

**PART A: EXPLANATION NOTES AS PER MFRS 134**

**A1 Basis of Preparation**

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021.

The explanatory notes attached to these condensed consolidated 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 December 2021.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2021, except for the adoption of the following new MFRSs, Amendments to MFRSs and Interpretations which are effective for annual periods beginning on or after 1 January 2022:

	Effective Date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment-Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts-Cost of Fulfilling a Contract</i>	1 January 2022

The above standards, amendments and annual improvements do not have significant impact on the financial reporting of the Group.

**A2 Audit Report of Preceding Annual Financial Statements**

The auditors' report on the financial statements for the financial year ended 31 December 2021 was not qualified.

**A3 Seasonal or cyclicity factors**

The Group faces minor seasonal fluctuations during the major festive season’s celebrations.

**A4 The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence**

There was no unusual item in the quarterly financial statement under review.

**A5 Changes in estimates**

There are no significant changes in the estimates of amount, which give a material effect in the current interim period.

**A6 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities**

(i) Employees' Share Option Scheme

The paid-up share capital of the Company has been increased from RM126.950 million to RM126.966 million as a result of the exercise of 38,400 options pursuant to the Company ESOS as at 30 June 2022.

(ii) Shares buy-back

During the current financial quarter, the Company repurchased 50,000 of its issued share capital from the open market at an average price of RM0.47 per share. The total consideration paid was RM23,556. These shares are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities other than as disclosed above for the current quarter and financial year to date.

**A7 Dividends paid (aggregate or per share) separately for ordinary share and other shares**

There was no dividend paid for the quarter ended 30 June 2022.

**A8 Segment Information for the current financial year to date**

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Investment</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
<b>Revenue</b>					
External Sales	86,381	243,866	804	-	331,051
Inter-segment revenue	5,449	30,551	5,790	(41,790)	-
<b>Total Revenue</b>	<b>91,830</b>	<b>274,417</b>	<b>6,594</b>	<b>(41,790)</b>	<b>331,051</b>
<b>Segment Result</b>	<b>2,711</b>	<b>23,295</b>	<b>3,430</b>	<b>(4,643)</b>	<b>24,793</b>
<b>Profit from operations</b>					<b>24,793</b>
Finance costs					(4,999)
Interest Income					292
Share of results of associates					15,461
<b>Profit before tax</b>					<b>35,547</b>

No analysis by geographical area has been presented as its year to date contribution was less than 10% to the combined results of all segments revenue or results or assets.

**A9 Valuations of property, plant and equipment**

The valuation of land & buildings has been brought forward, without amendment from the previous annual financial statement.

**A10 Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period**

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter under review.

**A11 The effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations**

There were no changes in the composition of the Company for the financial period under review.

**A12 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2021**

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

**A13 Capital commitments**

	As at 30/06/2022
	RM'000
<b>Property, plant and equipment</b>	
Authorized and contracted for	2,007
Authorized but not contracted for	1,376

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**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (PART A OF APPENDIX 9B)**

**B1 Review of performance of the company and its principal subsidiaries for the current quarter and financial year to date (“YTD”)**

	Individual Period (2 <sup>nd</sup> quarter)		Increase / (Decrease)		Cumulative Period		Increase / (Decrease)	
	Current Year Quarter 01.04.2022 to 30.06.2022 RM'000	Preceding Year Corresponding Quarter 01.04.2021 to 30.06.2021 RM'000	RM'000	%	Current Year to- date 01.01.2022 to 30.06.2022 RM'000	Preceding Year Corresponding Period 01.01.2021 to 30.06.2021 RM'000	RM'000	%
Revenue	159,532	124,493	35,039	28.1	331,051	264,677	66,374	25.1
Profit from operations	8,913	21,625	(12,712)	(58.8)	24,793	40,101	(15,308)	(38.2)
Profit before tax	14,710	25,137	(10,427)	(41.5)	35,547	48,947	(13,400)	(27.4)

Group revenue for the current quarter under review grew 28.1% to RM159.5 million compared to the preceding year's corresponding quarter of RM124.5 million. Higher revenue mainly contributed by both higher sales volume and higher average selling price. Nonetheless, the Group registered lower Profit before tax (“PBT”) of RM14.7 million in current quarter, down from the preceding year's corresponding quarter of RM25.1 million. The reduction in profit before tax mainly due to impairment of inventory value in-line with drop in material prices towards the end of the quarter under review.

YTD Group revenue grew by 25.1% to RM331.1 million, in-line with strong demand and better selling prices during the period. However, PBT for the period were lower when compared to the same period last year mainly due to the impairment on the inventory value as mentioned. Nevertheless, two associate companies contributed positively during the period under review.

**B2 Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter**

	Current Year Quarter 01.04.2022 to 30.06.2022 RM'000	Immediate Preceding Quarter 01.01.2022 to 31.03.2022 RM'000	Changes	
			RM'000	%
Revenue	159,532	171,519	(11,987)	(7.0)
Profit from operations	8,913	15,880	(6,967)	(43.9)
Profit before tax	14,710	20,837	(6,127)	(29.4)

For the current quarter under review, Group revenue was lower by 7.0%, at RM159.5 million from RM171.5 million of the immediate preceding quarter. Lower revenue for the quarter under review were mainly due to steel price has gradually resumed to normalcy resulted from the gradual economic recovery after the easing of COVID-19 lockdown measures.

Profit before tax ("PBT") of the Group has reduced to RM14.7 million in 2Q2022 from RM20.8 million in 1Q2022. Lower PBT was mainly due to the downward movement of steel price during 2Q2022, which has adversely impacted the sales margin. Besides, impairment on inventories due to the weakening material price has also affected the financial performance for the quarter under review.

**B3 Prospects**

Malaysian economy registered a stronger growth of 8.9% in the second quarter of 2022, which signaling economic recovery from the two-year-long COVID-19 pandemic. Amid fear of a global economic slowdown as a result of Russian-Ukraine war, geo-political maneuver and hike in interest rates, Bank Negara Malaysia (BNM) has projected Malaysia's economy to grow by between 5.3% and 6.3% in 2022.

Market conditions for steel industry sector remain competitive and challenging with the industry facing profit margin squeeze amid fluctuating steel raw material prices and volatile iron ore prices. Despite all the challenges, the Group will continue to focus on prudent procurement strategies and inventory management to mitigate any potential adverse impact on performance and financial strength.

Barring unforeseen circumstances, the Board is cautiously optimistic that the Group will continue to generate satisfactory performance for the rest of the financial year 2022.

**B4 Variance of actual profit from forecast profit / profit guarantee**

Not applicable.

**B5 Tax expenses**

	Current Quarter 30/06/2022 RM'000	Current Year To Date 30/06/2022 RM'000
Current taxation	3,403	6,811
Deferred taxation	76	288
	<u>3,479</u>	<u>7,099</u>

**B6** The status of corporate proposals announced but not completed at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.

**Private Placement**

The gross proceeds arising from the Private Placement amounting to RM19.4 million and its utilisation as at 30 June 2022 is disclosed in the following manner:

Details of utilisation	Proposed Utilisation	Variation	Actual Utilisation	Unutilisation proceeds	Intended Timeframe for utilisation	Revised Timeframe for utilisation
	RM'000	RM'000	RM'000	RM'000		
Capital expenditure	13,600	(3,622)	(7,835)	2,143	Within 12 months	Within 18 months
Repayment of bank borrowings	5,500	3,500	(9,000)	-	Within 12 months	No change
Working capital	47	122	(169)	-	Within 12 months	No change
Estimated expenses for the Proposed Private Placement	256	-	(256)	-	Within 1 month	No change
<b>Total gross proceeds</b>	<b>19,403</b>		<b>(17,260)</b>	<b>2,143</b>		

**B7** Group bank borrowings:

Total group borrowings as at 30 June 2022 are as follows:-

RM'000	Short Term Borrowing	Long Term Borrowing
<b>Denominated in Ringgit Malaysia:</b>		
Secured	48,587	12,479
Unsecured	188,843	-
<b>Denominated in US Dollar:</b>		
Secured	-	-
Unsecured	-	-
<b>Total Bank Borrowings</b>	<b>237,430</b>	<b>12,479</b>

**B8** Material litigation since the date of the last annual statement of financial which must be made up to a date not earlier than 7 days from the date of issue of the quarterly report

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

**B9** Dividend

The Directors do not recommend any interim dividend for the current quarter under review.

**B10 Earnings per share**

**Basic**

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Current Quarter 30/06/2022	Preceding Quarter 30/06/2021	Current Year to date 30/06/2022	Preceding Year to date 30/06/2021
Net profit/(loss) attributable to ordinary shareholders (RM'000)	11,231	19,215	28,448	37,546
Weighted average number of ordinary shares in issue ('000)	343,026	329,040	343,026	325,857
Basic earnings per share (sen)	3.27	5.84*	8.29	11.52*

**Diluted**

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in issue during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Current Quarter 30/06/2022	Preceding Quarter 30/06/2021	Current Year to date 30/06/2022	Preceding Year to date 30/06/2021
Net profit attributable to ordinary shareholders (RM'000)	11,231	19,215	28,448	37,546
Weighted average number of ordinary shares in issue ('000)	343,026	329,040	343,026	325,857
Effect of dilution – ESOS ('000)	40	232	40	232
Weighted average number of ordinary shares in issue ('000) –diluted	343,066	329,272	343,066	326,089
Diluted earnings per share (sen)	3.27	5.84*	8.29	11.51*

\* For comparative purpose, the Earnings Per Share for the quarter and period ended 30 June 2021 had been adjusted to reflect the bonus issue of 3 bonus shares for every 5 existing ordinary shares which was completed on 13 August 2021.

**B11 Notes to Condensed Consolidated Statement of Comprehensive Income**

Net profit is arrived at after take in the following items:	<b>Current Quarter 30/06/2022 RM'000</b>	<b>Current Year To Date 30/06/2022 RM'000</b>
(a) Interest income	138	292
(b) Other income	2,126	3,582
(c) Interest expense	(2,292)	(4,999)
(d) Depreciation and amortization	(1,736)	(3,663)
(e) Provision (for) and written down of receivables	(672)	(1,188)
(f) Provision (for) and written down of inventories	(8,465)	(8,891)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain/(loss) - Realised and unrealized	(27)	(34)
(j) Gain / (loss) on derivatives	-	5
(k) Exceptional items	N/A	N/A