



Quarterly report on consolidated results for the third financial quarter ended 31 March 2023

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the third financial quarter ended 31 March 2023

	<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>31/03/23</u>	<u>31/03/22</u>	<u>Year</u>	<u>Corresponding</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>To date</u>	<u>Period</u>
	<u>31/03/23</u>	<u>31/03/22</u>	<u>31/03/23</u>	<u>31/03/22</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Revenue	128,885	176,602	387,473	578,443
Cost of sales	(119,675)	(140,036)	(360,469)	(472,103)
Write-down of inventories	(276)	-	(11,105)	-
Gross profit	8,934	36,566	15,899	106,340
Operating expenses	(10,339)	(14,154)	(31,581)	(36,444)
Other operating income/(expenses), net	1,125	182	1,397	(4,344)
Net foreign currency gain/(loss)	602	(188)	379	(234)
Profit/(Loss) from operations	322	22,406	(13,906)	65,318
Write back/(Impairment) on property, plant and equipment	3	(3,501)	5	(3,503)
(Impairment)/Write back on receivables	-	(849)	93	(686)
Finance income	449	381	1,037	1,008
Finance costs	(1,376)	(1,214)	(3,960)	(3,668)
(Loss)/Profit before tax	(602)	17,223	(16,731)	58,469
Tax (expense)/credit	(53)	(5,818)	1,539	(16,792)
Net (loss)/profit for the financial period	(655)	11,405	(15,192)	41,677
Other comprehensive income/(loss) (net of tax):				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation reserve:				
- Currency translation differences	(210)	109	(132)	211
Total comprehensive (loss)/income for the financial period	(865)	11,514	(15,324)	41,888
Total comprehensive (loss)/income for the financial period attributable to:				
Owners of the Company	(693)	8,389	(11,842)	30,839
Non-controlling interests	(172)	3,125	(3,482)	11,049
	(865)	11,514	(15,324)	41,888
(Loss)/Earnings per share attributable to owners of the Company (sen):				
Basic	(0.13)	2.30	(3.26)	8.52
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 third financial quarter ended 31 March 2023****Condensed Consolidated Statements of Financial Position as at 31 March 2023**

(The figures have not been audited)

	As at 31/03/23 RM'000	As at 30/06/22 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	314,423	315,791
Right-of-use assets	86,770	87,671
Deferred tax assets	636	637
	<u>401,829</u>	<u>404,099</u>
Current assets		
Inventories	178,412	286,798
Trade receivables	65,227	71,096
Other receivables, deposits and prepayments	4,785	4,383
Financial assets at fair value through profit or loss	3,154	2,600
Derivative financial assets	182	4,815
Current tax recoverable	2,811	438
Deposits with licensed banks	33,635	91,340
Cash and bank balances	36,745	23,411
	<u>324,951</u>	<u>484,881</u>
Less:		
Current liabilities		
Trade payables	13,856	154,576
Other payables and accrued liabilities	17,661	20,495
Contract liabilities	802	7,838
Derivative financial liabilities	278	8
Short-term borrowings	93,614	80,135
Lease liabilities	305	319
Current tax provision	768	2,800
	<u>127,284</u>	<u>266,171</u>
Net current assets	<u>197,667</u>	<u>218,710</u>
	<u>599,496</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	80,327	80,459
Retained profits	67,271	79,354
	<u>397,806</u>	<u>410,021</u>
Non-controlling interests	<u>122,393</u>	<u>125,502</u>
Total equity	<u>520,199</u>	<u>535,523</u>
Non-current liabilities		
Long-term borrowings	17,161	22,520
Lease liabilities	2,273	1,909
Deferred income on grant	5,770	5,884
Deferred tax liabilities	54,093	56,973
	<u>79,297</u>	<u>87,286</u>
Net assets	<u>599,496</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 third financial quarter ended 31 March 2023

Condensed Consolidated Statements of Cash Flows for the third financial quarter ended 31 March 2023

(The figures have not been audited)

	(9 months) 31/03/23 RM'000	(9 months) 31/03/22 RM'000
(Loss)/Profit before tax	(16,731)	58,469
Adjustments for:		
- Amortisation of deferred income on grant	(114)	(114)
- Depreciation and amortisation	12,773	11,946
- Fair value gain on financial assets at fair value through profit or loss	(422)	(12)
- Gain on disposal of property, plant and equipment	(22)	(128)
- Net unrealised (gain)/loss on foreign exchange	(539)	61
- (Write back)/Impairment on property, plant and equipment	(5)	3,503
- Inventories write off	46	489
- Write-down of inventories	11,105	-
- Write back of impairment on receivables	(93)	686
- Finance income	(1,037)	(1,008)
- Finance costs	3,960	3,668
Operating profit before changes in working capital	8,921	77,560
Changes in working capital:		
- Inventories	97,235	(31,016)
- Receivables, deposits and prepayments	15,351	(41,480)
- Payables and accrued liabilities	(147,802)	(43,167)
- Contract liabilities	(7,036)	(4,831)
Tax paid (net)	(5,792)	(6,900)
Net cash used in operating activities	(39,123)	(49,834)
Investing activities:		
- Purchase of property, plant and equipment	(8,841)	(12,927)
- Purchase of financial assets at fair value through profit or loss	(132)	380
- Proceeds from disposal of property, plant and equipment	79	-
- Proceeds from disposal of financial assets at fair value through profit or loss	7	116
- Interest received	1,037	1,008
Net cash used in investing activities	(7,850)	(11,423)
Financing activities:		
- Interest paid	(3,973)	(3,720)
- Proceeds from borrowings	206,434	230,409
- Repayment of borrowings	(199,480)	(177,011)
- Principal payment of lease liabilities	(233)	(187)
Net cash generated from financing activities	2,748	49,491
Net change in cash & cash equivalents	(44,225)	(11,766)
Cash & cash equivalents at beginning of the financial year	114,751	100,929
Currency translation differences	(146)	211
Cash & cash equivalents at end of the financial period	70,380	89,374

(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 third financial quarter ended 31 March 2023

Condensed Consolidated Statements of Changes in Equity for the third financial quarter ended 31 March 2023

(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>9 months ended 31 March 2023</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	-	-	-	(132)	(11,710)	(11,842)	(3,482)	(15,324)
Non-controlling interests:								
- change in effective interest	-	-	-	-	(373)	(373)	373	-
At 31 March 2023	250,208	76,807	3,568	(48)	67,271	397,806	122,393	520,199
<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

(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 THIRD QUARTER ENDED 31 MARCH 2023

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 THIRD QUARTER ENDED 31 MARCH 2023

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

For the Food Trading subsidiary, certain raw meat products have continued to be on a declining selling price trend since last financial quarter, with a further drop of more than 10% from its last reported period. Consequently, a write-down of inventories of RM0.3 million has been made for the current financial quarter ended 31 March 2023.

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 March 2023.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

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 March 2023.

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>31/03/2023</u>	<u>30/06/2022</u>
Total interest-bearing debts (RM'million)	124.1	116.4
Adjusted Equity (RM'million)	573.7	591.9
Absolute Gearing Ratio	0.22	0.20

Of the total interest-bearing debts as at 31 March 2023, around RM96.7 million was represented by the respective debenture at its Steel Tube and Cold Rolled Coil subsidiaries, whilst RM13.3 million was represented by unsecured interest-bearing supplier's credit at the respective operating subsidiaries (see Note B10). Debts of RM14.1 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.

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	201,918	197,332	10,260	6,305	415,815
Inter segment	-	(17,081)	(10,260)	(1,001)	(28,342)
External revenue	201,918	180,251	-	5,304	387,473
Pre-tax profit/(loss)	1,409	(3,761)	(8,914)	(5,465)	(16,731)
Segment assets	221,652	407,966	79,905	13,628	723,151



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

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	723,151
Deferred tax assets	636
Derivative financial assets	182
Current tax recoverable	<u>2,811</u>
Total assets	<u>726,780</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 March 2023:

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	3,154.0	-	-
Foreign Currency Forwards			
as Assets (not hedge accounted)	-	20.4	-
as Assets (hedge accounted)	-	161.9	-
as Liabilities (hedge accounted)	-	(277.7)	-
Total	3,154.0	(95.4)	-

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 THIRD QUARTER ENDED 31 MARCH 2023

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 RM1.1 million and RM0.8 million respectively for plant-equipment. These capital commitments will be payable over established milestones in the current and next 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 THIRD QUARTER ENDED 31 MARCH 2023

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 rd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/03/2023	Preceding Year Corresponding Quarter 31/03/2022			Current Year To-date 31/03/2023	Preceding Year Corresponding Period 31/03/2022		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	128,885	176,602	(47,717)	-27%	387,473	578,443	(190,970)	-33%
Operating Profit/(Loss)	322	22,406	(22,084)	-99%	(13,906)	65,318	(79,224)	-121%
Profit/(Loss) Before Interest and Tax	325	18,056	(17,731)	-98%	(13,808)	61,129	(74,937)	-123%
(Loss)/Profit Before Tax	(602)	17,223	(17,825)	-103%	(16,731)	58,469	(75,200)	-129%
(Loss)/Profit After Tax	(655)	11,405	(12,060)	-106%	(15,192)	41,677	(56,869)	-136%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(483)	8,280	(8,763)	-106%	(11,710)	30,628	(42,338)	-138%

The Group's revenue for the third financial quarter ended 31 March 2023 was down by 27% from RM176.6 million to RM128.9 million in the current financial quarter. The drop in revenue was mainly due to lower unit selling price (down by 22%) in tandem with lower market steel prices for both the Cold Rolled Coil and Steel Tube segments. The sales volume for both the segments were also lower (at around 7%) for the current financial quarter. Correspondingly, the COGS (Cost-of-Goods-Sold) for the current financial quarter was also lower in-tandem with lower raw material Hot Rolled Coil (HRC) cost compared to the preceding year's corresponding quarter.

The Group's gross profit for the current financial quarter was significantly lower (down by 76%) for the current quarter as a result of lower price-spreads (from higher carrying inventory value) and higher unit production cost (from lower throughput volume) compared to the preceding year's corresponding quarter where market conditions and margin spreads were positively more favorable. Consequently, the Group's operating profit for the current period was substantially lower (down by 99%) compared to the preceding year's corresponding quarter.

The Group recorded a pre-tax loss of RM0.6 million for the current financial quarter compared to a pre-tax profit of RM17.2 million in the preceding year's corresponding quarter. After-tax loss of the Group stood at RM0.7 million compared to the preceding year's corresponding quarter after-tax profit of RM11.4 million.

The Group recorded a sharply lower EBITDA of RM4.5 million for the current financial quarter, compared to the preceding year's corresponding quarter's EBITDA of RM26.4 million.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

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 31/03/2023	Immediate Preceding Quarter 31/12/2022	Changes	
	RM'000	RM'000	RM'000	%
Revenue	128,885	137,037	(8,152)	-6%
Operating Profit/(Loss)	322	(17,209)	17,531	102%
Profit/(Loss) Before Interest and Tax	325	(17,209)	17,534	102%
Loss Before Tax	(602)	(18,307)	17,705	97%
Loss After Tax	(655)	(15,511)	14,856	96%
Loss Attributable to Ordinary Equity Holders of the Parent	(483)	(11,866)	11,383	96%

The Group’s revenue for the current financial quarter is 6% lower, from RM137.0 million in the immediate preceding quarter down to RM128.9 million in the current financial quarter. The reduction in sales revenue was mainly affected by the lower unit-selling-price which run in tandem with the lower market prices. Sales volume contribution from both the Steel Tube and Cold Rolled Coil segments also declined by 9% and 5%, respectively for the current financial quarter.

The consecutive months of HRC prices declined from its peak in March 2022 (in the last financial year) had bottomed out towards early December 2022 (down by 40%), and rebounded over the current quarter until around mid-March 2023 (up by 27%) before cooling-off. Whilst the said steel price-decline-trend (in the 1st half of the current financial year) had resulted in an inventory write-down from the steel segments of RM9.8 million (which contributed to the significant losses) in the immediate-preceding quarter, the price-recovery-trend over current period would have a lagging positive effect on margin-spread. As a result, the Group recorded a modest gross profit of RM8.9 million for the current period compared to a gross loss of RM6.7 million in the immediate preceding period.

Netting operation and interest costs, the Group registered a pre-tax loss of RM0.6 million for the current financial quarter compared with the immediate-preceding quarter’s pre-tax loss of RM18.3 million. After-tax loss of the Group stood at RM0.7 million compared to after-tax loss of RM15.5 million in the immediate-preceding quarter.

The Group recorded a positive EBITDA of RM4.5 million for the current financial quarter compared to the immediate-preceding quarter’s negative EBITDA of RM13.1 million.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

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

B3 Prospects for the next financial year

The Malaysian economy is projected to continue expanding in the remaining quarter, driven by a strong domestic demand. Risks to the domestic growth outlook are relatively balanced. Upside risks mainly emanate from the rebound of China's economy and domestic factors such as implementation of investment projects including those from the re-tabled Budget 2023, while downside risks stem from weaker-than-expected global growth owing to an escalation of geopolitical tensions, higher-than-anticipated inflation outturns and more volatile global financial market conditions.

The promising start to the current third financial quarter for the domestic steel industry (from the rebound in steel prices) began to splutter towards the tail-end with significant headwinds from global disruptions. The remaining fourth financial quarter appears to be heading a rough patch again.

i) *China & Regional Factor*

China's economic rebound from its 'zero-Covid policy' pivot appears losing traction due to rivals' intensified containment/ de-risking measures, and weaker than expected export performance (due to global slowdown). Conversely, its domestic steel consumption/ demand is lagging output – pushing down steel prices with the excesses flooding Southeast Asia region. Similarly, other Asian net-steel producers also intensify export/ dumping push.

ii) *Domestic Front*

Despite the Nation's strong GDP growth post-COVID recovery in the last few quarters, performance has been uneven. Malaysia's manufacturing sector remains weak as reflected in its Manufacturing Purchasing Managers' Index (source: S&P Global) which stood below the 50-pointsmark as an indication of contraction for the 8th consecutive months in April 2023. Domestic steel manufacturers' woe is further compounded by higher cost burden (from heightened operation and borrowing costs, weak Ringgit, and imported inflation on raw materials and capital goods), on-top of having to compete with steel product-dumped from abroad amidst a soft market.

Likewise, for the domestic food trading industry, it is expected to continue remaining soft. Local food traders and distributors are offering lower prices to stay competitive and grow their sales. Also, following the announcement by Bank Negara Malaysia raising the overnight policy rate in mid-May 2023, this may have a sustainable impact on consumer purchasing habits. Consumers would definitely spend less on premium meat and imported food products, and thus near-term prospects for food trading and distribution businesses do not look favorable.

In summary, the prospects for the Group for the balance period remains highly challenging and volatile. Steel prices have already declined by around 20% into mid-4th financial quarter (from its peak in late-March 2023); and this may have lagging-negative impact on performance towards June and July if not averaged-out by price rebound. Whereas, for the food segment, the Group will continue to maintain its dual focus on containing costs throughout its operations and launching dynamic and appealing marketing strategies designed to build business volumes, expand market share, and seize opportunities for revenue growth with the aim to improve the overall performance of the Group.

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 2023

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>31/03/2023</u> RM'000	Preceding year corresponding quarter <u>31/03/2022</u> RM'000	Current year to-date <u>31/03/2023</u> RM'000	Preceding year corresponding period <u>31/03/2022</u> RM'000
Depreciation and amortisation:				
- property, plant and equipment	(3,811)	(3,653)	(11,331)	(10,657)
- right-of-use assets (leasehold lands)	(391)	(363)	(1,173)	(1,089)
- right-of-use assets (rented properties)	(63)	(76)	(269)	(200)
Finance costs on:				
- borrowings	(1,269)	(1,188)	(3,765)	(3,604)
- lease liabilities	(107)	(26)	(195)	(64)
Finance income:				
- interest on deposits with licensed banks	449	381	1,037	1,008
Write back/(impairment) on:				
- property, plant and equipment	3	(3,501)	5	(3,503)
- receivables	-	(849)	93	(686)
Write-down of inventories	(276)	-	(11,105)	-
Inventories write off	-	(489)	(46)	(489)
Fair value gain on financial assets at fair value through profit or loss	994	3	422	12
FX differences gain/(loss)	3,643	(558)	3,793	(54)
FX derivatives (loss)/gain	(3,041)	370	(3,414)	(180)
	=====	=====	=====	=====

B6 Taxation

Taxation comprises:

	Current year quarter <u>31/03/2023</u> RM'000	Preceding year corresponding quarter <u>31/03/2022</u> RM'000	Current year to date <u>31/03/2023</u> RM'000	Preceding year corresponding period <u>31/03/2022</u> RM'000
Current tax expense				
- Current year	(779)	(2,166)	(1,387)	(6,660)
- Over provision in prior year	48	349	48	349
Deferred tax expense				
- Current year	678	(4,001)	2,878	(10,481)
	=====	=====	=====	=====
	(53)	(5,818)	1,539	(16,792)



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

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 March 2023 undertaken by its Steel subsidiaries were as follows:

	<u>RM'000</u>
<u>Short-term borrowings</u>	
Secured	93,614
<u>Long-term borrowings</u>	
Secured	<u>17,161</u>
Total borrowings	<u><u>110,775</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	206,434
Outflows on repayment	(199,480)
<u>Non-cash item</u>	
Plant and equipment acquired via hire purchase arrangement	1,166
Closing balance at 31 March 2023	<u><u>110,775</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 RM13.3 million. Inclusive of that, the Group's absolute gearing ratio as at 31 March 2023 was around 0.22 times.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

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 2023 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	2,615	11,530	20.4	-

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value ‘000		Fair Value RM’000			Notional Value ‘000		Fair Value RM’000	
Maturity	Long USD	Short RM	Financial Assets	Financial Liabilities	Maturity	Short USD	N/A.	Financial Assets	Financial Liabilities
Less than 1 year	11,708	51,720	161.9	277.7	Matching	11,708	N/A.	277.7	161.9

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM3.9 million from its FX Forward Contracts as hedging instruments with corresponding realised net loss of around RM4.1 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 THIRD QUARTER ENDED 31 MARCH 2023

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 RM6.0 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 RM109.5 million as at 31 March 2023.

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 RM20.0 million as at 31 March 2023.

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 March 2023.



QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 MARCH 2023

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 31/03/2023	Preceding year corresponding quarter 31/03/2022	Current year to date 31/03/2023	Preceding year corresponding period 31/03/2022
(Loss)/Profit attributable to owners of the Company (RM'000)	(483)	8,280	(11,710)	30,628
Weighted average number of ordinary shares in issue ('000)	359,418	359,418	359,418	359,418
Basic (loss)/earnings per share (sen)	(0.13)	2.30	(3.26)	8.52

(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
31 May 2023