss)/profit for the financial period	(15,511)	22,230	(14,537)	30,272
Other comprehensive income/(loss) (net of tax):				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation reserve:				
- Currency translation differences	(69)	(1)	78	102
Total comprehensive (loss)/income for the financial period	(15,580)	22,229	(14,459)	30,374
Total comprehensive (loss)/income for the financial period attributable to:				
Owners of the Company	(11,935)	16,330	(11,149)	22,450
Non-controlling interests	(3,645)	5,899	(3,310)	7,924
	(15,580)	22,229	(14,459)	30,374
(Loss)/Earnings per share attributable to owners of the Company (sen):				
Basic	(3.30)	4.54	(3.12)	6.22
Diluted	N/A	N/A	N/A	N/A

(The unaudited 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).



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

Condensed Consolidated Statements of Financial Position as at 31 December 2022

(The figures have not been audited)

	As at 31/12/22 RM'000	As at 30/06/22 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	315,144	315,791
Right-of-use assets	86,870	87,671
Deferred tax assets	637	637
	<u>402,651</u>	<u>404,099</u>
Current assets		
Inventories	186,713	286,798
Trade receivables	56,038	71,096
Other receivables, deposits and prepayments	4,744	4,383
Financial assets at fair value through profit or loss	2,160	2,600
Derivative financial assets	9	4,815
Current tax recoverable	1,868	438
Deposits with licensed banks	48,331	91,340
Cash and bank balances	21,042	23,411
	<u>320,905</u>	<u>484,881</u>
Less:		
Current liabilities		
Trade payables	11,147	154,576
Other payables and accrued liabilities	14,348	20,495
Contract liabilities	1,583	7,838
Derivative financial liabilities	138	8
Short-term borrowings	92,748	80,135
Lease liabilities	228	319
Current tax provision	1,242	2,800
	<u>121,434</u>	<u>266,171</u>
Net current assets	<u>199,471</u>	<u>218,710</u>
	<u>602,122</u>	<u>622,809</u>
Capital and reserves attributable to owners of the Company		
Share capital	250,208	250,208
Other non-distributable capital reserves	80,537	80,459
Retained profits	67,754	79,354
	<u>398,499</u>	<u>410,021</u>
Non-controlling interests	<u>122,565</u>	<u>125,502</u>
Total equity	<u>521,064</u>	<u>535,523</u>
Non-current liabilities		
Long-term borrowings	18,460	22,520
Lease liabilities	2,016	1,909
Deferred income on grant	5,808	5,884
Deferred tax liabilities	54,774	56,973
	<u>81,058</u>	<u>87,286</u>
Net assets	<u>602,122</u>	<u>622,809</u>
Net assets per share attributable to owners of the Company (RM)	<u>1.11</u>	<u>1.14</u>

(The unaudited Condensed Consolidated Statements of Financial Position 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 Cash Flows for the second financial quarter ended 31 December 2022

(The figures have not been audited)

	(6 months) 31/12/22 RM'000	(6 months) 31/12/21 RM'000
(Loss)/Profit before tax	(16,129)	41,246
Adjustments for:		
- Amortisation of deferred income on grant	(76)	(76)
- Depreciation and amortisation	8,508	7,854
- Fair value loss/(gain) on financial assets at fair value through profit or loss	572	(9)
- Gain on disposal of property, plant and equipment	(1)	(22)
- Net unrealised gain on foreign exchange	(117)	(82)
- Impairment on property, plant and equipment	1	2
- Property, plant and equipment written back	(3)	-
- Write-down of inventories	10,829	-
- Write back of impairment on receivables	(93)	(163)
- Finance income	(588)	(627)
- Finance costs	2,584	2,454
Operating profit before changes in working capital	5,487	50,577
Changes in working capital:		
- Inventories	89,256	(30,182)
- Receivables, deposits and prepayments	24,937	(35,105)
- Payables and accrued liabilities	(154,686)	(1,352)
- Contract liabilities	(6,255)	16,395
Tax paid (net)	(3,606)	(3,849)
Net cash used in operating activities	(44,867)	(3,516)
Investing activities:		
- Purchase of property, plant and equipment	(6,879)	(7,586)
- Purchase of financial assets at fair value through profit or loss	(132)	(104)
- Proceeds from disposal of property, plant and equipment	1	148
- Proceeds from disposal of financial assets at fair value through profit or loss	7	-
- Interest received	588	627
Net cash used in investing activities	(6,415)	(6,915)
Financing activities:		
- Interest paid	(2,555)	(2,314)
- Proceeds from borrowings	142,844	151,487
- Repayment of borrowings	(134,291)	(120,601)
- Principal payment of lease liabilities	(172)	(127)
Net cash generated from financing activities	5,826	28,445
Net change in cash & cash equivalents	(45,456)	18,014
Cash & cash equivalents at beginning of the financial year	114,751	100,929
Currency translation differences	78	102
Cash & cash equivalents at end of the financial period	69,373	119,045

(The unaudited 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-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 Profits RM'000	Total RM'000	Total RM'000	Total RM'000
<u>6 months ended 31 December 2022</u>								
At 1 July 2022	250,208	76,807	3,568	84	79,354	410,021	125,502	535,523
Total comprehensive loss for the financial period	-	-	-	78	(11,227)	(11,149)	(3,310)	(14,459)
Non-controlling interests:								
- change in effective interest	-	-	-	-	(373)	(373)	373	-
At 31 December 2022	250,208	76,807	3,568	162	67,754	398,499	122,565	521,064
<u>6 months ended 31 December 2021</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	-	-	-	102	22,348	22,450	7,924	30,374
At 31 December 2021	250,208	72,993	3,568	(188)	66,671	393,252	121,777	515,029

(The unaudited 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).



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 to standards did not have any impact on the Group’s financial statements for the current financial period.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

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 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 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'

Effective for financial year beginning after 1 July 2024

- Amendments to MFRS 16 "Lease Liability in a Sale and Leaseback"
- Amendments to MFRS 101 "Non-Current Liabilities with Covenants"

These amendments to published standards will be adopted when effective.

A2 Audit Qualification

The audit report of the Group in respect of the annual financial statements for the financial year ended 30 June 2022 was not subject to any audit qualification.

A3 Seasonality or Cyclicity 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

The declining steel price-trend since April 2022 continued into the current financial quarter, with signs of bottoming-out only towards early December 2022. The decline has a lagging-negative-impact on margins and inventory measurement (under MFRS 102 & 110) for both the Cold Rolled Coil and the 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 Coil subsidiary, and RM6.3 million for the Steel Tube subsidiary.

Meanwhile, for the Food Trading subsidiary, certain raw meat products have also been on a declining selling price trend since November 2022, with the drop extending by more than 20% from its peak beyond the current reporting period. Consequently, a write-down of inventories of RM1.0 million has been made.

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 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 December 2022.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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 December 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 1.5 times.

	<u>31/12/2022</u>	<u>30/06/2022</u>
Total interest-bearing debts (RM’million)	121.5	116.4
Adjusted Equity (RM’million)	575.2	591.9
Absolute Gearing Ratio	0.21	0.20

Of the total interest-bearing debts as at 31 December 2022, around RM97.7 million was represented by the respective debenture at its Steel Tube and Cold Rolled Coil subsidiaries, whilst RM10.3 million was represented by unsecured interest-bearing supplier’s credit at the respective operating subsidiaries (see Note B10). Debts of RM13.5 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 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 31 December 2022.

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 Coil</u> RM’000	<u>Investment Holding</u> RM’000	<u>Others</u> RM’000	<u>Total</u> RM’000
<u>Revenue</u>					
Total revenue	140,590	127,017	7,066	3,803	278,476
Inter segment	-	(12,403)	(7,066)	(419)	(19,888)
External revenue	140,590	114,614	-	3,384	258,588
Pre-tax loss	(2,929)	(3,078)	(6,385)	(3,737)	(16,129)
Segment assets	221,243	406,403	79,580	13,816	721,042



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 Segmental Reporting (continued)

Reconciliation of segment assets to total assets is as follows:

	<u>RM'000</u>
Segment assets	721,042
Deferred tax assets	637
Derivative financial assets	9
Current tax recoverable	<u>1,868</u>
Total assets	<u>723,556</u>

A9 Valuation of Property, Plant and Equipment (PPE)

The valuation on PPE has been brought forward from the audited financial statements for the 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.

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 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	2,160.0	-	-
Foreign Currency Forwards			
as Assets (hedge accounted)	-	9.2	-
as Liabilities (not hedge accounted)	-	(53.7)	-
as Liabilities (hedge accounted)	-	(84.0)	-
Total	2,160.0	(128.5)	-

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.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

PART A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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.

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 Coil and Steel Tube subsidiaries have 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.

The Group's Food Trading subsidiary has approved but not contracted for capital commitment of RM1.4 million for the construction of a processing center.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 (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	137,037	253,616	(116,579)	-46%	258,588	401,841	(143,253)	-36%
Operating (Loss)/Profit	(17,209)	31,797	(49,006)	-154%	(14,133)	43,073	(57,206)	-133%
(Loss)/Profit Before Interest and Tax	(17,209)	31,797	(49,006)	-154%	(14,133)	43,073	(57,206)	-133%
(Loss)/Profit Before Tax	(18,307)	30,802	(49,109)	-159%	(16,129)	41,246	(57,375)	-139%
(Loss)/Profit After Tax	(15,511)	22,230	(37,741)	-170%	(14,537)	30,272	(44,809)	-148%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(11,866)	16,331	(28,197)	-173%	(11,227)	22,348	(33,575)	-150%

The Group's revenue for the second financial quarter ended 31 December 2022 was down by 46% from RM253.6 million to RM137.0 million in the current financial quarter. The drop in revenue was mainly due to the sharply lower sales volume recorded by the Cold Rolled Coil segment - which the management attributed to weak demand coupled with suspected product-dumping from abroad.

The gross margin spread for both the Cold Rolled Coil and the Steel Tube segments were lower over the current financial quarter, driven by the declining price trend (in-tandem with raw material prices) coupled with lower throughput volume compared to the preceding year's corresponding quarter. Topping that, the inventory remeasurement write-down of RM10.8 million at the close of the current financial quarter (see Note A4) turned the Group's gross profit position into a gross loss of RM6.7 million (preceding year corresponding quarter's gross profit: RM45.1 million).

Besides the significant losses arising from the inventory write-down, the Group's negative performance for the current financial quarter was 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.

Consequently, the Group registered a pre-tax loss of RM18.3 million for the current financial quarter - a significant drop by RM49.1 million from a pre-tax profit of RM30.8 million in the preceding year's corresponding quarter. After-tax loss of the Group stood at RM15.5 million compared to the preceding year's corresponding quarter's after-tax profit of RM22.2 million.

The Group recorded a negative EBITDA of RM13.1 million for the current financial quarter, compared to the preceding year's corresponding quarter's positive EBITDA of RM35.6 million.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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	Immediate Preceding Quarter	Changes	
	31/12/2022	30/09/2022	RM'000	%
Revenue	137,037	121,551	15,486	13%
Operating (Loss)/Profit	(17,209)	3,076	(20,285)	-659%
(Loss)/Profit Before Interest and Tax	(17,209)	3,076	(20,285)	-659%
(Loss)/Profit Before Tax	(18,307)	2,178	(20,485)	-941%
(Loss)/Profit After Tax	(15,511)	974	(16,485)	-1693%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(11,866)	639	(12,505)	-1957%

The Group's revenue for the current second financial quarter appreciated by 13% to RM137.1 million, as compared to the immediate-preceding quarter, mainly due to substantial increase in sales volume for the Cold Rolled Coil segment (despite lower unit-selling-price in tandem with the decline in raw Hot Rolled Coil steel prices).

The decline in steel prices since April 2022 continued into the current period, coupled with the decline in raw meat prices (since November 2022) impacting inventory measurement with a RM10.8 million write-down at closing (see Note A4). As a result, the Group recorded a gross loss of RM6.7 million in the current financial quarter compared to a gross profit of RM13.7 million in the preceding quarter. The preceding quarter did not incur any inventory impairment (despite the declining steel 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 RM18.3 million at pre-tax level (compared with the immediate-preceding quarter's pre-tax profit of RM2.2 million). After-tax loss of the Group narrowed to RM15.5 million compared to the immediate-preceding quarter's after-tax profit of RM1.0 million.

The Group recorded a negative EBITDA of RM13.1 million for the current financial quarter compared to the immediate-preceding quarter's positive EBITDA of RM7.2 million.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

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

B3 Prospects for the next financial year

Moving into the second half of the current financial year, the Malaysia economy is expected to expand at a more moderate pace, amid a challenging external environment. Growth will be driven by domestic demand, supported by the continued recovery in labour market and realisation of multi-year investment projects.

The second half of the financial year should accord better prospects for the Group, compared to the first half considering the following factors:

i) China Factor

China has ended its strict “zero Covid” controls in early December 2022. With the reopening of its borders and economy, and the accumulated of measures in favour of its property sector, which have turned into a kind of tidal wave of support, are big plusses 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.

ii) 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 2022, and turned upward-bias by late December 2022. 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 Coil 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.

iii) 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.

iv) 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.

v) Domestic Food Demand

The continued recovery in the labour market conditions with higher employment and income growth as well as monetary policy support, are expected to boost domestic consumer spending. In addition, two festive breaks (Hari Raya in April and Hari Wesak in May), which will be seasonal peak for food sector may also offer a turning-point for a better second half in 2023 for the Group.

In summary, the improved outlook in the second 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

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



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

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

B5 (Loss)/Profit Before Tax

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

	Current year quarter <u>31/12/2022</u> RM'000	Preceding year corresponding quarter <u>31/12/2021</u> RM'000	Current year to-date <u>31/12/2022</u> RM'000	Preceding year corresponding period <u>31/12/2021</u> RM'000
Depreciation and amortisation:				
- property, plant and equipment	(3,779)	(3,565)	(7,520)	(7,004)
- right-of-use assets (leasehold lands)	(391)	(363)	(782)	(726)
- right-of-use assets (rented properties)	(103)	(65)	(206)	(124)
Finance costs on:				
- borrowings	(1,294)	(1,344)	(2,496)	(2,416)
- lease liabilities	(44)	(20)	(88)	(38)
Finance income:				
- interest on deposits with licensed banks	240	369	588	627
Write back/(impairment) on:				
- property, plant and equipment	5	(2)	2	(2)
- receivables	64	117	93	163
Fair value loss on financial assets at fair value through profit or loss	(210)	-	(572)	-
FX differences gain/(loss)	3,164	936	150	504
FX derivatives (loss)/gain	(3,199)	(847)	(373)	(550)
	=====	=====	=====	=====

B6 Taxation

Taxation comprises:

	Current year quarter <u>31/12/2022</u> RM'000	Preceding year corresponding quarter <u>31/12/2021</u> RM'000	Current year to date <u>31/12/2022</u> RM'000	Preceding year corresponding period <u>31/12/2021</u> RM'000
Current tax expense				
- Current year	452	(2,832)	(608)	(4,494)
Deferred tax expense				
- Current year	2,344	(5,740)	2,200	(6,480)
	=====	=====	=====	=====
	2,796	(8,572)	1,592	(10,974)



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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

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 31 December 2022 undertaken by its Steel subsidiaries were as follows:

	<u>RM'000</u>
<u>Short-term borrowings</u>	
Secured	92,748
<u>Long-term borrowings</u>	
Secured	<u>18,460</u>
Total borrowings	<u><u>111,208</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 2022	102,655
Inflows from drawdown	142,844
Outflows on repayment	(134,291)
Closing balance at 31 December 2022	<u><u>111,208</u></u>

Based on the above, the Group's bank gearing ratio was around 0.19 times. Besides the said borrowings, the Group's Steel Tube subsidiary also drawn 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 was around 0.21 times.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 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 December 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 Assets	Financial Liabilities
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 USD	Financial Assets	Financial Liabilities
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 Assets	Financial Liabilities	Maturity	Short USD	N/A.	Financial Assets	Financial Liabilities
Less than 1 year	2,234	9,924	9.2	84.0	Matching	2,234	N/A.	84.0	9.2

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM2.4 million from its FX Forward Contracts as hedging instruments with corresponding realised net loss of around RM2.7 million from its ‘foreign currency obligations & assets’ over the current financial period.

- (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.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

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

B11 Outstanding Derivatives (continued)

(ii) Cash requirements of the derivatives

There is no cash movement from the Group to the counterparties when the Forward FX contracts are inception. 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.

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 RM4.8 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 RM111.0 million as at 31 December 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 December 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 had 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 December 2022.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 DECEMBER 2022

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

B15 Earnings per Share

(i) Basic (Loss)/Earnings per Ordinary Share

	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
(Loss)/Profit attributable to owners of the Company (RM'000)	(11,866)	16,331	(11,227)	22,348
Weighted average number of ordinary shares in issue ('000)	359,418	359,418	359,418	359,418
Basic (loss)/earnings per share (sen)	(3.30)	4.54	(3.12)	6.22

(ii) Diluted (Loss)/Earnings per Ordinary Share

No diluted (loss)/earnings per share was presented since the issued and listed warrants were in an anti-dilutive position given that its exercisable price (at 40 sen) was 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
22 February 2023