Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the second financial quarter ended 31 December 2019

(The figures have not been audited)

	Individual Quarter (3 months)		Cumulative Quarters (6 months)	
	Current year Quarter 31-Dec-19 RM'000	Preceding year Corresponding Quarter 31-Dec-18 RM'000	Current year To date 31-Dec-19 RM'000	Preceding year Corresponding Period 31-Dec-18 RM'000
Revenue	173,979	188,368	357,942	385,079
Cost of sales	(167,422)	(182,919)	(341,257)	(367,366)
Gross profit	6,557	5,449	16,685	17,713
Operating expenses	(8,461)	(9,070)	(16,368)	(17,458)
Other operating income/(expense)	340	184	557	333
Net foreign exchange gain/(loss)	248	(49)	58	(297)
(Loss)/Profit from operations	(1,316)	(3,486)	932	291
Finance income	326	299	743	512
Finance costs	(2,062)	(1,683)	(3,700)	(3,283)
Loss before tax	(3,052)	(4,870)	(2,025)	(2,480)
Tax	(63)	1,038	(657)	97
Loss for the period	(3,115)	(3,832)	(2,682)	(2,383)
Other comprehensive income				
Asset revaluation reserves:				
- revaluation surplus on property, plant and equipment, net of tax	-	-	-	760
Total Loss and other comprehensive income for the period	(3,115)	(3,832)	(2,682)	(1,623)
Loss per share attributable to owners of the Company (sen):				
- Basic	(0.95)	(1.32)	(0.82)	(0.82)
- Diluted	N/A	N/A	N/A	N/A

(The 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 2019).

Condensed Consolidated Statements of Financial Position as at 31 December 2019

(The figures have not been audited)

	As at 31-Dec-19 RM'000	As at 30-Jun-19 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	324,250	317,815
Right-of-use assets	13,093	-
Intangible assets	20,000	20,000
	357,343	337,815
Current Assets		
Inventories	172,852	187,491
Trade and other receivables	96,202	89,429
Amount owing by holding company	-	15
Amount owing by related companies	746	746
Tax recoverable	899	424
Derivative financial assets	5	800
Cash and bank balances	65,535	50,178
	336,239	329,083
Less: Current Liabilities		
Borrowings	96,567	88,464
Trade and other payables	141,577	135,816
Amount owing to holding company	6	-
Amount owing to related companies	1,352	1,023
Tax payable	21	29
Lease liabilities	2,775	-
Derivative financial liabilities	2,474	230
	244,772	225,562
Net Current Assets	91,467	103,521
Non-Current Liabilities		
Borrowings	21,890	21,675
Deferred tax liabilities	23,768	23,764
Lease liabilities	10,046	-
	55,704	45,439
	393,106	395,897
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	217,677	217,677
Warrant reserves	1,740	1,740
Asset revaluation reserve	30,108	30,108
Retained earnings	143,581	146,372
Total Equity	393,106	395,897
Net assets per share attributable to owners of the Company	RM1.20	RM1.21

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019).

Condensed Consolidated Statements of Cash Flows for the second financial quarter ended 31 December 2019

(The figures have not been audited)

	(6 months) 31-Dec-19 RM'000	(6 months) 31-Dec-18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(2,025)	(2,480)
Adjustments for :		
- Depreciation	8,758	7,543
- Loss on disposal of plant and equipment	7	(115)
- Impairment loss on property, plant and equipment	108	468
- Impairment of receivables	-	107
- Net unrealised loss/(gain) on foreign exchange	(147)	(179)
- Interest income	(743)	(512)
- Interest expense	3,700	3,283
Operating profit before changes in working capital	9,658	8,115
Changes in working capital :		
- Inventories	14,639	44,644
- Trade and other receivables	(6,432)	39,867
- Trade and other payables	8,151	(53,029)
- Intercompanies balances	350	2,306
Cash flows generated from operations	26,366	41,903
- Interest paid	(3,700)	(3,283)
- Interest received	743	512
- Tax paid	(1,245)	(1,749)
Net cash flows generated from operating activities	22,164	37,383
CASH FLOWS FROM INVESTING ACTIVITIES		
- Purchase of property, plant and equipment	(13,859)	(10,497)
- Proceeds from disposal of property, plant and equipment	62	261
Net cash flows used in investing activities	(13,797)	(10,236)
CASH FLOWS FROM FINANCING ACTIVITIES		
- Proceeds from bank borrowings	119,670	93,857
- Repayment of bank borrowings	(111,351)	(107,089)
- Payment of lease liabilities	(1,329)	-
Net cash flows generated from/(used in) financing activities	6,990	(13,232)
Net change in cash and cash equivalents	15,357	13,915
Cash and cash equivalents at beginning of the financial year	50,178	51,023
Cash and cash equivalents at end of the financial year	65,535	64,938

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019).

Condensed Consolidated Statements of Changes in Equity for the second financial quarter ended 31 December 2019

(The figures have not been audited)

	---------- Attributable to owners of the Company ----------				
	-------- Non-distributable --------				
	Share Capital RM'000	Warrant Reserves RM'000	Asset Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000
6 months ended 31 December 2019					
At 1 July 2019	217,677	1,740	30,108	146,372	395,897
Effects from adoption of MFRS 16	-	-	-	(109)	(109)
	217,677	1,740	30,108	146,263	395,788
Comprehensive income for the financial period					
- Loss for the financial period	-	-	-	(2,682)	(2,682)
Other comprehensive income for the financial period					
Asset revaluation reserves:					
- revaluation surplus on					
property, plant and equipment, net of tax	-	-	-	-	-
Total comprehensive loss for the financial period	-	-	-	(2,682)	(2,682)
As at 31 December 2019	217,677	1,740	30,108	143,581	393,106
6 months ended 31 December 2018					
At 1 July 2018	206,364	-	26,851	158,357	391,572
Comprehensive income for the financial period					
- Loss for the financial period	-	-	-	(2,383)	(2,383)
Other comprehensive income for the financial period					
Asset revaluation reserves:					
- revaluation surplus on					
property, plant and equipment, net of tax	-	-	760	-	760
Total comprehensive loss for the financial period	-	-	760	(2,383)	(1,623)
As at 31 December 2018	206,364	-	27,611	155,974	389,949

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2019).

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 2019 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 financial year ended 30 June 2019.

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 2019, except for the following new amendments to the MFRS ("standards") effective from 1 January 2019 which the Group has only adopted since the commencement of the current financial year on 1 July 2019:

- MFRS 16 "Leases" supersedes MFRS 117 "Leases'" and the related interpretations.
- IC Interpretation 23 "Uncertainty over Income Tax Treatments" provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Amendments to MFRS 9 'Prepayment features with negative compensation' allow companies to measure some prepayable financial assets with negative compensation at amortised cost.
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations'
  - Amendments to MFRS 112 'Income Taxes'
  - Amendments to MFRS 123 'Borrowing Costs'

The adoption of the above did not have any material impact on the Group's financial statements to-date, other than some reclassifications and adjustments to the Statement of Financial Position pursuant to MFRS 16 as outlined hereinafter.

- MFRS 16

  MFRS 16 eliminates the classification of leases either by finance lease (on balance sheet) or operating lease (off balance sheet) by the lessee, and requires the lessee to recognize both the "rights" and "obligations" of the underlying lease on balance sheet. The lease "rights" is depreciated in accordance with the principles in MFRS116 whilst the lease liability is accreted over time with interest expense recognized in profit or loss. Lessor's accounting of leases under MFRS 16 retains most of the requirements of MFRS 117.

  The Group adopted MFRS 16 retrospectively from 1 July 2019 using the simplified transition approach and has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening balances of the Statement of Financial Position as at 1 July 2019. The Group's adoption of MFRS 16 mainly involved its non-cancellable operating rental lease commitments on factories and buildings as lessee. The Group does not have any assets leased-out to account as a lessor.

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation & Significant Accounting Policies (continued)

The table below shows the impact of changes to the condensed consolidated Statement of Financial Position of the Group resulting from the adoption of MFRS 16 as at 1 July 2019:

	As at 30 June 2019	Effects of adoption of MFRS 16	As at 1 July 2019
	RM'000	RM'000	RM'000
Non-current assets			
Right-of-use assets	-	14,604	14,604
Current assets			
Trade and other receivables	89,429	(454)	88,975
Current liabilities			
Lease liabilities	-	2,696	2,696
Non-current liabilities			
Lease liabilities	-	11,454	11,454
Deferred tax liabilities	23,764	109	23,873
Shareholders' equity			
Retained earnings	146,372	(109)	146,263

The Group has not adopted the following new standards, amendments to standards and interpretations that have been issued but not yet effective for the current financial year.

- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020) revise the definition of a business. To be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The initial adoption of the above pronouncement, in the next financial year is not expected to have any significant impact on the financial statements of the Group.

A2 Declaration of audit qualification

The audit report of the Group and the Company in respect of the annual financial statements for the financial year ended 30 June 2019 was not subject to any audit qualification.

A3 Seasonality or cyclicality of operations

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

A4 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 Changes in estimates

In the current financial quarter, there were no changes in estimates that had a material effect on the financial results.

A6 Debts and equity securities

There were no issuances, cancellations, repurchases, or resale of equity securities during the current financial quarter.

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.

	31 Dec 2019	30 Jun 2019
Total interest bearing debts in RM'million	153.5	119.6
Adjusted Shareholders' funds in RM'million	396.9	399.5
Absolute Gearing Ratio	0.39	0.30

Of the total interest bearing debts as at 31 December 2019, around RM94.7 million is represented by the respective debenture at its steel-tube and cold-rolled subsidiaries, whilst RM35.0 million is represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries. (See Note B10). Debts of RM23.8 million is secured against a fixed charge on a property and other specific assets to-which the acquisition-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 are in full compliance for the current financial quarter ended 31 December 2019 except for the Cold Rolled subsidiary's Debt Service Cover Ratio due to its preceding financial year's operating loss position which cuts into the rolling 12 months. However, the subsidiary is expected to comply with the said covenant by the current financial year end.

A7 Dividend paid

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

A8 Segmental reporting

The Group's year-to-date segmental information by nature-of-business is as follows:

	Cold Rolled	Steel Tube	Others	Total
	RM'000	RM'000	RM'000	RM'000
Revenue				
Total revenue	249,696	123,246	1,637	374,579
Inter segment	(15,000)	-	(1,637)	(16,637)
External revenue	234,696	123,246	-	357,942
Pre-tax profit/(loss)	(2,730)	504	201	(2,025)
Segment assets	435,805	252,873	4,000	692,678

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 Segmental reporting (continued)

	RM'000
Segment assets	692,678
Derivative assets	5
Tax recoverable	899
	693,582

The businesses of the Group are carried out entirely in Malaysia.

A9 Valuation of Property, Plant and Equipment (PPE)

The valuation on PPE has been brought forward from the audited financial statements for the preceding financial year ended 30 June 2019 and adjusted for the current financial year's depreciation 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 are categorised into the following fair value hierarchy and are represented in the table below as at 31 December 2019:

Level 1: based on unadjusted quoted prices in active markets for identical assets and liabilities
Level 2: based on observable inputs not included within level 1
Level 3: based on unobservable inputs

Recurring fair value measurement	Fair Value RM'000		
Foreign Currency Forwards	Level 1	Level 2	Level 3
as Assets (not hedge accounted)	0	4.6	0
as Assets (hedge accounted)	0	-	0
as Liabilities (not hedge accounted)	0	-	0
as Liabilities (hedge accounted)	0	(2,474.0)	0
Total	0	(2,469.4)	0

The Foreign Currency Forwards are fair valued by way of marking-to-market using reference bank's published forward rates.

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 Significant events and transactions

There were no significant events and transactions for the current quarter affecting the Group's financial position and performance of its entities.

A12 Subsequent material events

There are 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 reporting quarter.

A15 Changes in Financial Year End Date

There were no changes to the financial year end date during the current financial quarter.

A16 Capital Commitments

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around RM24.2 million. From this amount, RM11.8 million has been committed for the construction of a new Acid Regeneration Plant and RM12.4 million for the revamp of Continuous Pickling Line. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM2.2 million for plant-equipment. These capital commitments will be payable over established milestones in the current financial year.

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 31/12/2019	Preceding Year Corresponding Quarter 31/12/2018			Current Year To-date 31/12/2019	Preceding Year Corresponding Period 31/12/2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	173,979	188,368	(14,389)	-8%	357,942	385,079	(27,137)	-7%
Operating (Loss)/Profit	(1,316)	(3,486)	2,170	62%	932	291	641	220%
(Loss)/Profit Before Interest and Tax	(1,316)	(3,486)	2,170	62%	932	291	641	220%
Loss Before Tax	(3,052)	(4,870)	1,818	37%	(2,025)	(2,480)	455	18%
Loss After Tax	(3,115)	(3,832)	717	19%	(2,682)	(2,383)	(299)	-13%
Loss Attributable to Ordinary Equity Holders of the Parent	(3,115)	(3,832)	717	19%	(2,682)	(2,383)	(299)	-13%

For the 2nd quarter ended 31 December 2019, the Group registered a 8% lower total revenue of RM174.0 million (compared to RM188.4 million achieved in the preceding year's corresponding quarter) mainly due lower average selling price for both the Cold Rolled segment and the Steel Tube segment. At segment level, the average unit selling price for the current quarter for both Cold Rolled and Steel Tube segment is down 11% compared with the preceding year corresponding quarter.

The Group recorded a lower pre-tax loss of RM3.1 million for the current quarter as compared to a pre-tax loss of RM4.9 million in the preceding year's corresponding quarter. The better performance for the current quarter compared to the preceding year's corresponding quarter is mainly attributed to the higher gross profit achieved of RM6.6 million (preceding year's corresponding quarter gross profit: RM5.4 million) due to lower unit conversion cost from the higher production volume achieved by both Cold Rolled segment and Steel Tube segment. Consequently, the Group recorded an after-tax loss of RM3.1 million for the current quarter as compared to the preceding year's corresponding quarter after-tax loss of RM3.8 million.

The Group recorded a higher quarterly EBITDA of RM3.1 million compared to the preceding year's corresponding quarter of RM0.8 million.

B2 **Material changes in the quarterly results compared to the results of the immediate preceding quarter**

	Current Quarter 31/12/2019	Immediate Preceding Quarter 30/9/2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue	173,979	183,963	(9,984)	-5%
Operating (Loss)/Profit	(1,316)	2,248	(3,564)	-159%
(Loss)/Profit Before Interest and Tax	(1,316)	2,248	(3,564)	-159%
(Loss)/Profit Before Tax	(3,052)	1,027	(4,079)	-397%
(Loss)/Profit After Tax	(3,115)	433	(3,548)	-819%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(3,115)	433	(3,548)	-819%

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

B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter (continued)

The Group's revenue at RM174.0 million for the current 2nd financial quarter is around RM10.0 million lower than the immediate preceding quarter at RM184.0 million. The lower revenue for the current quarter is mainly due to lower average unit selling price for both the Cold Rolled segment and Steel Tube segment and lower sales volume for the Cold Rolled segment. The average unit selling price for the current quarter is down 6% for both segments whilst the sales volume is down by around 5% for the Cold Rolled but is up by around 13% for the Steel Tube.

The Group registered a pre-tax loss of RM3.1 million compared with the immediate preceding quarter's pre-tax profit of RM1.0 million mainly due to the lower gross profit margin from the Cold Rolled segment. Consequently, the Group recorded a net-tax loss of RM3.1 million compared to the immediate preceding quarter net-tax profit of RM0.4 million.

The Group recorded a lower quarterly EBITDA of RM3.1 million compared to RM6.6 million recorded in the immediate preceding quarter.

B3 Prospects for the remaining financial year

The Country's GDP growth for the 4th fiscal quarter (which corresponds with the Group's 2nd financial quarter for the financial year 2020) decelerated to 3.6% quarter-on-quarter – contributing to a 10-year low annual growth rate of 4.3% (2018 at 4.7%). The weaker growth was largely attributed to 'supply disruption' caused by the long running US-China trade conflict. Just when the resolution of the latter with the '1st phase deal' in mid- January brought respite and hope for 2020, the highly contagious novel coronavirus outbreak struck - hitting hard major regional trading partners and the domestic economy. To add to the woes, the recent political upheaval provided a further major blow on market and business sentiments.

The steel industry's performance generally deteriorated in the 2nd financial quarter, in tandem with the sharply slower economic growth. The Group's Cold Rolled unit recorded a 5% drop in sales volume for the quarter and sharply narrower selling price spread over raw coil costs due to predatory pricing pressure from an ASEAN based cold-roller taking advantage of preferential tariff and low anti-dumping duties. As a result, the Cold Rolled unit recorded a RM3.4million net-loss for the quarter (compared to a RM0.3million net profit in the 1st financial quarter). The Group's Steel Tube however recorded a 12.7% rise in sales volume but with a flattish margin due to skittish demand weighted down by declining price trend of raw steel over the 2nd financial quarter – which contributed to a dip on bottom line.

Although the anti-dumping duties (AD) on Cold Rolled Coils (CRC) of width more than 1300mm imposed in late December would complement existing AD on CRC of width below 1300mm to close-off loopholes on product dumping, the low AD imposition on a particular foreign manufacturer continues to exist at the detriment of domestic cold-rollers. In that regard, the Cold-Rolled unit performance is unlikely to see material improvement with the latest AD imposition until the latter is also addressed. In addition, the scheduled line-shutdown for capital asset replacement during the 3rd financial quarter would also likely contribute to a weaker performance for the Cold Rolled unit. Whilst the Steel Tube unit may continue with its positive run, downside risk is on the rise due to market disruption (on supply and demand) attributed to the veracity of the coronavirus outbreak. The seasonal lows of the Chinese New Year festive period will further weigh down the steel units' performance for the 3rd financial quarter.

Moving into the 4th financial quarter, outlook may improve if a new stable government could be re-established and in time to stimulate the economy, and coupled with the likelihood of the coronavirus outbreak tapering out towards summer. But any performance improvement in the 4th financial quarter would likely be moderate considering the onset of the Ramadan and Hari Raya festive period in May. Regardless, the Group will intensify its engagement with the Authorities to address domestic-trade injury relating to CRC, amidst heightened global trade protectionism.

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

B4 Variance of actual profit from forecast profit

This is not applicable to the Group.

B5 Profit before taxation

Profit before taxation is stated after charging/ (crediting):

	Current Year Quarter Ended 31 Dec 2019 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2018 RM'000	Current Year To Date Ended 31 Dec 2019 RM'000	Preceding Year Corresponding Period Ended 31 Dec 2018 RM'000
Depreciation	4,383	3,834	8,758	7,543
Interest income	(326)	(299)	(743)	(512)
Interest expense	2,062	1,683	3,700	3,283
FX differences loss/(gain)	(3,358)	(458)	(1,600)	3,508
FX derivatives (gain)/loss	3,110	507	1,542	(3,211)

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 31 Dec 2019 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2018 RM'000	Current Year To Date Ended 31 Dec 2019 RM'000	Preceding Year Corresponding Period Ended 31 Dec 2018 RM'000
Current tax (expense)/credit				
Current period	(357)	(486)	(762)	(2,067)
Deferred tax (expense)/income				
Current period	294	1,524	105	2,164
	(63)	1,038	(657)	97

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 sales of unquoted investments and / or properties in the current financial quarter.

B8 Purchase or disposal of quoted securities

There are no purchases or disposals of quoted securities in the current financial quarter.

B9 Status of corporate proposals

There are no outstanding corporate proposals as at the date of this announcement.

The Company completed its Rights Issue with Warrant exercise on 31 January 2019, and raised RM13,053,643.20 (‘Rights Proceeds’) in the preceding financial year. Details on the utilisation of the Rights Proceeds at the end of the current reporting quarter are as follows:

Areas of Approved Utilization	RM’000		
	Proposed Use	Actual Use	Balance to Use
a) Capital expenditure	10,100	7,425	2,575
b) Working capital	2,254	2,245	0
c) Estimated expenses in relation to the Rights Issue exercise	700	809	0
Total	13,054	10,479	2,575

Footnote

i. The actual expenses incurred for the Rights Issue exercise exceeded the approved estimate by around RM109 thousand, and this difference is adjusted against the capital expenditure (reduced RM100 thousand) and working capital (reduced RM9 thousand).

ii. The ‘Balance to Use’ on capital expenditure relates to the Cold-Rolled subsidiary’s process line upgrade and acid regeneration plant project which would be used in accordance with the scheduled implementation progress, and within 12 months from the completed Rights Issue date. In this regard, the ‘balance’ is expected to be fully utilized by 31 January 2020.

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

B10 Group borrowings and debt securities

The Group's borrowings from lending institutions as at 31 December 2019, which are denominated entirely in Ringgit Malaysia, are as follows:

	RM'000
Short-term borrowings:	
Secured	96,567
Long-term borrowings:	
Secured	21,890
Total borrowings	118,457

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

	RM'000
Total Borrowings' opening balance as at 1 July 2019	110,139
Cash Flows:	
Inflows from new debts	119,670
Outflows on repayment	(111,352)
Closing balance as at 31 December 2019	118,457

Based on the above, the Group's bank-gearing ratio is around 0.30 times. Besides the said borrowings, the Group's Steel Tube subsidiary also draws on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM35.0 million. Inclusive of that, the Group's absolute-gearing ratio as at 31 December 2019 is around 0.39 times.

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.

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

B11 Outstanding Derivatives (continued)

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 December 2019 are outline below:

Non-designated

FX Forward Contracts (SGD/RM) as non-designated hedging instrument				
	Notional Value ‘000		Fair Value RM’000	
Maturity	Short SGD	Long RM	Financial Asset	Financial Liability
Less than 1 year	360	1,099	4.6	-

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value ‘000		Fair Value RM’000			Notional Value ‘000		Fair Value RM’000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability	Maturity	Short USD	n.a.	Financial Asset	Financial Liability
Less than 1 year	30,902	129,490	-	2,474.0	Matching	30,902	n.a.	2,474	-

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM0.9 million from its FX Forward Contracts as hedging instruments with corresponding realized net loss of around RM1.0 million from its hedged items over the current financial year.

(i) Risk associated with the derivatives

<u>Counter-Party Risk</u>

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

(ii) Cash requirements of the derivatives

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

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

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

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

B12 Off balance sheet financial instruments and commitments

Off balance sheet financial instruments as at the date of this announcement are bank guarantees issued by its principal subsidiaries amounting to RM3.8 million as security for inbound supply of goods and services; and corporate guarantees issued to lenders for borrowings extended to its principal subsidiaries amounting to RM113.7 million as at 31 December 2019.

B13 Material litigation

The Group is not engaged in any on-going material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group; and the Board is 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.

B14 Dividend

The Company did not declare any dividend for the financial period ended 31 December 2019.

B15 Loss per share

(i) Basic loss per ordinary share

	Current Year Quarter Ended 31 Dec 2019	Preceding Year Corresponding Quarter Ended 31 Dec 2018	Current Year To Date Ended 31 Dec 2019	Preceding Year Corresponding Period Ended 31 Dec 2018
Loss attributable to owners (RM'000)	(3,115)	(3,832)	(2,682)	(2,383)
Weighted average number of ordinary shares in issue ('000)	327,058	290,708	327,058	290,708
Basic loss per share (sen)	(0.95)	(1.32)*	(0.82)	(0.82)*

***** Basic EPS for the comparative periods which was previously stated at (1.35) and (0.84) sens respectively has been restated for the effects of the 'Rights Issue with free Warrant' concluded in the 3rd quarter of the preceding financial year.

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

B15 Loss per share (continued)

(ii) Diluted loss per ordinary share

No diluted loss per share is presented since the issued and listed warrants are in an anti-dilutive position given that its exercisable price (at 60 sens) is above the listed market price of the mother share at the close of the current financial quarter.

These interim financial statements have been authorized 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
27 February 2020