Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

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 the 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 supersedes MFRS 117 'Leases' and the related interpretations.
- IC Interpretation 23 'Uncertainty over Income Tax Treatments' which 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. As such, the reclassifications and adjustments arising from the new leasing rules are recognised in the opening balances of the Statement of Financial Position as at 1 July 2019. Impact from the Group's adoption of MFRS 16 mainly involved its non-cancellable operating rental lease commitments on land and buildings as lessee. The Group's method of accounting for assets leased-out as a lessor remains the same as the preceding periods.

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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:

Group	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	-	1,801	1,801
- Net investment in subleases	-	436	436
Current assets			
- Trade and other receivables	94,018	(37)	93,981
Non-current liabilities			
- Lease liabilities	-	1.676	1.676
- Deferred tax liabilities	47,109	8	47,117
Current liabilities			
- Lease liabilities	-	524	524
Shareholders' equity			
- Retained earnings	3,778	(8)	3,770

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 **Audit qualification**

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

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A4 **Unusual items**

In compliance with the Government's Movement Control Order (MCO) nationwide to contain the COVID-19 pandemic, the Group halted all business activities from 18 March 2020. The business closure in the last two weeks of the current financial quarter has negatively affected net income and cash flows. See Note B3 for further details. Unabsorbed manufacturing overheads over the forced closure period is separately disclosed in the Statement of Profit or Loss.

There are no unusual items affecting assets, liabilities, equity, net income or cash flows attributable to its nature, size or incidence during the current financial quarter.

A5 **Changes in estimates**

The Group's Engineering subsidiary applies critical estimates and judgement in accounting for its construction contracts. Over the current financial quarter, there were no material changes made on past estimates. Its last on-going engineering construction contract (Project #2) remains outstanding with minor progression from 98.5% completion at the end of the preceding financial quarter to 98.7% at the end of the current financial quarter. Past provisions made for Liquidated Ascertained Damages and Defects Liability Provisions on Project #2 totaling RM1.69 million would only be reassessed upon the signed-off and release of the final Phase 2.

A6 **Debts and equity securities**

There are no issuances, cancellations, repurchases, or resale of the Company's equity securities during the current financial quarter.

The Group has a policy to maintain its Gearing Ratio (measured as interest bearing debts over equity adjusted for the exclusion of intangibles) at below 1.25 times.

	31/03/2020	30/06/2019
Total interest bearing debts in RM'million	155.6	119.6
Adjusted Equity in RM'million	463.3	471.8
Absolute Gearing Ratio	0.34	0.25

Of the total interest bearing debts as at 31 March 2020, around RM129.8 million is represented by the respective debenture at its Steel Tube and Cold Rolled subsidiaries, whilst RM25.3 million is represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries. (See Note B10). 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 March 2020, except for the Cold Rolled subsidiary's Debt Service Cover Ratio due to its preceding year's operating loss position, which cuts into the rolling 12 months.

A7 **Dividends paid**

No dividend was declared or paid in the current financial quarter.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 **Segmental reporting**

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

	Steel Tube	Cold Rolled	Engineering	Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
Total revenue	182,004	344,855	411	8,474	1,017	536,761
Inter segment	(1,185)	(22,979)	-	(7,901)	(878)	(32,943)
External revenue	180,819	321,876	411	573	139	503,818
Pre-tax profit/(losses)	8,666	(5,641)	(1,184)	(5,902)	(837)	(4,898)
Segment assets	194,103	410,620	3,949	85,807	2,726	697,205

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	697,205
Deferred tax assets	1,187
Derivative financial asset	3,862
Tax recoverable	614
	702,868

A9 **Valuation of Property, Plant and Equipment (PPE)**

The valuation of PPE has been brought forward from the audited financial statements for the financial year ended 30 June 2019 and adjusted for depreciation where applicable 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 March 2020:

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

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 **Fair value measurement** (continue)

Financial instruments subjected to fair valuation are categorised into the following fair value hierarchy and are represented in the table below as at 31 March 2020: (continued)

Recurring fair value measurement	Fair Value RM'000		
Foreign Currency Forwards	Level 1	Level 2	Level 3
as Assets (not hedge accounted)	-	3.8	-
as Assets (hedge accounted)	-	3,858.0	-
as Liabilities (not hedge accounted)	-	(5.0)	-
Total	-	3,856.8	-

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

A11 **Significant events and transactions**

Other than the business and operational stoppage disclosed in Note A4, there are no significant events or transactions for the current quarter affecting the Group's financial position and performance of its entities.

A12 **Subsequent material events**

The Group's business and operational closure under the MCO (see Note A4) extended until 29 April; and resume thereafter under the Conditional-MCO period subjected to stringent distancing and safety procedures until 9 June 2020. The Group's steel segments were granted approval to commence partial production from 15 April.

On 22 May 2020, the Group recovered an impaired debt of RM6.6 million from Mperial Power Ltd -which was fully divested as an associate of the Group back in February 2018. The recovery of the said sum would result in a write-back in the Statement of Profit or Loss in next financial quarter.

Besides the above, there are no other 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**

There were no contingent liabilities for the current financial quarter.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A15 **Capital commitments**

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around RM12.9 million. From this amount, RM9.6 million has been committed for the construction of a new Acid Regeneration Plant and RM3.3 million for the revamp of Continuous Pickling Line. Whilst the revamped CPL has started running towards the end of the current financial quarter, the progress of the ARP has been disrupted by the MCO with its completion likely flowing into the next financial year. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM1.6 million for plant-equipment. These capital commitments will be payable over established milestones in the current and next financial year.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

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 (3rd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/03/2020	Preceding Year Corresponding Quarter 31/03/2019			Current Year To-date 31/03/2020	Preceding Year Corresponding Period 31/03/2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	145,982	156,487	(10,505)	-7%	503,818	541,913	(38,095)	-7%
Operating Loss	(1,381)	(11,583)	10,202	88%	(559)	(13,969)	13,410	96%
Loss Before Interest and Tax	(1,509)	(11,526)	10,017	87%	(860)	(14,019)	13,159	94%
Loss Before Tax	(2,952)	(12,825)	9,873	77%	(4,898)	(18,012)	13,114	73%
Loss After Tax	(3,606)	(11,244)	7,638	68%	(6,473)	(17,383)	10,910	63%
Loss Attributable to Ordinary Equity Holders of the Parent	(2,718)	(10,031)	7,313	73%	(4,891)	(15,516)	10,625	68%

The Group's revenue for the third financial quarter ended 31 March 2020 is 7% lower at RM146 million as compared to RM156.5 million achieved in the preceding year's corresponding quarter mainly due to the two weeks of lost business activities and sales arising from the MCO lockdown. At segment level, the revenue contribution from the Cold Rolled segment declined by 13% whilst the Steel Tube segment increased by 4% for the current financial quarter compared to the preceding year's corresponding quarter. The steel segments' lower revenue for the financial quarter was also affected by the decline in average selling price by around 12%. The Engineering segment's revenue contribution further decreased with a significant dropped of 173% due to the tail end of its remaining construction contract (i.e. Project #2) and the absence of any new engagements as reported previously.

Despite the losses attributed to the Group's operation stoppage pursuant to the MCO, it recorded a lower pre-tax losses of RM3 million for the current financial quarter compared to the pre-tax losses of RM12.8 million in the preceding year's corresponding quarter. The lower pre-tax losses for the current financial quarter is mainly due to the significant reduction of losses in the Engineering subsidiary (from a pre-tax losses of RM4.9 million in the preceding year's corresponding quarter to a pre-tax losses of RM0.2 million in the current quarter) and the Steel Tube segment's better performance for the current quarter at a pre-tax profit RM4.8 million compared to the preceding year's corresponding quarter's pre-tax profit at RM0.7 million. In addition, the absence of a depreciation charged on one of the Group's factory building which has reached the end of its accounting useful life further mitigated the losses in the current financial quarter's results. At the post-tax level, the Group recorded an after-tax losses of RM3.6 million for the current financial quarter compared to the preceding year's corresponding quarter after-tax losses of RM11.2 million.

The Group recorded an EBITDA of RM2.6 million for the current financial quarter compared to the preceding year's corresponding quarter's negative EBITDA of RM6.4 million.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

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

B2 **Material change in the loss before tax as compared to the immediate preceding quarter**

	Current Quarter 31/03/2020	Immediate Preceding Quarter 31/12/2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue	145,982	173,842	(27,860)	-16%
Operating Loss	(1,381)	(1,487)	106	7%
Loss Before Interest and Tax	(1,509)	(1,615)	106	7%
Loss Before Tax	(2,952)	(3,164)	212	7%
Loss After Tax	(3,606)	(3,473)	(133)	-4%
Loss Attributable to Ordinary Equity Holders of the Parent	(2,718)	(2,681)	(37)	-1%

The Group's revenue for the current financial quarter at RM146 million is 16% significantly lower compared to the immediate preceding quarter's at RM173.8 million, mainly due to the Chinese New Year holidays coupled with the two weeks of business shutdown pursuant to the MCO lockdown. Both the Cold Rolled and the Steel Tube segments' contributions were down by RM23.5 million (21%) and RM4.5 million (7%) respectively, in the current financial quarter. The steel segment's poorer performance is mainly due to lower sales volume (down by 12%) and lower average selling price (down by 4%) for the current financial quarter compared with the immediate preceding quarter. The Engineering segment's performance for the current quarter remained negligible and flat compared with the preceding quarter.

Despite the losses attributed to the Group's operation stoppage pursuant to the MCO, it recorded a lower pre-tax loss of RM2.9 million compared with the immediate preceding quarter's pre-tax loss of RM3.2 million. The aforementioned is attributed to the better performance of the Steel Tube segment which recorded a higher pre-tax profit of RM4.8 million in the current quarter compared to a pre-tax profit of RM1.9 million in the immediate preceding quarter. The higher taxes on Steel Tube's higher earnings in the current financial quarter resulted in a higher after-tax loss for the Group at RM3.6 million compared to the immediate preceding quarter after-tax loss at RM3.4 million.

The Group recorded a slightly higher EBITDA of RM2.6 million for the current financial quarter compared to the immediate preceding quarter's EBITDA of RM2.5 million.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

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

B3 Prospects for the remaining financial year

In containing the COVID-19 pandemic, the Country entered into a six weeks lockdown (plus another six weeks of 'conditional' restrictions) straddling the 1st and 2nd fiscal quarters. The ensuing economic paralysis was especially hard-hitting with the collapse of the crude-oil market amid a weakened position from many months of global trade-conflict fallout, declining corporate earnings, falling private investment, weak export commodities prices, and political upheaval. With just two weeks of business shutdown straddling the 1st fiscal quarter, the Country's GDP growth for the quarter decelerated to 0.7% quarter-on-quarter. The ensuing quarters are expected to shrink sharply to record its worst recession since independence.

The Group's steel businesses recorded healthy rebound after Chinese New Year and was on track for a better 3rd financial quarter -until the Movement Control Order (MCO) was abruptly issued. The steel operations were halted, and the Group suffered losses estimated around RM2.8 million over the last two weeks of the 3rd financial quarter due to fixed overheads and interest cost. Its operation stoppage continued into the next 4th financial quarter until mid-April when partial resumption of manufacturing operations (in support of essential goods and services) was granted by the Authorities. Full business resumption (subject to stringent distancing & safety procedures) was only granted from 29 April. By then production and sales for both the Steel Tube and Cold Rolled Coil segments had fell by more than 95% and 80% respectively in April compared to the pre-MCO periods. Moving into May, the Group's steel businesses are expected to pick-up slowly (despite healthy outstanding book-orders secured pre-MCO) to be dictated by the pace of its customers' business resumption which would likely be curtailed by the Hari Raya holidays and further extension of the Conditional MCO (CMCO) until 9 June 2020.

The Group's engineering business remains muted and downsized in the current financial quarter. Prospect of closure on its outstanding construction contract and the probable write-back of provisions in the next 4th financial quarter remains uncertain.

The announced Government's economic stimulus package generally has been SME (Small Medium Enterprise) and B40 (bottom 40% household) centric, and offered minimal relief for the corporate sector. The Group responded immediately to the crisis by containing cost and micro-managing cash-flows, as the MCO and CMCO end-dates kept extending. As the shutdown progressed, the Group's operations had rescheduled with lenders certain debt service dates by another 30 to 60 days to tie-over cash conversion disruptions. The Group did not cut jobs nor furlough any of its employees, but instead applied and obtained wage subsidy relief offered by the Government.

Considering that the MCO and the extended CMCO period covers the entire remaining financial year, prospect for the 4th financial quarter is affirmatively negative. Rising prospect of US-Sino decoupling and a long global recession add to the uncertainties for the Country and the Group.

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

The Group did not issue any profit forecast or profit guarantee.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

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

B5 **Profit/(Loss) before tax**

The following expenses have been charged in arriving at profit/(loss) before tax:

	Current year quarter 31/03/2020 RM'000	Preceding year corresponding quarter 31/03/2019 RM'000	Current year to-date 31/03/2020 RM'000	Preceding year corresponding period 31/03/2019 RM'000
Depreciation and amortisation:				
- property, plant and equipment	(3,976)	(5,144)	(11,864)	(15,321)
- right-of-use assets	(68)	-	(233)	-
Finance cost on:				
- borrowings	(1,777)	(1,845)	(5,100)	(5,128)
- lease liabilities	(30)	-	(95)	-
Finance income:				
- interest on deposits with financial institutions	358	546	1,137	1,135
- net investment in subleases	6	-	20	-
Loss provision reversed on onerous contracts	33	(4,608)	180	(3,656)
FX differences (loss)/gain	(6,170)	1,458	(4,536)	(2,088)
FX derivatives gain/(loss)	5,749	(1,519)	4,208	1,692

B6 **Taxation**

Taxation comprises:

	Current year quarter 31/03/2020 RM'000	Preceding year corresponding quarter 31/03/2019 RM'000	Current year to date 31/03/2020 RM'000	Preceding year corresponding period 31/03/2019 RM'000
Current tax expense				
Current year	(1,124)	(474)	(2,372)	(3,880)
Over provision in prior year	168	108	168	108
Deferred tax expense				
Current year	302	1,947	629	4,401
	(654)	1,581	(1,575)	629

B7 **Profit on sale of unquoted investments and / or properties**

The Group did not engage in any sale of unquoted investments and / or properties in the current financial quarter.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

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

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.

B10 **Group borrowings and debt securities**

The Group's borrowings, denominated entirely in Ringgit Malaysia from lending institutions as at 31 March 2020 undertaken by its Steel subsidiaries are as follows:

	RM'000
Short-term borrowings	
Secured	103,545
Long-term borrowings	
Secured	26,798
Total borrowings	130,343

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 at 1 July 2019	110,139
Inflow from drawdown	193,688
Outflow on repayment	(173,484)
Closing balance at 31 March 2020	130,343

Based on the above borrowings, the Group's gearing ratio is around 0.28 times. The Group's Steel Tube subsidiary also draw on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM25.3 million as at 31 March 2020. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 31 March 2020 is around 0.34 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.

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

B11 **Outstanding derivatives** (continued)

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.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 March 2020 are outlined 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	420	1,274	3.8	5.0

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	26,252	109,509	3,858.0	-	Matching	26,252	n.a.	-	3,858.0

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM0.4 million from its FX Forward Contracts as hedging instruments with corresponding realised net loss of around RM0.5 million from its hedged items over the current financial year.

(i) Risk associated with the derivatives

Counter-Party Risk
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.

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

B12 **Off balance sheet financial instruments and commitments**

At the Group level, off balance sheet financial instruments as at the close of the current financial quarter are bank guarantees issued by its indirect subsidiaries amounting to RM2.8 million as security for inbound supply of goods and services; and corporate guarantees issued by its listed Mycron Steel Bhd to lenders for borrowings extended to the steel subsidiaries amounting to RM126.2 million as at 31 March 2020.

At Company level, there are no off balance sheet financial instruments and commitments at the close of the current financial quarter.

B13 **Material litigation**

At the close of the current financial quarter, there are no material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group. 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 as at the date of this report.

B14 **Dividends**

The Company did not declare or pay any interim dividend in the current financial quarter.

B15 **Loss per share**

(i) Basic loss per ordinary share

	Current year quarter 31/03/2020	Preceding year corresponding quarter 31/03/2019	Current year to date 31/03/2020	Preceding year corresponding period 31/03/2019
Loss attributable to owners of the Company (RM'000)	(2,718)	(10,031)	(4,891)	(15,516)
Weighted average number of ordinary shares in issue ('000)	359,418	359,418	359,418	334,945
Basic loss per share (sen)	**(0.76)**	**(2.79)**	**(1.36)**	**(4.63)**

(ii) Diluted loss per ordinary share

No diluted loss per share is presented as the issued and listed warrants are in an anti-dilutive position given that its exercisable price (at 40 sens) is above the market price of the listed mother share at the close of the current financial quarter.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2020

This interim financial report has been authorised 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
29 May 2020