

INTERIM REPORT ON UNAUDITED CONSOLIDATED RESULTS FOR THE FIRST FINANCIAL QUARTER ENDED 30 JUNE 2022

EXPLANATORY NOTES

1. BASIS OF PREPARATION

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”), MFRS134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Bhd (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 March 2022. These explanatory notes attached to the 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 financial year ended 31 March 2022.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the same accounting policies and methods of computation adopted in the audited financial statements for the financial year ended 31 March 2022, except for the following Amendments to MFRS and Annual Improvements to MFRSs which are applicable to its financial statements:

Effective for financial period beginning on or after 1 January 2022:-

- Amendments to MFRS 3 Reference to the Conceptual Framework
- Amendments to MFRS 116 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to MFRS 137 Onerous Contract – Cost of Fulfilling a Contract
- Annual Improvements to MFRS Standards 2018-2020

The adoption of these Amendments to MFRS and Annual Improvements to MFRSs did not have any impact on the financial statements of the Group.

At the date of authorisation of these interim financial statements, the following Standards and amendments to Standards were issued but not yet effective up to the date of issuance of the Group's financial statements and have not been early adopted by the Group:

Effective for financial period beginning on or after 1 January 2023:-

- Amendments to MFRS 4 Insurance Contracts: Extension of the Temporary Exemption from Applying MFRS 9
- MFRS 17 and Amendments to MFRS17 Insurance Contracts
- Amendments to MFRS 17 Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101 Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 Disclosure of Accounting Policies
- Amendments to MFRS 108 Definition of Accounting Estimates
- Amendments to MFRS 112 Income taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction



Effective Date Deferred Indefinitely:-

- Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above Standards and amendments to Standards when they become effective in the respective financial periods. The above pronouncements are either not relevant or do not have any impact on the financial statements of the Group.

3. AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

There were no audit qualification on the audit report of the preceding reports and financial statements.

4. SEASONALITY OR CYCLICALITY OF INTERIM OPERATIONS

Except for the major festive seasons when activities slow down, the pace of the Company's business generally moves in tandem with the performance of the economy.

5. NATURE AND AMOUNT OF UNUSUAL ITEMS

There were no items of unusual nature, size or incidence which affect the assets, liabilities, equity, net income or cash flows during the current quarter under review.

6. NATURE AND AMOUNT OF CHANGES IN ESTIMATES

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

7. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayments of debts and equity securities during the current quarter under review.

8. DIVIDEND PAID

There were no dividends paid during the financial period-to-date.



9. SEGMENTAL INFORMATION

For management purposes, the Group is organised into three reportable operating segments, which comprise the following:

- (a) **Trading & Services**
Trading and marketing of steel products and all types of construction materials and warehousing and storage services.
- (b) **Manufacturing**
Manufacturing and trading of steel purlin, structural steel components and other steel products.
- (c) **Others**
Investment holding and dormant.

9.1 Business Segments

The segment revenue, segment results and segment assets for the financial year ending 31 March 2023 were as follows:

	Trading & Services RM'000	Manufacturing RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
REVENUE					
External sales	341,687	9,690	794	-	352,171
Inter-company transactions	61,327	3,120	-	(64,447)	-
Total Sales	403,014	12,810	794	(64,447)	352,171
RESULTS					
Segment results	36,216	1,346	733	-	38,295
Finance cost	(3,806)	(69)	(143)	-	(4,018)
Interest income	172	1	-	-	173
Share of result in associated company	-	-	(23)	-	(23)
Taxation	(8,902)	(474)	(131)	-	(9,507)
Profit for the period	23,680	804	436	-	24,920
ASSETS					
	1,223,436	41,227	101,719	(279,132)	1,087,250
LIABILITIES					
	872,211	17,486	39,746	(279,227)	650,216



9.2 Geographical Segments

	3 months ended 30.06.2022 RM'000
External Sales	
Malaysia	189,862
APEC countries	158,362
Other countries	3,947
	<u>352,171</u>

10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE PERIOD

There has not arisen in the interval between the end of the current quarter under review and the date of this report, any item, transaction or event of a material and unusual nature likely in the opinion of the Board of Directors, to affect substantially the results of the operations of the Group for the current quarter.

11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter under review and financial period to-date.

12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no material changes in contingent liabilities or contingent assets since the last reports and financial statements.

13. CAPITAL COMMITMENTS

The capital commitments as at 30 June 2022 were as follows:

Commitments in respect of capital expenditure	RM'000
(a) Contracted but not provided for	4,779
(b) Approved but not contracted for	47,116

14. COMMENTARY ON FINANCIAL PERFORMANCE

	Individual Period (1st Quarter)			
	Current Quarter	Preceding Year Corresponding Quarter	Changes	
	30.06.2022 RM'000	30.06.2021 RM'000	RM'000	%
Revenue	352,171	263,199	88,972	33.80%
Operating Profit	38,306	49,073	(10,767)	-21.94%
Profit Before Interest and Tax	38,272	49,101	(10,829)	-22.05%
Profit Before Tax	34,427	46,713	(12,286)	-26.30%
Profit After Tax	24,920	38,150	(13,230)	-34.68%
Profit Attributable to Ordinary Equity Holders of the Parent	21,941	32,354	(10,413)	-32.18%

For the first quarter ended 30 June 2022, the Group registered revenue of RM352.171 million, an increase of RM88.972 million or 33.80% as compared to the revenue of RM263.199 million for the corresponding quarter of the preceding year. The higher revenue was mainly attributable to higher revenue in both Trading & Services and Manufacturing division.

The Group operating profit decreased by RM10.767 million to operating profit of RM38.306 million in the current quarter as compared to the operating profit of RM49.073 million for the corresponding quarter of the preceding year. The Group registered a profit before tax ("PBT") of RM34.427 million for the current quarter, a decrease in PBT of RM12.286 million as compared to PBT of RM46.713 million in the corresponding quarter of the preceding year. The decrease in operating profit and PBT mainly due to higher cost of goods sold, impairment loss on inventories and interest expense despite higher revenue in the current quarter.

Trading & Services division's revenue increased by RM87.602 million to RM341.687 million for the current quarter compared to RM254.085 million for the corresponding quarter of the preceding year. The segment PBT decreased by RM13.116 million to RM32.582 million for the current quarter as compared to segment PBT of RM45.698 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to the higher average selling price of steel products. However, the lower segment PBT during the current quarter was mainly due to higher cost of goods sold, as well as higher impairment loss on inventories and interest expenses.

Manufacturing division's revenue increased by RM1.372 million to RM9.690 million for the current quarter compared to RM8.318 million for the corresponding quarter of the preceding year. The segment PBT increased by RM0.555 million to PBT of RM1.278 million for the current quarter as compared to PBT of RM0.723 million for the corresponding quarter of the preceding year. The higher segment revenue was mainly attributable to higher sales volume coupled with higher average selling prices of manufactured products. The higher segment PBT during the current quarter was mainly due to higher sales volume and average selling price despite higher average cost of sales due to higher raw material prices and impairment loss on inventories.

15. VARIATION OF RESULTS AGAINST PRECEDING QUARTER

	Current Quarter	Immediate Preceding Quarter	Changes	
	30.06.2022	31.03.2022	RM'000	%
	RM'000	RM'000		
Revenue	352,171	392,523	(40,352)	-10.28%
Operating Profit	38,306	36,948	1,358	3.68%
Profit Before Interest and Tax	38,272	37,006	1,266	3.42%
Profit Before Tax	34,427	33,982	445	1.31%
Profit After Tax	24,920	25,340	(420)	-1.66%
Profit Attributable to Ordinary Equity	21,941	23,481	(1,540)	-6.56%

The Group registered revenue of RM352.171 million in the current quarter which was RM40.352 million or 10.28% lower than the revenue of RM392.523 million for the immediate preceding quarter. The lower revenue was mainly attributable to lower sales volume of steel products in the current quarter in both Trading & Services and Manufacturing division.

The Group operating profit increase by RM1.358 million to operating profit of RM38.306 million in the current quarter as compared to operating profit of RM36.948 million for the immediate preceding quarter. The PBT of the Group registered an increase by RM0.445 million to RM34.427 million in the current quarter compared to PBT of RM33.982 million for the immediate preceding quarter. The higher operating profit and PBT were mainly attributable to higher average selling price despite higher impairment loss on inventories and interest expenses during the current quarter under review.

Trading & Services division's revenue decreased by RM36.997 million to RM341.687 million for the current quarter compared to RM378.684 million for the immediate preceding quarter. The segment PBT increased by RM0.961 million to RM32.582 million in the current quarter as compared to segment PBT of RM31.621 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to the lower sales volume despite higher average selling prices of steel products. The higher segment PBT was mainly attributable to lower cost of goods sold despite higher impairment loss on inventories and interest expenses during the current quarter under review.

Manufacturing division's revenue decreased by RM3.353 million to RM9.690 million for the current quarter compared to RM13.043 million for the immediate preceding quarter. The segment PBT decreased by RM0.487 million to PBT of RM1.278 million for the current quarter as compared to segment PBT of RM1.765 million for the immediate preceding quarter. The lower segment revenue was mainly attributable to lower sales volume of manufactured products. The lower segment PBT was due to incorporation of impairment loss on inventories during the current quarter under review.



16. PROSPECTS

The expectation of a continuous stable economic recovery from the pandemic in this year and beyond has been shaken by the war in Ukraine and rising inflation. Although China lockdowns are easing gradually, its construction activities are slow to resume, and manufacturing companies are hesitating to reopen due to fear of new infections. With China being the largest steel consumption nation in the world, this has created much pressure on the world steel demand and prices. In order to recover economically, the Chinese government has committed to stimulate its economy and easing its monetary policy, which are expected to have a positive impact on steel demand in the later part of 2022.

Malaysia is on track to achieve a GDP growth of 5.3 percent to 6.3 percent in 2022 and the unemployment rate is showing a declining trend for 14 consecutive months. As for Singapore, the economy grew by 4.4 percent in the second quarter of 2022, faster than the 3.8 percent recorded in first quarter of 2022. However, going forward, the region's economic outlook remains challenging with stronger than expected inflationary pressures, aggressive tightening of monetary policy by increasing interest rates, volatility of foreign currency exchange rates, supply chain disruptions and geopolitical conflicts. In addition, the fear of recession in the United States also makes the global outlook even bleaker.

The Board is of the view that the financial year ending 31 March 2023 remains challenging amidst the competitive environment. Whilst mindful of the current headwinds, the Group will continue to remain agile in responding to the challenging business environment and maintain its strategy to focus on servicing the customers by providing total solutions in quality products and services, and to emphasise on cost management and efficiency improvement to deliver sustainable growth.

17. VARIANCE OF ACTUAL PROFIT FROM FORECAST PROFIT

The Group did not issue any profit forecast or profit guarantee for the financial year ending 31 March 2023.

18. TAXATION

The tax figures comprise of:

	3 months ended
	30.06.22
	RM'000
Income tax	
- Current year taxation	9,507
- Prior year taxation	-
Deferred tax	-
	<u>9,507</u>

The Group's effective tax rate for the current quarter was higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes.

19. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at the latest practical date from the issuance of this report.

20. BORROWINGS

The Group's borrowings as at 30 June 2022 are as follows:

	As At End of Current Quarter 30.06.2022 RM'000	As At End of Immediate Preceding Quarter 31.03.2022 RM'000
<u>Short Term borrowings</u>		
Secured	417,934	403,622
<u>Long Term borrowings</u>		
Secured	36,875	37,569
Total borrowings	454,809	441,191

The Group's borrowings increased by RM13.618 million as at the current quarter to RM454.809 million compared with the immediate preceding quarter of RM441.191 million mainly due to higher repayment to trade payables during the current quarter under review.

The Group's borrowings are denominated in Ringgit Malaysia.

21. FINANCIAL DERIVATIVE INSTRUMENTS

Forward foreign exchange contracts are used to hedge foreign exchange risks associated with some of the transactions' exposure. As at end of the current quarter under review, the outstanding forward foreign currency exchange contracts are as follows:

Type of Derivatives	Contract/Notional Value (RM'000)	Fair Value (RM'000)
Forward currency contracts	85,653	86,804

The fair value changes have been recognised in the financial statements.

22. MATERIAL LITIGATION

There was no material litigation for the quarter under review.



23. DIVIDEND

The Board of Directors does not recommend any dividend in respect of the financial quarter ended 30 June 2022.

24. EARNINGS PER SHARE

Basic earnings per ordinary share

Basic earnings per share is calculated by dividing the profit attributable to owners of the parent for the period by the number of weighted average number of ordinary shares of the Company in issue for the respective period as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
Profit attributable to owners of the parent (RM'000)	21,941	32,354	21,941	32,354
Number of ordinary shares in issue ('000)	418,459	380,418	418,459	380,418
Earnings per share (sen)				
- Basic	5.24	8.50	5.24	8.50
- Diluted	N/A	N/A	N/A	N/A

Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current quarter/period-to-date as there are no potential ordinary shares to be issued.



25. INCLUDED IN THE TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ARE THE FOLLOWINGS:

	3 months ended 30.06.2022 RM'000	Cumulative 3 months ended 30.06.2022 RM'000
Interest Income	173	173
Other Income including Investment Income	632	632
Interest Expenses	4,018	4,018
Depreciation & Amortisation	1,031	1,031
Provision for/Write off of Receivables	(262)	(262)
Provision for/Write off of Inventories	6,793	6,793
Gain/(Loss) on Disposal of Quoted and Unquoted Investment or Properties	-	-
Impairment of Assets	-	-
Gain/(Loss) on Foreign Exchange		
- Realised	2,408	2,408
- Unrealised	(894)	(894)
Gain/(Loss) on Derivatives	-	-
Impairment of Goodwill	-	-

26. AUTHORISATION FOR ISSUE

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 23 August 2022.

By Order of the Board
Leong Oi Wah (MAICSA 7023802)
SSM Practising Certificate No. 201908000717
Company Secretary
23 August 2022
Selangor Darul Ehsan