<u>Quarterly report on consolidated results for the second financial quarter ended 31 December 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 2020 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 preceding financial year ended 30 June 2020.

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 2020, except for the following new amendments to the MFRS ("standards") effective from 1 January 2020 which the Group has adopted since the commencement of the current financial year on 1 July 2020:

- Changes to the Conceptual Framework for Financial Reporting (Revised 2018). This entails a number of changes which provide clarifications, new definition, and emphasis of entrenched concepts.
- Amendments to MFRS 101 "Presentation of Financial Statements" and MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors". These amendments clarify the definition of 'materiality' and the consistency of definition application throughout the financial reporting.
- Amendments to MFRS 3 'Definition of a Business' (effective 1 January 2020). These amendments revised the definition of a 'business' in an acquisition.

The adoption of the above did not have any material impact on the Group's financial statements to-date.

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.

<u>Effective for financial year beginning after 1 July 2022.</u>

- Amendments to MFRS 116 "Proceeds before Intended Use"
- Amendments to MFRS 3 "Reference to the Conceptual Framework"
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 9 "Fees in the '10 per cent' test for Derecognition of Financial Liabilities"
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"

<u>Effective for financial year beginning after 1 July 2023.</u>

- Amendments to MFRS 101 "Classification of liabilities as current or non-current"

These amendments to published standards will be adopted on the respective effective dates.

A2 Audit qualification

The audit report of the Group in respect of the annual financial statements for the financial year ended 30 June 2020 was not subject to any audit qualification.

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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.

A4 **Unusual items**

It was disclosed in the last financial quarter that a unit of the Group's steel operations had an equipment failure incident which affected net income due to business interruption and rectification cost outlay; and that an insurance claim on its 'machine breakdown and consequential-loss policy' in relation to the aforementioned was made. A settlement on the said insurance claim was offered and accepted in the current financial quarter with a gain of RM2.5 million duly recognised in the same period.

Besides the above, there were no other unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A5 **Changes in estimates**

There were no changes in estimates that had a material effect on the financial results for the current financial quarter.

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.

	31/12/2020	30/06/2020
Total interest bearing debts in RM'million	88.0	100.3
Adjusted Equity in RM'million	493.4	468.0
Absolute Gearing Ratio	0.18	0.21

Of the total interest bearing debts as at 31 December 2020, around RM68.5 million is represented by the respective debenture at its Steel Tube and Cold Rolled subsidiaries (see Note B10). Debts of RM19.5 million is secured against a fixed charge on a property and other specific assets to-which the financing relates. 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 December 2020.

A7 **Dividends paid**

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

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 **Segmental reporting**

The engineering businesses ceased to be reported as a segment with effect from the preceding financial quarter following the disposal of its main engineering subsidiary in August 2020.

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

	Steel Tube	Cold Rolled	Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Total revenue	135,039	232,893	6,195	1,127	375,254
Inter segment	(889)	(16,097)	(5,866)	(774)	(23,626)
External revenue	134,150	216,796	329	353	351,628
Pre-tax profit	15,143	14,929	122	(201)	29,993
Segment assets	279,898	414,198	31,423	8,235	733,754

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	733,754
Deferred tax assets	909
Derivative financial asset	1
Tax recoverable	104
	734,768

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 2020 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.

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 **Fair value measurement** (continued)

Financial instruments subjected to fair valuation are categorised into the following fair value hierarchy and are represented in the table below as at 31 December 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)	-	1.4	-
as Liabilities (not hedge accounted)	-	(0.9)	-
as Liabilities (hedge accounted)	-	(5,230.8)	-
Total	-	(5,230.3)	-

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**

The Government reintroduced the Conditional Movement Control Order (CMCO) due to the resurgence of COVID-19 infections with effect from 14 October 2020, which covers key states where the Group's domestic operations and markets are located. The CMCO restrictions have hindered the Group's ability to execute its food-business plans, and have further delayed the completion timeline for on-going capital/asset investment projects (see Note A15).

The Company's wholly-owned subsidiary, Melewar Steel Services Sdn Bhd ("MSS") has in the current financial quarter on 3 December 2020 completed the sale transaction of the leasehold property together with all the buildings erected thereon known as Lot 16, Jalan Pengapit 15/19, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan ("the Property") for a total disposal consideration of RM11,870,000 to RHB Trustees Berhad acting as the trustee for Axis Real Estate Investment Trust ("the Purchaser" or the "REIT"), pursuant to into a Sale and Purchase Agreement ("SPA") contracted in the last financial quarter on 3 September 2020. Consequently, MSS recognised a write-back of deferred tax liability previously provided of RM1 million. Arising from the completed sale, the Group reclassified RM5.2 million in carrying 'revaluation surpluses' to 'retained earnings' in the current financial quarter.

Besides the above, there were no other significant events and transactions for the current quarter affecting the Group's financial position and performance of its entities.

A12 **Subsequent material events**

The Government reintroduced the Movement Control Order (MCO 2.0) due to the worsen COVID-19 infections with effect from 13 January 2021, which covers key states where the Group's domestic operations and markets are located.

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.

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A13 **Changes in the composition of the Group**

There were no additional changes to the composition of the Group over the current financial quarter further to those made in the preceding financial quarter as detailed below in its planned foray into the new food-segment.

(a) 3Bumi Oleo Sdn Bhd

On 15 September 2020, 3Bumi acquired 90,000 ordinary shares representing 80% of the share capital of 3Bumi Oleo Sdn Bhd ("3Bumi Oleo") (formerly known as Myreve Sdn Bhd) from two individuals for a cash consideration of RM90,000 representing the proportionate carrying net asset value of the subject company. The intended business of 3Bumi Oleo is in the downstream bottling and distribution of palm olein edible oil. No goodwill nor discount arose from the acquisition, as the investment sum approximates the proportional fair value of the entity.

As at the date of this report, the acquisition remains reversible as the vendor has yet to fulfill all the Conditions Precedent ("CP") underlying the stake disposal. In this regard, 3Bumi has not released the said purchase consideration but has recognised the conditional obligation as a contingent liability in its books. As at the date of this report, business operation has not commenced as the required licenses (covered under the CP) remains outstanding.

(b) 3Bumi Trading Sdn Bhd

On 29 September 2020, the Company transferred its wholly owned dormant subsidiary Melewar Steel Engineering Sdn Bhd to 3Bumi at a consideration sum of RM1, and was renamed to 3Bumi Trading Sdn Bhd ("3Bumi Trading"). The intended business of 3Bumi Trading is in the trading of frozen meat and seafood. As at the date of this report, 3Bumi Trading has commenced some trading activities.

(c) 3Bumi (Cambodia) Co., Ltd.

On 14 July 2020, 3Bumi acquired 1,000 ordinary shares of USD50 each representing 100% of the share capital of MAAX Venture (Cambodia) Co., Ltd ("MAAX Venture") from MAA Corporation Sdn Bhd, a related party, for a cash consideration of USD48,830 (RM205,967) representing its carrying net asset value. No goodwill nor discount arose from the acquisition, as the investment sum approximates the fair value of the entity. The acquired dormant company is intended to undertake food distribution business in Cambodia.

MAAX Venture has been renamed to 3Bumi (Cambodia) Co., Ltd in the current quarter. As at the date of this report, the execution of related business plans in Cambodia has been kept on-hold due to pandemic travel restrictions.

A14 **Contingent liabilities**

There were no contingent liabilities for the current financial quarter.

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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 RM5.0 million. From this amount, RM3.8 million has been committed for the construction of a new Acid Regeneration Plant (ARP) and RM1.2 million for the revamp of Continuous Pickling Line (CPL). Whilst the revamped CPL has started running towards the end of the previous financial quarter, the completion of the ARP has been further delayed by the MCO 2.0. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM1.5 million for plant-equipment. These capital commitments will be payable over established milestones in the current 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 (2nd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/12/2020	Preceding Year Corresponding Quarter 31/12/2019			Current Year To-date 31/12/2020	Preceding Year Corresponding Period 31/12/2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	195,472	173,842	21,630	12%	351,628	357,836	(6,208)	-2%
Operating Profit/(Loss)	20,826	(1,615)	22,441	1390%	26,403	649	25,754	3968%
Profit/(Loss) Before Interest and Tax	20,826	(1,615)	22,441	1390%	31,420	649	30,771	4741%
Profit/(Loss) Before Tax	20,254	(3,164)	23,418	740%	29,993	(1,946)	31,939	1641%
Profit/(Loss) After Tax	15,395	(3,473)	18,868	543%	23,814	(2,867)	26,681	931%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	11,536	(2,681)	14,217	530%	18,937	(2,173)	21,110	971%

The Group's revenue for the second financial quarter ended 31 December 2020 is 12% higher at RM195.5 million as compared to RM173.8 million achieved in the preceding year's corresponding quarter mainly due to higher sales volume and higher average unit selling price for both the Cold Rolled and Steel Tube segments. There were no external revenue contributed by other segments. Although the engineering unit ceased to contribute to the Group in the current financial quarter, its revenue contribution in the preceding year corresponding quarter was already negligible. The average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segment is up 4% and 3% respectively, whilst sales volume for Cold Rolled is up 9% and the Steel Tube is up 11% respectively compared with the preceding year corresponding quarter. The stronger sales volumes can be attributed to a combination of factors emanating from reduced imports/ dumping due to on-going Anti-Dumping investigations and/or enforced AD duties coupled with overall supply tightness from aboard; robust steel demand from certain sectors driven by the pandemic and ensuing stimulus spending (i.e. demand for durable/ white goods, healthcare & hospital furniture and fittings, infrastructural applications); and elevated 'stock-up buying' due to rising price trend.

The Group registered a strong pre-tax profit of RM20.3 million for the current financial quarter compared to the pre-tax loss of RM3.2 million in the preceding year's corresponding quarter. The higher pre-tax profit for the current financial quarter is mainly attributed to higher gross profit from both the Cold Rolled and Steel Tube segments as a result of better gross margin spreads. The better margin spreads can be attributed to a combination of factors emanating from stronger volumes; rising raw material hot rolled coil prices trend; and lessen price undercutting in the market due to general supply tightness. The Cold Rolled segment's gain also include the one-off approved insurance claim of RM2.5 million for its equipment breakdown incident which occurred in the last quarter (see Note A4). The Group's lower interest expense (down 60%) due to reduction in interest rates also adds to bottom-line. Consequently, the Group recorded a higher after-tax profit of RM15.4 million for the current financial quarter compared to the preceding year's corresponding quarter after-tax loss of RM3.5 million.

The Group recorded a significantly higher EBITDA of RM28.4 million for the current financial quarter compared to the preceding year's corresponding quarter's EBITDA of RM2.5 million.

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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 31/12/2020	Immediate Preceding Quarter 30/09/2020	Changes	
	RM'000	RM'000	RM'000	%
Revenue	195,472	156,156	39,316	25%
Operating Profit/(Loss)	20,826	5,577	15,249	273%
Profit Before Interest and Tax	20,826	10,594	10,232	97%
Profit Before Tax	20,254	9,739	10,515	108%
Profit After Tax	15,395	8,419	6,976	83%
Profit Attributable to Ordinary Equity Holders of the Parent	11,536	7,401	4,135	56%

The Group’s revenue for the current financial quarter at RM195.5 million is significantly higher compared to the immediate preceding quarter at RM156.2 million. The higher revenue for the current financial quarter is mainly due to higher sales volume and higher average unit selling price for both the Cold Rolled and Steel Tube segments; and also considering that the immediate preceding quarter had a lower sales volume attributed to the equipment breakdown incident mentioned in Note A4. Although the engineering unit ceased to contribute to Group in the current financial quarter, its revenue contribution in the immediate preceding financial quarter was already negligible.

The Group registered a strong pre-tax profit of RM20.3 million for the current financial quarter compared to the pre-tax profit of RM9.7 million (which include the one-off RM5 million gain from the disposal of the engineering subsidiary) in the immediate preceding quarter. The higher pre-tax profit for the current quarter is mainly due to better gross margin spreads from both the Cold Rolled and Steel Tube segments coupled with the mentioned insurance claim settlement from the Cold Rolled segment. The better gross margin spreads for the current quarter compared with the immediate preceding quarter are due to similar attributes as highlighted in Note B1 above. The write back of RM1 million in deferred tax liability (see Note A11) also contributed to lower tax expense in the current financial quarter. Consequently, the Group recorded a higher after-tax profit of RM15.4 million for the current financial quarter compared to the immediate preceding quarter after-tax profit of RM8.4 million.

The Group recorded a significantly higher EBITDA of RM28.4 million for the current financial quarter compared to the immediate preceding quarter’s EBITDA of RM9.9 million.

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

B3 Prospects for the remaining financial year

After a full fiscal year GDP contraction of 5.6% in 2020, the Country got off to a rough start with surging infections and the reinstatement of Movement Control Order (MCO 2.0) from 14 January 2021. Although key sectors of the economy are permitted to operate, the prolonged restrictions risk permanently damaging certain service and 'brick & mortar' industries- considering that the reported timeline for mass vaccination reaching 80% of its population would extend into early 2022.

In spite of the challenging economic outlook ahead, the Group expects a continuing positive run on performance mainly from its steel segments on the back the Government's progressive steel policies/ actions (i.e. import duty & AD duty structure, enforcement against unscrupulous importers, and buy Malaysian-made-first). The steel segments expect sustained demand from manufacturing sectors in durable goods (e.g. vehicles, furniture & fittings) and household white goods (e.g. electronic and electrical appliances) for both the export and domestic markets; stimulus spending in infrastructural projects (e.g. LRT3, Bandar Malaysia, ECRL); and new factory construction projects (e.g. for glove and healthcare production facilities). Gross margins of the steel segments are also expected to stay healthy considering the wide-ranging anti-dumping (AD) structure in placed coupled with global supply chain tightness which would discourage price under-cutting in the region. Lastly, the Government's recent adoption of the Steel Industry's White Paper recommendations (which the Group had participated in crafting) into the Nation's 'iron & steel' policies that will also flow into the forthcoming New Industry Master Plan 2021-2030 would augurs well for the Group's steel segments over a long term.

The Group made some start-up acquisitions in its foray into the 'food-business' in the preceding 1st financial quarter (see Note A13), but the execution of the respective business plans for the aforementioned in the current 2nd financial quarter has been hampered by the CMCO restrictions. The reintroduction of MCO 2.0 will pose further hindrance to the execution of the said business plans on the food-business in the 3rd financial quarter, but with prospects for improvement in the 4th financial quarter.

The remaining financial period poses notable risks and challenges for the Group. Its steel manufacturing, which operates out of four separate factories, continues to face interruption risk from possible government decreed shutdown statewide or targeted (in the case of work-place COVID infection). On this, the Group's operations observe strict and regimental compliance of COVID SOP (Standard Operating Procedures) including meeting standards on accommodation for workers where applicable. Besides that, the various existing AD duties imposed on cold rolled coils below 1300mm width from May 2016 onwards are set to expire on 23 May 2021. Whilst the success-probability of impending application for further extension of the AD for another five years term is high - considering the underlying merits against unfair trade practice; the state of the nation's economy; and the widespread protectionalistic practices worldwide - a small residue risk of non-extension remains.

In this regard, barring any lockdown on the economy and/or any delay to the nation's vaccination program, the Group's outlook for the remaining financial year is cautiously positive.

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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 before tax**

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

	Current year quarter 31/12/2020 RM'000	Preceding year corresponding quarter 31/12/2019 RM'000	Current year to-date 31/12/2020 RM'000	Preceding year corresponding period 31/12/2019 RM'000
Depreciation and amortisation:				
- property, plant and equipment	(3,690)	(3,594)	(7,374)	(7,281)
- right-of-use assets (leasehold lands)	(350)	(355)	(700)	(607)
- right-of-use assets (rented properties)	(58)	(68)	(119)	(165)
Finance cost on:				
- borrowings	(742)	(1,865)	(1,737)	(3,323)
- lease liabilities	(20)	(36)	(43)	(65)
Finance income:				
- interest on deposits with financial institutions	190	344	352	779
- net investment in subleases	-	8	1	14
Loss provision reversed on onerous contracts	-	54	8	147
FX differences gain	5,706	3,391	9,055	1,634
FX derivatives loss	(5,389)	(3,109)	(8,574)	(1,541)

B6 **Taxation**

Taxation comprises:

	Current year quarter 31/12/2020 RM'000	Preceding year corresponding quarter 31/12/2019 RM'000	Current year to date 31/12/2020 RM'000	Preceding year corresponding period 31/12/2019 RM'000
Current tax expense				
Current year	(3,058)	(714)	(4,468)	(1,248)
Over provision in prior year	-	-	4	-
Deferred tax (expense)/ income				
Current year	(1,801)	405	(1,715)	327
	(4,859)	(309)	(6,179)	(921)

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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 31 December 2020 undertaken by its Steel subsidiaries are as follows:

	RM'000
Short-term borrowings	
Secured	58,803
Long-term borrowings	
Secured	29,174
Total borrowings	87,977

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 2020	73,976
Inflow from drawdown	97,220
Outflow on repayment	(83,219)
Closing balance at 31 December 2020	87,977

Based on the above borrowings, the Group's gearing ratio is around 0.18 times.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2020

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 31 December 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	300	917	1.4	0.9

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	47,060	195,175	-	5,230.8	Matching	47,060	n.a.	5,230.8	-

Besides the above unrealised positions, the Group has recorded a total realised net loss of around RM3.3 million from its FX Forward Contracts as hedging instruments with corresponding realised net gain of around RM3.6 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 RM2.0 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 RM85.6 million as at 31 December 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) <u>Basic earnings/(loss) per ordinary share</u>

	Current year quarter 31/12/2020	Preceding year corresponding quarter 31/12/2019	Current year to date 31/12/2020	Preceding year corresponding period 31/12/2019
Profit/(Loss) attributable to owners of the Company (RM'000)	11,536	(2,681)	18,937	(2,173)
Weighted average number of ordinary shares in issue ('000)	359,418	359,418	359,418	359,418
Basic earnings/(loss) per share (sen)	**3.21**	**(0.75)**	**5.27**	**(0.60)**

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

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

(ii) Diluted earnings per ordinary share

The market price of the listed Company closed at 54.5 sens- or 14.5 sens above the exercisable price (40 sens) of its 66,947,418 outstanding listed warrants - at the end of the current financial quarter. Assuming that these warrants are exercised, the diluted earnings per share of the Group are as follows:

	Current year quarter 31/12/2020	Preceding year corresponding quarter 31/12/2019 *	Current year to date 31/12/2020	Preceding year corresponding period 31/12/2019 *
Profit attributable to owners of the Company (RM'000)	11,536	N/A	18,937	N/A
Total number of ordinary shares in issue ('000)	426,365	N/A	426,365	N/A
Diluted earnings per share (sen)	**2.71**	**N/A**	**4.44**	**N/A**

* No diluted loss per share is presented in the preceding year corresponding quarter/period as the issued and listed warrants were in an anti-dilutive position.

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
25 February 2021