

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
(Incorporated in Malaysia)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for first quarter ended 31 October 2023

| | Individual Quarter Current Year Quarter | Preceding Year Corresponding Quarter | Cumulative Quarter Current Year To-date | Preceding Year Corresponding Period |
|--|--|--|--|---|
| | 31/10/2023 | 31/10/2022 | 31/10/2023 | 31/10/2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 407,506 | 397,828 | 407,506 | 397,828 |
| Cost of Sales | (387,108) | (434,931) | (387,108) | (434,931) |
| Gross Profit/(Loss) | <u>20,398</u> | <u>(37,103)</u> | <u>20,398</u> | <u>(37,103)</u> |
| Other Income | 5,095 | 2,904 | 5,095 | 2,904 |
| Operating Expenses | (12,207) | (10,861) | (12,207) | (10,861) |
| Profit/(Loss) from Operations | <u>13,286</u> | <u>(45,060)</u> | <u>13,286</u> | <u>(45,060)</u> |
| Finance Costs | (5,386) | (4,960) | (5,386) | (4,960) |
| Finance Income | 502 | 711 | 502 | 711 |
| Share of (loss)/profit of equity-accounted investees, net of tax | (16,606) | 1,311 | (16,606) | 1,311 |
| Loss Before Tax | <u>(8,204)</u> | <u>(47,998)</u> | <u>(8,204)</u> | <u>(47,998)</u> |
| Tax expense | (1,192) | (799) | (1,192) | (799) |
| Loss for the Period | <u>(9,396)</u> | <u>(48,797)</u> | <u>(9,396)</u> | <u>(48,797)</u> |
| Other Comprehensive (Loss)/Income | | | | |
| Fair value (loss)/profit on other investments | (443) | 11 | (443) | 11 |
| Foreign currency translation differences for foreign operations | 10 | 51 | 10 | 51 |
| | <u>(433)</u> | <u>62</u> | <u>(433)</u> | <u>62</u> |
| Total Comprehensive Loss | <u>(9,829)</u> | <u>(48,735)</u> | <u>(9,829)</u> | <u>(48,735)</u> |
| Loss/(Profit) Attributable to: | | | | |
| Owners of the parent | (9,432) | (49,140) | (9,432) | (49,140) |
| Non-Controlling Interests | 36 | 343 | 36 | 343 |
| | <u>(9,396)</u> | <u>(48,797)</u> | <u>(9,396)</u> | <u>(48,797)</u> |
| Total Comprehensive (Loss)/Income Attributable to: | | | | |
| Owners of the parent | (9,865) | (49,078) | (9,865) | (49,078) |
| Non-Controlling Interests | 36 | 343 | 36 | 343 |
| | <u>(9,829)</u> | <u>(48,735)</u> | <u>(9,829)</u> | <u>(48,735)</u> |
| Loss Per Share (EPS) | | | | |
| (a) Basic (sen) | (0.54) | (2.82) | (0.54) | (2.82) |
| (b) Diluted (sen) | NA | NA | NA | NA |

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2023 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position as at 31 October 2023

| | 31/10/2023 (Unaudited) | 31/07/2023 (Audited) |
|--|---|---------------------------------------|
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 294,566 | 280,153 |
| Right-of-use assets | 3,933 | 4,160 |
| Investment properties | 10,584 | 10,655 |
| Investment in joint venture | 577,745 | 594,352 |
| Other investments | 4,782 | 996 |
| Deferred tax assets | 4,740 | 4,740 |
| Other Receivables | 31,598 | 41,635 |
| | <u>927,948</u> | <u>936,691</u> |
| Current assets | | |
| Inventories | 499,497 | 444,106 |
| Trade and other receivables | 366,245 | 358,865 |
| Derivative financial assets | 399 | 420 |
| Current tax assets | 10,973 | 14,367 |
| Other investments | 3,673 | 3,644 |
| Cash and cash equivalents | 98,571 | 134,315 |
| | <u>979,358</u> | <u>955,717</u> |
| Total assets | <u>1,907,306</u> | <u>1,892,408</u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 872,654 | 872,654 |
| Treasury shares | (7,499) | (7,499) |
| Translation reserves | (306) | (316) |
| Fair value reserves | (2,057) | (1,614) |
| Retained earnings | 413,614 | 423,046 |
| | <u>1,276,406</u> | <u>1,286,271</u> |
| Non-Controlling Interests | (223) | (259) |
| Total equity | <u>1,276,183</u> | <u>1,286,012</u> |
| Non-current liabilities | | |
| Lease liabilities | 3,144 | 3,366 |
| Deferred tax liabilities | 9,749 | 9,914 |
| | <u>12,893</u> | <u>13,280</u> |
| Current liabilities | | |
| Loans and borrowings | 572,079 | 539,076 |
| Trade and other payables | 44,405 | 48,810 |
| Lease liabilities | 880 | 873 |
| Derivative liabilities | 399 | 2,506 |
| Contract liabilities | - | 1,307 |
| Current tax payable | 467 | 544 |
| | <u>618,230</u> | <u>593,116</u> |
| Total liabilities | <u>631,123</u> | <u>606,396</u> |
| Total equity and liabilities | <u>1,907,306</u> | <u>1,892,408</u> |
| Net assets per share attributable to owners of the parent (RM) | 0.73 | 0.74 |

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2023 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
(Incorporated in Malaysia)

Condensed Consolidated Statements of Cash Flows for the period ended 31 October 2023

| | Current Year To-date 31/10/2023 RM'000 | Preceding Year Corresponding Period 31/10/2022 RM'000 |
|--|---|--|
| <u>Operating Activities</u> | | |
| Loss Before Tax | (8,204) | (47,998) |
| Adjustments for: | | |
| Depreciation of investment properties | 70 | 64 |
| Depreciation of property, plant and equipment | 4,410 | 3,162 |
| Depreciation of right-of-use assets | 227 | 227 |
| Fair value gain on foreign exchange derivative | (2,086) | - |
| Finance income: | | |
| Other investments | (30) | (76) |
| Deposits with licensed banks | (472) | (635) |
| Gain on disposal of property, plant and equipment | (788) | (818) |
| Finance costs | 5,386 | 4,960 |
| Net overdue interest income | (347) | (339) |
| Net unrealised foreign exchange gain | (838) | (1,003) |
| Property, plant and equipment written off | 27 | 29 |
| (Reversal)/Write-down of inventories to net realisable value | (1,630) | 27,442 |
| Share of loss/(profit) of equity-accounted joint venture, net of tax | 16,606 | (1,311) |
| Operating profit/(loss) before changes in working capital | 12,331 | (16,296) |
| Net changes in inventory | (53,747) | 172,126 |
| Net changes in trade and other receivables | 3,410 | (22,921) |
| Net changes in trade and other payables | (5,731) | (46,870) |
| Cash (used in)/generated from operations | (43,737) | 86,039 |
| Interest paid | (5,353) | (4,920) |
| Net overdue interest income | 347 | 339 |
| Net income tax refund/(paid) | 1,960 | (10,673) |
| Net cash (used in)/generated from operating activities | (46,783) | 70,785 |
| <u>Investing Activities</u> | | |
| Finance income: | | |
| Other investments | 30 | 76 |
| Deposits with licensed banks | 472 | 635 |
| Increase in other investments | (4,258) | (109) |
| Proceeds from disposal of property, plant and equipment | 2,142 | 1,139 |
| Purchase of property, plant and equipment | (20,218) | (4,755) |
| Net cash used in investing activities | (21,832) | (3,014) |
| <u>Financing Activities</u> | | |
| Payment of lease liabilities | (248) | (248) |
| Drawdown/(Repayment) of borrowings (net) | 33,003 | (75,935) |
| Net cash generated from/(used in) financing activities | 32,755 | (76,183) |
| Net Decrease in Cash and Cash Equivalents | (35,860) | (8,412) |
| Effect of exchange rate changes | 116 | 897 |
| Cash and Cash Equivalents at beginning of period | 134,315 | 150,061 |
| Cash and Cash Equivalents at end of period | 98,571 | 142,546 |

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2023 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
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Condensed Consolidated Statements of Changes in Equity for the period ended 31 October 2023

| | -----> Attributable to equity holders of the parent <-----> | | | | | | | |
|---|---|------------------------------|-----------------------------------|----------------------------------|--------------------------------|------------------|--|---------------------------|
| | -----> Non-distributable <-----> | | | <-----> Distributable <-----> | | | | |
| | Share Capital RM'000 | Treasury Shares RM'000 | Translation Reserves RM'000 | Fair Value Reserves RM'000 | Retained Earnings RM'000 | Total RM'000 | Non- controlling Interests RM'000 | Total Equity RM'000 |
| As at end of current quarter ended 31 October 2023 | | | | | | | | |
| Opening balance as at 1 August 2023 | 872,654 | (7,499) | (316) | (1,614) | 423,046 | 1,286,271 | (259) | 1,286,012 |
| Total comprehensive income | - | - | 10 | (443) | (9,432) | (9,865) | 36 | (9,829) |
| Closing balance as at 31 October 2023 | 872,654 | (7,499) | (306) | (2,057) | 413,614 | 1,276,406 | (223) | 1,276,183 |
| As at preceding year corresponding quarter ended 31 October 2022 | | | | | | | | |
| Opening balance as at 1 August 2022 | 872,654 | (7,499) | (326) | (1,832) | 409,557 | 1,272,554 | (443) | 1,272,111 |
| Total comprehensive income/(loss) | - | - | 51 | 11 | (49,140) | (49,078) | 343 | (48,735) |
| Closing balance as at 31 October 2022 | 872,654 | (7,499) | (275) | (1,821) | 360,417 | 1,223,476 | (100) | 1,223,376 |

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2023 and the accompanying explanatory notes attached to the statements.

Explanatory Notes on the Quarterly Report – First Quarter ended 31 October 2023

PART A : EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

1. Basis of preparation

These interim financial statements are unaudited and have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 July 2023. 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 July 2023.

2. Significant Accounting Policies

This interim financial report has been prepared based on accounting policies and methods of computation which are consistent with those adopted in the annual audited financial statements for the year ended 31 July 2023.

The Group has not adopted the following standards, interpretations and amendments that have been issued but not yet effective:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Lease – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

2. Significant Accounting Policies (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group plans to apply the abovementioned accounting standards, interpretations and amendments:

- from the annual period beginning on 1 August 2024 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2024.
- from the annual period beginning on 1 August 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the Group.

3. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2023.

4. Seasonal or cyclical factors

The Group's business operations are not materially affected by any major seasonal factors except during Hari Raya and Chinese New Year festive seasons where business activities generally slow down.

5. Material unusual items

There were no items of an unusual nature or amount affecting assets, liabilities, equity, net income or cash flows during the quarter.

6. Material changes in estimates

There were no material changes in estimates of amount reported in prior interim period that have material impact in the current quarter under review.

7. Issuances, cancellation, repurchase, resale and repayment of debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review. As at quarter ended 31 October 2023, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

No dividend was paid during the quarter under review.

9. Segment information

The Group's activities are identified into the following business segments:

| 3 months ended 31 October 2023 | | | | | | | | |
|--------------------------------|----------------|----------------|--------------|------------|--------------|--------------|-----------------|----------------|
| | Trading | Manufac- | Property | Transport- | Mining | Selling of | Others/ | Group |
| | RM'000 | turing | and | ation | explor- | Electricity | Elimination | RM'000 |
| | | RM'000 | Investment | RM'000 | ation | RM'000 | RM'000 | RM'000 |
| | | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| SALES | | | | | | | | |
| - External sales | 247,652 | 155,007 | - | 26 | 1,116 | 3,705 | - | 407,506 |
| - Intersegment sales | - | 8,077 | 6,705 | 657 | - | - | (15,439) | - |
| Total sales | 247,652 | 163,084 | 6,705 | 683 | 1,116 | 3,705 | (15,439) | 407,506 |
| RESULTS | | | | | | | | |
| Finance income | 208 | 254 | 28 | 12 | - | - | - | 502 |
| Finance costs | 3,712 | 1,641 | 33 | - | - | - | - | 5,386 |
| Depreciation & amortisation | 145 | 3,266 | 843 | 50 | 369 | 34 | - | 4,707 |
| Share of loss of joint venture | - | - | - | - | - | - | (16,606) | (16,606) |
| Segment profit / (loss) | 979 | 4,440 | 1,909 | 1 | 725 | 348 | (16,606) | (8,204) |

| 3 months ended 31 October 2022 | | | | | | | | |
|----------------------------------|----------------|----------------|--------------|------------|--------------|--------------|-----------------|----------------|
| | Trading | Manufac- | Property | Transport- | Mining | Selling of | Others/ | Group |
| | RM'000 | turing | and | ation | explor- | Electricity | Elimination | RM'000 |
| | | RM'000 | Investment | RM'000 | ation | RM'000 | RM'000 | RM'000 |
| | | | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| SALES | | | | | | | | |
| - External sales | 244,875 | 147,075 | - | 23 | 1,026 | 4,829 | - | 397,828 |
| - Intersegment sales | - | 3,334 | 7,560 | 519 | - | - | (11,413) | - |
| Total sales | 244,875 | 150,409 | 7,560 | 542 | 1,026 | 4,829 | (11,413) | 397,828 |
| RESULTS | | | | | | | | |
| Finance income | 243 | 389 | 70 | 9 | - | - | - | 711 |
| Finance costs | 2,977 | 1,943 | 40 | - | - | - | - | 4,960 |
| Depreciation & amortisation | 201 | 1,981 | 828 | 94 | 349 | - | - | 3,453 |
| Share of profit of joint venture | - | - | - | - | - | - | 1,311 | 1,311 |
| Segment (loss) / profit | (9,754) | (43,737) | 3,210 | (47) | 536 | 483 | 1,311 | (47,998) |

10. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendments from the previous annual report.

11. Significant events

There were no material events subsequent to the end of the interim period up to the date of this report except for the Company entering into a Share Subscription Agreement (“SSA”) as announced on 6 December 2023 as follows: -

The Group’s Joint Venture Entity, Eastern Steel Sdn. Bhd. (“ESSB”) has proposed a Rights Issue which entails the issuance and allotment of 200,000,000 new ordinary shares at RM0.975 each for a total consideration of RM195,000,000 to be proportionately subscribed by the existing shareholders of ESSB, namely: Shanxi Jianlong Industry Company Limited (“Shanxi Jianlong”); Hiap Teck Venture Berhad (“HTVB”); and Chinaco Investment Pte. Ltd. (“Chinaco”).

Shanxi Jianlong has designated its sister company, Jianlong Holdings Sdn. Bhd. (“JHSB”) for its entitlement to the proposed Rights Issue of ESSB. JHSB is a 100%-owned indirect subsidiary company of Beijing Jianlong Heavy Industry Group Co. Ltd (“Beijing Jianlong”), the ultimate holding company of the Jianlong Group.

The subscription to ESSB’s Rights Issue is as follows:

| | Shareholders | Subscription (RM) | Subscription (%) |
|----|-----------------|----------------------|---------------------|
| 1a | Shanxi Jianlong | - | - |
| 1b | JHSB | 134,160,000 | 68.8 |
| 2 | HTVB | 53,235,000 | 27.3 |
| 3 | Chinaco | 7,605,000 | 3.9 |
| | TOTAL | 195,000,000 | 100.0 |

The change in the shareholdings of ESSB before and after the subscription is as set out in the table below:

| | Shareholders | Shareholdings BEFORE Share Subscription (No. of Shares) | (%) | Share Subscription (No. of Shares) | Shareholdings AFTER Share Subscription (No. of Shares) | (%) |
|----|-----------------|--|--------------|---|---|--------------------|
| 1a | Shanxi Jianlong | 1,588,000,000 | 68.8 | - | 1,588,000,000 | 63.3 |
| 1b | JHSB | - | - | 137,600,000 | <u>137,600,000</u> 1,725,600,000 | <u>5.5</u> 68.8 |
| 2 | HTVB | 630,000,000 | 27.3 | 54,600,000 | 684,600,000 | 27.3 |
| 3 | Chinaco | 90,000,000 | 3.9 | 7,800,000 | 97,800,000 | 3.9 |
| | Total | 2,308,000,000 | 100.0 | 200,000,000 | 2,508,000,000 | 100.0 |

11. Significant events (Cont'd)

Upon completion of the Rights Issue, ESSB's issued and fully paid-up share capital will be increased as follows:

| | No. of ESSB Shares million | RM million |
|--|---|-------------------|
| Existing issued and paid-up share capital as at 31 July 2023 | 2,308.0 | 2,078.6 |
| To be issued pursuant to the Rights Issue | 200.0 | 195.0 |
| Enlarged issued and paid-up share capital | <u>2,508.0</u> | <u>2,273.6</u> |

The rationale for the Rights Issue is to strengthen ESSB's capital base and the gross proceeds of RM195,000,000 will be utilised for capital expenditure, including the 1450 mm Hot Rolling Mill and working capital requirements.

12. Changes in the composition of the Group

There were no significant changes in the composition of the Group as at the date of this report, except for the following:

On 16 November 2023, the Group's wholly-owned subsidiary, Alpine Pipe Manufacturing Sdn. Bhd., had incorporated a 100% equity interest owned subsidiary, APM Resources Sdn. Bhd.. The objective of this new company is investment holding, general trading and business of general merchants, importers and exporters.

13. Changes in contingent liabilities and assets

The Group has no contingent liabilities and assets as at 31 October 2023.

14. Capital commitments

The amount of commitments not provided for in the interim financial reports as at 31 October 2023 is as follows:

| | RM'000 |
|-------------------------------------|---------------|
| Property, plant and equipment | |
| - Authorised and contracted for | 49,300 |
| - Authorised but not contracted for | 5,000 |
| | <u>54,300</u> |

15. Related party transactions

Related party transactions for the quarter under review in which certain Directors have direct/indirect interest are as follows:

| | Group | |
|--|---------------------------------|----------------------------------|
| | Current year quarter | Current year-to- date |
| | 31.10.2023 | 31.10.2023 |
| | RM'000 | RM'000 |
| Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd. | 141,949 | 141,949 |
| Rent of office space by Hiap Teck Venture Berhad from Pedoman Cekap Sdn. Bhd. | 249 | 249 |
| | | |

These transactions have been entered into in the normal course of business and at arm's length basis and on terms no more favorable to the related party than those generally available to the public and are not detrimental to minority shareholders.

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

16. Review of performance

Table 1: Financial review for current quarter and financial year to date for the quarter ended 31 October 2023.

| | Individual Quarter | | Changes | | Cumulative Quarter | | Changes | |
|---|--------------------|-----------------------|----------|--------|--------------------|----------------------|----------|--------|
| | Current Year | Preceding Year | Amount | % | Current Year | Preceding Year | Amount | % |
| | Quarter | Corresponding Quarter | | | To-date | Corresponding Period | | |
| | 31/10/2023 | 31/10/2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 407,506 | 397,828 | 9,678 | 2% | 407,506 | 397,828 | 9,678 | 2% |
| Gross profit / (loss) | 20,398 | (37,103) | 57,501 | 155% | 20,398 | (37,103) | 57,501 | 155% |
| Profit / (loss) from operations | 13,286 | (45,060) | 58,346 | 129% | 13,286 | (45,060) | 58,346 | 129% |
| Share of (loss) / profit of equity-accounted investees, net of tax | (16,606) | 1,311 | (17,917) | -1367% | (16,606) | 1,311 | (17,917) | -1367% |
| Loss before tax | (8,204) | (47,998) | 39,794 | 83% | (8,204) | (47,998) | 39,794 | 83% |
| Loss for the period | (9,396) | (48,797) | 39,401 | 81% | (9,396) | (48,797) | 39,401 | 81% |
| Loss / (Profit) attributable to: | | | | | | | | |
| Owners of the parent | (9,432) | (49,140) | 39,708 | 81% | (9,432) | (49,140) | 39,708 | 81% |
| Non-controlling interests | 36 | 343 | (307) | -90% | 36 | 343 | (307) | -90% |
| | (9,396) | (48,797) | 39,401 | 81% | (9,396) | (48,797) | 39,401 | 81% |

In the current quarter under review, the Group reported revenue of RM407.506 million, 2% up from RM397.828 million in the corresponding quarter of the previous year, driven by higher sales volume despite lower average selling price.

The Trading division's revenue was relatively flat at RM247.652 million compared to RM244.875 million in the same quarter last year. Conversely, the Manufacturing division reported a notable 8.4% increase in revenue, reaching RM163.085 million compared to RM150.410 million in the preceding year's corresponding quarter.

On a year-on-year basis, the Group achieved a significant turnaround in its profit from operations for the current quarter, posting RM13.286 million. This marks a substantial improvement compared to the loss of RM45.060 million in the same quarter last year, which had included a Write-down of Inventories to Net Realisable Value of RM27.442 million.

The Group incurred a lower loss before tax ("LBT") of RM8.204 million in the current quarter compared to the LBT of RM47.998 million in the preceding year's corresponding quarter. The LBT in the current quarter was attributed to a share of loss from the Joint Venture ("JV") entity amounting to RM16.606 million which offset the positive contributions from the Group's downstream operating subsidiaries.

The JV entity continued to demonstrate strong operational performance, generating a commendable operating profit of approximately RM59.978 million in the quarter under review. However, the overall financial result was offset by substantial foreign exchange translation losses due to unfavourable foreign exchange movements, leading to a net loss for the quarter.

17. Comparison with immediate preceding quarter's results

Table 2: Financial review for current quarter compared with immediate preceding quarter.

| | Individual Quarter | | Changes | |
|---|------------------------------------|---|----------|-------|
| | Current Year Quarter 31/10/2023 | Immediate Preceding Quarter 31/07/2023 | Amount | % |
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 407,506 | 453,792 | (46,286) | -10% |
| Gross profit | 20,398 | 41,386 | (20,988) | -51% |
| Profit from operations | 13,286 | 25,656 | (12,370) | -48% |
| Share of (loss)/profit of equity-accounted investees, net of tax | (16,606) | 17,138 | (33,744) | -197% |
| (Loss)/Profit before tax | (8,204) | 36,762 | (44,966) | -122% |
| (Loss)/Profit for the period | (9,396) | 42,037 | (51,433) | -122% |
| (Loss)/Profit attributable to: | | | | |
| Owners of the parent | (9,432) | 42,603 | (52,035) | -122% |
| Non-controlling interests | 36 | (566) | 602 | 106% |
| | (9,396) | 42,037 | (51,433) | -122% |

In the current quarter, the Group's revenue declined 10% to RM407.506 million, compared to the immediate preceding quarter's RM453.792 million. This reduction was attributed to lower sales volumes due to sluggish market demand for steel products.

The Group's profit from operations decreased to RM13.286 million in the current quarter, from from RM25.656 million in the immediate preceding quarter on account of lower revenue and lower margin.

Overall, the Group reported a loss before tax of RM8.204 million for the current quarter, in contrast to the profit before tax of RM36.762 million in the immediate preceding quarter. The significant shift was due to a share of loss from a JV entity, totaling RM16.606 million, as opposed to a share of profit of RM17.138 million in the immediate preceding quarter. This share of loss was a consequence of adverse foreign exchange translation impacts during the current quarter.

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18. Prospects

The World Steel Association's October 2023 Short Range Outlook (SRO) predicted a positive trajectory in global steel demand, with a 1.8% rebound in 2023 and a projected 1.9% growth in 2024, primarily driven by increased activity in the manufacturing sector. However, potential moderation is expected due to persistently high interest rates, and a slowdown in China is anticipated.

The Malaysian Iron and Steel Industry Federation (MISIF) forecasts a gradual recovery in domestic steel demand in Malaysia throughout 2023, with Apparent Steel Consumption (ASC) projected to grow by 4.1% each in 2023 and 2024. Malaysia has implemented a two-year moratorium on steel investments starting from 15 August 2023 to address challenges in the local iron and steel industry, aligning with the New Industrial Master Plan 2030 (NIMP 2030).

In Q3 2023, the Malaysian economy expanded by 3.3%, driven by robust domestic demand, increased employment and wages. Despite challenges in the manufacturing sector, the economy is projected to grow around 4% in 2023 and 4-5% in 2024, propelled by domestic demand, infrastructure projects, and Budget 2024 measures with potential risks from external demand fluctuations and commodity production declines.

The Group acknowledges the anticipated economic trends and potential future prospects while exercising caution regarding the current business landscape, including fluctuations in steel prices, uncertainties in financial markets, and geopolitical tensions. Management will persist in implementing prudent procurement strategies and effective inventory management to enhance financial performance and maintain a robust balance sheet, ensuring vigilance and adept navigation during challenging periods.

The successful commissioning of the new 2.0 million MT blast furnace in August 2023, followed by initial production in October 2023, has elevated the JV entity's steel production capacity from 0.70 million MT to 2.7 million MT annually. This capacity expansion, coupled with the ongoing development of auxiliary facilities, is poised to generate a substantial increase in the JV entity's revenue, accompanied by notable cost savings derived from greater economies of scale. The recent capital injection, announced on 6 December 2023, aimed at strengthening the JV entity's capital base, will be deployed for capital expenditure, including the construction of a 1450 mm Hot Rolling Mill, and meeting working capital requirements. Barring unforeseen circumstances, the Group anticipates significant future contributions and positive outcomes from the JV.

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19. Variance of actual and forecast profit

Not applicable.

20. Tax

| | Individual Quarter | | Cumulative Quarter | |
|----------------|----------------------|--------------------------------------|----------------------|-------------------------------------|
| | Current year quarter | Preceding Year Corresponding Quarter | Current year-to-date | Preceding Year Corresponding Period |
| | 31.10.2023 | 31.10.2022 | 31.10.2023 | 31.10.2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax | | | | |
| - current year | 1,778 | 822 | 1,778 | 822 |
| - prior year | (421) | - | (421) | - |
| Deferred tax | | | | |
| - current year | 1,192 | (23) | (24) | (23) |
| - prior year | - | - | (140) | - |
| | 2,549 | 799 | 1,192 | 799 |

The Group's effective tax rate for the current year-to-date was lower than the statutory income tax rate after excluding the share of loss of the joint venture due to reversal of prior years' tax over-provided.

21. Status of corporate proposal

There was no corporate proposal as at the date of this announcement.

22. Loans and borrowings

The Group's borrowings are as follows:

| | As at 31.10.2023 RM'000 | As at 31.07.2023 RM'000 |
|--------------------------|----------------------------|----------------------------|
| Short-Term Loan | | |
| Bankers' acceptances | 350,206 | 317,787 |
| Post shipment buyer loan | 60,553 | 67,548 |
| Accepted bills | 132,111 | 130,755 |
| Revolving credit | 29,209 | 22,986 |
| | 572,079 | 539,076 |

All borrowings are secured by corporate guarantees of the Company. The financial impact of the guarantees is not material as the subsidiaries concerned are in positive financial standings to meet their obligations as and when they fall due.

23. Material litigation

There is no material litigation for the quarter under review.

24. Dividend

The Board of Directors does not recommend any dividend for the period under review.

25. Earnings per share (“EPS”)

The basic loss per share is calculated by dividing the Group’s net loss attributable to ordinary equity holders for the period by the weighted average number of ordinary shares in issue.

| | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------------------|--|---------------------------------------|---|
| | Current Year Quarter 31.10.2023 | Preceding Year Corresponding Quarter 31.10.2022 | Current Year To-Date 31.10.2023 | Preceding Year Corresponding Period 31.10.2022 |
| Loss attributable to owners of the parent (RM'000) | (9,432) | (49,140) | (9,432) | (49,140) |
| Weighted average number of ordinary shares in issue ('000) | 1,742,230 | 1,742,230 | 1,742,230 | 1,742,230 |
| Basic loss per share (sen) | (0.54) | (2.82) | (0.54) | (2.82) |
| | | | | |

The Group does not have in issue any financial instrument or other contract that may entitle its holder to ordinary shares and therefore, dilutive to its basic earnings per share.

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26. Profit from operations

| | Individual Quarter | | Cumulative Quarter | |
|--|--|--|--|---|
| | Current Year Quarter 31.10.2023 RM'000 | Preceding Year Corresponding Quarter 31.10.2022 RM'000 | Current Year-to-date 31.10.2023 RM'000 | Preceding Year Corresponding Period 31.10.2022 RM'000 |
| <i>Profit for the period is arrived at after charging:</i> | | | | |
| Depreciation of property, plant and equipment | 4,410 | 3,162 | 4,410 | 3,162 |
| Depreciation of investment properties | 70 | 64 | 70 | 64 |
| Depreciation of right-of-use assets | 227 | 227 | 227 | 227 |
| Finance costs | 5,386 | 4,960 | 5,386 | 4,960 |
| (Reversal) / Write-down of inventories to net realisable value | (1,630) | 27,442 | (1,630) | 27,442 |
| Property, plant and equipment written off | 27 | 29 | 27 | 29 |
| <i>and after crediting / (charging):</i> | | | | |
| Gain on disposal of property, plant and equipment | 788 | 818 | 788 | 818 |
| Fair value gain on foreign exchange derivative | 2,086 | - | 2,086 | - |
| Finance income: | | | | |
| Other investments | 30 | 76 | 30 | 76 |
| Deposits with licensed banks | 472 | 635 | 472 | 635 |
| Net foreign exchange gain / (loss) | | | | |
| Realised | 659 | 472 | 659 | 472 |
| Unrealised | 838 | 1,003 | 838 | 1,003 |
| Net overdue interest income | 347 | 339 | 347 | 339 |
| Rental income | 259 | 240 | 259 | 240 |
| Share of (loss)/profit of equity-accounted joint venture, net of tax | (16,606) | 1,311 | (16,606) | 1,311 |

27. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 14 December 2023.