

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 cyclical 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 31 March 2022.

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 31 March 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	45,046	126,071	402	-	171,519
Inter-segment revenue	2,409	15,036	995	(18,440)	-
Total Revenue	47,455	141,107	1,397	(18,440)	171,519
Segment Result	2,712	13,571	(7)	(396)	15,880
Profit from operations					15,880
Finance costs					(2,707)
Interest Income					154
Share of results of associates					7,510
Profit before tax					20,837

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 31/03/2022

RM'000

Property, plant and equipment

Authorized and contracted for 2,867

Authorized but not contracted for 2,977

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 (1 st quarter)		Increase / (Decrease)		Cumulative Period		Increase / (Decrease)	
	Current Year Quarter 01.01.2022 to 31.03.2022 RM'000	Preceding Year Corresponding Quarter 01.01.2021 to 31.03.2021 RM'000	RM'000	%	Current Year to- date 01.01.2022 to 31.03.2022 RM'000	Preceding Year Corresponding Period 01.01.2021 to 31.03.2021 RM'000	RM'000	%
Revenue	171,519	140,184	31,335	22.4	171,519	140,184	31,335	22.4
Profit from operations	15,880	18,476	(2,596)	(14.1)	15,880	18,476	(2,596)	(14.1)
Profit before tax	20,837	23,810	(2,973)	(12.5)	20,837	23,810	(2,973)	(12.5)

Group revenue and profit before taxation (“PBT”) for the quarter under review were RM171.5million and RM20.8million respectively. Compared with the same quarter of the preceding year, revenue increased by 22.4% while PBT decreased by 12.5%. Higher revenue for the quarter under review was mainly due to better demand for highway guardrails, storage racking and other MHE products amid higher steel prices for pipe-based products.

Nonetheless, Profit before tax (“PBT”) decreased by 12.5% as compared to the preceding year corresponding quarter of FY2021 mainly due to the very competitive pricing scenario which resulted in lower profit margin amid higher materials costs.

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

	Current Year Quarter 01.01.2022 to 31.03.2022 RM'000	Immediate Preceding Quarter 01.10.2021 to 31.12.2021 RM'000	Changes	
			RM'000	%
Revenue	171,519	193,447	(21,928)	(11.3)
Profit from operations	15,880	34,397	(18,517)	(53.8)
Profit before tax	20,837	42,998	(22,161)	(51.5)

Compared with the immediate preceding quarter, Group revenue for the quarter under review decreased by 11.3% to RM171.5 million mainly due to the steel price has gradually resumed to normalcy resulted from the gradual economic recovery after the easing of COVID-19 lockdown measures.

The Group experienced lower PBT for the current quarter under review from RM43.0million to RM20.8million mainly caused by weaker market demand resulted from competitive pricing during the period under review. Two associate companies of the Group continue to contribute positive results during the quarter under review.

B3 Prospects

First quarter 2022 GDP of Malaysia grew by 5.0% (YoY), better than expectations of most economists. The country has also transitioned to the endemic phase since 1st April with many restrictive measures being relaxed or lifted. In line with this development, economic activities of the country are expected to recover steadily. Bank Negara Malaysia has also projected 2022 real GDP growth to be around 5.3% to 6.3% despite recent base rate hike of 0.25% to 2.0% amid inflationary pressure.

Market conditions for steel sector remain competitive and challenging with the industry facing profit margin squeeze amid fluctuating steel raw material prices and volatile iron ore prices. The Group will continue to focus on its existing businesses and operational activities and continuing pursue organic expansion and growth in its core business, viz manufacturing and supplying of highway guardrails, storage racking solutions, wide range of carbon steel pipes and Material Handling equipment (MHE) products. 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 31/03/2022 RM'000	Current Year To Date 31/03/2022 RM'000
Current taxation	3,408	3,408
Deferred taxation	212	212
In respect of prior years	-	-
	3,620	3,620

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 RM19.4million and its utilisation as at 31 March 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)	(7,720)	2,258	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
Total gross proceeds	19,403		(17,145)	2,258		

B7 Group bank borrowings:

Total group borrowings as at 31 March 2022 are as follows:-

RM'000	Short Term Borrowing	Long Term Borrowing
Denominated in Ringgit Malaysia:		
Secured	54,420	13,466
Unsecured	186,819	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	241,239	13,466

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 31/03/2022	Preceding Quarter 31/03/2021	Current Year to date 31/03/2022	Preceding Year to date 31/03/2021
Net profit/(loss) attributable to ordinary shareholders (RM'000)	17,217	18,331	17,217	18,331
Weighted average number of ordinary shares in issue ('000)	343,052	322,639	343,052	322,639
Basic earnings per share (sen)	5.02	5.68*	5.02	5.68*

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 31/03/2022	Preceding Quarter 31/03/2021	Current Year to date 31/03/2022	Preceding Year to date 31/03/2021
Net profit attributable to ordinary shareholders (RM'000)	17,217	18,331	17,217	18,331
Weighted average number of ordinary shares in issue ('000)	343,052	322,639	343,052	322,639
Effect of dilution – ESOS ('000)	83	375	83	375
Weighted average number of ordinary shares in issue ('000) –diluted	343,135	323,014	343,135	323,014
Diluted earnings per share (sen)	5.02	5.67*	5.02	5.67*

* For comparative purpose, the Earning Per Share for the quarter and period ended 31 March 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:	Current Quarter 31/03/2022 RM'000	Current Year To Date 31/03/2022 RM'000
(a) Interest income	154	154
(b) Other income	1,456	1,456
(c) Interest expense	(2,707)	(2,707)
(d) Depreciation and amortization	(1,927)	(1,927)
(e) Provision (for) and written down of receivables	(516)	(516)
(f) Provision (for) and written down of inventories	(426)	(426)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain/(loss) - Realised and unrealized	(7)	(7)
(j) Gain / (loss) on derivatives	5	5
(k) Exceptional items	N/A	N/A