

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
(Incorporated in Malaysia)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 4th quarter from 1 May 2020 to 31 July 2020

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/07/2020	31/07/2019	31/07/2020	31/07/2019
	RM'000	RM'000	RM'000	RM'000
Revenue	210,215	309,875	932,873	1,186,607
Cost of Sales	(199,996)	(280,571)	(877,323)	(1,081,388)
Gross Profit	10,219	29,304	55,550	105,219
Other Income	1,461	4,089	5,006	15,462
Operating Expenses	(4,949)	(9,617)	(34,765)	(42,754)
Profit from Operations	6,731	23,776	25,791	77,927
Finance Costs	(4,622)	(6,168)	(20,940)	(25,522)
Share of profit / (loss) of equity-accounted investees, net of tax	10,203	18,084	3,838	(13,256)
Profit Before Tax	12,312	35,692	8,689	39,149
Tax expense	(1,948)	(5,758)	(4,088)	(14,332)
Profit for the Period	10,364	29,934	4,601	24,817
Other Comprehensive Loss				
Fair value loss on other investments	(109)	(136)	(365)	(272)
Foreign currency translation differences for foreign operations	58	(569)	(160)	64
	(51)	(705)	(525)	(208)
Total Comprehensive Income	10,313	29,229	4,076	24,609
Profit / (Loss) Attributable to:				
Owners of the parent	10,292	29,564	4,287	25,303
Non-Controlling Interests	72	370	314	(486)
	10,364	29,934	4,601	24,817
Total Comprehensive Income / (Loss) Attributable to:				
Owners of the parent	10,241	28,859	3,762	25,095
Non-Controlling Interests	72	370	314	(486)
	10,313	29,229	4,076	24,609
Earning Per Share (EPS)				
(a) Basic (sen)	0.76	2.21	0.32	1.89
(b) Diluted (sen)	0.69	1.89	0.33	1.67

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2019 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position as at 31 July 2020

	31/07/2020 (Unaudited)	31/07/2019 (Audited)
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	272,082	270,872
Right-of-Use	484	-
Investment properties	8,728	8,945
Investment in joint venture	421,130	417,292
Other investments	729	1,093
Goodwill	7	-
Trade and other receivables (Finance lease receivables)	-	3,510
	<u>703,160</u>	<u>701,712</u>
Current assets		
Inventories	354,193	438,775
Trade and other receivables	196,699	257,441
Current tax assets	13,474	11,114
Deposits with licensed banks	21,907	1,509
Cash and cash equivalents	145,165	178,921
	<u>731,438</u>	<u>887,760</u>
Total assets	<u>1,434,598</u>	<u>1,589,472</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	680,166	672,099
Treasury shares	(7,499)	(7,499)
Warrant reserves	30,341	30,341
Translation reserves	(302)	(142)
Share option reserves	5,663	5,663
Fair value reserves	(1,881)	(1,516)
RCUIDS reserves	27,752	33,883
Retained earnings	127,803	130,210
	<u>862,043</u>	<u>863,039</u>
Non-Controlling Interests	(891)	(1,247)
Total equity	<u>861,152</u>	<u>861,792</u>
Non-current liabilities		
Loans and borrowings	11,163	19,062
Deferred tax liabilities	36,446	37,964
	<u>47,609</u>	<u>57,026</u>
Current liabilities		
Loans and borrowings	495,098	607,004
Trade and other payables	29,302	61,824
Lease liabilities	496	-
Contract liabilities	937	-
Current tax payable	4	1,826
	<u>525,837</u>	<u>670,654</u>
Total liabilities	<u>573,446</u>	<u>727,680</u>
Total equity and liabilities	<u>1,434,598</u>	<u>1,589,472</u>
Net assets per share attributable to owners of the parent (RM)	0.64	0.64

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2019 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Registration No. 199701005844 (421340-U))
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Condensed Consolidated Statements of Cash Flows for the period ended 31 July 2020

	Current Year To-date 31/07/2020 RM'000	Preceding Year Corresponding Period 31/07/2019 RM'000
<u>Operating Activities</u>		
Profit Before Tax	8,689	39,149
Adjustments for:		
Amortisation of mining exploration and evaluation assets	-	743
Dividend income	(33)	(84)
Depreciation of investment properties	217	217
Depreciation of property, plant and equipment	13,746	9,603
Depreciation of right-of use	184	-
ESOS employee reserves	-	744
Finance income:		
Other investments	(44)	(289)
Deposits with licensed banks	(2,179)	(1,956)
Amount due from joint venture	-	(2,584)
Gain on disposal of property, plant and equipment	(35)	(5,240)
Finance costs	20,940	25,522
Net overdue interest income	(527)	(1,119)
Net unrealised foreign exchange (gain) / loss	(487)	327
Property, plant and equipment written off	330	9
Impairment loss on trade receivables	688	568
Write-down of inventories to net realisable value	5,010	3,664
Share of (profit) / loss of equity-accounted joint venture, net of tax	(3,838)	13,256
Operating profit before changes in working capital	42,661	82,530
Net changes in current assets	142,784	47,249
Net changes in current liabilities	(31,588)	16,128
Cash generated from operations	153,857	145,907
Interest paid	(25,719)	(24,354)
Net overdue interest income	527	1,119
Net income tax paid	(7,852)	(20,077)
Net cash generated from operating activities	120,813	102,595
<u>Investing Activities</u>		
Additional investment in joint venture	-	(135,802)
Additions to mining exploration and evaluation assets	-	(648)
Finance income:		
Other investments	44	289
Deposits with licensed banks	2,179	1,956
Dividend income	33	84
(Increase) / Decrease in other investments	(20,398)	9,209
Net cash inflow on acquisition of subsidiary	39	-
Proceeds from disposal of property, plant and equipment	1,140	10,318
Proceeds from disposal of investment in JV	-	135,711
Purchase of property, plant and equipment	(16,391)	(11,119)
Net cash (used in) / generated from investing activities	(33,354)	9,998
<u>Financing Activities</u>		
Dividends paid	(6,694)	(6,694)
Payment of lease liabilities	(201)	-
(Repayment) / Drawdown of borrowings	(114,998)	17,379
Proceed from Issuance of RCUIDS	-	(4,572)
Net cash (used in) / generated from financing activities	(121,893)	6,113
Net (Decrease)/Increase in Cash and Cash Equivalents	(34,434)	118,706
Effect of exchange rate changes	678	580
Cash and Cash Equivalents at beginning of period	178,921	59,635
Cash and Cash Equivalents at end of period	145,165	178,921

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2019 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
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Condensed Consolidated Statements of Changes in Equity for the period ended 31 July 2020

	←----- Attributable to equity holders of the parent -----→										Total Equity RM'000
	←----- Non-distributable -----→					←-Distributable->					
	Share Capital RM'000	Treasury Shares RM'000	Warrant Reserves RM'000	Translation Reserves RM'000	Share Option Reserves RM'000	Fair Value Reserves RM'000	RCUIDS Reserves RM'000	Retained Earnings RM'000	Total RM'000	Non- controlling Interests RM'000	
As at end of current quarter ended 31 July 2020											
Opening balance as at 1 August 2019	672,099	(7,499)	30,341	(142)	5,663	(1,516)	33,883	130,210	863,039	(1,247)	861,792
Total comprehensive loss	-	-	-	(160)	-	(365)	-	4,287	3,762	314	4,076
Transactions with owners											
Issuance of ordinary shares pursuant to:-											
- Conversion of RCUIDS	8,067	-	-	-	-	-	(8,067)	-	-	-	-
Minority Interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-	42	42
RCUIDS DTA adjustments	-	-	-	-	-	-	1,936	-	1,936	-	1,936
Final dividend for the financial year ended 31 July 2019 (Single tier of 0.5 sen)	-	-	-	-	-	-	-	(6,694)	(6,694)	-	(6,694)
Transactions with owners	8,067	-	-	-	-	-	(6,131)	(6,694)	(4,758)	42	(4,716)
Closing balance as at 31 July 2020	680,166	(7,499)	30,341	(302)	5,663	(1,881)	27,752	127,803	862,043	(891)	861,152
As at preceding year corresponding quarter ended 31 July 2019											
Opening balance as at 1 August 2018	668,527	(7,499)	30,341	(206)	5,347	(1,244)	30,796	111,172	837,234	(761)	836,473
Total comprehensive income	-	-	-	64	-	(272)	-	25,303	25,095	(486)	24,609
Transactions with owners											
Issuance of ordinary shares pursuant to:-											
- Conversion of RCUIDS	3,572	-	-	-	-	-	(3,572)	-	-	-	-
ESOS fair value adjustments	-	-	-	-	316	-	-	429	745	-	745
RCUIDS DTA adjustments	-	-	-	-	-	-	6,659	-	6,659	-	6,659
Final dividend for the financial year ended 31 July 2018 (Single tier of 0.5 sen)	-	-	-	-	-	-	-	(6,694)	(6,694)	-	(6,694)
Transactions with owners	3,572	-	-	-	316	-	3,087	(6,265)	710	-	710
Closing balance as at 31 July 2019	672,099	(7,499)	30,341	(142)	5,663	(1,516)	33,883	130,210	863,039	(1,247)	861,792

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2019 and the accompanying explanatory notes attached to the interim financial statements.

Notes to the Quarterly Report – 31 July 2020

PART A : EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

1. Basis of preparation

These interim financial statements are unaudited and have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 July 2019. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2019.

2. Significant Accounting Policies

This interim financial report has been prepared based on accounting policies and methods of computation which are consistent with those adopted in the annual audited financial statements for the year ended 31 July 2019.

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*

MFRS, interpretation and amendment effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases – COVID – 19 – Related Rent Concessions*

2. Significant Accounting Policies (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018–2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

MFRS, interpretation and amendment effective for annual periods beginning or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture*

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company.

3. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2019.

4. Seasonal or cyclical factors

The Group's business operations are not materially affected by any major seasonal factors except during Hari Raya and Chinese New Year festive seasons where business activities generally slow down.

5. Material unusual items

There were no items of an unusual nature or amount affecting assets, liabilities, equity, net income or cash flows during the quarter.

6. Material changes in estimates

There were no material changes in estimates of amount reported in prior interim period that have material impact in the current quarter under review.

7. Issuances, cancellation, repurchase, resale and repayment of debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review except the following:

- a) As at quarter ended 31 January 2020, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

A single tier final dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 July 2019 was approved by the shareholders at the 23rd Annual General Meeting of the Company held on 17 December 2019. A total amount of RM6,693,533.79 was paid on 23 January 2020 to depositors registered in the Record of Depositors at the close of business on 2 January 2020.

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9. Segment information

The Group's activities are identified into the following business segments:

	← 12 months ended 31 July 2020 →						
	Trading	Manufac- turing	Property and Investment	Transport- ation	Mining explor- ation	Elimina- tion	Group
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
SALES							
- External sales	595,120	334,592	-	9	3,152	-	932,873
- Intersegment sales	-	23,190	24,023	1,967	-	(49,180)	-
Total sales	<u>595,120</u>	<u>357,782</u>	<u>24,023</u>	<u>1,976</u>	<u>3,152</u>	<u>(49,180)</u>	<u>932,873</u>
RESULTS							
Finance income	838	1,361	5	19	-	-	2,223
Finance costs	10,974	8,279	1,687	-	-	-	20,940
Depreciation & amortisation	812	9,987	1,848	422	1,078	-	14,147
Share of profit of joint venture	-	-	-	-	-	-	3,838
Segment (loss)/profit	<u>(10,341)</u>	<u>16,968</u>	<u>(3,207)</u>	<u>(61)</u>	<u>1,492</u>	<u>3,838</u>	<u>8,689</u>

10. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendments from the previous annual report.

11. Significant events

All the Group's business activities namely manufacturing, trading and transportation segments shut down on 18 March 2020 with the imposition of the Movement Control Order ("MCO"), and resumed operations on 4 May 2020 by observing stringent SOP under the Conditional MCO. During the MCO period, the Group registered sales volume of close to nil.

12. Changes in the composition of the Group

There were no significant changes in the composition of the Group as at the date of this report, except for the following:

On 2 March 2020, the Group's wholly-owned subsidiary, Huatraco Scaffold Sdn. Bhd., had incorporated a 100% equity interest owned subsidiary, Huatraco Scaffold (Sabah) Sdn. Bhd.. The objective of this new company is part of the Group's expansion into East Malaysia for the manufacturing, selling, renting scaffold equipment and a range of steel products.

12. Changes in the composition of the Group (cont'd)

On 1 September 2020, the Group's wholly-owned subsidiary, Alpine Pipe Manufacturing Sdn. Bhd. and Jetama Sdn. Bhd. had incorporated Jetama Alpine Pipe (Sabah) Sdn. Bhd. by holding 49% and 51% of equity interest respectively. The objective of this new company is part of the Group's expansion into East Malaysia to trade in and supply of steel pipes, hollow sections and related products.

13. Changes in contingent liabilities and assets

The contingent liabilities as at 31 July 2020 are as follow:

	Group	
	31.07.2020 RM'000	31.07.2019 RM'000
Unsecured Contingent Liabilities :-		
In respect of indemnity provided for bank guarantees issued	6,825	6,525
Total	6,825	6,525

14. Capital commitments

The Group has no significant capital commitment as at 31 July 2020.

15. Related party transactions

Related party transactions for the quarter under review in which certain Directors have direct/indirect interest are as follows:

	Group	
	Current year quarter 31.07.2020 RM'000	Current year-to date 31.07.2020 RM'000
	Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd.	32,448

These transactions have been entered into in the normal course of business and at arm's length basis and on terms no more favourable to the related party than those generally available to the public and are not detrimental to minority shareholders.

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

16. Review of performance

Table 1: Financial review for current quarter and financial year to date for the quarter ended 31 July 2020.

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%	Current Year To-date	Preceding Year Corresponding Period	Amount	%
	31/07/2020	31/07/2019			31/07/2020	31/07/2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	210,215	309,875	(99,660)	-32%	932,873	1,186,607	(253,734)	-21%
Gross Profit	10,219	29,304	(19,085)	-65%	55,550	105,219	(49,669)	-47%
Profit from Operations	6,731	23,776	(17,045)	-72%	25,791	77,927	(52,136)	-67%
Profit Before Tax	12,312	35,692	(23,380)	-66%	8,689	39,149	(30,460)	-78%
Profit for the Period	10,364	29,934	(19,570)	-65%	4,601	24,817	(20,216)	-81%
Profit Attributable to:								
Owners of the parent	10,292	29,564	(19,272)	-65%	4,287	25,303	(21,016)	-83%
Non-Controlling Interests	72	370	(298)	-81%	314	(486)	800	165%
	10,364	29,934	(19,570)	-65%	4,601	24,817	(20,216)	-81%

For the current quarter under review, Group revenue decreased by 32% to RM210.21 million over the preceding year corresponding quarter revenue of RM309.88 million due to lower sales volume attributable to the Movement Control Order (MCO) imposed by Government on 18 March 2020. The Group resumed operation on 4 May 2020 under the Conditional MCO with MITI approval. However, Government has extended the Recovery MCO until 31 December 2020 in order to further contain the spread of COVID-19 viruses, this will definitely impact the pace of economy recovery.

The Trading division reported 21% decrease in revenue to RM144.26 million as compared to RM183.37 million in the preceding year corresponding quarter, whilst the Manufacturing division recorded 51% decrease in revenue to RM65.30 million as compared to the preceding year corresponding quarter revenue of RM134.05 million.

The Group registered a Profit from Operations of RM6.73 million for the current quarter as compared to Profit from Operations of RM23.78 million in the preceding year corresponding quarter attributable to lower sales volume for the quarter under review.

For the quarter under review, the Group recorded a Profit before Tax of RM12.31 million as compared to Profit before Tax of RM35.69 million in the preceding year corresponding quarter. This significant negative variation was due to lower profit achieved by the Group principally attributable to the MCO, and the JV entity registering a lower profit for the quarter under review of RM10.20 million as compared to a profit of RM18.08 million in the preceding year corresponding quarter. The performance of the JV entity in the current quarter included another impairment write-back of RM50.00 million for FY2020 to reflect the continued improvements of its operations.

17. Comparison with immediate preceding quarter's results

Table 2: Financial review for current quarter compared with immediate preceding quarter

	Individual Quarter		Changes	
	Current Year Quarter 31/07/2020	Immediate Preceding Quarter 30/04/2020	Amount	%
	RM'000	RM'000	RM'000	%
Revenue	210,215	164,590	45,625	28%
Gross Profit	10,219	12,013	(1,794)	-15%
Profit from Operations	6,731	4,517	2,214	49%
Profit Before Tax	12,312	5,226	7,086	136%
Profit for the Period	10,364	5,001	5,363	107%
Profit Attributable to:				
Owners of the parent	10,292	4,918	5,374	109%
Non-Controlling Interests	72	83	(11)	-13%
	10,364	5,001	5,363	107%

For the current quarter under review, Group revenue increased by 28% to RM210.22 million from RM164.59 million in the immediate preceding quarter due to higher sales volume as the Group resumed operation on 4 May 2020 under the Conditional MCO with MITI approval.

Profit from Operations in the current quarter increased by 49% to RM6.73 million as compared to RM4.52 million in the immediate preceding quarter attributed by the improved margin.

The Group registered a Profit before Tax of RM12.31 million in Q4 FY2020 as compared to Profit before Tax of RM5.23 million in Q3 FY2020 due to the higher share of profit of JV entity of RM10.20 million in the quarter under review as compared to share of profit RM4.85 million in the immediate preceding quarter. The performance of the JV entity in the current quarter included another impairment write-back of RM50.00 million for FY2020.

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18. Prospects

The COVID-19 pandemic and the ensuing unprecedented containment measures have brought about significant changes to the way the economy operates. The COVID-19 crisis, with its disastrous consequences for public health, also represents an enormous crisis for the world economy that attributable to global economic contraction in 2Q 2020.

The Malaysian economy was confronted by concurrent supply and demand shocks arising from weak external demand circumstances and strict containment measures in 2Q 2020. As a result, the economy registered its first contraction since the Global Financial Crisis (2Q 2020: -17.1%; 3Q 2009: -1.1%). On the supply side, this was reflected in negative growth across most sectors. From the expenditure side, domestic demand declined, while exports of goods and services registered a sharper contraction. On a quarter-on-quarter seasonally-adjusted basis, the economy declined by 16.5% (1Q 2020: -2.0%).

The manufacturing sector contracted by 18.3% (1Q 2020: 1.5%), largely due to the imposition of MCO restrictions and the extension of MCO from end-March throughout April and continued by Conditional MCO/ Recovery MCO curtailed production activities across all industries including steel.

Despite the partial reopening of the economy on 4 May, most construction sites faced challenges restarting due to adjustments required to comply with the strict COVID-19 Standard Operating Procedures (SOPs). Most of the construction sites were reported to remain idle as developers faced challenges to restart, including financial constraints, deteriorated balance sheets, initial lack of clarity over the SOPs and COVID-19 testing, and disruptions in the supply of construction materials. Social distancing measures seem to be more challenging to put in place, hindering post lockdown resumption of work.

The decline in the construction activities has significantly impacted the steel demand in Malaysia in 2020. It is forecasted that the apparent steel consumption (ASC) in Malaysia will register a decline of -8.1% to 8.7 million MT in 2020 (2019: 9.47 million MT).

However, the recovery of steel demand will be more visible in the second half of 2020 supported by stimulus measures, policy rate cuts and continued progress in public projects. The revival of the construction activities, especially infrastructure investment, as the government has put forward several new infrastructure initiatives and the continuation of large scale infrastructure projects such as East Coast Rail Link (ECRL) and Bandar Malaysia projects by the Government will provide lift to growth for the steel industry moving forward.

The Group's strategy is to remain focus, and contain costs to ensure sustainability profit and growth while observing the stringent COVID-19 SOPs imposed by MOH. We are confident that with our strong balance sheet and cash flow position will weather us through this difficult conditions and to be able to take advantage of any opportunities that may arise when the economy recovers.

19. Variance of actual and forecast profit

Not applicable.

20. Tax

	Group	
	Current year quarter 31.07.2020	Current year-to- date 31.07.2020
	RM'000	RM'000
	Income tax	1,495
Deferred tax	453	418
	1,948	4,088

The Group's effective tax rate was higher than the statutory income tax rate of 24% mainly due to Trading division reported loss before tax which resulted in lower profit before tax at Group level. The Group's effective tax rate was approximate the statutory income tax rate should the calculation exclude the loss before tax reported by Trading division.

21. Status of corporate proposal

There was no corporate proposal as at the date of this announcement.

22. Loans and borrowings

The Group's borrowings as at 31 July 2020 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured:</u>			
Bankers' Acceptances	-	465,098	465,098
Revolving credit	-	30,000	30,000
<u>Unsecured:</u>			
RCUIDS	11,163	-	11,163
	11,163	495,098	506,261

Bankers' Acceptances and revolving credit are secured by corporate guarantees of the Company.

As at 31 July 2020, the Company has extended corporate guarantees amounting to RM495.10 million to financial institutions for banking facilities granted to certain subsidiaries. The financial impact of the guarantees is not material as the subsidiaries concerned are in positive financial standings to meet their obligations as and when they fall due.

22. Loans and borrowings (cont'd)

The redeemable convertible unsecured Islamic debt securities (“RCUIDS”) are constituted by a Trust Deed entered into between the Company and the trustee on 10 May 2016.

23. Material litigation

There is no material litigation for the quarter under review.

24. Dividend

The Board of Directors is pleased to propose a Single Tier Final Dividend of 0.3 sen per share for the financial year ended 31 July 2020, subject to shareholders’ approval at the forthcoming Annual General Meeting.

25. Earnings per share (“EPS”)

a) Basic EPS

The basic earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares in issue.

	Current Year Quarter 31.07.2020	Current Year to-date 31.07.2020
Profit attributable to owners of the parent (RM'000)	10,292	4,287
Weighted average number of ordinary shares in issue ('000)	1,346,189	1,346,189
Basic earnings per share (sen)	0.76	0.32

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25. Earnings per share (“EPS”) (cont’d)

b) Diluted EPS

The diluted earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares that would have been in issue upon full exercise of the remaining options under ESOS, warrants and redeemable convertible secured bonds, adjusted for the number of such ordinary shares that would have been issued at fair value.

	Current Year Quarter 31.07.2020	Current Year- to-date 31.07.2020
Profit attributable to owners of the parent (basis) (RM'000)	10,292	4,287
Interest expense on RCUIDS, net of tax (RM'000)	519	885
Profit attributable to owners of the parent (diluted) (RM'000)	10,811	5,172
Weighted average number of ordinary shares in issue (basis) ('000)	1,346,189	1,346,189
Effect of conversion of RCUIDS	229,682	229,682
Weighted average number of ordinary shares in issue (diluted) ('000)	1,575,871	1,575,871
Diluted earnings per share (sen)	0.69	0.33

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26. Profit from operations

	Current Year Quarter 31.07.2020 RM'000	Current Year- to-date 31.07.2020 RM'000
<i>Profit for the period is arrived at after charging:</i>		
Depreciation of property, plant and equipment	3,515	13,746
Depreciation of investment properties	54	217
Finance costs	4,624	20,942
<i>and after crediting/(charging):</i>		
(Loss) / Gain on disposal of property, plant and equipment	(623)	35
Finance income:		
Other investments	30	44
Deposits with licensed banks	473	2,179
Net foreign exchange (loss) / gain		
Realised	(38)	590
Unrealised	64	487
Rental income	171	882

27. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 28 September 2020.

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