<u>Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2020</u>

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. Also, the Group's leased-hold landed properties remain classified under 'Property, Plant & Equipment'.

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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
Group	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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A4 **Unusual items**

In compliance with the Government's Movement Control Order (MCO) nationwide to contain the COVID-19 pandemic, the Group had shut-down its' business and manufacturing operations from 18 March to 29 April 2020. The business units were only permitted to resume operations under the Conditional Movement Control Order (CMCO) phase commencing from 4 May under stringent operating procedures. Business activities post resumption in May were severely limited due to demand and supply inertia as the steel value-chain adjusts to the myriad of health safety requirements. Sales only begun to pick-up again in June under the Restricted Movement Control Order (RMCO) phase as the domestic economy gradually gain some traction.

The current financial quarter coincided with the abovementioned MCO, CMCO, and RMCO periods which have severely affected the Group's net income and cash flows. See Note B3. Manufacturing overheads and direct labor costs during the mandatory closure period totaling RM3.6 million is charged out to the Statement of Profit or Loss under 'other operating expenses'.

Besides the above, there were no unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their 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 on contract budget estimates. Its last on-going engineering construction contract (Project #2) remains outstanding at around 98.7% (with little change from the preceding financial year) as the project sign-off by the Client has yet to be attained 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. See Note A12 on further updates after the close of the current financial year.

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.

	30/06/2020	30/06/2019
Total interest bearing debts in RM'million	100.3	119.6
Adjusted Equity in RM'million	468.0	471.8
Absolute Gearing Ratio	0.21	0.25

Of the total interest bearing debts as at 30 June 2020, around RM73.4 million is represented by the respective debenture at its Steel Tube and Cold Rolled subsidiaries, whilst RM26.4 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.

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A6 **Debts and equity securities** (continued)

Debt covenants where applicable are in full compliance for the current financial quarter ended 30 June 2020, except for the Cold Rolled subsidiary's Debt Service Cover Ratio. The subsidiary has since obtained waiver indulgence from the relevant banks on the said covenant for the current financial year.

A7 **Dividends paid**

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

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	203,341	417,725	704	12,105	1,440	635,315
Inter segment	(1,417)	(24,965)	-	(11,341)	(1,089)	(38,812)
External revenue	201,924	392,760	704	764	351	596,503
Pre-tax profit/(losses)	9,032	(8,633)	(1,224)	(1,821)	(1,059)	(3,705)
Segment assets	181,686	407,256	3,548	93,302	2,501	688,293

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	688,293
Deferred tax assets	1,009
Derivative financial asset	2,123
Tax recoverable	374
	691,799

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

In conjunction with the current financial year ended 30 June 2020, the Group's property, plant and equipment were revalued by independent firms of professional valuers based on open market value. Arising from the said revaluation, the surpluses net of deferred tax amounting to RM1.7 million was credited to the asset revaluation reserve under Other Comprehensive Income while the fair value loss of RM0.7 million and the deficits (less reversal of provision for impairment charge on assets write-off) totaling RM2.4 million was charged to profit or loss as an impairment in the current financial quarter.

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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 30 June 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

Recurring fair value measurement	Fair Value RM'000		
Foreign Currency Forwards	Level 1	Level 2	Level 3
as Assets (not hedge accounted)	-	1.0	-
as Assets (hedge accounted)	-	2,121.5	-
as Liabilities (not hedge accounted)	-	(8.3)	-
Total	-	2,114.2	-

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**

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 resulted in a write-back in the Statement of Profit or Loss for the current financial quarter.

Besides the business disruption from the mandatory closure as disclosed in Note A4, there were no other significant events or transactions for the current quarter affecting the Group's financial position and performance of its entities.

A12 **Subsequent material events**

The Company has on 14 August 2020 entered into a Share Sale Agreement to dispose the entire equity interest in its Engineering subsidiary (Melewar Integrated Engineering Sdn Bhd or MIE) comprising of 69,022,201 ordinary shares and 2,000 redeemable preference shares to the subsidiary's Chief Executive Officer and also a director (Uwe Ahrens) for a cash consideration of RM750,000 pursuant to the latter's management buyout offer. MIE is the engineering company which undertook the two onerous engineering construction contracts in 2015 and 2016 which resulted in the Group consolidating its aggregated losses of around RM75.5 million from financial years 2016 to 2020. The said buyout consideration was accepted after taking into consideration of the following factors:

a) MIE has been in a winding-down mode over the last four years without any new revenue source since the high losses with its two onerous engineering construction projects. The limited current and future earning-prospects of MIE support its disposal.

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A12 **Subsequent material events** (continued)

b) The onerous "Project #2" remains contractually outstanding with the Client deferring the 'acceptance' sign-off. The disposal will secure a closure on the matter for the Group.

c) Besides the cash proceeds, the disposal of MIE will help the Group conserve cash else needed to continue funding MIE's operating cost for the next financial year estimated to be around RM1.5 million.

d) The disposal of MIE will result in the Group taking a gain on the proceeds (e.g. RM750,000) as well as from the de-consolidation MIE's net liabilities (as represented by its negative shareholders' fund of RM4.3 million) upon completion of the transaction.

MIE had a net liabilities of around RM72.3 million as at 30 June 2020, but was reduced on 31 July 2020 to around RM4.3 million upon the capitalisation of the book debt of RM67.8 million owing to the Company. The aforesaid sum, which was advanced by the Company over a period of time from financial years 2017 to 2020 to sustain MIE's operations and financial obligations, had been impaired in the respective year those were made.

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**

During the current financial quarter, the Company has incorporated the following wholly owned entities with the view to undertake new investments in the future. These entities remain dormant at the close of the current financial quarter.

a) 3Bumi Sdn Bhd
b) 3Dara Sdn Bhd

Besides the above, there were no other 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.

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 RM11.5 million. From this amount, RM8.4 million has been committed for the construction of a new Acid Regeneration Plant (ARP) and RM3.1 million for the revamp of Continuous Pickling Line (CPL). 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 expected completion date 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.

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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 (4th quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 30/06/2020	Preceding Year Corresponding Quarter 30/06/2019			Current Year To-date 30/06/2020	Preceding Year Corresponding Period 30/06/2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	92,685	152,158	(59,473)	-39%	596,503	694,071	(97,568)	-14%
Operating (Loss)/Profit	(1,452)	50,437	(51,889)	-103%	(2,011)	36,468	(38,479)	-106%
Profit/(Loss) Before Interest and Tax	2,267	49,136	(46,869)	-95%	1,407	35,117	(33,710)	-96%
Profit/(Loss) Before Tax	1,193	47,814	(46,621)	-98%	(3,705)	29,802	(33,507)	-112%
Profit/(Loss) After Tax	2,328	44,998	(42,670)	-95%	(4,145)	27,615	(31,760)	-115%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,447	46,274	(42,827)	-93%	(1,444)	30,758	(32,202)	-105%

The Group's revenue for the fourth financial quarter ended 30 June 2020 is 39% lower at RM92.7 million as compared to RM152.2 million achieved in the preceding year's corresponding quarter mainly due to lost business activities and sales arising from the MCO lockdown. At segment level, the revenue contribution from both the Steel Tube and Cold Rolled segments declined by 65% and 22% respectively, for the current financial quarter compared to the preceding year's corresponding quarter. The steel segments suffered significant reduction in sales volume in both its Steel Tube segment (down by 62%) and Cold Rolled segment (down by 19%) with declining average selling price of around 8% for the current financial quarter. The Engineering segment's revenue contribution has also further decreased by 26% due to the tail end of its remaining construction contract (i.e. Project #2) and the absence of any new engagements as reported previously.

The Group registered a lower pre-tax profit of RM1.2 million for the current financial quarter compared to the pre-tax profit of RM47.8 million in the preceding year's corresponding quarter. The lower pre-tax profit for the current financial quarter is mainly due to the absence of the Engineering segment's write-back of RM50.1 million on past recognised losses on one of its onerous construction contracts (Project #1) pursuant to the commercial settlement with its client along with the lapse of the project's defects-liability-period in the preceding year's corresponding quarter. Direct losses attributed to the Group's operation stoppage amounting to RM2.1 million pursuant to the MCO in the current financial quarter has further aggravate the current quarter's results. The impact was mitigated by the recovery of 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. 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 has also contributed positively to the current financial quarter's results. At the post-tax level, the Group recorded an after-tax profit of RM2.3 million for the current financial quarter compared to the preceding year's corresponding quarter after-tax profit of RM45 million.

The Group recorded a significant lower EBITDA of RM2.5 million for the current financial quarter compared to the preceding year's corresponding quarter's EBITDA of RM55.4 million.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 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 30/06/2020	Immediate Preceding Quarter 31/03/2020	Changes	
	RM'000	RM'000	RM'000	%
Revenue	92,685	145,982	(53,297)	-37%
Operating Loss	(1,452)	(1,381)	(71)	-5%
Profit/(Loss) Before Interest and Tax	2,267	(1,509)	3,776	250%
Profit/(Loss) Before Tax	1,193	(2,952)	4,145	140%
Profit/(Loss) After Tax	2,328	(3,606)	5,934	165%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	3,447	(2,718)	6,165	227%

The Group's revenue for the current financial quarter at RM92.7 million is 37% significantly lower compared to the immediate preceding quarter's at RM146 million. The lower revenue for the current quarter is mainly due to the longer business shutdown period of 4 weeks compared to only 2 weeks at the tail-end of the 3rd financial quarter - which led to lower sales volume for both the Cold Rolled and Steel Tube segments in the current financial quarter. The sales volume is down by around 27% for the Cold Rolled and 64% for the Steel Tube. The Engineering segment's performance for the current quarter remained negligible and flat compared with the immediate preceding quarter.

Despite the losses attributed to the Group's operation disruptions and impairment charge on property, plant and equipment of RM2.4 million in the current financial quarter, it recorded a pre-tax profit of RM1.2 million compared with the immediate preceding quarter's pre-tax loss of RM1.5 million. The aforementioned is attributed to the recovery of 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 lower taxes arising from Cold Rolled's write back of deferred tax assets has also resulted in a higher after-tax profit for the Group at RM2.3 million compared to the immediate preceding quarter after-tax loss at RM3.6 million.

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

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2020

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

B3 Prospects for the next financial year

The Country emerged from the six weeks of Movement Control Order (MCO) lockdown plus another six weeks of 'conditional' MCO rather successfully in containing the spread of COVID-19 domestically. The price for that is its worst GDP contraction on record of negative 17.1% quarter-on-quarter for the 2nd fiscal quarter (coinciding with the Group's 4th financial quarter). Post-lock down stringent safety controls coupled with border-closure concurrent with the rest of the world continues to exert a stranglehold on a wide spectrum of the service and tourism related industries. Whilst the goods and manufacturing sectors have picked-up, crimped demand continues to cap performance with the exception of those few pandemic-theme driven sectors in medical & healthcare. Nevertheless, the restart of the economy from 4 May 2020 should ease GDP contraction over the next two fiscal quarters amidst significant headwinds in both domestic and global fronts.

The Group would have turned-in a pre-tax profit for the current financial year ended 30 June 2020 had it not been for the six weeks of business shutdown in compliance with the MCO lockdown. Up until the lock-down in late March, the Group's steel businesses had outperformed the preceding financial year's period-on-period. The business resumption in May was generally uneventful, bogged down by administrative compliance of post-MCO rules coupled with the compulsory COVID-screening for foreign workers amid the Ramadan and Hari Raya festivity - which similarly hampered its customers' business resumption. Sales and order fulfilment only begun to pick-up in June with both the Steel Tube and Cold Rolled Coil (CRC) segments turning-in a positive performance at operation level.

Barring a local COVID resurgence, the Group's steel segments may continue its positive run into the new financial year- with potential upside if the virulent threat is contained globally before the end of the current calendar year. The simultaneous restart of domestic economic activities saw penned-up steel demand from the construction and manufacturing sectors, and at a time when raw steel material supplies faced short-term disruptions due to cross-border logistic and shipping constraints. Upward trending regional steel prices on the back of China's growth recovery and robust steel demand, has also supported domestic steel demand. The Group's steel operations' bottom-line in the near term would also be supported by its austerity cost containment measures, all-time low borrowing cost, and wage-subsidies from the government's stimulus scheme. On top of that, the Group's CRC segment's past effort in anti-dumping drive against unfair imports has begun to gradually stem the tide. This coupled with its recently completed pickling-line revamp plus a new acid-generation plant (which is expected to be completed in the 2nd half of the next financial year) are expected to favorably tilt the CRC segment's performance.

The Engineering segment had another uneventful current financial year with negligible revenue contribution to the Group, and seems set to continue on the same negative trajectory into the next financial year. The disposal of the Engineering subsidiary in the new financial year in August (see Note A12) brings the Engineering segment to closure. Moving into the new financial year, the Group will be on a lookout for suitable investment opportunities that may arise during the recovery phase of the current RMCO.

Nevertheless on the flipside, the new financial year is fraught with downside risks - such as the current deteriorating trajectory of the COVID pandemic in most western economies; heightened geopolitical tension; global impacting US election; and even the prospect of another round of domestic political upheaval – any of which could stymie the Nation's recovery and throw the Group's performance off-course. In summary, the Group's prospect outlook for the next financial year is highly fluid and is dependent on a stimulus driven market recovery.

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

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

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

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

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

	Current year quarter 30/06/2020 RM'000	Preceding year corresponding quarter 30/06/2019 RM'000	Current year to-date 30/06/2020 RM'000	Preceding year corresponding period 30/06/2019 RM'000
Depreciation and amortisation:				
- property, plant and equipment	(3,969)	(4,978)	(15,833)	(20,299)
- right-of-use assets	(67)	-	(300)	-
Finance cost on:				
- borrowings	(1,298)	(1,776)	(6,398)	(6,904)
- lease liabilities	(27)	-	(122)	-
Finance income:				
- interest on deposits with financial institutions	246	454	1,383	1,589
- net investment in subleases	5	-	25	-
Loss provision (recognised)/ reversed on onerous contracts	(72)	(593)	108	(4,249)
FX differences gain/(loss)	760	(1,421)	(3,776)	(3,509)
FX derivatives (loss)/gain	(641)	1,524	3,567	3,216

B6 **Taxation**

Taxation comprises:

	Current year quarter 30/06/2020 RM'000	Preceding year corresponding quarter 30/06/2019 RM'000	Current year to date 30/06/2020 RM'000	Preceding year corresponding period 30/06/2019 RM'000
Current tax expense				
Current year	(106)	(290)	(2,478)	(4,170)
Over provision in prior year	-	5	168	113
Deferred tax income				
Current year	1,241	(2,531)	1,870	1,870
	1,135	(2,816)	(440)	(2,187)

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

B8 **Purchase or disposal of quoted securities**

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

B9 **Status of corporate proposals**

There were 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 30 June 2020 undertaken by its Steel subsidiaries are as follows:

	RM'000
Short-term borrowings	
Secured	56,311
Long-term borrowings	
Secured	17,665
Total borrowings	73,976

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	219,028
Outflow on repayment	(255,191)
Closing balance at 30 June 2020	73,976

Based on the above borrowings, the Group's gearing ratio is around 0.16 times. The Group's Steel Tube subsidiary also draw on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM26.4 million as at 30 June 2020. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 30 June 2020 is around 0.21 times.

Arising from the MCO, the Group has sought and obtained debt service rescheduling for deferment period up to 60 days on dues totaling RM22.6 million with lenders in the current financial quarter. The Group is expected to meet all its financial obligations crossing into the next financial year when due.

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

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.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 30 June 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	390	1,192	1.0	8.3

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	23,868	100,418	2,121.5	-	Matching	23,868	n.a.	-	2,121.5

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM1.5 million from its FX Forward Contracts as hedging instruments with corresponding realised net loss of around RM1.8 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.

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

B11 **Outstanding derivatives** (continued)

(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.

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

At the Group level, off-balance-sheet financial instruments as at the date of this announcement are bank guarantees issued by its indirect subsidiaries amounting to RM2.3 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 RM66.0 million as at 30 June 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 **Earnings/(Loss) per share**

(i) Basic earnings/(loss) per ordinary share

	Current year quarter 30/06/2020	Preceding year corresponding quarter 30/06/2019	Current year to date 30/06/2020	Preceding year corresponding period 30/06/2019
Earnings/(Loss) attributable to owners of the Company (RM'000)	3,447	46,274	(1,444)	30,758
Weighted average number of ordinary shares in issue ('000)	359,418	359,418	359,418	341,047
Basic earnings/(loss) per share (sen)	**0.96**	**12.87**	**(0.40)**	**9.02**

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2020

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

B15 **Earnings/(Loss) per share** (continued)

(ii) Diluted earnings/(loss) per ordinary share

No diluted earnings/(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.

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
28 August 2020