

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 September 2022.

(ii) Shares buy-back

There was no share buy-back during the quarter under review. However, for the financial year to date, 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

A final single-tier dividend of 2.0 sen per ordinary share, amounting to RM6,860,189 in respect of the financial year ended 31 December 2021 was approved by the shareholders during Annual General Meeting held on 15 June 2022 and subsequent paid on 25 August 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
Revenue					
External Sales	125,632	336,776	1,205	-	463,613
Inter-segment revenue	6,530	38,702	18,279	(63,511)	-
Total Revenue	132,162	375,478	19,484	(63,511)	463,613
Segment Result	1,862	12,225	14,844	(16,669)	12,262
Profit from operations					12,262
Finance costs					(7,584)
Interest Income					451
Share of results of associates					16,556
Profit before tax					21,685

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 30/09/2022

RM'000

Property, plant and equipment

Authorized and contracted for 3,019

Authorized but not contracted for 1,376

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 (3 rd quarter)		Increase / (Decrease)		Cumulative Period		Increase / (Decrease)	
	Current Year Quarter 01.07.2022 to 30.09.2022 RM'000	Preceding Year Corresponding Quarter 01.07.2021 to 30.09.2021 RM'000	RM'000	%	Current Year to-date 01.01.2022 to 30.09.2022 RM'000	Preceding Year Corresponding Period 01.01.2021 to 30.09.2021 RM'000	RM'000	%
Revenue	132,562	80,555	52,007	64.6	463,613	345,232	118,381	34.3
Profit / (Loss) from operations	(12,531)	20,594	(33,125)	(160.8)	12,262	60,695	(48,433)	(79.8)
Profit / (Loss) before tax	(13,862)	26,831	(40,693)	(151.7)	21,685	75,778	(54,093)	(71.4)

Group revenue for the current quarter under review grew by 64.6% to RM132.6 million compared to the preceding year's corresponding quarter of RM80.6 million. Higher revenue was due to higher sales volume in the current financial quarter as compared to the absence of four weeks of COVID-19 lockdown in the preceding year corresponding quarter. However, the Group registered Loss before tax (“LBT”) of RM13.9 million in current quarter, down from the preceding year's corresponding quarter Profit before tax (“PBT”) of RM26.8 million. The reduction in PBT was mainly due to the lower selling price since the middle of the year as a result of drop in global steel demand, higher input costs together with higher interest expenses after a few rounds of base rate hike.

YTD Group revenue grew by 34.3% to RM463.6 million, in-line with strong demand during the period after the easing of COVID-19 lockdown measures. However, PBT for the period were lower when compared to the same period last year mainly due to declining steel-price trend and the impairment loss on inventory valuation. 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 01.07.2022 to 30.09.2022 RM'000	Immediate Preceding Quarter 01.04.2022 to 30.06.2022 RM'000	Changes	
			RM'000	%
Revenue	132,562	159,532	(26,970)	(16.9)
Profit / (Loss) from operations	(12,531)	8,913	(21,444)	(240.6)
Profit / (Loss) before tax	(13,862)	14,710	(28,572)	(194.2)

For the current quarter under review, Group revenue was down by 16.9%, at RM132.6 million from RM159.5 million of the immediate preceding quarter. Lower revenue was mainly due to weaker demand and declining steel-price trend.

Profit before tax ("PBT") of the Group has dropped to Loss before tax of RM13.9 million in 3Q2022 from RM14.7 million Profit before tax in 2Q2022. The significant lower PBT for the current financial quarter was mainly due to the adverse impact of steel price decline trend which began towards the end of 2nd quarter as well as the impairment charge of RM3.1 million on its inventory valuation.

B3 Prospects

Malaysian economy for 3Q2022 grew strongly at 14.2% on YoY basis; notwithstanding that, some economists are predicting slower growth for the next 1- 3 quarters amid high interest rates, inflationary pressure and unfavorable exchange rates. Meanwhile, for the steel industry, which has been facing with volatile pricing and margin squeeze since middle of the year, start to see sign of stabilizing, especially from the business sectors of China, after its major political congress meeting.

Against this backdrop, the Board foresee the remaining period of the year to be very challenging. Barring unforeseen circumstances, the Board will continue to be responsive to the market conditions and optimizing internal operational efficiencies to generate positive financial performance for the financial year under review.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 30/09/2022 RM'000	Current Year To Date 30/09/2022 RM'000
Current taxation	(2,082)	4,729
Deferred taxation	(2,073)	(1,785)
In respect of prior years	(180)	(180)
	<u>(4,335)</u>	<u>2,764</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 September 2022 is disclosed in the following manner:

Details of utilisation	Proposed Utilisation RM'000	Variation RM'000	Actual Utilisation RM'000	Unutilisation proceeds RM'000	Intended Timeframe for utilisation	Revised Timeframe for utilisation
Capital expenditure	13,600	(3,622)	(8,314)	1,664	Within 12 months	Within 18 months to June 2023
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
Total gross proceeds	19,403		(17,739)	1,664		

B7 Group bank borrowings:

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

RM'000	Short Term Borrowing	Long Term Borrowing
Denominated in Ringgit Malaysia:		
Secured	45,479	11,491
Unsecured	164,460	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	209,939	11,491

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 30/09/2022	Preceding Quarter 30/09/2021	Current Year to date 30/09/2022	Preceding Year to date 30/09/2021
Net profit/(loss) attributable to ordinary shareholders (RM'000)	(9,527)	24,112	18,921	61,658
Weighted average number of ordinary shares in issue ('000)	343,026	334,240	343,026	334,240
Basic earnings per share (sen)	(2.78)	7.21	5.51	18.45

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 30/09/2022	Preceding Quarter 30/09/2021	Current Year to date 30/09/2022	Preceding Year to date 30/09/2021
Net profit/(loss) attributable to ordinary shareholders (RM'000)	(9,527)	24,112	18,921	61,658
Weighted average number of ordinary shares in issue ('000)	343,026	334,240	343,026	334,240
Effect of dilution – ESOS ('000)	27	97	27	97
Weighted average number of ordinary shares in issue ('000) –diluted	343,053	334,337	343,053	334,337
Diluted earnings per share (sen)	(2.78)	7.21	5.51	18.44

B11 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 30/09/2022 RM'000	Current Year To Date 30/09/2022 RM'000
(a) Interest income	159	451
(b) Other income	1,714	5,296
(c) Interest expense	(2,585)	(7,584)
(d) Depreciation and amortization	(1,836)	(5,499)
(e) Provision (for) and written down of receivables	(745)	(1,933)
(f) Provision (for) and written down of inventories	(3,126)	(12,017)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain/(loss) - Realised and unrealized	(74)	(108)
(j) Gain / (loss) on derivatives	-	5
(k) Exceptional items	N/A	N/A